



Edelweiss Financial Services Limited

Conference Call Transcript August 09, 2018

Moderator: Ladies and Gentlemen, Good Day and welcome to the Edelweiss Financial Services Limited Q1 FY19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Shiv Muttoo from CDR India. Thank you and over to you, sir.

Shiv Muttoo: Good afternoon everyone. Thank you for joining us on the Q1 FY19 Results Conference Call of Edelweiss Financial Services Limited. We have with us Rashesh Shah – Chairman and CEO Edelweiss Group, Mr. Himanshu Kaji – Executive Director and Group COO. Mr. S. Ranganathan – President and Chief Financial Officer, Ramya Rajagopalan – Executive Vice President (Corporate Development), Salil Bawa – Head and Senior Vice President (Stakeholder Relations) and Samridhi Deorah – Senior Manager (Stakeholder Relations).

During the discussions, we will be referring to two presentations the Q1 FY19 Investor Presentation and then addendum presentation uploaded to the exchange. With that, I would like to hand over the Call to Mr. Rashesh Shah.

Rashesh Shah: Hello and good afternoon to all of you and warm welcome for the Q1 Investor Call. As a lot of you know we do not usually have a call in Q1 we usually have it in the first half and the annual call, but in this quarter we decided to have this call mainly because this in this quarter we have moved from IGAAP to IndAS and we have been advised by a lot of analysts and investors that given that since there is this accounting change which for all NBFC's, it would be good to have a call so that we can clarify some of the information requirements and can also give some more color and also share with you what we have understood, what assumptions we have come across when we have moved from IGAAP to IndAS.

In terms of the results as you would have seen the consolidated profit for Q1 FY2019 have come at Rs. 264 crore which is a YOY growth of 31%, but as you know we look at ex-insurance profit after tax which is currently at Rs. 311 crore because in both our insurance businesses, life insurance and the general insurance business, we are in investing phase. Ex-insurance profit after tax is Rs. 311 core which is a YOY growth of 37%. So, with this we have clocked a 29 quarter average CAGR of 38% and as you know our guidance for investors has been that you would like a long-term sustainable business model which allows us to maintain a profit after tax growth rate of between 25% to 35%. So, we are not only within the range, but slightly above that range, but very happy that this quarter has also been commensurate with the growth rate that we have been hitting in the past.

This quarter has also been an interesting one because it is a testimony to the reason for having a diversified business model that we have. So, we have very good overall growth, but as you would see the number underneath that some business has had very, very good quarter some business had an average quarter and there were some other parts. I will give color on each of this in a little bit. So, overall continue to have good growth. We saw in this quarter credit businesses enjoyed a very strong quarter, both retail and wholesale and especially retail we continue to invest in that. So, we are investing money and also experiencing a significant growth in that business and we expect this to continue for the next few years also because what we are seeing in the market when we talk to customers that there is a huge demand for credit coming back and obviously with the environment with PCA banks and others, there is a capacity constraint for credit which should ensure that we should be able to maintain growth.

In our case, while we are maintaining that growth we are also investing in our retail credit business, so we are opening more branches, we are hiring more sales people and we continue to manage both of that. This quarter was also fairly good for the wealth management business. We continue to add capacity in that also. So, wealth management top line was fairly good, but tapered off a little bit because the broking part of the wealth management. As you know in the wealth management, we have four income streams that come about which is broking, credit, advisory and distribution fees. Broking was that part which was slightly slow, but even then, our wealth management business enjoyed a 37% growth on a YOY basis in a top line and the profit growth came to about 68%. So, good quarter for the wealth management business, good quarter for asset management business which has broken even a few quarters ago.

