Company Name: Bajaj Finance Ltd
Company Ticker: BAF IN
Date: 2016-05-24
Event Description: Y 2016 Earnings Call

Market Cap: 410,805.09
Current PX: 7625.55
YTD Change($): +1615.6
YTD Change(%): +26.882

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: N.A.
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: N.A.

Y 2016 Earnings Call

Company Participants

- Karan Singh, Vice-President: Equity
- Rajeev Jain, Managing Director
- Sandeep Jain, Chief Financial Officer
- Pankaj Thadani, Chief Compliance Officer
- Devang Mody, President Consumer Business

Other Participants

- Unidentified Participant
- Kunal Shah, Analyst
- Umang Shah, Analyst
- Ashish Sharma, Analyst
- Deepinder Bhatia, Analyst
- Mukesh Dulani, Analyst
- Abhishek Murarka, Analyst
- Hiral Desai, Analyst

Presentation

Operator

Ladies and gentlemen, good day and welcome to Bajaj Finance Q4 FY '16 Results Conference Call, hosted by JM Financial Institutional Securities Limited. As a reminder, all participants line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. (Operator Instructions) Please note, that this conference is being recorded.

I now hand the conference over to Mr. Karan Singh. Thank you, and over to you, sir.

Karan Singh, Vice-President: Equity

Thank you, good evening everybody and welcome to Bajaj Finances' earnings call to discuss the fourth quarter results. To discuss the results, we have on the call Mr. Rajeev Jain, who is the Managing Director; Mr. Devang Mody, who is President Consumer Business and Mr. Sandeep Jain, who is the Chief Financial Officer.

May I request Mr. Jain to take us through the financial highlight, subsequent to which we can open the floor for Q&A session. Over to you, sir.

Rajeev Jain, Managing Director

Thank you, Karan. Good afternoon to all of you. We've uploaded the Investor Presentation, Q4 Investor Presentation on the investor -- in the website section of our -- in the investor section of our website. Overall, the company had a reasonably good quarter. We ended the year with overall balance sheet of INR44,229 crores for the quarter. The quarterly profit came in at INR315 crore, which is a growth of 36%.

Overall volume momentum from a customer acquisition standpoint remained reasonably strong. The company acquired 1.6 million customers, which is a 36% growth. Total income came in at TAT below INR2,000 crores for the quarter, which is a 35% growth. Net interest income came in at 38% growth, just a TAT below -- just a TAT above INR1,150 crores. Loan losses and provisions, OpEx grew 35%, loan losses and provisions grew 37%, but this included an additional provision that we took in the current quarter to the tune of INR44 crores, existed for that loan losses and provisions would have grown only 16%.

This INR44 crore number was on account of one infrastructure lending accounts that we have. The total infrastructure lending book is down to less than 50 basis points of the total portfolio. The account is a standard account, but we deemed it appropriate from prudent standpoint to provision for it, given that it's in a steel and power space.

Overall, profit before tax came in at 42% growth, at INR489 crores. Adjusted for the INR44 crore one time, the profit before tax would have been higher. PAT came in at 36%. The differential of 6% was largely on account of effective tax rate for Q4 FY '15 was lower, due to revaluation of deferred tax assets and that's how you see the differential. Overall, it's been a reasonably good year for the company.

The gross NPA on 150 day reporting, I would like to qualify again, that we provision on 90, we report on 150. From June quarter onwards, we will start to report in 120 and from next June onwards we will start to provision in 90.

On 150 day basis, gross NPA was at 1.23% and net NPA was 28 basis points. If we were to report the same number on 90 days, the gross NPA would be 1.43% and net NPA would be 43 basis points.

Very quickly if you access the investor presentation, on page 14. In terms of our overall -- you would see across our 19 different lines of businesses that we have growth momentum remained reasonably strong. The two businesses that we had articulated as part of our strategic overall where we went direct which is loan against property and self-employed home loan grew by 1%. Our overall estimate was, it would actually probably de-grow, but we are heartened by the fact that at least grew albeit by only 1%.

So our assessment across all portfolios remain largely green, it remained yellow for loan against property because of the external environment and less to do with internal performance of the portfolio. Infra lending is -- as you can see, is down to less than INR300 crores of the total book from 44,000 to INR229 crores. So, and that's clearly a red.

If I jump very quickly through the management discussion, the -- on page 20, the two wheeler and three wheeler business after a long time started to grow as Bajaj Autos domestic market share started to move. We started to see us being a captive start to grow as well.

So the two wheeler and three wheeler business grew in the quarter gone by. Consumer durable grew 23%. Digital Products, which is mobile financing and mobile, laptop and tab financing grew 84% y-o-y. The business is on course to deliver a million accounts business in the next year.

Lifestyle Financing continue to grow in a healthy manner. We entered lifecare segment, which is essentially -- which is reasonably large business in the US run by the likes of Synchrony, which is a GE Capital offshoot. So we've launched lifecare financing for elective medical procedures like dental and so on and so forth in quarter four.

Personal loan cross-sell continue to grow. We've now -- we are now taking our overall analytics and risk management capability in this business to very different level to further reduce risk and augment velocity. We launched gold loans for urban market in quarter four. We launched it in 25 to 85 markets. That's 60 markets that we launched. We expect to be present in 300 cities. So this business as we crack the business model could be present in 275 cities as a company in foreseeable two to three year horizon.

Personal loans grew in line, salaried home loans continue to grow. It's a 81% y-o-y growth. That business -- this business is very, very large business. As we crack the code and how to make money in low margin business like salaried home loans, this business could grow very rapidly as we get into the current fiscal.

EMI card, the total cards and force -- now the company has -- is second only to the largest private sector bank in India at 5.5 million, issued, I mean approved but not issued SIF if I was to take into account that number would be 6.5 million and growing by a million accounts year-on-year.

Backing this business, we launched a retail EMI card business that's on slide 23. We are now able to offer small loans of up to INR5,000, starting from INR5,000 to of course, it could be anything. In consumer durables we offer loans up to 25,000 -- 27,000. It's a new category, the annual market size of this discretionary consumption pool is close to INR150,000 crore. So clients who carry this retail EMI card are now able to use this card for fashion, travel and small appliances. We've launched this business in Pune, Hyderabad and Baroda [ph] and this will go live in 15 markets by mid of July. And we expect to end the year with 25 cities and with close to 5,000 retail stores footprint in the top 15 cities in India. It's a very, very large business opportunity in a three to five year horizon for us as a company to where we see it.

Rural lending has clearly beaten our expectations, so we decided to break the business to create sharper focus. We created rural B2B business and rural B2C business and created two separate verticals in the rural business, in addition to the MSME business that we have should clearly help augment growth in the rural business.

We are now present in 397 locations with 90 branches and 307 spokes. We are launching Tamil Nadu in Q1 taking our total branch footprint, our coverage to close to 460 towns and villages.

MSME business remained in -- you know, MSME's overall remain in distress due to drought and thus we slowed down the business in quarter four. We are making efforts to re-energize the business, but it will be dependent on how monsoon plays out that we would depend take a call in growing the business.

Rather than going -- I would spend just two minutes on loan against property and Home Loan Self Employed and then jump to how the credit quality was in quarter four and then open it for questions. Loan against property, as I explained to you, remain in high (inaudible).

We took the strategic call to go direct, just to restate our -- we have 16 million customers as a company. Our clients have outstanding mortgages that we know off of close to INR300,000 crores of the total banking system assets of close -- in the mortgage business close to INR11,00,000 crores. We decided that given the hyper competitive state which is leading to margin dilution on one hand, higher distribution commission on the other and too many customers being chased by -- few customers being chased by too many lenders. We took the decision to do loan against property and home loan self employed only to our clients.

