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Q3 FY16 Earnings Conference Call Transcript
February 01, 2016

Moderator Ladies and gentlemen good day and welcome to the IDFC Limited Q3 FY16 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bimal Giri.

Bimal Giri I welcome you to this conference call organized to discuss our financial results for Q3 Fiscal 2016. I have with me Vikram Limaye, Bipin Gemani and Sunil Kakar who is a special invitee representing IDFC Bank.

Before we begin, I would like to state that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance have been emailed to all of you. These documents have also been posted on our corporate website. I now invite Bipin to provide key highlights of our performance for Q3 Fiscal 2016.

Bipin Gemani I will briefly take all of you through our progress in respect of IDFC consolidated financials, mutual fund, IDF Alternatives and IDFC Securities.

Post demerger of financing undertaking in IDFC Bank, IDFC owns 53% in IDFC Bank. The consolidated net profit of IDFC for Q3 was Rs. 176 crore. These factors with 53% profit of IDFC Bank, a contribution of Rs. 128 crore to the consolidated profits for the quarter. IDFC consolidated net worth is about Rs. 10,000 crore.

Our Mutual Fund business has been doing well, both in terms of AUMs and profitability. Our equity AUMs are now over 25%, over the coming quarters there will be additional focus on growing this.

Our debt funds have always focused on quality and safety over many years and we have avoided investing in potentially risky corporate paper. Our pre-bonus PBT for this business for the quarter was Rs. 48 crore. The IDF gained momentum post the RBI expanding the definition of eligible business. Our IDF which is under the NBFC construct has now 17 assets aggregating to Rs. 735 crore. This is a growth business of ours and we are confident that over the next couple of years it will gain significant momentum. This momentum could further accelerate once the private investment climate in the country improves. This business is shaping up profitaby. Our pre-bonus PBT for this business for the quarter was Rs. 11 crore.

As you are aware in the alternative space we manage approximately Rs. 16,000 crore of AUM in 7 funds across 3 asset classes, Infrastructure, Private Equity and Real Estate. We are in conversation with investors domestically and internationally to raise new funds in private equity and real estate. The fund raising environment from international investors is difficult and over the coming few quarters we will update on the progress in this regard. Our pre-bonus PBT for this business for the quarter was approximately Rs. 17 crore.

In our Security business over the last few quarters we have been focusing on strengthening our institutional sales and research to service our FII anddomestic institutional investors. These efforts are shaping up well and we have increased market share and got recognition for our research capabilities from Institutional Investor, Asia Money and StarMine. We have executed several IPOs and QIPs during the year and the pipeline of capital market deals is strong. Our pre-bonus PBT for this business for the quarter was Rs. 5 crore.

I am sure most of you would have logged into IDFC Bank conference call, but to reiterate across business IDFC Bank is gaining traction. It has a very strong capital base and its asset quality is stable with adequate provisions to ring-fenced their legacy stressed asset portfolio. Now we open the floor to Q&A.

Moderator Ladies & gentlemen we will now begin the question and answer session. We have first question from the line of Pavan Ahluwalia from Laburnum Capital.

Pavan Ahluwalia I have two questions. My first question is at this point Limited is really something of a holdco, I mean a big portion of value comes from the IDFC Bank stake and then we obviously directly control, we do not really control IDFC Bank although we are an influential shareholder but we have a couple of other standalone businesses. The standard question for any conglomerate would be how are you thinking about capital allocation? If I look at the businesses in the portfolio that will be generating capital versus consuming capital, how do you look at that? And where do you see capital being allocated, which businesses do you see throwing off capital and then you let all that off, do you have a philosophy of how much dividend you would like to pay or is the idea to keep it sort of within the company? The second question is if we look at our businesses aside from the bank whether it is private equity, mutual funds or investment banking, at least mutual funds and investment banking have become quite commoditized in India in the last 4-5 years. Are we basically taking an approach that says when capital market recovers or fund-of-fund allocation in India increase, these businesses will do well because they have been around, they have something of a franchise and we will ride up with everybody else or is there anything that is being differentiated by way of distribution strategy or products that other people are not creating that should let us grow regardless of what happens to investor sentiments regarding India. So those are my two questions.