Capital market was a slow quarter, especially on the investment banking side as we always maintained that investment banking is a very chunky business. Compared to last quarter where we had a few closures, in this quarter there were fewer closures, but we expect that for the year as a whole we should maintain the trajectory of growth for capital market also as we go along. Capital market business got impacted by slightly slower investment banking business and slightly slower institutional equity business because cash volumes for the market were down in this quarter in the first quarter. So, capital market had a minus 25% YOY growth. So, whatever slowdown in the agency business that had happened has been largely because of the capital market business. However overall the franchise and advisory business did record a profit after tax growth of 27%. We had Rs. 81 crore profit after tax for this quarter which is a 27% growth over last quarter.

In our wealth management business, our assets under advice are now Rs. 96,300 crore which is a growth of 46% but assets under management in the asset management business are at Rs. 32,500 crore which is a growth of about 65% and our assets in clearing and custody has grown by 137%. So, good overall quarter for franchise and advisory business except for the capital market slow down which has always been part of the business model we have had because we know that capital market will be volatile and historically that is why we have diversified and broad based the business model we have. On the credit fund, retail credit continues to have growth. Our assets have grown by 80% on a YOY basis which is now at Rs. 18,465 crore.

We clocked ROE of 14.3% in the retail credit business which was slightly lower because we continue to make investment in the SME business. We opened many branches and hired many sales people for the SME credit business and now we are also starting to step up a little bit on the agri credit side of the business, on the retail part. The corporate credit business had a good quarter with 39% growth in book size and almost 88% growth in profit over the first quarter last year. So good all-around growth NIMs are healthy at 9.4%. Cost to income at 35% is steady, ROE

steady at 19.4% and distressed asset had a good quarter from a recovery point of view.

So, though we did deploy some more money in this quarter we also started getting recoveries in this quarter. So, the book overall has grown by 27% on a YOY basis and we have always said that our distressed credit book will grow by about 20-25% over the next three years so we are on track for that also and the distressed credit had a NIM of 9.9%, cost to income of 25% with an ROE now getting close to 25% in that business. So, overall credit business had a profit growth of 70% over the last year. So fairly strong growth in the credit business and ROE of altogether 19.2% for the credit business as a whole is what we are experiencing.

Insurance also had a fairly decent quarter. We were one of the fastest growing life insurance companies in this quarter, we have recorded a 94% growth in the life insurance business in individual APE, but along with that also the persistency has improved in Q1 to 79% which is also very good, what we call best-in-class persistency and we continue to create long term value in that business. It is well capitalized business and we continue to scale that up by adding agents and branches on that. We also started a general insurance business. It is early days, we have started investing money and started getting the product approval, but this is a very early stage business. As we have said in the past, we expect the life insurance business to breakeven by 2021-22 and the general insurance business to breakeven by 2023-24, and we think we are on track for that.

Overall, India outlook looks fairly good in FY19. The economy is coming back, there is a little bit of volatility so there might be a quarter-to-quarter changes in market volumes, investment banking fees. We think the global rebound in economy is very real. India is also coming back. In spite of being an election year we see corporate earning picking up and we think the growth in both urban areas and rural areas is very strong.

We think interest rate rise was expected but it has now got stabilized and going forward the outlook for both equity market and bond market remains fairly bullish. Lastly on the credit cost we are comfortable. We have overall insured that for this quarter the credit cost is now 1%, for the last year we had averaged close to 1.8% credit cost for the whole year, but now that we have moved to IndAS first quarter credit cost is about 100 basis points.

Before I hand it over to my colleague our CFO S. Ranganathan I want to talk about three or four things which we have received some queries from investors and analyst. First is on IndAS we have transition to IndAS in the investor presentation we have given the transition map also and overall IndAS has not had a consolidated big impact. Our net worth has gone up by Rs. 87 crore because of some markup on assets and all that and our profits are up by Rs. 4 crore. So, Rs. 4 crore profit increase is just slightly above 1% so not much impact of IndAS on profit and that net worth also Rs. 87 crore is only approximately 1% of our total net worth. So, both on the net worth as well as profit not much impact. My colleague S. Ranganathan will take you through the actual details of IndAS and what are the step changes would have happened including the entire model on ECL, expected credit loss on Stage-1, Stage-2, Stage-3 numbers that we have.

