"Arman Financial Services Limited Q1 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Arman Financial Services Limited Q1 FY2019 Earnings Conference Call hosted by Antique Stock Broking. We have with us today the management of Arman Financial, represented by Mr. Aalok Patel – ED, and Mr. Vivek Modi, CFO. 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Digant Haria from Antique Stock Broking. Thank you and over to you Sir!

Digant Haria: Very good afternoon to all of you. Thanks for taking out time and joining this call. We have with us the management from Arman Financial, which is represented by Aalok, Vivek and Amit Bhai. Without wasting further time, I will hand over to Aalok Patel who is the ED. He will take us through the performance of the quarter and the key trends, which are visible on the ground and post that we can have a Q&A session. Over to you Aalok!

Aalok Patel: Thanks a lot Digant. Hi everyone. Hopefully I am audible to everybody on call. Thank you for joining us for the first quarter investor conference call for fiscal 2019. Jayendra Bhai usually does the opening remarks but he is unfortunately traveling today and will not be able to join; however, I am joined on the call by Vivek and Amit Bhai as Digant mentioned.

Firstly I would like to start off with a few announcements. Firstly we have issued the press release for the first quarter and hopefully everyone had a chance to review it, if not it is available on the company's website and on the stock exchanges as well.

We have also published the annual report for fiscal 2017-2018 last week. The electronic version is also available on our website, if somebody who prefer a paper copy please drop us a line on the company email and we would be happy to mail you one as well.

The AGM of the company is scheduled at noon on September 7, 2018 in Ahmadabad so we always love to interact with our shareholders during the AGM and we hope to see many of you there. On a sadder note, it would great regret that I announce the passing of our long serving Independent Chairman, Mr. Chinubhai R Shah. He passed away on June 6. Mr. Shah had resigned from the board a few days before his passing due to his deteriorating health and after 24 years of uninterrupted service, I am sure, he will be sorely missed by the entire Arman team.

We have definitely grateful for all the guidance he provided towards during his long tenure as the Chairman. The company and the board opted to appoint Mr. Alok Prasad who has kindly accepted the position of Nonexecutive Independent Chairman in place of Mr. Shah. Many of you that have followed the home finance industry for a while will be familiar with Mr. Prasad. He was the Founder, CEO of MFIN, which is the RBI license, SRO for MFIs, Self Regulatory Organization. He played a key role on the national level to steer the MFIs out of the AP crises and into the mainstream financial sector.

Apologies gentlemen I do not know what happened but I think the line has got crossed or something like that. Anyway so as we mentioned earlier our deal with SAIF partners for the infusion of equity concluded during the quarter in April. We thank all the shareholders for their support by voting unanimously in favor of the infusion. This infusion will bring much needed Tier I capital in the company and shall drive the AUM growth ahead. We have received a total of 50 Crores by the way of CCDs, which together with accrued interest shall be converted into ordinary equity shares after a period of 18 months, on a fully diluted basis this amounts to about 56.7 Crores. We are thankful to SAIF for their investment and their confidence in the business and we hope for a long and fruitful partnership ahead.

Shifting focus to the results, we are quite pleased with the performance in the past quarter. The total AUM of the company has grown from Rs.227 Crores on June 30, 2017 to almost 454 Crores as on June 30, 2018 that is the 2x or a 100% growth over a 12-month period. The growth compared to the prior quarter, which is Q4 FY2018 is 7.12% from 423 Crores on March 31, 2018 to 454 Crores on June 30, 2018.

Our biggest achievement in the past quarter was shifting to 100% cashless disbursement model for our microfinance division. We are pleased to report that as on the month of June 100% of all disbursements for all three of our divisions is cash less. This move will help us in gaining better control over cash and reduce the risk in our business. It will also help us in lowering our operating cost while this transaction initially impacted disbursements and AUM growth. There were teething issues with operations as well. We feel that this minor short-term pain is well the efforts for the long-term benefits of cashless disbursements. We are one of the few MFIs in India that have managed to shift to a 100% cashless disbursement model. Comparing the first quarter versus the same quarter the previous year that is Q-over-Q results the income from operations increased 109% from 14 Crores to 29 Crores. About 68% of that income was from the microfinance book, while 20% was from the two-wheeler operations and the balance 12% was from the new MSME segment.