As a result, both these portfolios grew only 1%. Our internal expectation was a de-growth, but as we crack the code and go in direct, we should clearly see both these portfolios grow between 20% and 30% on a reasonably medium term horizon for us as a company.

Commercial lending businesses continue to grow. Infrastructure Finance, I talked to you about, the total portfolio is now down to INR300 crores in infra and less than INR55 crores in construction equipment. I just want to also qualify that the INR44 crore additional provision that we took in quarter four does not qualify into our provisioning coverage, because it goes into general provision, rather than very clearly because the asset against which we provided is a standard asset. So it's an important point that I thought I should -- I should mention.

Fixed deposit business continue to -- we continue to move in the direction of diversifying our liability profile. 6% of our balance sheet of our borrowing book now comes from fixed deposit. We launched a corporate liabilities business within the -- so there is a retail deposit business now and a corporate liabilities business, both these should help us diversify our liability profile contributing to anywhere between 20% and 22% of our balance sheet and then of this liabilities balance sheet in the next 3 to 5 year horizon.

Jumping -- I've already talked about on page 27 about the portfolio metrics. Gross NPA 1.23, net NPA 0.28, provisioning coverage 77%. We provide at 90 days within the company. So clearly no impact as a result of transition by in this year to 120 and by next year to 90 for us as a company.

Very quickly jumping to how the portfolio is held. On slide 31, you see green dots, so pretty stable portfolio performance across slide 31, 32 and 33. We've added a new set of disclosure from this current quarter, we wanted to -- given the 20 different businesses that the company is in, we decide to share from a disclosure standpoint, what is our gross NPA, net NPA and provisioning coverage by each one of the portfolios in from a portfolio -- from a disclosure standpoint.

So since it's a new slide, I'll spend two minutes. So if you look at the two wheeler and three wheeler financing, our company's gross NPA is 1.23. The two wheeler business just on a standalone basis, gross NPA is 4.28 and net NPA for the company is 23 basis point -- 28 basis points, for two wheeler is 1.08%.

Very clearly, so the greens and the red represent what our assessment is. The business model allows for even -- from a product profitability metric and are also even higher than the gross NPA and net NPA that we've -- articulating here. So the greens and reds represent that, infrastructure lending in our assessment is only red that you see not taking into account the INR44 crore additional provision that we have taken on a standard asset. So that's really the quarter gone by. And me and my colleagues are here to take questions that you may have.

Questions And Answers

Operator

Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) The first question from line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah, Analyst

Yeah, sir. Sir, firstly in terms of this lab and self employed home loan. So what is the proportion of business for now, is it like 100% is entirely in-house and there is -- okay.

Rajeev Jain, Managing Director

So we do some high net worth clients in -- of LRD accounts, which essentially still remains distributor that gets booked. So self employed home loans and salaried home loans 100% is direct, that's point one. In the lab business, there can be lease rental discounting to HNI clients, which can be 10%, 10% to 12% of the business on a month-on-month basis, which could come from bank.

Kunal Shah, Analyst

Okay. And when we look at say, prior to this strategy, how was say the --

Rajeev Jain, Managing Director

See 5% was distributer driven, 65% to 70% was distributer driven.

Kunal Shah, Analyst

65% to 70% was distributor driven and now maybe so we would incrementally shift everything to in-house.

Rajeev Jain, Managing Director

Okay. That business we'll never be able to -- that 10, 12, 15 because it's a chunky transaction, it may move -- it can -- in a quarter it can be 5, in a quarter it can be 15, but that business because it's dependent on the high net worth client will continue to be third party driven, but otherwise rest all of it we have walked away from distributor business.

Kunal Shah, Analyst

Okay. And sir thanks for this disclosure in terms of the product wise GNPL. But when we look at lab in particular, are you comfortable with this 0.74% which is disclosed out over here or is there any worries on the INR8,000 crores kind of a portfolio. Today we have hardly, like say, 60 odd crores of GNPL. So may be doing the internal assessment, now what is our view in terms of how much could be the stress in this portfolio, maybe particularly on the lab.

Rajeev Jain, Managing Director

There are two parts to it. So, you know, does the broader loan against property portfolio remain in our assessment on watch list, the answer is yes, again caused by intense competitive activity on one hand. Secondly, real estate price in some of the markets have taken a big hit. Even if I -- so a large part of the yellow on slide 32 and this 0.49% net NPA, 60% of this would come from northern markets, 70% probably. Structurally in the last 3, 2.5 years, we've brought northern market which is Delhi and forward contribution down to the loan against property business from 25%, 26% to now around to 16%, 17%. And we'll keep bringing it down, because that's the market which has suffered the most on account of significant deterioration in asset prices.

Do we feel -- would we like it to be lower, the answer is yes. But given the fact that it's backed by 1.5 x property cover, SARFAESI is expected to be notified any time soon. We don't -- that's why our assessment is green on coverage, our assessment is yellow from a watch list standpoint on keep watching the portfolio.

Kunal Shah, Analyst

Okay. Okay. But in terms of the in-house maybe -- so the strategy on the growth front could actually be there. So maybe we have to look at it in terms of the proportion of the overall book. So will this secured segment actually come off over next two, three years given this kind of a stance?

Rajeev Jain, Managing Director

No, it will grow, it will grow. So by second half of the year, we should start to see this grow well again.

Kunal Shah, Analyst

In line with the AUM -- in line with the AUM. So in terms of proportion maybe it could be a quarter or a two blip?

Rajeev Jain, Managing Director

Yes, yes.

Kunal Shah, Analyst

So not a structural blip?

Rajeev Jain, Managing Director

No, no, not. I mean we are quite clear. There is a large strategic asset class and with a reasonably strong long-term horizon, we have to just -- the model had run its course for the last six, seven years that we've done this business for. It's a right time to change the model. And if we think it's strategic, we have to make the effort to make the change. And that's really what we're up to.

Kunal Shah, Analyst

Okay. And this infra lending the provisioning which is on a INR44 crore. So how big is the account or is it like 100% provided for?

Rajeev Jain, Managing Director

No. It's not 100% provided for, it's provided for reasonably at the price --

Kunal Shah, Analyst

300 [ph] crores is the overall book.

Rajeev Jain, Managing Director

Okay. Provided -- its provided to the extent that if we decide to sell down, which we would not be required to take any P&L hit.

Kunal Shah, Analyst

Any further hit.

Rajeev Jain, Managing Director

Yes.

Kunal Shah, Analyst

Okay. Because the overall book AUM itself is 300 crores, so that seems to --

Rajeev Jain, Managing Director

Correct. That's correct.

Kunal Shah, Analyst

Okay. Thanks a lot, sir.

Operator

Thank you. Our next question is from the line of Umang Shah from Emkay Global. Please go ahead.

Umang Shah, Analyst

Yeah. Hi. Thanks for the opportunity. I just wanted to have a clarity on two things. One was, on a quarter-on-quarter basis, we have seen dip in the consumer durable and the salaried personal loan segments. So is there any -- so, one is the reason for the dip in the Consumer Durable business. And second is, is there any kind of a reclassification between personal loan cross-sell and salaried personal loan?

Rajeev Jain, Managing Director

Sorry, just repeat you -- you had a question on consumer durable is it?

Umang Shah, Analyst

Yeah, that's right. So sequentially we have seen a kind of a sharp 300 odd crore kind of a dip in the consumer durable book.

Rajeev Jain, Managing Director

That's seasonal right because we had a very strong -- the book is only 5 months, right if you --

Umang Shah, Analyst

That's right.

Rajeev Jain, Managing Director

So if you have a stronger prior quarter on page 14, what to have, because the balance is run off in four months.

Umang Shah, Analyst

That's right.

Rajeev Jain, Managing Director

Okay. So Diwali book runs off that's how, so that's one. So that's point one.