The second question we had got from some investors was on the consolidated PBT which on a YOY basis came to 10%, but what we internally look at is the post minority interest. So, the 10% that is there is pre-minority because usually minority comes after the PAT and all that, but if you look at pre-minority of PBT because of our insurance partnership there is sometimes swing because of the insurance numbers where the partners also share in the losses of that business. So, if you

look at our consolidated PBT pre-minority interest, the growth has come in at 21% on a YOY basis and a consolidated profit after tax post-minority is come in at 31% which is as we have reported and when we look at ex-insurance also the ex-insurance PBT post minority is 27% and the ex-insurance PAT post minority is 37%. So, profit after tax is 31% and 37% growth as we have seen in the investor presentation, but pre-tax the PBT is 21% and 27% which is also more or less in line with our long-term trajectory that has been there.

So, we are on course we continue to invest in growth and we are not currently changing any growth assumptions or growth guidance that we have. In fact, we are seeing that the economy is doing stronger, corporate earnings are coming up and the demand for credit and asset management, wealth management, advisory services are also strong. Even in capital market our outlook remains strong though we continue to believe that it will be volatile on a quarter-to-quarter basis. The third has been on the credit cost which is what my colleague will speak about. We had moved to IndAS, we had an option to move completely to the model LGD for Stage-3. You would have seen in the presentation that our Stage-3 LGD is coming at 58% we have always guided investors that given that our large part of our book collateralized credit we expect a loss given default to be between 20% to 25% and not 58%. So, the question people have been asking is why is it 58% and the board and the audit committee decided to keep it as 58% because this is what we had already provided. So, instead of doing a write-back on that scaling back as you would be seeing a lot of other NBFC's have done we have decided to keep the loss given default at 58% which was the provisioning that was done before moving to IndAS though we still maintain that our expected loss given default on our credit book will should be between 20% to 25%. We have decided that we will be conservative for the time being and over the next few quarters as the LGD model become more and more robust, more and more as it evolves well we can always claw back some of the excess provisioning that we have, but at the moment we are comfortable retaining that 58% LGD for Stage-3 which is higher than what may be others also have and what our own internal model have also suggested. So, we have spoken to auditors, our audit committee has also taken a view and we have decided that we should not claw back that profit. If we were to claw back that profit the delta would have been about Rs. 100-150 crore. But we have decided to maintain that at 58% loss given default, but we wanted to clarify that we do not expect a loss given default of 58% on our Stage-3 assets as we go along.

There has been some questions around cost to income ratio of the various businesses and all and though our overall cost income ratio has been trending down for the last 8 or 10 quarters, it has trended up a little bit in this quarter. And there are couple of reasons for that, one is in this quarter on our G-Sec portfolio we have taken a mark down of about Rs. 20-25 crore and that is part of the overall environment and since we maintain liquidity cushion, part of that liquidity cushion is held as the G-Sec, we have taken a mark down. We expect our treasury to on an average make about 1% ROA. Our treasury assets have varied between Rs. 6,000-8,000 crore every year and we expect to make between Rs. 60-80 crore as the profits on that. So, usually it should ideally a Rs. 20 crore profit every quarter. In this quarter there has been about Rs. 25 crore mark down on that portfolio that is also partly affected the income part of it which is affected the cost income ratio in that.

The other thing that has affected our cost to income ratio is the capital market business. As I said, investment banking and institutional broking, if I look at the same quarter last year or the preceding quarter, our top line on the capital market is down also by about Rs. 25-30 crore and we know that both this G-Sec portfolio and the capital market business can be the cyclical part of our overall model and we always have guided investors that there will be some volatility in that. So if cost to income ratio goes up by 100-200 basis points on a quarter-to-quarter basis we at

least do not see it as a matter of concern because that can only happen because one or two investment banking deals did not get closed in June but ended up getting closed in July and as a result of that the cost income ratio can vary. But on an annual basis we think we will continue to maintain the guidance and the trajectory that we have given on the cost income ratio. Our consolidated cost to income ratio should trend down by a couple of percentage points every year for the next three years as we build scale and as we start getting a lot of efficiency out of that. So, lot of concern on our side on cost to income ratio or on ROE. We also continue to invest in the business. So, this quarter we still significantly invested in the wealth management business which we would have seen from the increase in the relationship managers we have, we have increased in the SME credit business which we would have seen from the number of branches and the credit book growth we have had.