Vikram Limaye To answer the first question in terms of capital allocation, as you know when we demerged IDFC Bank from IDFC Limited there was a comprehensive analysis of what the capital requirements of the various businesses are. The two businesses that require ongoing capital would certainly be IDFC Bank and IDF NBFC. These are basically financial services lending related businesses that over time with growth will continue to need capital. IDFC Bank as you know is very well-capitalized. It has 20% capital adequacy. So we do not foresee any near term capital needs in that business.

The IDF NBFCs and Infra Debt NBFC which again has a very strong growth potential, today it has approximately Rs. 500 crore of Tier-I capital and the asset base, we crossed Rs. 1,000 crore in January but it is a AAA rated entity and therefore familiar which perspective we expect this entity to be able to lever up 7-8 times. And therefore you have enough growth potential in this business for some time to come before this entity will require capital.

The only other business that requires commitments from a capital perspective is our alternatives business which was articulated in the opening remarks is in the process of raising private equity and real estate funds. IDFC's capital commitment to those fundraisings was already provided for at the time of the demerger and so the immediate fundraising requirements for alternatives is already been taken care off.

On a going forward basis, I mean obviously mutual funds and institutional equity is capital light, they do not consume any capital at all because they are third party fund management businesses or institutional broking business. Going forward as I said IDFC Bank as a standalone listed entity, will raise capital as and when it requires to raise capital. As far as the Infra Debt NBFC is concerned by regulation we have to reduce our ownership in that business to 49%. We have been given 2 years to do that. I do expect that with growth in that business and the requirement of capital as well as the regulatory requirement, there will be some capital raising that gets done over time in order to bring down our shareholding as well as to provide capital for growth. That by the way we believe is a very strong opportunity for growth and on a risk adjusted basis a business that would provide very attractive ROEs. It is a tax exempt entity as you know and from an ROE perspective currently we believe this could be a 15 to 17% ROE business. And when you look at the kind of assets that it finances which is all operating infrastructure assets which by definition is much lower risk, that is a pretty good ROE. So we expect that business to scale up quite well over time. And therefore the capital allocation decision is actually quite straightforward. As I said we will continue to fund IDF NBFC. The commitments that are required for the foreseeable future for our alternative funds have already been provided for and IDFC Bank is able to provide for its capital needs on a standalone basis. That is broadly what the capital requirements for the different businesses are.

Pavan Ahluwalia But at least that you should net be throwing off cash, right, because the other businesses will throw off cash. These two, in any case you are not going to be putting capital in and the private equity stuff is provided for. So should we be expecting dividend payouts from the rest of the cash or the profit of mutual funds, investment banking, etc.

Vikram Limaye I think the point is the following – If you look at the shareholder value creation at the IDFC level there are actually two or three areas that we are focused on. One is obviously scaling up all the existing businesses we have and whether it is the bank, IDF, asset management alternatives equity – all of these businesses I believe have very strong growth prospects and I do believe over time will continue to grow well. They are all profitable businesses and all have a franchise in their respective areas. The second aspect of growth and shareholder value creation for IDFC shareholders would surround looking at what are new opportunities for growth and are there any attractive white spaces currently within the financial services landscape that would be worth focusing on. That is an exercise that is at a very preliminary stage so I cannot articulate any more detail surrounding that. Suffice to say that if we do identify any attractive areas, those areas, to the extent that they are capital consuming areas, would require an allocation of capital from the capital that we have available at IDFC and internal cash generation. The third area that we are evaluating is to try to figure out from a shareholder value creation, from a structure perspective, are there ways in which we can try and reduce the leakage or potential leakage because of the structure that we have today relative to what we can do from a structure standpoint that could try and reduce that leakage. Now that again is at a very preliminary stage because that involves an assessment of not only regulatory tax issues but also what would be feasible from an RBI perspective etc. Those are the three dimensions along which we are looking at how we could create a value for IDFC shareholders long-term. As far as the dividend policy is concerned that would obviously be a function of what I have just articulated in terms of capital required for growth and existing businesses and therefore what is available for distribution. There is no reason for us to leave cash that has no use, whether for existing businesses or for growth businesses or for new businesses and that will obviously get distributed to IDFC shareholders. However, at this point in time I cannot obviously exactly what dividend distribution for IDFC is going to be. That is a board decision and will be taken at the appropriate time.