Umang Shah, Analyst

Sure.

Rajeev Jain, Managing Director

Fairly, it was 33% growth. Full-year growth for business is 40%, so in a way fourth quarter growth was lower than nine month growth. So that's point two. On salaried personal loan, there are two dimensions through this, one is from reporting standpoint (technical difficulty) slowdown.

We look a proactive decision to trim 20% of the business in end of quarter three. Second thing, there is also a reporting change. We have started to now publish. BAF's direct if you see on the 19th business done through online, a client can come on to a website, apply for a home loan or a personal loan, both these numbers were sitting in respective places home loan and personal loan.

Umang Shah, Analyst

Okay.

Rajeev Jain, Managing Director

The impact of personal loan is much lower. So there are two dimensions to this. It's good you asked the question, so that we can clarify that.

Umang Shah, Analyst

Okay, all right, fair point. In fact BAF direct was my next question. So you already clarified that. I just need one more data point. What would be your outstanding pool of accelerated provisions now?

Rajeev Jain, Managing Director

Outstanding pool of accelerated provision, last year we've taken INR75 crores.

Umang Shah, Analyst

Okay.

Rajeev Jain, Managing Director

So we took 44 now and we have taken 31 crores in quarter two.

Sandeep Jain, Chief Financial Officer

So the cumulative number between what you provide in 90 to 120 days plus provision and what we have taken in the infra accounts, the number would be close to about INR150 crores.

Umang Shah, Analyst

Okay. Okay, understood. And just one last thing --

Rajeev Jain, Managing Director

I mentioned, so that we -- infra and mortgage accelerated provision. Accelerated provision sitting even in mortgages, so between both of them put together, it's close to INR150 crores as Sandeep is clarifying.

Operator

Okay. Understand. And just one last thing, the loan against property portfolio that we are seeing of INR8,300 odd crores, so that book is now kind of a fully converted book which is into the direct business except for the LRD part?

Sandeep Jain, Chief Financial Officer

No, no, no.

Rajeev Jain, Managing Director

No, no, no. Converted book in the sense, the current book of 8985 right, 8322, okay, has let's for a moment, 40% of the book is direct.

Umang Shah, Analyst

Right.

Rajeev Jain, Managing Director

Then 8,442 -- 8,648 another INR5,000 crores is indirect, so as to say indirect.

Umang Shah, Analyst

Okay.

Rajeev Jain, Managing Director

On the book. Now I want to qualify one statement, it's got nothing to do with credit quality, so there we are clear.

Umang Shah, Analyst

Sure.

Rajeev Jain, Managing Director

It's got to do with a fact that from an ROE standpoint, we cannot charge 90 basis point or 100 basis point from the client and distributor was keeping 90% of it, did not create a viable minimum hurdle rate ROE business model. So we did not walk away from distributor because of credit, we walked away from distributor for margin.

Umang Shah, Analyst

Understand.

Rajeev Jain, Managing Director

Okay. So, we see no differentiation between credit quality in a very structural manner, you would see differences as minor, but not a structural difference between direct book and indirect book. However, I must add a last point, as we crack the code and doing direct, we would go more and more in a shopper manner towards our best customers.

Umang Shah, Analyst

I understand.

Rajeev Jain, Managing Director

Will lead to in a structural manner, lower risk portfolio among our existing customer franchise that we go after.

Umang Shah, Analyst

Understand. So my, my question was only from the perspective that, so assuming that we keep on migrating from indirect to direct during FY '17, will we see this portfolio stagnate for some more time or maybe even run down to an extent before it starts growing again?

Rajeev Jain, Managing Director

It is running down very -- so there are two dimensions, let me state it. We as a company never use to charge any prepayment charges.

Umang Shah, Analyst

Right.

Rajeev Jain, Managing Director

I told that in the -- now as we walked away from the distributor business, distributor fundamentally now we could have done that in December, when we walked away from November and when we walked away from the distributor business.

There was virtually an attack on our portfolio. We saw close to INR1200 crores of portfolio run down in the fourth quarter because distributors were fundamentally taking the book away from us to competitors for a -- for commission purposes. We took the decision to start charging prepayment penalty. It's effective early March. In March, you've seen it -- from March to April, we've actually seen slowdown, because we don't as I said to you, we don't have a view on credit quality from the distributable. We have a view on margin profile of both on pricing and on commissions.

Umang Shah, Analyst

Sure, sure. So for next few quarters, we'll see this book grow -- I mean growth in this particular book remaining slightly under pressure.

Rajeev Jain, Managing Director

Yes, that's correct.

Umang Shah, Analyst

Okay. And have we started booking home loans under the housing finance book, or we still have it on the NBFC book?

Rajeev Jain, Managing Director

Middle of July to early August.

Umang Shah, Analyst

Okay.

Rajeev Jain, Managing Director

That work is on, project is going on, because virtually creating another entity from -- between middle of July to first of August we will start to book assets in the new entity.

Umang Shah, Analyst

Alright. Thank you so much. And all the best.

Rajeev Jain, Managing Director

Thank you.

Operator

Thank you. The next question is from the line of Ashish Sharma from Enam AMC. Please go ahead.

Ashish Sharma, Analyst

Yeah. Hi, Rajeev. Congratulations on a good set of numbers. And thanks for the insight on business wise details. Just as a continuation of Umang's question. So if I have to read this LAP book de-growth slight sort of a runoff in the book, that will not change the overall AUM growth sort of a target for FY '17.

Rajeev Jain, Managing Director

That depends on what you think the target is, we continue to --

Ashish Sharma, Analyst

(multiple speakers) assessment of the whole AUM growth.

Rajeev Jain, Managing Director

Yeah. So we are quite clear that for the second year in a row the bank rate (technical difficulty) just about 10%. We continue to target a 25% balance sheet growth and a 20% net income growth, as the company gives us the leverage to pull back from asset classes that we deem -- we deem watch list or -- so for that growth profile LAP and self employed home loans will not come into the way. And we are working very hard, the teams are working very hard to get both these businesses back to growth in a direct mode, definitely from any time between second and third quarter.

Ashish Sharma, Analyst

Okay. And just one more on that direct and indirect book. The 40% direct book you mentioned, what sort of growth momentum and what sort of a phase of growth that book is growing at sir?

Rajeev Jain, Managing Director

So, I mean, let's say, if I take March which numbers are here. So let's look at it, right, and if you've done, so -- okay. So you're seeing a 600 crore -- 500 crore number in the quarter. This number would fundamentally go up to around 900 crores by second quarter, 900 crores to 1000 crores a quarter-by-second quarter.

Ashish Sharma, Analyst

Okay. Fine, sir. And then, sir, second question would be on the credit cost. For the full year, we had a 70 crore sort of extra provision on the infra account. If I adjust for that, the credit cost on an average AUM is closer to 122 bps.

Rajeev Jain, Managing Director

Right.

Ashish Sharma, Analyst

So in your assessment, is this normalized sort of a credit cost or we can sort of improve on somewhere, I mean -- what's an assessment on the credit cost, sir.

Rajeev Jain, Managing Director

So these credit costs have now remain like this for the last three years. Okay. And they moved 10, 15 basis points here and there. We think they remain at historic low levels. Having said that, we don't expect it to change materially.

Ashish Sharma, Analyst

Okay.

Rajeev Jain, Managing Director

But and we continue to invest in technology and analytics to improve our velocity without diluting credit.

Ashish Sharma, Analyst

Sure.

Rajeev Jain, Managing Director

Okay. So -- but this number is an outcome, Ashish, more than an input.

Ashish Sharma, Analyst

Surely sir.