Consolidated disbursements for the quarter were 155 Crores up from 99 Crores the same quarter of the previous year. Profit after tax increased 390% from 94 lakhs to 4.61 Crores. The profits in the first quarter the previous year were severely subdued due to the demonetization impact.

In the past 12 months, we have opened 28 new branches of which 23 were in microfinance and 5 were in MSME. We plan to open at least another 20 branches this year including 4 in Rajasthan for our microfinance operations. These new branches will initially increase our operating cost ratios but we will boost our future growth prospects.

Most of the other figures are included in the press release so I think it is prudent to move on to the question-and-answer session.

As always ladies and gentlemen we are thankful for the whole Arman team for their hard work. Fiscal 2018-2019 so far looks bright as we head into the holiday season and we hope for a great year ahead. Thank you once again for all your support and I would like to open the call for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Sandeep Agarwal from Naredi Investments. Please go ahead.

Sandeep Agarwal: Sir my first question is regarding some borrowings. Sir bifurcation of borrowing as on June 31, 2018 and carrying interest rate?

Aalok Patel: Our borrowings is about 375 Crores on a consolidated basis, weighted average interest rate would be somewhere around 14% all-in,..all-inclusive including processing fees and everything and yes that is about it.

Sandeep Agarwal: Sir any reason for this higher rate of interest?

Aalok Patel: Couple of things. First of all the larger most of the borrowing is towards the microfinance segment, it is then considered as unsecured, that normally does come up at a higher interest rate. The second part of the thing is when we say the borrowing cost we are not simply talking about interest, so the weighted average interest might only be about 12.5% but when you add on the sort of hidden cost like processing fees and cash collaterals and other things that cost kind of gets bumped up and the third issue is that we have a lot of money that we had borrowed from financial institutions during the earlier years, you can say about year or year and a half ago or something, especially after demonetization wherein the banking support sort of waivered for a few quarters, so financial institution money always comes at a little bit more expensive price. So as we shift focus towards the bank borrowings that cost will normally come down. Now to a certain extent we can pass on this added cost to our e borrowers, but that never is a good strategy of course, but the RBI formula allows us to lend 10% above our cost of borrowing. There is a ceiling to it of course, but so right now we are in a favorable position that this higher cost we can pass it onto the customers especially in the microfinance side but that is never a good strategy. I think strategy is always to reduce the cost of funds as much as we can and we are working on increasing our ratings and everything as well so I think in the following quarters that should come down.

Sandeep Agarwal: Sir any plan to reduce it in financial year 2019 and 2020?

Aalok Patel: Reduce the borrowing cost.

Sandeep Agarwal: Average cost.

Aalok Patel: Yes of course see the thing is let us take I have a 50 Crores loan disbursement at 12% today so that is not going – that will have a slow impact on my overall weighted average because I got loans, which I took at 15% two years ago if you get my point; so the impact will come, but it will come a little slowly that is it as the old more expensive loans run out they are replaced by cheaper sort of funding so that will come down in the future quarters.

Sandeep Agarwal: Sir my next question is regarding the net interest margin. Sir in June 2017 it is approximately 17.31% and in June 2018 it is 14.9% so what is the sustainable net interest margin for our company?

Aalok Patel: The NIMs you are talking about right?

Sandeep Agarwal: Net interest margin.

Aalok Patel: Yes so in the last quarter it was about 14.9% and what that you are saying.

Sandeep Agarwal: In June 2017 it is 17.31%.