Pavan Ahluwalia The second question was if I look at the other businesses, whether it is mutual funds or investment banking and to an extent PE, although it is probably less so that. These are businesses that 10 years ago were able to earn in non-commodity kind of returns, in the last 10 years these businesses have become very strongly commoditized. People are slashing fees, there are lot of players in there, lot of entrants, lot of people with franchises. So are we basically realistically speaking as shareholders should we be expecting this to do well when market upturn or do we have a strategy for growth or differentiation that regardless of what happens in the market we should be able to grow and flow into the profit pie.

Vikram Limaye As a general comment I would say that financial services businesses in general is a commodity business. So my point is that within that context all our businesses have very strong franchises. We have focused on doing these businesses a bit differently than what the general market tends to do. So if I were to articulate for instance our asset management business, yes, you can argue that there are 30 AMCs in the business or whatever they are but if you look at our profitability, if you look at how we picked the business over time it is very different from the way others have picked this business. And that has reflected in the profitability of the business relative to the AUM that we have. As I said the opportunities in this business are enormous given the penetration levels which are low. The fact that our international business has barely scratched the surface, the fact that we actually have very good fund performance and quality of people and we are able to differentiate along those fronts. The other thing you should remember is that these are all high ROE businesses as they are capital light and so from an IDFC shareholder's standpoint as these businesses grow from an ROE perspective these are attractive businesses to be in. I would say that we have very good franchise positions in each of these businesses. In the alternatives business I can tell you for the capital that IDFC has committed to the alternatives business so far, the return has been approximately 30%. There is no reason that we would not grow this business. We have a very strong franchise in this business from an institutional perspective and in terms of track record of our funds. And we do believe that this business can also scale up quite well in the long term. Likewise, the institutional equities business, we are doing exceedingly well in capital market transactions and in terms of our research franchise which has got several awards for the quality of our research and institutional capability. So my view is that these are all businesses that over time will be – our growth businesses will scale up in terms of achieving full potential and actually have a long way to go in achieving full potential. So these are businesses that we would continue to focus on from a growth standpoint and as I said given the kind of returns that they have produced so far, they would be good businesses from an IDFC shareholder's standpoint to be in.

Moderator We have the next question from the line of Romil Singhla form Varp Capital.

Romil Singhla My question is related to the holding company and discount which is now what is built into the IDFC Limited's stock price and it what's started initially has already high 30-35% discount that has basically brought into 65%. So from an IDFC

Limited shareholder's perspective this leakage in the structure with very high discount is going to be very high. Right?

Vikram Limaye As I said one of the things that we are evaluating is to try and see from a structural perspective if there is something we can do in order to make sure that if whatever discount that the holding company is getting is because of structural reasons we can tryand simplify the structure in some way so that any kind of leakage on account of the structure gets minimized. Obviously I will hasten to add that it is very hard to tell exactly what is going on with the stock price that is not really something for us that we can control. We are controlling, we are obviously focused on delivering on underlying growth and profitability. We did expect that the structure would result in some sort of holding company discount that normally accrues to any kind of investment company or holding company. But at the end of the day I think the expectations from a valuation standpoint of underlying businesses is something that investors will have to take and obviously underlying businesses will continue to perform as I said. And hopefully some of that discount would also get corrected over time not only based on the valuation of underlying businesses but also if we are able to sort out some of the structural infirmities.