Rajeev Jain, Managing Director

So we continue to watch this. We continue to invest in technology and analytics, and we think fundamentally you can always improve any number. So can this number improve, the answer is yes. If the economy turns around, if all the green shoots that you guys are talking about happens, monsoon is good, you know, credit growth picks up, you could clearly see these numbers improve. The answer is yes.

Ashish Sharma, Analyst

Okay. And lastly this --

Rajeev Jain, Managing Director

But I won't bake them in.

Ashish Sharma, Analyst

Okay. And just lastly two questions sir, on this whole universe sir, bank license norms released by RBI a couple of weeks back. What's your assessment of the same and what sort of your strategy with that?

Rajeev Jain, Managing Director

So Ashish these guidelines are in draft. So we would wait for the final guidelines to come, are they clearer than previous guidelines, the answer is yes. They are answering a lot more questions directly and clearly in the phase. So we will wait for final guidelines to emerge, and then between which shareholders evaluate appropriately, towards the right thing to do. This is untapped now right. So this is, there is no window.

Ashish Sharma, Analyst

There is no --

Rajeev Jain, Managing Director

So it's about readiness as a company rather than a window, which itself is a great thing.

Ashish Sharma, Analyst

Yeah.

Rajeev Jain, Managing Director

So -- are we watching it closely, the answer is yes. We'll take a time, but we are not going to jump into it.

Ashish Sharma, Analyst

Perfect, sir. Perfect. Thank you and all the best, sir. Thanks a lot.

Operator

Thank you. The next question from the line of Mukesh Dulani from -- as an individual investor. Please go ahead.

Mukesh Dulani, Analyst

Yeah. Thank you. (inaudible) and congratulations for the excellent set of numbers.

Rajeev Jain, Managing Director

Thank you.

Mukesh Dulani, Analyst

I'm an individual investor. Just wanted to know very recently, the Company has forayed into the lifecare segment.

Rajeev Jain, Managing Director

Right.

Mukesh Dulani, Analyst

And what has been the company's experience, although it is hardly two months. So and how would the company present a future outlook for the same. And secondly, the same question would also be for products, which are being sold by online sellers. What is the company stake on it?

Rajeev Jain, Managing Director

So we don't jump into things, we started to -- two years ago, stared to do stem cell financing.

Mukesh Dulani, Analyst

Okay.

Rajeev Jain, Managing Director

As part of our lifestyle financing business. We do around 12 -- 15,000 accounts per month -- per annum sorry, per annum, 1000 accounts. The portfolio performance is that for the last two years have been good. Parallely, we were studying at a benchmarking level, are their businesses, which do lifecare stroke medical credit. So the GE Capital off shoot in the US called Synchrony has a very large business of lifecare financing they call it --

Sandeep Jain, Chief Financial Officer

Care credit.

Rajeev Jain, Managing Director

Care credit.

Mukesh Dulani, Analyst

Okay.

Rajeev Jain, Managing Director

It's a reasonably large business, its performance based on the disclosures and public information available is good. Our experience having tested it in the stem cells phase, stem cells storage has been good. We are investing in it with a three to five-year view and we think it should play out.

Secondly, on e-commerce, we think it's the way to go. It's the way millionaires are doing purchases. So clearly we got to learn how to play that game. So we've gone online with Flipkart, Flipkart has given us access to some categories in March, as they gain more confidence, as we gain more confidence in offering.

Flipkart customers who have an EMI card to make purchases, hopefully this partnership will grow. And in the short terms, in the immediate future let's say current fiscal, its overall contribution both of lifecare and of e-commerce financing is will be not be material, but in a three to five year horizon, it should be -- it could be reasonably large is what our strategic view at this point in time.

Mukesh Dulani, Analyst

Right. But I was just looking at the thing, the market size of lifecare was stated at around 20,000 crore that was -- that could have -- provide a very good opportunity for our company.

Rajeev Jain, Managing Director

Yeah, it's growing and we are -- we think it's quite exciting. We've now added, we're working with lot of organized format, healthcare institutions like Vasan Eye Care and Ruby Hall, Richfeel. So --

Mukesh Dulani, Analyst

Right, okay.

Rajeev Jain, Managing Director

So we are growing this business.

Mukesh Dulani, Analyst

Right. Yeah. Thank you so much for the answer, sir. Thank you.

Operator

Thank you. The next question is from the line of Abhishek Murarka from IIFL. Please go ahead.

Abhishek Murarka, Analyst

Hello.

Rajeev Jain, Managing Director

Yeah, Abhishek yes.

Abhishek Murarka, Analyst

Yeah, hi, good afternoon and congratulations on a pretty good set of numbers.

Rajeev Jain, Managing Director

Thank you.

Abhishek Murarka, Analyst

A couple of questions. First is some connotation to the overall NBFCs as well. The recent guideline on large credit exposures by RBI, do you think it could be constraint for large NBFCs or even as you gain scale, do you think it could be a constraint from a financing or funding point of view?

Rajeev Jain, Managing Director

I'll request Pankaj to probably comment. I don't -- what, yeah, so -- I think draft rate first of all

Pankaj Thadani, Chief Compliance Officer

First of all it's in draft phase, as we read this, we will get classified as the specified borrower in '17, '18. And the fact that today our share of money market and bank borrowings is zero, we have a large amount of money market and our banks is at 50, 55. After being classified as a specified borrower, since we have already got 15% of our borrowings in the form of money market borrowings, we'll be eligible to take 60% of our incremental borrowings every year from the banking channel, which we think is comfortable and should not impact us.

Abhishek Murarka, Analyst

Okay. Yeah. Of course today or you know a year or so down the line it may not, because your scale is also you know not

Rajeev Jain, Managing Director

Parallelly, Abhishek, it's our stated strategy that we want to grow our retail deposits and corporate liabilities, which is direct to corporate business. In less than two years, it's already 6% of our overall borrowings. We are quite clear, we got to take it to 18% to 22% of our borrowing balance sheet in years to come. So that's a parallel point, you know, more and more and more diversification of our liability side is clearly the key focus area for the company as the size grows to, let's say, 55,000 crore, 60,000 crore by FY '17 end.

Abhishek Murarka, Analyst

Sure. Thanks. The second question is basically on your e-commerce effort. I think it's been about three or four -- two or three years at least since, you know, you've been trying to establish a platform. What are the key challenges, what stops you from sort of making this a large or let's say, you know, tying up with a lot of e-commerce players. Can you just highlight, you know, what are the key challenges and if others can also replicate this easily or will it -- will there be a significant entry by therefore others to also replicate the model.

Rajeev Jain, Managing Director

Fundamentally, let me -- and if I can be a little off track. I would say first of all e-commerce businesses have to start looking at long-term, let me make that broader point. If they start to look at it long-term in the consumer discretionary space they will become clear especially in any part of the world actually, that consumer credit is embedded into the model, okay. As they become clear about it, they will do long-term relationship structures and capabilities. So now it's our assessment that they haven't done that, okay. So that's point number one, which means, I can't -- I can do much less about it than I would like to do.

Secondly, as they become clear, we are a technology-oriented company. We have the analytical infrastructure required to offer seamlessly our clients a seamless experience. Thirdly, we are the only company, which offers, what I call a loan card, there is a debit card, there is a credit card.

We offer a loan card, so you know, we will have 7 million of those actually more -- approved but issued would exceed 7.5 million to 8 million by March '17. These clients have a limit, stroke a line, loan line available which they can fundamentally swipe multiple times.

Abhishek Murarka, Analyst

Sure.

Rajeev Jain, Managing Director

No banks -- non-bank in the country offers it. And so it's a massive capability that we have. We are now already taking it offline with the launch of our retail EMI card business, as I talked about in -- it's gone live in three markets, it will go live in 15 markets and over 2,000 stores by March '17.