Aalok Patel: That is just simply because of leveraging; So during the Q1 of FY2018 our portfolio had reduced quite significantly, so more of our portfolio is being serviced by our equity so that was sort of artificially bringing up the net interest margin or NIMs. Now as the leveraging keeps increasing that pressure on NIM will continue to increase I would say right now we are almost fully leveraged well not with the SAIF investment coming in we have CCDs but those CCDs still for 18 months they will still accrue interest. So I would say we are almost fully leveraged at this point so I think about between 14 and 15 should be the standard expectation going forward.

Sandeep Agarwal: Sir last question is regarding the AUM growth in the quarter-on-quarter basis in 2017 30% December 2017 is 22% then now June 2018 is 7% Sir my question is regarding the expected growth rate in AUM in the financial year 2018-2019 and 2019-2020?

Aalok Patel: See last year was an outlier so I do not think that you should consider growth in last year because as I said when demonetization of November 2016, hit a sharp disbursement for about four months. After that when we started disbursing again we had all of this infrastructure in place where we could disburse quite fast and the portfolio reduced by about 40% so there was a large increase I mean given from I think 183 Crores to, Vivek correct me if I am wrong about 390 almost 400 Crores in the past fiscal year. but that was an outlier year; typically we target consolidated growth, we target about 40% year-over-year and that has historically proven correct. This year we are targeting somewhere around 50% growth and we are on target of reaching it. The first quarter the growth was a little low because of our decision to change into a cashless model and the other reason is, it was Q1, so if you look at our company and many other companies April is always sort of a soft month, I cannot prevent it as much as I try, April disbursements are always quite a bit lower because the year is over, people take a breather and as much as you push them here it is always on the lower end and then by June of this quarter we had shifted to 100% cashless. Now many people I do not know how familiar you are with the microfinance industry, they are very few MFIs that I am managed shifting to a 100% cashless model and essentially we have to put our foot down and we have been trying to shift cashless for a year until we put your foot down and take it this is only way we will disburse otherwise we would not disburse operations is always going to come up and let us give us more time or let us keep it that way. So that is why the disbursement was little bit subdued during the first quarter and we have opened up some 15 odd new branches in the last quarter as well so those take about two three months to start yielding the results. So starting from this quarter you will start seeing a better growth or more growth on at leastthe MFI side.

Sandeep Agarwal: Thank you Sir.

Moderator: Thank you. The next question is from Savi Jain from 2Point2 Capital. Please go ahead.

Amit Mantri: Aalok over the last one year there has been a significant increase branches, loan book and people in the organization so can you speak a bit about the management bandwidth that the company has built to ensure that it has the capacity to grow at the pace that you are plan it over the next one to two years and have you added experienced people essentially at the senior level?

Aalok Patel: I think first thing what we do Amit is get all three of our divisions on operation level are quite separate and so each division whether you talk about micro, SME or two-wheeler that has their own sort of structure from an HR perspective, from a management perspective and each have their own Chief Operating Officer so to speak and operations had divided it is only on the upper management side where I am concerned or some of the common functions are concerned like Vivek, who is CFO and the key management people that is only the functions, which are shared. The second part is yes we have been adding there a lot of new people including management, managerial level people both middle management and upper management as well. Vivek joined on board about Diwali last year so it has been about a good three odd quarters. We just hired an IT person for heading the IT side, we are looking for a Chief Risk Officer as well, We already have Chief Operating Officer. We have issued ESOPs to encourage people to kind of stick with us as they become aware of the ESOPs and they have been quite popular . Taking as many steps as we can; you know talking ofr systems and HR is a bottomless pit, There is always more people that you need that you have. So the idea is to kind of find the right balance and rest assured that we are certainly aware of the fact here we do need proper systems in place. We are taking lot of steps, another thing which we are doingis ,we are shifting to a new ERP software the E-FIMO, so that will help us with lot of control aspects because it would be kind of an end-to-end solution starting from a shake hand with the customers all the way through until the NOC is issued and everything in-between regarding insurance and HR all of those things, but this is little bit of unchartered territory for all of us; let us hope we do not screw it up.