So, we are continuing the investment and we are not unduly worried about just managing cost to income ratio every quarter because that would create an upheaval in our growth plans and our investment plans because if investment banking or capital market have a slow quarter, we do not want to hold that investment in a wealth management business and our SME credit business. So, we would guide investors, we would continue to request all of you to understand this part of the business model that there will be a little bit of volatility of couple of percentage points in our cost income ratio, ROA may move up and down by about 100 basis points, but overall on an annual on a long term trajectory basis we continue to be where we have been for the last few quarters. So, along with that I just want to conclude, the business model remains the same, our growth outlook remains the same. We have a few parts of a business model which maybe volatile on a quarter-to-quarter basis, but overall the growth in asset management, the growth in wealth management, the growth in retail credit, the growth in our ARC business, a growth in our insurance business all of that are on track. In fact a lot of them have had a significantly good quarter and we hope that coming year itself we continue to maintain this strength and go forward. So, along with that I will now hand over to my colleague, our CFO – S. Ranganathan to give some more color on the numbers as we go along.

S. Ranganathan:

Good afternoon and thank you once again for attending this call. As usual let me quickly take you through the Q1 FY19 Earnings update.

I am happy to announce that the recorded profit after tax of Rs. 264 crore in Q1 FY19 registering a year-on-year growth of 31% over Q1 FY18. The ex-insurance ROE for the quarter stands at 19.8%. Other highlights in respect of the financials are as follows. The total revenue for Q1 FY19 is Rs. 2,481 crore up 19% YOY. Consolidated profit after tax is of Rs. 264 crore as compared to Rs. 203 crore in Q1 FY18 as per IndAS, up 31% year-on-year. Ex-insurance PAT of Rs. 311 crore which was Rs. 226 crore for Q1 FY18 is up 37% year-on-year. Balance sheet grew from Rs. 43,926 crore as on June '17 to Rs. 61,785 crore as on June '18.

Coming to the main business and let me give you an update on how we fared this quarter:

Credit business profit after tax grew 94% year-on-year to stand at Rs. 243 crore post minority. The retail book particularly has been doing very well this quarter and accounts for 41% of the total credit book as compared to 39% quarter ago. The corporate book has also been showing significant growth.

Coming to franchise and advisory business:

The profit after tax grew 25% year-on-year at Rs. 81 crore. This segment includes fee-based business namely wealth management, asset management and capital markets. Ex-insurance cost to income ratio for the quarter stood at 49%. Credit cost remained well under control with the gross NPA at 1.75% and the net NPA of 0.74% at the end of the quarter. The collateral cover for our corporate book remains robust at 2x and the LTV on the retail book stands at around 45%.

The consolidated return on asset for the quarter stood at 1.9% and ex-insurance at 2.5%. Consolidated ROE for the quarter stood at 15.2% and ex-insurance ROE at 19.8%. Now looking at the individual heads of income for the quarter, the fund-based income grew by 23% year-on-year to Rs. 1,769 crore in the first quarter of FY19 and fee and commission standing at Rs. 521 crore in Q1 FY19 remained flat year-on-year. Life insurance business continues to grow and recorded a net premium of Rs. 118 crore in Q1 FY19 showing a growth of 85% year-on-year. On the cost side, borrowings increased from Rs. 38,036 crore a year ago to Rs. 50,609 crore pretty much in line with our operation which we are scaling up.