Offline market of that alone is INR150,000 crore. You know, we today cater to INR170,000 crore market between mobile -- close to INR200,000 crore between mobile, durables and furniture.

This itself is other 150,000 crore market, between 120 to 150 depending on the geographic coverage that we keep expanding. Anything you want to add Devang?

Devang Mody, President Consumer Business

No.

Abhishek Murarka, Analyst

Sure. Thanks so much.

Rajeev Jain, Managing Director

Thank you.

Operator

Thank you. Our next question from the line of Aditya Pandey from Capital [ph] Metrics. Please go ahead.

Unidentified Participant

Hi, sir. Thanks for the opportunity. And the question on --

Rajeev Jain, Managing Director

I'm not able to hear you.

Unidentified Participant

Okay, hello.

Rajeev Jain, Managing Director

Yeah, that's better.

Unidentified Participant

Sir, what is the interest cost for the year, for the whole year?

Rajeev Jain, Managing Director

Interest cost for the full year, that's a CFO question, CFO? Yeah, in terms of percentages he is asking, that you'll have to take an average book, isn't Sandeep?

Sandeep Jain, Chief Financial Officer

It's about 9.45%, full year.

Rajeev Jain, Managing Director

9.45%.

Unidentified Participant

9.45. And how much will be the interest cost for the FDs?

Rajeev Jain, Managing Director

Defers by tenor -- defers by tenor and so, you know the standard rate card is published. So that's a 12 month, I don't have immediate access to it, but you would be able to see that.

Pankaj Thadani, Chief Compliance Officer

FD on and average for the year would have been in the range of 9 to 9.1% plus the cost of SLR and so on so forth.

Unidentified Participant

Okay. And sir, one more thing on that, what -- who will be our target customers for direct to customer business, I mean in our own portfolio will those be the non-delinquent customers?

Rajeev Jain, Managing Director

Of course, I mean, so this question is -- so fundamentally, we are using the entire analytical -- analytics infrastructure to identify and segment clients. So if I can take you for a moment to slide number 13, okay, which gives you total franchise 16.07 million customers.

Unidentified Participant

Right.

Rajeev Jain, Managing Director

8.5 million customers to whom we can cross-sell-to. These 8.5 million customers are further segmented into ultra HI to mass. The target segment for LAP business and self-employed home loans business is affluent and above clients. Affluent and affluent to super affluent to -- I mean, so the business is divided -- the segments are divided into 13 different segments and then we're focusing on affluent and above clients for the LAP and the self-employed home loan and salaried home loan business.

Unidentified Participant

Okay, so. So I can -- can we take that 9.48 million numbers are non-delinquent that can be the database for us?

Rajeev Jain, Managing Director

Okay. So this is 8.49 with a bureau score of 750 and above.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

Okay. So these are -- you're right, I could argue that 9.5 million is my cross sellable franchise because they have not, never defaulted with me.

Unidentified Participant

Yeah.

Rajeev Jain, Managing Director

But the entire analytics infrastructure, bureau information is an important input, improves our propensity rates, improves our offer drivers. So, 8.5 -- and they have not only good performance with me, they have good performance with the entire banking system. So they are the best of the best.

Among these best of the best, we then identify best -- more best among the best, which is affluent and above customers and then they are targeted for mortgages.

Unidentified Participant

Okay, so. Is there any ballpark number for that, I mean (multiple speakers) 9.7?

Rajeev Jain, Managing Director

So 8.5 million, that franchise. As I said to you, the client that you're targeting have an outstanding mortgages of 3 lakh crores in the banking system, out of this 8.5 million clients.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

No, no 25%. 11 lakh crore of mortgage business.

Unidentified Participant

Okay, sir. Thank you.

Rajeev Jain, Managing Director

Thank you.

Unidentified Participant

All the best.

Operator

Thank you. The next question from line of Hiral Desai from Anived PMS. Please go ahead.

Hiral Desai, Analyst

Hi, Rajeev. Congrats on a great year given the environment. Familiar to a question that somebody asked earlier in terms of the disbursement or slowing down for salaried personal loans. And in the presentation, I think you've called out competition from private banks also. So just wondering what's the road ahead for the business segment.

Rajeev Jain, Managing Director

So, road ahead for business segment is that, we will go more and more and more direct to our client franchise. That's the road ahead. Today 45% of this business is done only through our customers, who have gross annual incomes of 10 lakhs and above, okay. The road ahead means, we will not be able to deal with distributors because we charge a 2% fees from the client and they take 3%.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

So -- and just below where our office is, there are three private bank posters which say take a loan at 11.5%. Now that's where we are. So 11.5%, give 3%, I think I would rather do mortgages than to do personal loans.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

So clearly road ahead is not great, but unlike loan against property where we backed up into going direct.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

We are going direct more and more and more in all our businesses as a company. You will see us accelerate going to direct in all our lines of businesses, taking OpEx out in the process, ring fencing our client franchise and having a larger share of his wallet.

Hiral Desai, Analyst

And would the -- would the internal customers that we cater to 100% overlap would be private banks in the salaried personal loan?

Rajeev Jain, Managing Director

To the customers that we are targeting?

Hiral Desai, Analyst

Yes.

Rajeev Jain, Managing Director

Answer is 100%. Yes.

Hiral Desai, Analyst

Okay.

Rajeev Jain, Managing Director

100%, I mean, not so many people are focusing on gross annual incomes of INR1 million and above. The answer is 100% very much.

Hiral Desai, Analyst

And the price disbursement that we had of approximately, I think INR5,400 crores for the year. How much of that is coming from Tier 2 and beyond?

Rajeev Jain, Managing Director

So that's the second dimension. One we're going direct.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

Second we are going deeper and deeper. So both these are active strategies that we're deploying to ensure we diversify and de-risk the business model on an ongoing basis. The outcome of that is it leads to greater volume momentum and velocity. But that's not our driver, our driver is to ensure we keep diversifying the business, number one. Keep de-risking business as a result, number two. Three, create higher and higher entry barriers to the business model in the process. You know, because all -- as the competitive environment intensifies --

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

Eight years in retail assets were the bad word.

Hiral Desai, Analyst

Yes.

Rajeev Jain, Managing Director

Clearly now, corporate is a bad word and retail is a good word.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

These are cycles. Now when cycles come at the end of the day -- at the end of the day people do it in 15 cities, because it's easier to access them, flights go to those markets, five star hotels are there in those markets, malls are there. The rubber meets the road in 25 cities plus, from 50 city plus it gets harder, 100 city plus it gets really hard. You know 200 city plus you have to go to the nearest 50 kilometers to stay in a decent hotel.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

So that's really what we are working towards. But I want to caution that, it's not just about the hard work, it's a -- India is not a country, it's a continent.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

So if you take example, let's say consumer durable business, we now don't look at as one business because just less than five years ago we were doing 1 million customers a year.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

Last year we did 4.8 million. They are not 4.8 million from one country, they are actually from three countries, zero to 15 cities, 15 to 50 cities, 50 to 100 cities, 100 to 300 cities. And we think actually for now it is 100 to 300, it will become 200 to 400 by next year. So they had run on different customized credit model, different applications score cards, they are different countries actually. So (technical difficulty) we are making that movement.

Hiral Desai, Analyst

Rajeev, the other is, since you emphasize so much on analytics, you know, qualitatively just wanted to check, is that a centralized function, are there, you know, product specific themes. And is it 100% done in-house or you know you're working with external consultants as well?