Amit Mantri: You had mentioned over the last while demonetization had let to some tapering down of growth rate for the industry now we are beginning to see again the euphoria return to the MFI industry with even they get smaller players also getting equity funding and everyone now planning to grow at fairly aggressive phase so just wanted to understand how do you expect lending disciplined and asset quality to pan out even we are again back in that euphoric period?

Aalok Patel: You are right at there but the thing is see we get a lot of statistics from the credit bureau and things like that so if you look at customers on a pan India level, who have like according to the credit bureaus over 1 lakh of indebtedness at least in the microfinance space you are talking about a 3%, 4%, 5% something like that. So people are having hard targets but I do not think everybody is going after the same customer, eventually they will have to find a new customer base but that being said there were a lot of MFIs who are planning IPOs and things and when people are planning IPOs; I guess you guys would know better than me that you have to show high growth to justify a certain valuation that you are looking for etc., etc. So the simple answer is I am not sure. It seems right now that people are disciplined and hopefully; sort of; we have learned our lessons from the demonetization even though 90% of it, I guess, was not our fault but definitely there was a correlation between the defaulting customers and the customers indebtedness. you know when we ran all those numbers I think everybody is quite aware of it and if you look at the companies that have suffered the most are the ones that have had the highest growth rate in the last two, three years period to demonetization. So I would say any key board worth is salt or any risk person woth his salt would take cognizance of the fact that the one that would impacted the worse where the ones with the high growth rate. and they will try to control the growth rate at a board level then again it is a free market and a free enterprise I do not think from an industry level that is very little that we can do except to make sure because everybody is following the RBI norms.

Amit Mantri: In the MSME business, you have a fairly unique model of door step collections so just wanted to understand who are your competitors who else does this kind of lending in the geographies that you operate in do other MFIs do this kind of lending?

Aalok Patel: There are couple of them. I think our biggest competitor who follows that has the similar rural kind of cash collection model is Fullerton, at least in the geographies that we operate in but other than that there are other players that are there that are doing slightly higher tickets as far as LAP loans and stuff is concerned but that is nearly the only large scale competitors that we run across in the MSME space. the SFBs have started doing it to a certain extent but the volumes aren’t large enough yet but in a quarter or two I think the significant competition in this space will come from the SfBs. Because everybody is trying to sort of specially the SFB guys they are trying to diversify their own loan books and it seems that everybody I talk to is thinking about going into a MSME but the thing is that the MSME is a really broad kind of, it start anything under 50000 people consider as micro and then the next level is MSME which is anything from 50000 to maybe even 5 Crores so that is a huge margin over there. I think we need to invent another term for splitting up MSME into different slices of lending. So let us see it is a new space but so far our experience has been touchwood quite nice. Overall, the segment that we are dealing with the loan sizes continue to remain smaller than the anticipated the average loan sizes while expected it to be around 1 lakh it is closure to about 50000 or so 50000, 60000, but the recovery is quite nice it is hard to believe, but out of some 14000 odd customers that I have I have 28 of them which are overdue. The NPA of MSME is only 2.47 lakhs and so these are quite amazing numbers I just hope I can continue with it as far as long as possible.

Savi Jain: Aalok Savi here so you are in the MSME what is the average tenure of the loan?

Aalok Patel: MSME average is about 95% are 24 months. We do have a lower tenure product of 12 and 18 months but there are not lot of takers for that and not a lot of people qualified for it also because of the cash flow analysis and everything.

Savi Jain: So you have already reached second cycle in some of the customers because you started this more than sometime back I think.