Romil Singhla Actually from a holding company's discount perspective ideally IDFC Limited should get minimum holding company discount because we do not have a promiminant promoter shareholder which is normally present in the other holding companies, right? It is largely our minority shareholders. So there is no possible reluctance from it, its dominant promoter shareholder to unlock the value, right, because the concern becomes that it is entirely in the hands of what the thought processes of the promoter is. So ideally we should have got the minimum holding company discount as compared to all the other holding companies. So what is leading to concern is that we would think that, currently due to regulatory requirement we have a 2-tier holding company structure, right? We have an intermediate NOHFC and then below that we have three different sorts of businesses. One is the asset management and advisory businesses, which are the IDFC Securities, IDFC AMC and IDFC other businesses. Second portion is the brand and third is the new businesses which we are going to fund IDF NBFC etc. right. And let me come to all the pieces one by one. One is that the portion of the businesses are already taken care of from the capital standpoint such as like IDFC Securities, IDFC AMC and IDFC So can we do the direct distribution of these general exposures to shareholders of the IDFC Limited to eliminate the holding company discount on these businesses altogether?

Vikram Limaye As I have said before, first I would agree with your comment about the fact that the IDFC should potentially be trading at narrower holding company discount than what is currently factored into the price. That is again as I said that is not something that management can control or do anything about. But your second point in terms of whether it is direct ownership or whatever it is in surrounding the structure I have already made the point that we are in the process of evaluating what we can do from a structure perspective in order to make sure that there is more value creation for IDFC shareholders. I am not able to articulate any details surrounding that at this point in time because it is at a preliminary stage of evaluation. It will require to be evaluated from a regulatory tax perspective as well as from an RBI perspective based on the guidelines that they had articulated when they gave the new bank licenses. So you will have to bear with us to allow us some more time to evaluate what is feasible and once we have an evaluation of whether or not there is something that we can do we will obviously articulate that.

Moderator Next question is from the line of Amit Goela from Rare Enterprises.

Amit Goela Going back to the same question in terms of the holding company discount, you articulated your views nicely and I appreciate the fact that you are concerned about it but sir is there any timeline you are working with which we can have in our minds like by sometime in the next 3 to 6 months you will have some clarity on this?

Vikram Limaye Yes, within that timeframe that you articulated we should have some clarity because we are working on it as we speak but like I said the point is that this requires conversations at different levels. One is just an evaluation of the structure and what is feasible and not. Then there are conversations to be had with the regulators in terms of if we believe that there is an alternate structure that works that it would be something that would be acceptable to the regulators. So those are the conversations that we will need to have before we can articulate whether or not there is something from a structural perspective that would be better for IDFC shareholder value creation.

Amit Goela In IDF what size of balance sheet you are looking at may be in 3 to 5 years?

Vikram Limaye It is a long-term forecast that you are asking me for. It is anyone's guess. The way I would answer that question is that this entity can basically finance all operating infrastructure assets in the country. Now that is obviously a very large volume of assets. It is also a tax exempt entity and therefore the rate that it can offer the borrowers is marginally better than what other entities can offer. It will work very closely with IDFC Bank as well in refinancing assets because from a size and scale perspective the combined entities can obviously refinance a much larger volume of assets than what IDFC can do or IDF NBFC can do on a standalone basis because the size of capital that IDF NBFC would have would then determine the single company and group exposure limits that the entity can take. But in partnership with the bank obviously a much larger volume of assets can be available to participate in from a refinancing perspective. So we have only just started and we have already crossed Rs. 1,000 crore in assets. As I said based on the capital that business has it can scale up to Rs. 3,500-4,000 crore with a 7-8 times leverage because it is AAA entity. But I do believe that over the next 3 to 5 years the growth opportunity in this business is very large. I do not want to throw out a number because it does not matter what we achieve in 5 years, my hope is that it will be a very sizeable material entity, in terms of not only assets but also contribution to profitability. The reality is that some point in time that entity will also have to list because it is in a financial services business and as you know that will require capital on an ongoing basis so at an appropriate time when it has achieved a certain size, scale and profitability that is another entity that from a sustainability perspective in terms of capital requirement could be a listed entity.