The total finance cost grew by 21% and the weighted average cost of debt has improved to 9.1% for the quarter under review. Also, our NIMs continue to remain strong and stable at 7.8%. Our headcount as at 30th of June 2018 stands at 10,846 compared to 7,341 a year ago. This led to a year-on-year growth in the employee cost of roughly 20%. We continue to make significant investment in our key growth areas to build a scale in our operations including strengthening of the enterprise functions. Operating expenses grew by 22% from Rs. 364 crore to Rs. 443 crore.

Coming to the balance sheet:

We continue to take steps to strengthen our balance sheet a capital adequacy at a consolidated level at the end of the first quarter stood at 16.63%. We had a comfortable unmatched ALM and liquidity profile over the short and medium term. We have also added new lenders coming from the insurance companies, pension and provident fund in addition to our conventional sources of banks, mutual fund and retail subscriber to make sure that we have a diversified source of borrowings.

Just 10 days back we successfully raised Rs. 2,000 crore in our NBFC ECL finance by public issue of retail bonds. Debt to equity ratio, excluding treasury assets, has been stable at 4.9 as on 30th June, 2018.

Now a bit on the IndAS, we have explained in our investor presentation for the quarter the impact of IndAS accounting on our financial results. As can be seen from the slides 50 to 54 the IndAS transition has not materially impacted the consolidated financial performance of the group with IndAS net worth and PAT for Q1 FY19 being Rs. 8,226 crore and Rs. 264 respectively.

The increase in the credit provision to Rs. 762 crore under IndAS is due to the provision in Stage-1 and Stage-2. Out of the total expected credit losses of Rs. 762 crore, Rs. 373 crore relates to Stage-1 and Stage-2 assets which is very akin to the standard asset provision that we are carrying under the conventional Indian GAAP. Further, we are carrying an ECL provision of Rs. 389 crore which is a same provision that we had earlier carried on stress account although our ECL in Stage-3 is significantly lower we continue to hold 55% to 60% provision cover on a conservative basis although as Rashesh said we had an opportunity to write back additional provision that we were carrying. However some possibility of financial results for the current and previous that may undergo a change because of any change of new standard coming in, modification to the existing standard or there could be some guidelines in this regard issued by the government or the regulator

which because the regulations relating to IndAS are still evolving in terms of implementation.

Coming to the credit business highlight:

The total credit book stood at Rs. 45,206 crore at the end of Q1 FY19 up 50% on year-on-year basis. Retail credit book comprising of home loan, loans against property, SME LAP and agri finance continue to grow rapidly. At the end of Q1 FY19, retail credit book was Rs. 18,465 crore up 80% on year-on-year basis. Cost of credit book continues to do well in the structured collateralized credit and wholesale mortgage segment. The book is well managed in terms of risk and we have continued to avoid any kind of undue sector or industry concentration. The asset quality on the credit book continuous to be under control with GNPA of 1.75% and NNPA of 0.74% under the ECL model we carry a total provision of Rs. 762 crore of which is Rs. 389 crore relate to Stage-3 assets. Capital deployed in the distress credit business stands at Rs. 6,540 crore with an AUM of Rs. 43,656 crore. The cost to income ratio for the credit business remained stable at around 36% for Q1 FY19.

Coming to franchise and advisory business the wealth asset under advice now stands at Rs. 96,300 crore at the end of Q1 FY19 with a year-on-year growth of 46%. Over the years we have increased the proportion of advisory asset in our AUA also the net new money added during the quarter amounting to Rs. 3,257 crore has considerably contributed to the increase in AUA. Asset management business grew pretty well and AUM has grown to Rs. 32,500 crore as of June 2018 with a YOY growth of 69%.

Our capital market business continuous to be a pioneer and market leader. Total customer assets advised and managed by us are now over Rs. 1,78,000 crore in an aggregate. Insurance business net premium in the quarter went up by 85% to stand at Rs. 118 crore. Insurance business is scaling as per plan. Edelweiss Tokio life insurance business has a net worth of Rs. 1,015 crore as of June 2018 and the embedded value in the life insurance business stands at Rs. 1,596 crore and the end of June 2018. This completes the Q1 review and we can now open the forum for Q&A.