Aalok Patel: Yes, so we have reached, there are few customers who are coming for second cycle so those are not a very large volume yet because the earlier customer base which was just a pilot at that stage and the second cycle we are pumping up their loan sizes to a certain extent but overall they still have to go through the same underwriting process so it is not like the microfinance product they we give 25000 and they will give back 25000 give them 30000 as they have repaid 30000 give them 40000 kind of a thing it is not like that. it is only if they qualify for it or we actually servicing the second cycle clients.

Savi Jain: And second question was on your the leverages side what is the breakup now between banks and other institutions?

Aalok Patel: I think it is about 55% banks and about 45% will be financial institutions roughly speaking.

Savi Jain: This is changed over the last one two years or is it being the same?

Aalok Patel: There was a time that post demonetization we were making real good headway, converting lot of the financial institutions into banks. I think we are even reach to a level of 65% banks then post demonetization all of a sudden the funding from the bank side was temporarily stopped and so again the financial institutions kind of came into the picture, I am not complaining definitely they support us during times they need us and they give a quick turnaround, bank funding is it is little undependable, in the sense if we have a proposal with them especially what is going on in the banking industry right now as you are well aware due to NPAs and stuff, there is a increas in fatigue happening at the banks. So lot of times if you have a proposal it might get done in a month it might take three months, it might take six months or it might go into limbo for 12 months. the predictability for the cash flow side is not there that makes it quite difficult. I cannot stop my operations. I need that constant stream of cash coming in. So I do not think that dependability on the financial institutions will ever completely go away but ideally speaking if we can make it 70/30 or 75/25 that will be a win-win for everybody.

Savi Jain: So among the financial institutions it is mostly NBFC or you have some other kind of institutes also.

Aalok Patel: They are most of all NBFC we do have an NCD transaction from a foreign NCD transaction for about 33 Crores other than that it is all NBFC.

Savi Jain: But even after this equity raise you did not see interest from banks because we would have expected banks to after this equity raise at least be comfortable giving more money to it.

Aalok Patel: Yes so PSUs are see lot of the PSU have put a hold on funding MFI. Second part is we have seen a lot of sort of increase interest if you may from the banking side, especially from the private banker side but honestly speaking during the first quarter we were sitting on more cash than we needed. In fact we have to put lot of money in liquid fund so we sort of lost money because we had large debt transactions that came in, in the last quarter which is what usually happens because banks have PSL targets to make and the SAIF money came in, in April so all of a sudden we were flushed with funds and some 110 Crores coming in at one go so we had we filled up our CC limits and there were some money left in the liquid funds as well. Now we have finally covered up so even we will start fund raising soon from the debt side but yes the interest has increased and we are working on in the rating exercise as well, we are expecting a rating upgrade so that should further increase the banker support as well.

Savi Jain: Just last completing Amit's initial question about the managerial bandwidth at the top level so until FY2018 at least and if I look at the annual report just looking at the salaries of the top management it seems to be not substantial as compared to any other pears microfinance companies that are there including your salary so till now we have been pretty small and we managed with the Arman, your father has also been there, but now that we are growing at this kind of rate do you think you will need to pay up to get talent to company because till now at least till FY2018 that does not seem to be the case.

Aalok Patel: Let me tell you, you are right first of all I do not know if you have accounted for because there are some of us that draw salaries from both Arman and Namra so I do not know if you have accounted for that or not but anyways our strategy on a personal level has always is we have the most to gain or most to lose out of the company's performance so we really do not draw more than we kind of need, that is number one, number two you are absolutely right that the salary structures in India in general if you look at it are increasing quite fast, in the microfinance side you have to understand, see we are playing on a labor arbitrage to a certain extent. We have to keep the operating costs low enough otherwise the banks can do what we are doing. It is not really I do not want to call it as the easy business but the model isn't rocket science but overall we have an advantage over banks because of our lower salary structure because we try to standardize the process, but yes I think you are right going forward we have already started noticing that the salary structures are increasing. One way we try to mitigate that in comparison to many of the larger MFIs, we are issuing ESOPs to pretty much every body in middle management and above, so that has helped a little bit but you are correct going forward at least in the upper management you should see an increase in that side.