Moderator Next question is from the line of Alpesh Mehta from Motilal Oswal Securities.

Alpesh Mehta I have 2-3 questions, one is what would be the business wise net worth as of 1st of October IDF, AMC business and all the rest of the businesses? Just if I want the allocation of that Rs. 100 billion what would be the allocation into various businesses? The bank would be around Rs. 72 billion roughly.

Vikram Limaye Like I said today the IDF NBFC has approximately Rs, 500 crore of capital, the IDFC Mutual Fund business is about Rs. 200 crore of net worth. Our broking business again has approximately Rs. 200 crore of net worth and our alternatives business has again about Rs. 200 crore of net worth and good will. So broadly that is the net worth in each of the businesses.

The Bank has as you know about Rs. 13,500 crore of capital. Yes, so 53% of that would get consolidated. There is an element of goodwill because some of these businesses have been acquired over the last few years. But you can talk to Bimal offline if you want exact numbers I have given you the broad numbers for each of these businesses in terms of net worth.

Alpesh Mehta And secondly on the AMC business this quarter we have seen very strong profits of around Rs. 32 crore wherein the last full year I guess the total profits were around Rs. 20 crore. Is there any element of one-off in FY15?

Vikram Limaye Obviously this business has grown in terms of profitability, so you would expect to see higher profits in this business relative to last year. What I can tell you is that from a PBT perspective even from a 9-month standpoint there has been almost a 42% increase in profitability and that has largely to do with growth in AUM and it also has to do with doing it in a disciplined way in terms of focusing on profitable growth so the costs have also been under control and as you know this business has a lot of operating leverage. So to the extent that you grow AUM and you maintain your margins a lot of it drops to the bottom line. So this is again as I articulated earlier to the previous question that was asked, this is a profitable business for us. Our size in terms of AUM and wherever it is in terms of ranking is not a reflection of how we are running this business and how we are building this business and that is reflected in the profitability of this business.

Alpesh Mehta Can I get the 9-months PBT number if it is possible for AMC business?

Vikram Limaye It is about Rs. 138 crore pre-bonus PBT.

Alpesh Mehta And lastly, about you have already touched upon this topic about you being in touch with the regulators about the various options, by any chance can you just spell out something related to whether the existing shareholders of IDFC Limited can get some shares of IDFC Bank, or something like that?

Vikram Limaye I cannot articulate any details as of now, now have I had any detailed conversations with regulator. We are first trying to figure it out internally. Once we have some conviction surrounding what structure would work including a structure that could be discussed with the regulator that is when we would approach the regulator.

Alpesh Mehta Okay, and the last final question is do we in terms of buying assets from IDFC Bank in terms of the operational assets, would it be the same kind of a transaction that you would be doing with any other NBFCs or a bank?

Vikram Limaye I do not think there was any discussion surrounding IDF NBFC buying assets from IDFC Bank. What I said was from a growth perspective to finance operating infrastructure assets in the landscape, IDF NBFC on a standalone basis can only do a certain ticket size because it is driven by single company and group exposure limits based on the capitalization of IDF NBFC. If you were to target the landscape in a coordinated way with IDFC Bank, because IDFC Bank would also be interested in financing operating infrastructure assets if they were quality assets that were interesting. On a combined basis the proposition to the borrower could be very different than if IDF went in on a standalone basis, was the point I was making. If there is any transaction that has to happen between IDF NBFC and Bank then obviously it would be on arm's length basis because they are both independent entities with independent directors and boards and governance.

Moderator Next question is from the line of Amish Kanani from JM Financial.