Rajeev Jain, Managing Director

So whatever I score to you never work with consultant, that's point one.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

At a generic level, I mean, you know. So it's inter -- it's core to us. We have a 80 member team in the company, but whose job is not to do programming, that is outsourable rule. So for that we work with companies. These people convert the problem statement of businesses and functions. I must qualify role of analytics is not just in business.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

Risk it's in banking operations. We bank 5.5 million customers a month across the banking system, you know 55 lakh instruments get presented.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

Plus analytical infrastructure, as an example I'm giving you.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

So we think it's core competitive advantage to the business model and can manifest in various ways to provide velocity on one hand and reduce --

Hiral Desai, Analyst

Hello?

Rajeev Jain, Managing Director

Yeah, yeah. So that's really what we are up to.

Hiral Desai, Analyst

And lastly, just wanted to check this ticket size that you gave in the, you know, on the slide number 14 of the presentation, is this the average for the quarter or that's broadly the average of the business that you typically target?

Rajeev Jain, Managing Director

Yeah, that's average, but they won't change too dramatically, okay. These numbers won't change too dramatically.

Hiral Desai, Analyst

So on the personal loan side, if I look at a 60% kind of growth that you had on the book, this would predominantly be volumes, there is not too much of change in the ticket sizes as upwards?

Rajeev Jain, Managing Director

Yeah. You won't so, 4.79 lakhs, let's say, personal loan that you are looking at.

Hiral Desai, Analyst

Right.

Rajeev Jain, Managing Director

This number can move by INR20,000, INR30,000 on a quarter-on-quarter basis, that's all.

Hiral Desai, Analyst

Okay. Okay. So that's not a meaningful change?

Rajeev Jain, Managing Director

Not meaningful at all -- not meaningful at all.

Hiral Desai, Analyst

And Sandeep, if you could just give us the fee income number for fiscal '15 and fiscal '16?

Sandeep Jain, Chief Financial Officer

No, I will send you separately.

Rajeev Jain, Managing Director

(Foreign Language)

Hiral Desai, Analyst

(Foreign Language) I just wanted the number.

Rajeev Jain, Managing Director

We will give it to you, we'll add that as well to the list of disclosures.

Hiral Desai, Analyst

(Foreign Language) Thanks for time. Congrats on the great year.

Operator

Thank you. The next question is from the line of Ashraf Javedi [ph] from Capital 72 Advices. Please go ahead.

Unidentified Participant

Yeah, sir. Just one clarification, you know, as you highlighted the previous question, every time the disclosures are higher than the previous quarter and it's bit creating actually confusion for me.

Rajeev Jain, Managing Director

Confusion, my God.

Unidentified Participant

In this slide number 14 --

Rajeev Jain, Managing Director

Yeah.

Unidentified Participant

Where you have given some 19 classifications of the loans. In this business loan, professional loans are probably, you know, some of the vendor financing, what could be the collaterals in those businesses?

Rajeev Jain, Managing Director

So the business loan structurally over the last nine years that we have done remains a working capital unsecured loan.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

Okay. Professional loans is given to Doctors and Chartered Accountants remains unsecured. The important point to note is that these loans, these are the clients that we sell loan against property and home loans too.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

Okay. So business loans and professional loans are what we call the funnel, that funnel 45% of them have a home loan or a LAP.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

Existing in the banking system.

Unidentified Participant

Okay. Okay.

Rajeev Jain, Managing Director

And the goal is to convert them in the process we do two things.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

Low risk business model. Two, cross-collateralize the existing exposure.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

So that's really what we are up to.

Unidentified Participant

Okay. And the second question is on --

Rajeev Jain, Managing Director

Vendor financing is backed by -- vendor financing is backed by paisa charge on plant and machinery and in fixed assets.

Unidentified Participant

Okay, okay, okay. Second question is on this, you know, lifestyle financing, you mentioned about Synchrony Financial. Now Synchrony Financial, you know, has got a book of roughly about $7.5 billion in terms of lifecare credit. So I mean, within that, you know, are we targeting pockets or are we targeting everything which is got to do with the lifestyle, you know, on lifecare.

Rajeev Jain, Managing Director

Yeah, Devang, Devang would just respond.

Devang Mody, President Consumer Business

Yeah, so I think in Synchrony's book, dominant category in their book is actually dentistry.

Unidentified Participant

Right.

Devang Mody, President Consumer Business

Dental treatment. Of course, the market in India only for dental is not so evolved, because they have big market on cosmetic dentistry.

Unidentified Participant

And so, would be the case with veterinary also?

Devang Mody, President Consumer Business

Yeah. Veterinary also is a large business, but I think in their case if I'm not wrong 65 odd percentage business is actually dental.

Unidentified Participant

Okay.

Devang Mody, President Consumer Business

Veterinary, you are right, veterinary is a growing segment.

Unidentified Participant

Right.

Devang Mody, President Consumer Business

But -- see care credit was created for dental treatments only.

Unidentified Participant

Right.

Devang Mody, President Consumer Business

And originally and then they started diversifying into other categories.

Unidentified Participant

Right.

Devang Mody, President Consumer Business

In our case, at this point of time, we have a reason to believe that our 25% odd contribution will come from dental.

Unidentified Participant

Okay.

Devang Mody, President Consumer Business

Balance will come from hair and cosmetic treatments and some might come from some of the other surgeries, including bariatric, as well as the stem cell storage business.

Unidentified Participant

Okay.

Devang Mody, President Consumer Business

I think our market is evolving and we have a reason to grow much faster. Yeah.

Rajeev Jain, Managing Director

As affluent growth -- I must make an important point, we are investing in these categories with a three to five year horizon. They won't yield anything dramatic or material in the next one year or even two years. So, you know, it's a five year view with which we are investing in these asset classes and as the country grows more affluent, we will see these -- and the business gets more organized. The practice of the world is bringing entire medical fraternity on one page, consolidation is happening. As that consolidation happens, we will be there to ride the play.

Unidentified Participant

And here what could be collateral, let's say, for example, let's say, if you do stem cell financing, you know, over there the collateral is hardly anything, I mean, it's not there, so --

Rajeev Jain, Managing Director

Actually, the answer there was -- since this is the second question on collateral, we will go to page 34. You tell me what do I do with the collateral? See there are two parts to this. Forget the -- I can't take his teeth away I mean in a dentistry.

Now look at the businesses that you call, so call, risky businesses. Look at their net NPA because they have to flow through the P&L. What do I do with a loan against property which is at 49 basis points net NPA, but I'm not troubled about either one of them because on one hand, one which is a 0.07, 0.09 have no underlying collateral, I agree. I have to flow it through the P&L, where I have an underlying collateral which is 1.5 x property cover, I don't lose even if it goes to 49 basis points net NPA.

Now that's really the business model conversation that we are doing. This whole traditional definition and I have argued that over and over again, we argued only in this part of the world that secured and unsecured. I mean the entire banking system is fully secured isn't it?

Unidentified Participant

Right.

Rajeev Jain, Managing Director

And look at where things are.

Unidentified Participant

Of course.

Rajeev Jain, Managing Director

I mean, no, I'm series, I mean it's a fully secured banking (multiple speakers).

Unidentified Participant

Yeah, I completely agree with you on that part. And just again this you know, this new portfolio which is lifestyle, what is the loan tenure over there, would they be the same short 10 year one?

Rajeev Jain, Managing Director

Eight, nine, ten months, that's it.

Unidentified Participant

That's it.

Rajeev Jain, Managing Director

(inaudible) 4, 4.5 months, 5 months.

Unidentified Participant

Sure, sure.

Rajeev Jain, Managing Director

The loan sizes are 60,000 to INR70,000 right.

Unidentified Participant

Right, right, right. Sure sir, thank you so much.

Rajeev Jain, Managing Director

Thank you.

Operator

Thank you. The next question is from the line of Jitendra Bhatia from Bayard Asset Management. Please go ahead.