Savi Jain: Thank you for answering. All the best.

Moderator: Thank you. The next question is from Pranav Singh who is an Individual Investor. Please go ahead.

Pranav Singh: Congratulations for good set of numbers. I wanted to understand our growth plans by the end of FY2019 what is the asset under management and the number of branches that we expect for MFI and MSME business?

Aalok Patel: For the MFI book I think we have somewhere around between about 450 and 500 Crores in the microfinance side and the AUMs will hopefully reach around 650 Crores only that including MSME and the two-wheeler side. So that is the approximate target for this year. We are a little bit behind because of that cashless thing but not by much as per our projection ourAUM target should be about 10-12 Crores more , so we can cover up during the year in the next couple two or three quarters. As far as branch opening we have opened up bulk of our branches during the first quarter and it is alreadyAugust 20, we have opened up some 10, 12 more branches during the second quarter as well. Probably we will open another five odd branches before the end of the second quarter so in the microfinance side when we started the year we had a target of opening about 40 new branches and on the MSME side we had a target of opening, I believe about 14 branches we have, we have opened 3 branches and another 10 or so will be throughout kind of throughout the year. That is the overall plan, as far as disbursements go we have a target of about 650 Crores in the microfinance, about a 100 Crores in the MSME and about 100 to 110 Crores in the two-wheeler side. So about 850 Crores in total as far as disbursements go.

Pranav Singh: Sir and a follow up question how much time the MSME branches take to stabilize and what is the expected disbursement per branch once they have stabilised if you can give some idea?

Aalok Patel: So about 35 to 40 lakhs is where we have reached an average equilibrium after a branch has been in operations for three months or more, but there are some branches that do about 60, 65, 70 lakhs worth of business in a month there are other that cannot cross more than 25, 30 lakhs and so it has been kind of a learning exercise for us as well, which areas and what is the kind of potential of each area before going into it. Going forward, I am hoping to increase an average by the end of this year. Increasing the average yield of each branch to about 45 to 50 lakhs per month that is the target for the disbursement side, but at least at a minimum you are looking at two to three months before a branch stabilizes and its generating good yields.

Pranav Singh: Sir what I plans for loan against property business you are thinking of starting that business?

Aalok Patel: I kind of it is still under work it is still there but lot of this I have not been hearing very good things about the LAP side and the affordable housing side. I decided to wait another quarter until I get some more information on this on the LAP product hopefully by early next quarter I would have made a better decision let me just put it that way or more informed decision.

Pranav Singh: Sir and congratulations once again on the cash and disbursements. Could you give some color on what advantages are there for cashless disbursements for us going forward?

Aalok Patel: I mean I have said here then our understanding you can you talk from the receiver perhaps if you are on speakerphone.

Pranav Singh: I will turn from receiver I will speak loud actually I am calling from the US so I was saying could you give some color on what are the advantages of cashless disbursements for the company in the long-term?

Aalok Patel: When you are dealing with cash you have got that people lot of cash based controls on the field so on the first time we have to withdraw large amounts of cash in terms of the branch and who gives a large risk. Then to ensure that everything is the way suppose to be I have to keep essentially make our checker systems all over the place and I have to keep a very lengthy kind of the HR structure where everybody is kind of looking at everybody else it is like sort of like running a casino but in a less fun way. Hopefully by that way the operating cost will reduce (a) number two it also reduces the risk of something going wrong goes from my staff perspective and also from the member perspective so the risk of ghost loans, for example, goes away to a minimal level because I am transferring it directly to the bank account. In many cases there are intermediaries in the microfinance space as well. Those get mitigated to a certain extent so there are a lot of tangible and intangible benefits for the cashless model, earlier it was at a point where everybody said, oh! Cashless is the way to go but unfortunately the customers that we deal with are not capable of going cashless but I guess one advantage out of demonetization that came out is that everybody including my competitors saw the need to move to a cashless model, so earlier it was hard unless everybody decided it to this was a priority, I could not be the only one that said I am going to move to a cashless model because if the customers, very frankly speaking, still prefer cash. but since the competitors are also trying to move to a cashless model it really helps-in; because now they do not have a choice but to move to the bank base model. In many cases these guys do have accounts but they are lying dormant or something so they just have to put in some efforts to get them active again and we comes for the funds directly into their bank accounts. Hopefully they realize the benefits of it and they start using the bank accounts and eventually in two three years I can start collecting the money through the bank accounts as well so that will be a win-win for everybody but let us see it was a monumental effort to switch to a cashless disbursement. I think we are quite far away from a cashless collection as of today but it is very dynamic let us wait two three years and see what happens.