Moderator:

Ladies and gentlemen we will now begin the question and answer session. We take the first question is from the line of Mahrukh Adajania from IDFC. Please go ahead.

Mahrukh Adajania

I just had a couple of questions. Firstly, regarding your provisioning so we are also learning the nuances of IndAS, so I just wanted to clarify one thing that one of the companies told us that basically you have to follow the ECL based provisioning and the remaining has to be written back that is mandatory, what is your thought on that as in that you obviously done much more than the ECL. So I just wanted to clarify that and then in terms of distressed debt resolution especially under the NCLT do you think that the process has slowed down much more than what was earlier expected what is your view on that and thirdly on the real estate sector year outlook because we still continue to see some large account slipping for some other financiers. So, your outlook on growth and asset quality there?

Rashesh Shah:

So, I think on the first one on ECL Stage-3 as you very correctly said I think there are various people have tried various models, a lot of people also waiting for RBI guidelines to come out on this because RBI is yet come out with guidelines on what should be the right process. So I think if I saw even HDFC had some excess provisioning which they made is Stage-3A and Stage-3B also. And the idea here is to be more conservative and even the loss given default history itself is evolving as

we go along. I think though there are some auditors who insist you should write it back some others have allowed keep it and as the history develops because it is not that this is forever. This will get calibrated every quarter as we go along and as the history develops. So, I think the current approach that people like HDFC have taken is to be more conservative and maintain that. So if I saw HDFC numbers they had something called 3A which was standard asset but stressed which was not effectively Stage-3 but there was a provisioning against that. So, I think people are evolving around models, we expect we are also in touch with RBI and even the audit firms are in touch with the Reserve Bank of India and we expect in the next couple of months RBI itself will come out with some clarification and they might also say that the excess provisioning you can call it counter cyclical provisioning and keep it aside on quarter because in the bank they also have something called counter cyclical provisioning or just overall portfolio provisioning. So, there might be some guideline that will come, and I think all of us should just wait for a couple of months from RBI. Even if RBI does not come in the next two, three quarters Audit firms will also converge with maybe guidance from the institute on how to handle this. So, until that happens our view is it is better to be conservative than aggressive and not write-back profit because if you have that extra provisioning reserve that can always be used in the future and I mean as you have seen banks also have been doing something called counter-cyclic provisioning which is over and above the normal provisioning that they require. So, maybe you can call this excess provisioning as counter cyclical provision by another name. On your second question about NCLT and distressed debt, yes it is taking a bit longer because the law is getting tested out in the core and plus we have had the new IBC amendments that also came out a few months ago in fact I was on the committee that was amending the IBC law So, as a result of that we think there is a delay of about 3 to 4 months on what we expect, let us say, Essar Steel is expecting to get the money by June we might end up getting the money by October also. So there is a three to four to five month kind of delay in that but the good news on the other side is because of this process and back and forth and all that the actual realizations are higher by 10% to 20% because in the auction process you must have seen recently in Bhushan Power and Steel in the first round of bidding JSW had bid about Rs. 11,000 crore and Tata had bid about Rs. 16,500 crore. Now JSW is putting the bid at Rs. 18,000 odd crore in that. So, even above Tata there is a 10% increase in the price and now the second round of bidding is happening. Same thing we saw in Essar Steel, in the first round the lowest bid was at about Rs. 19,000 crore, the last round bidding has been Rs. 37,000 crore so what you are losing in terms of timing on one side you are gaining on the other side in terms of higher prices because of more competition and more of the figure is coming out there and the second good thing that is happening is the law is getting tested. The NCLT, the Supreme Court, all the judgment are coming out, so the rules are getting framed also along with that. So, in the future cases even this trial and error method or the testing of going back and forth may not be required. So, overall we have not been perturbed, I think three or four months, I do not think it will add three to four years to the recoveries I think it will add three to four months to the recoveries on an average but if you get 10% more and you lose three, four months I think it is a trade-off to make this wealth is what our view has been overall on that. Thirdly, on the real estate sector we are seeing the sales are taking off, I think project launches have come down the stress in the system that was there 18 months ago because of demonetization and GST has started to go away and the sales are happening. Yes, liquidity is still tight and we think it will remain tight for the next two quarters because customers who are paying say 30% on booking the flat are now paying only 10% on booking the flat. So, flats are getting sold in fact the sales pick up has been fairly encouraging but the cash flow has been slower to come. Like even on an average even to collect installments because after a customer pays the first installment or every other installment usually the developer has to follow up and earlier it used to be say two calls for every installment to be collected now that same two call has gone to five or six calls to collect the installment so it is taking a little bit more effort because liquidity is not easy in the system. But I think overall