Deepinder Bhatia, Analyst

Congratulations again on a strong set of numbers. This is Deepinder Bhatia. Just a question on the customer franchise, which you've identified as 16.1 million. So this is a current live number. I'm just curious to know how many -- what would be the quantum of customers that you have touched at some point in time in your business trajectory, who are not currently customers.

And what if anything is being done to bring them back, so perhaps people who had been customers in the past, but for some reasons have left you either due to the tenure of a loan or deposit franchise coming to an end or perhaps they have been won away by some competitor. Thank you.

Rajeev Jain, Managing Director

No, it's a valid question. I think customer loyalty is also integral to the analytical -- analytics infrastructure. Let me just clarify one or two points, the 16 million franchise is not active. Today if you look at, active franchise is 6 million, because as I said, I'm banking 6 million customers today, okay. So these 16 million is since we transitioned in 2009 to a platform, which gives us.

So in a way 1988 to 2009 franchise, but that was focus in mass customer is not part of this. This is 2009 to now, that's point number one.

Point number two, this has -- out of this 6 million are active and 10 are clients who have taken a loan from us and have closed loans. And we are continuing to -- based on our internal model and propensity on what people -- what he would like to purchase, we keep targeting them either through various channels of email, SMS and call center. That's point two.

Point three is the total bureau franchise in India, which is 8.5 million we have. That number is like 100 million, okay. So fundamentally that's our goal, right. I would like to have all 100 million customers in the country who are credit tested to be my customer. I mean, it's a -- I could say it's a -- neither it's not a mission, it's a vision, it's a mission, it's a mission statement that we would want all those 100 million to be our customers.

We are bringing in -- let's take last quarter of 1.6 million, 40% of them were existing customers, which means we got in 1 million new customers. So if you take that as an 100, we will bring 4 million to 5 million customers, okay, as Sandeep is clarifying, 721,000 new customers I got.

Sandeep Jain, Chief Financial Officer

In quarter four.

Rajeev Jain, Managing Director

In quarter four. In full year, as you can see, we got 8 and 6, 14 and ten -- 3.2 million. So if 3.2 million grows 20%, 25% we will get 4 million more this year. So new -- acquiring new customers remain central to the strategy of creating dominance in the retail bank -- retail space for us as a company.

Deepinder Bhatia, Analyst

Okay.

Rajeev Jain, Managing Director

Then once we get them, then we put them through various models and then we target them using various campaigns.

Deepinder Bhatia, Analyst

Okay. I think you've given this number once before, maybe in previous presentation, but perhaps if you could just remind us of your existing live customer book, what is the number of product touch points per customer --

Rajeev Jain, Managing Director

Products for customer is on slide 44, 45. PPC remains at 2.7, 2.8 in the consumer, in the SME between 3.5 to 3.6. And that will accelerate as we go, as I mentioned earlier in the call, as we go more and more direct to our clients, this PPC will accelerate. I must make important point, going direct is the hardest thing to do, takes a lot of effort, rewards take longer to come. But as they come, they will reap substantial benefits to the P&L and to the overall franchise for the Company.

Deepinder Bhatia, Analyst

So my just final question, this regard -- just two questions here actually related to each other. First is, you know when your customers have left you on account of whatever, you know, as a competitor loss of a customer, have you had the chance to buy now collate long-term data and some findings in terms of what are the main reasons when customers leave you, you know, is it price, is it you know, something else. And what are those particular gaps that you may be seeing.

So right now your inflow of customers is very high, and I'm assuming these are net numbers we're talking about you know 1.1 minus 0.7 [ph] times, about 3.3 million or so, is a net number, but there may also be an outflow number associated with that net increase number. I'm trying to understand what is qualitatively opportunity, what is the main reason when customers leave that they identify if you have a chance to actually track that to know why they are specifically leaving.

And then secondly, just in terms of the going direct you know, which particular line item should we expect in your P&L will have to bear this stress of that operational model change, so to speak, where you are trying to have greater franchise value which the market will eventually reward in a substantial way in the market capitalization of your company. I mean, that's for sure, but along the way which line item should we expect will be bearing some more stress as you make this transition. Thank you. That's my final two questions.

Rajeev Jain, Managing Director

I'll answer the second one first that clearly, you will see that dealer incentive line go down and you will see -- we'll see the dealer incentive line go down, you will see Sandeep, marketing salary line.

But the differential will not be apple-for-apple, there will be a -- so dealer incentive line will go down dramatically and marketing salary line will go up marginally. So that's point number -- the attrition of the balance sheet should slow down, that's as Devang is saying, may happen only from the second half of the year, may not be from the now.

Thirdly, when customers leave anywhere in the world from a retail asset or a retail bank standpoint, they leave for only two reasons. I mean we can analyze it to debt, its price and process, a right price, and an elegant process in a very simplistic sense, determines the customer stickiness.

Now if I save money in dealer incentive, that's the whole business model that we are walking towards. We can drop the price. As I deal with, let's say Sandeep Jain who is my customer, for example, I know much more about him. I know what his performance across the banking system is, which means, I can make the process of new to Bajaj customer versus Sandeep Jain is an existing customer and more elegant or versus that new customer from whom I would take 10 pages, which is what the definition of process is. I would take from him one page, which means he says, oh great, I don't have to make the effort to take a loan, I'll take it from you.

So, you know, that's really how as we rework going to direct dealing with our customer, we will offer lower price, we'll offer better process which should lead to reduction in cost on one hand and attrition on the other.

Deepinder Bhatia, Analyst

Okay. Of your total dealer driven loans -- originated loans, what percentage should we expect, you know, as we look at this one to five years out, what would -- how would that change from 100, zero, let's say, if we had that dealer number at 100 and zero your portion that has been converted, so what would be the percentage over the next --

Rajeev Jain, Managing Director

85% will go direct. Now -- so there are two parts to this. The dealer, when I say dealer in the B2B business, we will continue to deal with retailers, right. So you have to take that out. Now so taking that off 80%, 85% of our business in a one to three year horizon we'll go direct. I mean, I'm not saying for anything else, we may not be lesser than option, if the retail asset business get heated up to where we see it is getting heated up to.

Deepinder Bhatia, Analyst

Right. Got it. Thank you very much for your comments.

Operator

Thank you. The next question from the line of Kuntal Shah [ph] from CH Funds. Please go ahead.

Unidentified Participant

Hi, Rajeev.

Rajeev Jain, Managing Director

Hi, Kuntal.

Unidentified Participant

Two questions. Given what the banking license norms are today, would you quantify or give some texture of pros and cons from Bajaj Finance perspective. Secondly, it's understandable why you're not present in two wheeler, three wheeler finance, but what about four wheeler finance, especially high-end second car, you know, in terms of you customer segments and all or is that there is no juice left. And third, if you can give some texture on distribution business of IFA and insurance in particular.

Rajeev Jain, Managing Director

So really we have done many times if -- we are a retail individual client in India other than offering him an auto loan, we meet all his needs virtually today and checking account. Checking account, which is their savings account and an auto loan. So checking account I can't do until I have banks, so we leave that out.

Let's come to auto. We have done over year based on a long range projections work on auto, how to do auto, we have looked at global models. It is a wholesale pricing and retail cost. Outcome can only be grief, as Pankaj is saying. So rather learning it at the end of it and lots of us have done auto, we started our careers doing auto, so we have a first love for auto, but just doesn't make money. Globally also Kuntal and India is an exception to it. It's largely done by captives.

So from a GMAC, which of course in 2008 for GFC you know became Allied Bank and Ford Motor Credit to Volkswagen Financial Services to FISA [ph], you know, Fiat to Benz, it's a captive business. We are very happy doing the Bajaj Auto captive business because we have control over point of sale and it's disproportionately profitable business for us. So that's point one.

Point two banking as I said, it's too early to comment. It's in draft stage. We will wait for 30th June for the final guidelines to emerge, of course you will ask the same question again in July,

we'll come up with a response by then hopefully.