Amish Kanani I just had a question on the opportunities in the operating infra space that you were alluding to. With our expectation of ROE say in the band of anywhere between 15% to 17%, I was wondering whether we are starting to see interesting opportunities in the space. My question is recently the railway bullet train project that Japanese are funding, their cost of funding is so low that they are willing to fund at a very low cost. So the point was are we seeing enough of high ROE opportunities to fund in the infra space or we are too early? There are road projects hybrid and individual that we discussed about or with the solar the bidding is so low that people are wondering whether it is in the long term making sense. So as an investor and a funding agency what are our thoughts on this? I know that we have that tracked opportunity to invest the capital for the kind of ROE that we are expecting.

Vikram Limaye So first of all obviously the ROE that I articulated is something that we would build too. It is not available on our transaction by transaction basis. I am saying if you were to look into this business over a 3 to 5-year time period based on some steady state asset opportunities and the capitalization of this business it should be a +15% ROE business because it is also a tax exempt entity. Specifically, are there enough opportunities? The answer is yes because it may not be surrounding a bullet train or something but we will have to pick and choose and like I said given that the size of the opportunity landscape is so large it will not be hard to find profitable opportunities for growth. There are enough existing assets in renewables, transmission, roads, ports and the infrastructure landscape as defined by RBI also includes healthcare and many other areas SEZs, IT Parks, so that entire definition of infrastructure is available to the infra debt NBFC.

Amish Kanani In the world the zero interest rate scenario, I mean there are a lot of sovereign fund interested in funding our infra, so I get your point. One more question, I do not know whether I am early in asking this question, may be board will deliberate on this but between our dividend cash dividend versus buyback opportunity at IDFC level if it were to come is there any thought process of which will be preferred because given the double structure of our holding company may be the buyback as an investor it would be more interesting. But just an initial thought may be if you have any or may be -

Vikram Limaye Yes, my initial thought is that we are not averse to evaluating opportunities that are better from a shareholder perspective and instead of dividend if a share buyback is more tax efficient and more profitable we are not averse to doing that. It is just that obviously at this point in time I cannot tell you whether or not we will do it but yes, obviously there is no reason why we would not evaluate options that are better from a shareholder perspective.

Moderator We have next question from the line of Ishita Kankaria from New Berry Advisors.

Ishita Kankaria My question is around payment bank. Earlier this fiscal year when payment banks licenses were given out a group of Dilip Sanghvi and IDFC Limited received the license. So now that we have carved out the bank, so whenever this payment bank comes up is this going to be associated with IDFC Limited or IDFC Bank?

Vikram Limaye It would be an investment from IDFC Bank.

Ishita Kankaria Okay. And any color on when we can see the banks rolling out or something?

Vikram Limaye No those are conversations that are still in preliminary stages in terms of developing the business plan and how we would address the payment bank landscape. So those conversations are ongoing between three shareholders.

Moderator Next question is from the line of Sneha Ganatra from Shubkam Ventures.

Sneha Ganatra Just wanted to know your medium-term outlook for an return on assets you are planning to.

Vikram Limaye See at the IDFC level there is no return on asset concept, it is just a consolidation of profits of each of the subsidiaries. So we will have an ROA target for the bank. We will have an ROA for IDF NBFC. None of the other entities are in the lending or financing business to have any kind of ROA metrics against them. I have already articulated that the IDF NBFC ROE can be interesting over time to be a +15% ROE business. You would have probably logged into the bank results that were announced and the details surrounding that last week in terms of what the ROA for this quarter was. It was 1.2% for the bank and so there is no consolidated ROA at the IDFC entity level.

Moderator We have a follow-up question from the line of Pavan Ahluwalia from Laburnum Capital.