because even now today the entire system liquidity is tight but the asset price is not falling in fact in real estate for the first time we are starting to see that the prices are starting to inch up by 3-4% also. So, the prices are stronger, sales are stronger, liquidity is weaker and liquidity will remain weaker for the next couple of quarters. In all the modeling we do and all the credit that we extend, we anyway always factor these things and we take about four to six quarters of cash flow sensitivity because in India we have seen that even when assets\ prices are stable, cash flows can be delayed by a few quarters. So, you need to budget for that in your planning and in your structure for that.

Moderator: We take the next question from the line of Viral Shah. Please go ahead.

Viral Shah: So, if I look at your Tier-1 ratio it is about 13% based on the breakdown that is given in the slide, it is probably among the lower end of mid to large NBFC that we look at. Are you comfortable with this and how soon do you expect to hit the market again for a capital raise?

Sunil Tirumalai: Well see the regulatory capital that required is about 15% while we are still at about close to 17% and what happens is we have other kinds of instruments that help us shore up our Tier-1 capital. For example, we did additional Tier-1 capital about 6 months back and we have also come out with subordinated debts. While we are open to looking at capital issues which might come up sometime later, but we have other instruments that can shore up the Tier-1 capital as well.

Rashesh Shah: You are right. I think if you maintain this growth, if you see credit book has grown a lot faster than what the long-term average has been. So, the trade-off you have to make is I think there is a lot of growth available in the system as you would have seen with other NBFCs also. I think we earlier are saying that 25% to 30% growth in credit book is a good growth but the last couple of years now I think 35%-40% growth is available mainly because of the credit crunch that is there in the system. While the economy is coming back because of the PCA banks and lack of capital in the PSU banks there is a systemic crunch and we have to make that decision to maintain the growth rate versus raise in capital. Currently, on the current Tier-1 we are comfortable for our current assumptions till March or June for the next year. So, if you have to raise capital to maintain the high growth trajectory that we have we can raise capital at that time. We also have other options. We do not have to raise money in the holding company itself we can also raise money in the credit subsidiary itself and we have got some private equity interest in that. So, I think we will make that trade-off on making sure we are well capitalized for the growth that we want to observe.

Viral Shah: If you look at Slide #28 there is this useful table that you give on the yields and ticket sizes across your retail and SME segments while these numbers keep moving around quarter-to-quarter and is useful. One thing I noticed is that the median ticket size under secured SME has doubled from Rs. 1 crore to Rs. 2 crore. We are talking of a completely different segment with probably different competitive dynamics so is it just some decimal point change or is it essentially a different segment that you are looking at?