Pranav Singh: Sir I was hearing to Managing Director of a large customer lending company who are saying we are growing at a very fast pace but our asset quality is improving that is happening because our repeat customers are exiting there was some repeat customers who is increasing whenever that happens your asset quality improve. I was wondering what is our customer retention ratio and what are our thoughts on improving it?

Aalok Patel: Any customer that is let us say; a customer in the microfinance side so I am talking about only microfinance right now. Out of a 100 customers who have finished their loans last quarter we lend money to about 40 of them so that is about 40%. Now in many aspects that is on the lower side but we have to consider a lot of aspects so the first part is see, does the customer want a loan maybe they dont need a loan, so right there, there is a dropout there. The second part is based on its performance do we want to lend in the money. We track his attendance, we track he has defaulted or a bit late or overdue for a few days whatever it is so that is a second level of filtering that goes there. The third level is the credit bureau so automatically if he has overleveraged with some other banks or financial institutions right there and then you either by my own underwriting or through RBI policy, I have to reject the customer down. So once you get through all of those filtering we are left with about 40% the idea is to increase it as much as 100% because if it is a good customer why would I let him go I mean that is a no-brainer but that basically the formula that has worked out at least in the last quarter. let us see what we can do to increase that number but right now given the underwriting and the filter that we have that is what the number is coming to for better or for worst.

Pranav Singh: Sir we have mentioned in our communication that we are looking forward to portfolio assignments and securitization these kind of our ways to raise fund but I expect that you reduce our cost of funds so by when do you think they will be in a position to I have to take advantage of these targets at present time?

Aalok Patel: The problem with this securitization and the assignment of debt is to you need to have sufficiently large pool of assets to sell. That means those assets, which are unencumbered with the banks. Now when a bank is let us say lending the Rs.1 Crores they ask for 110% margin for example in that case I have to pledge 1.1 Crores worth of assets with them and if you consider that with all the banks or financial institutions, it is hard to have a sufficiently large enough pool to sell but that being said with the additional equity infusion from SAIF and stuff, which does not require any assets we are building up a larger pool and once it reaches to let us say 50 to 75 Crores, we can explore a securitization transaction. We are already in talks with couple of people and my interest is to doing it at a lower cost than my cost of borrowing so that way I earn a little bit of extra margin so my purpose of doing securitization or assignment of debt is not exactly for shifting some of the debt off balance sheet because right now I am sufficiently capitalized and my tenure of my loans is average is just about 14 months so doing a securitization for of balance sheet funding purposes does not make a lot of sense for me but if I can increase my margins then hence my profitability if I am able to do the transaction at a lower cost than my cost of borrowing all in, then it only make sense for me to do it. So we are working on it the short answer is but it will take some more time.

Moderator: Thank you very much. We will take that as the last question. I would like to now hand the conference back to Mr. Digant Haria for closing comments.

Digant Haria: Thanks all for taking out time. Thanks Aalok and wish you all a very pleasant evening. We will join again next quarter. Thanks to everyone.

Moderator: Thank you very much. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.