Pavan Ahluwalia Yes, I just wanted to go a little bit deeper on an issue Vikram that you touched on and you have replies to a couple of questions and that is the differentiated nature of the Mutual Fund business and also of the private equity business. Could we get a little more granular on specifically what it is that is still differentiated on both these counts? So if I said there are lot of big MNCs with good franchisees and good performance and star fund managers out there whether it is HDFC, whether it is ICICI whether it is Reliance, Black Rock Fidelity, all of those, forget about size, etc, in terms of just strategy, product positioning, etc., how you differentiated relative to them because to an outsider it just looks like everybody does the same thing. So it might be helpful if you could give us a slightly more granular view of how you are differentiated. And similarly on the private equity side everybody seems to be raising private equity money for infrastructure internationally. ICICI has a large and high profile effort. Piramal Group is now very active in that space and there are several others out there. So what is it in each of these areas that would lead someone to choose us over a peer as opposed to just viewing us as one of 10 or 20 names with the respected brand and capabilities that the other 10 or 20 have.

Vikram Limaye So obviously my opening remark would be that by no means are we saying that we would be the only entity that somebody would want to work with in any of these spaces. It is a large financial services landscape and there is enough room for several good quality entities to operate and be profitable. As far as our asset management business is concerned our philosophy in terms of how we think about building that business is a bit different from the way the industry operates. We are not focused on size for the sake of size. We do not want to indulge in buying AUMs and paying commissions that make no sense. We are also focused on making sure that the kind of products that we launch are ones that would generate long-term sustainable returns for shareholders and we have done all this analysis in terms of mapping when we have launched products and therefore what kind of returns they have produced for shareholders. We tend not to launch products when it is the flavor of the day, month, year and easy to gather AUM. But we are focused on launching products based on an internal view that over time would actually generate returns for shareholders. And that is been our philosophy surrounding fund launches. It is also equally true that if you look at the spaces we have picked or not picked, for instance we stayed away from the credit fund space completely, it was a conscious call that was taken a couple of years ago because we thought we were in the wrong part of the credit side, it would have been very easy for us to mobilize a lot of AUMs as was the case as you are aware in terms of the size of the credit funds that exist in the landscape. But as I said earlier our philosophy has not been about size, it has been about what is in the best interest of the investor and what is the methodology in which we can grow in a profitable way and not size for the sake of size. I think I would also tell you that from a growth perspective the international business right now is very small for us because Natixis came in as a partner only 3 years ago and till the new government came into power the sentiment surrounding India was also I would characterize as weak. In the last 12-18 months the sentiment did pick up but again now it has kind of waned a little bit given the environment internationally and the general reversal of flows from the emerging markets. And so we are not immune to what is going on internationally in terms of building the international business but that is obviously a large opportunity in terms of growth potential for us given that we are starting off from a very small base. I think there is opportunity for us from a product footprint standpoint in terms of which areas we can grow in so we do not necessarily have the entire product portfolio that we would like to have in the asset management business today. So that is one opportunity for growth. If you look at how we manage the debt funds by far we are in the top decile for the longest time in terms of our duration funds and how we manage our bond funds. That also is a function of how we think about credit risk, how we think about duration risk and liquidity risk in structuring our portfolios and therefore what type of product we launch at what point in time. So there is a long term philosophy surrounding how we are thinking about this business and there is a philosophy surrounding profitable growth not just AUM growth. The third thing I would say is that from a growth standpoint going forward there would also be synergies with the bank in terms of distribution. As you know till this point we were largely distributing our products through third party distributors including banks and that would obviously continue to be the case. And there are several quality distributors in banks that distribute our products. But as our own bank also builds size and scales, there would obviously be captive distribution that would be available for our Mutual Fund business as well. So there are various parameters surrounding which we do business a bit differently than what the landscape tends to do in the mutual fund space and that has really been reflected in the profitability of this business relative to size. And that if you were to benchmark versus competition is very different from what would be evident if you were to just look at the size of our business.

Moderator As there are no further questions from the participants I would now like to hand over floor to the management for their closing comments.

Vikram Limaye Thank you very much for joining us on this quarterly call. As I said this was the first quarter when IDFC and IDFC Bank reported results differently. If you have any further questions, please feel free to reach out to Bimal and our investment relations group and they can give you any more information that you might want on some of these businesses. Again thanks very much and look forward to talking to you all in the next quarter.

Moderator Ladies & gentlemen, on behalf of IDFC Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.