But it's in draft let the final guidelines come. But as I mentioned earlier, you know, one, it's a decision that has to be made by the shareholders, we as management can facilitate and assist the process, two.

Three, we won't jump into it, because it's on TAT. We want to -- we were clear last time that it was a window opening for ones, despite knowing fully well, that the ROE will drop from 20 to 12 because the window was opening in the first two to three years because the window was opening -- it was a window, you know, we applied.

If it's on tab, and truly if it's on tab, then we would take our time to try and minimize the gap between 21 and 12. Now, I must also articulate that and I've said this in the past that while we didn't get the bank, the strategic direction that we establish for ourselves to be a bank, we never let that go.

So the commercial business is not 10, 11%, rural is now -- will be present by end of quarter in 450 towns and villages. We are investing in areas like ORM, we've launched a flexi-term loan, which virtually works like an overdraft account.

Home loans is a business that we are now growing much more rapidly. So direction is -- retail deposits has come in, it's already 6% of the balance sheet, we've just established in quarter one, the corporate liabilities, channel all these are direction towards bank.

Two bank, I don't know, towards bank, answer is yes. So we'll be much more ready if the decision was made.

Thirdly on IFA, we now have -- did we publish that. We now have panel, just hang on. Sorry, 732 IFAs, it's a channel, it's a grounds of channel that we are building in partnership with BAGIC and sorry, page 26, in partnership with -- so we have 732 IFAs, it's nine months old, it crossed 150 crores of total lending and deposits business in the quarter gone by. It's a slow burn channel. We think it's a low cost scalable business model sitting on a technology platform, helps us augment our partnerships with our agency partners in the life and the general business.

So we are deepening the management structure to help grow this. Third, insurance. Insurance is one of the large --

Unidentified Participant

Life, dental and mutual fund also.

Rajeev Jain, Managing Director

Okay. Insurance, we continue to, you know, insurance remains one of the largest distributed products from a bank insurance channel standpoint. We do sell insurance to -- different insurance solutions to different customers of ours, but we in general land up selling insurance when we do the loan, given the 16 million franchise and 8.5 million, you know, great customers in the -- of the banking system. In April this year we established a channel to using -- we have built a predictive insurance lifecycle model which -- and we are backing it up with a channel which will basically sell open architecture, multiple insurance products to our existing customers.

So it's a new insurance distribution channel that we have created which in a three to five year horizon could be a very large fee income business model. So we've just gone live with it and we'll build this out.

Mutual fund, margins are just too low. We are focusing on growing insurance at this point of time. Life -- we didn't do three years ago, until two and a half years ago we didn't do general. Now, general is part of the total insurance we do. General is now 35%, you know. So it's -- so that's where we are. We will take as we move forward.

Unidentified Participant

Thanks. And all the best.

Unidentified Participant

Thank you. The next question from the line of Janvi Garodia [ph] from Motilal Oswal Asset Management. Please go ahead.

Unidentified Participant

Yeah, good evening, sir. Thank you for the opportunity. Sir two questions on the financial metrics, one is the cost to income ratio, if I remember couple of quarters back you had guided that because of the various initiatives on the cost side, you see the ratios slide down sequentially.

Rajeev Jain, Managing Director

Right.

Unidentified Participant

So, but then this quarter, the growth in OpEx has been at 35%, almost you know same as the AUM growth. So just wanted to you know, to know the reason for the same. Secondly, NIMs this quarter look a bit weak, and I know, it's a seasonal phenomenon, but even compare to say March last year they are a bit weak. So, mainly on that and then I can ask my third question later.

Rajeev Jain, Managing Director

So, look at the cost direction year-on-year rather than quarter-on-quarter. If you see FY '15 it was 45.1, FY '16 full-year it's 43.7. You will -- as I have talked through earlier as we go more and more direct, as the dealer incentive line, which is one of the largest lines in the P&L gets replaced. But as I said, albeit only less than 30% of the cost. You will see this go down, okay. So I think year-on-year there is clearly a drop, I agree it is still not where let's say most lots of non-banks would be.

But as I keep arguing that, we continue to invest in technology, talent, technology and talent to deliver a high growth business. You should see this number further drop to at least, sub 43 it will go down to. So in a two year horizon, we have to drop by 200 basis points is what you're likely to see.

I wouldn't read anything into the margin, except for the seasonality is what I would say to you. We are ready to drop business not drop margin. And you know that's really where the whole effort on going direct, because the income profile doesn't. I mean the ROE model is not justifying.

So clearly, we are quite clear we had dropped business rather than drop margin or find other ways, if you have to restructure the business, we'll restructure the business rather than drop margin in a given (inaudible). So I wouldn't read anything into the margin. Weakness, I won't read anything in, as I said in NIM, I won't read anything it order into it.

Unidentified Participant

Okay. And sir the last question is you mentioned that you know the CD loan, AUM this quarter ran off because lot of the loans happened in Diwali last quarter. So if I see most of the products are usually you know, the loan duration is around six months to 12 months. So I would assume a CD loan would be on an average say repaid in 8 to 10 months, but --

Rajeev Jain, Managing Director

Prepaid -- it gets paid down 50% by fourth month.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

So let's right. I mean, you know, he is paying down principle every month in installments. So 50%, 60% of what we booked in October, November, December, October book would have virtually washed away 80%, November book would have washed away 60%. So it's very rapid.

Unidentified Participant

Sir, the EMI start only, say, month, month and a half or two months after the loan is taken, right, or do they start --

Rajeev Jain, Managing Director

If you have taken a loan before the 15th of the month, the installment will come in the next 5th. It's only the loan is after 15 of the month that it comes in one and half months.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

So that also -- we have now given the change in business and it's virtually we are lending up giving what I call a free credit period to the customer, then also we're bringing in a technology solution from October onwards that will also change.

Unidentified Participant

Okay. And sir, last question, if I see the average ticket size on self-employed home loans which was about, say, INR1 crore in the Q3 presentation, it's about 75 lakhs only in this, so such a sharp drop is explained by --

Rajeev Jain, Managing Director

Yeah, you'll see this more likely to be between 75 lakhs and 90 lakhs as a result of direct to customer, and 157 number you will see further go down to probably 130, 135. This is the horizon between or the corridor between which these two products will move, based on our segmentation model.

Unidentified Participant

Okay. So your average ticket size would go down when you go for direct?

Rajeev Jain, Managing Director

Yeah.

Unidentified Participant

Okay. Thank you so much, sir.

Rajeev Jain, Managing Director

By design. So it's not going -- we think that's a sweet spot between -- so that's average which means between 75 lakh to 125 lakhs is the sweet spot in self employed home loan from a business model standpoint.

Unidentified Participant

Okay. So, this quarter you would have done like fairly low ticket sizes for the average to drop so sharply.

Rajeev Jain, Managing Director

You know this is for the quarter.

Unidentified Participant

Okay.

Rajeev Jain, Managing Director

This for the quarter.

Unidentified Participant

Yeah.

Rajeev Jain, Managing Director

But as I mentioned earlier, the numbers won't change too materially.

Unidentified Participant

Okay. Thank you so much.

Operator

Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the floor over to Mr. Karan Singh for the closing comments. Thank you, and over to you, sir.

Karan Singh, Vice-President: Equity

On behalf of JM Financial, I would like to thank Mr. Rajeev Jain and the senior management team of Bajaj Finance and all the participants for joining us on the call today. Thank you and goodbye.

Rajeev Jain, Managing Director

Thank you, Karan.

Sandeep Jain, Chief Financial Officer

Thank you. Thank you, all.

Operator

Thank you very much. Ladies and gentlemen, on behalf of JM Financial that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.