Rashesh Shah: Actually, we realized in the SME business and you are right and we have found that SME secured smaller amount had a much higher credit cost and the credit risk on that. So if we do a Rs.30-40 lakh secured loan then the risk return parity was not actually stepping up with that. About what we have found is the larger ticket size for secured SME which is effectively another form of LAP actually make a lot of sense, so we treat them as a business loan and these are usually larger customers. We are seeing a lot of demand on this for customers who are actually currently clients of some of the PSU banks but because we the credit crunch in the

PSU bank and the PCA environment and lot of these already banned, already having credit facility but not having enough for growth those customers are coming. So we think the larger ticket size they have, the security is actually safer and for the smaller one, the unsecured one, which is usually we play in the range of Rs. 5 lakh to Rs. 20 lakh on secured range, where the risk return is also very good because you get a higher interest rate. So, what we found is that at 13% interest giving a secured outstanding of Rs. 30 lakh-50 lakh ticket because you are catering to a different customer segment was there but the risk reward was not as rewarding. We would rather do Rs.1-3 crore kind of a loan to a slightly larger customer who has the property, has the track record in banking and still is willing to pay 13% to us.

Viral Shah: What would be the kind of LTV in this segment, is this primarily residential property or it takes commercial as well?

Rashesh Shah: It is actually both, commercial as well as residential, so we are indifferent to that. Usually, it is self-occupied either for commercial or for residential, it is either being used for business or it is used for the owner of the SME business staying there. We are seeing a fairly good market in that. This market has only opened up in the last few quarters and the LTV can be anywhere between about 50%-55% to 70%-75% depending on the credit scoring of that company. We usually treat this as a business loan with a property as secondary collateral, that is our broad approach in this, and that is why we can charge 13%. It is purely LAP and we give only 50% LTV then the yields might be 11% to 12%. If it is a business loan kind of underwriting with property as collateral, so I think between 55-75% is the LTV we go in.

Viral Shah: Your structured credit book fell quarter-to-quarter. Is that you do not want to go beyond certain scale in this business or is just some lumpy thing which closed and you might grow again I mean just want to understand what is happening?

Rashesh Shah: As you have said I think structured credit book there were two dynamics happening – one is we have fund in place also. So, we are now sharing incremental deals with a fund so might get a repayment of say Rs. 200 crore and we might have done another Rs. 200 crore disbursement, but the new disbursement of Rs. 200 crore only Rs. 50 crore will be in our book and Rs. 150 crore will go in the fund's. So, as we have always stated that whatever capacity, as we said earlier anyway capital is short for us, so whatever capital we have we would rather allocate it for retail and SME business and for the wholesale corporate book. We are using the fund structure a lot more and there will be certain chunkiness in that because disbursement might happen in June or it might happen in July so our guidance continues to be there that our wholesale structured credit book will grow at about 10% to 15% per annum. We do not want to grow it faster than that and we have an opportunity in that but are using the fund management, asset management for capturing that opportunity.

Viral Shah: Just a final question going back to the discussion on the distressed book, so we have some indicative pricing right on some of the steel assets, we find it really difficult to model what eventually will flow through to your profitability if you can help us with some direction over there it will be very valuable to us?

Rashesh Shah: It is very hard to make any exact forward-looking statement. What I will do is I will give you the model that we have followed which broadly should give you at least some rules of thumb on how to estimate this because our idea is I think enable people to also see where our business is growing and what returns could be expected. On an average when we buy a Rs. 100 loan we buy it at let say Rs. 40 that has been the average. A loan which is in the bank at Rs. 100, the purchase

price for ARC is Rs. 40 and up till now a large part of the book has been under 85-15. So, when we buy something at Rs. 40 we put a Rs. 6 of our capital into that and the other Rs. 34 is bank's capital or the bank's security receipts in that, so that is a simple part, it is up to you what you acquired. Now what we have seen is on that we now have AUM of Rs. 40 and our capital invested of Rs. 6. On that Rs. 40 we get fee, on the Rs. 6 we get some interest also because these are credit assets which are earning some interest or the other or an average on the Rs. 6 that we invest, we end up getting between Rs. 1-1.10 as annual return which is what we call the 16% to 17% current normal yield on the Rs 6 that we have invested. So that is our standard basic baseline model on this. Then what happens is if you recover more than Rs. 40 so if we buy it at Rs. 40 and we recover exactly Rs. 40, then on the Rs. 6 we invested, we will get a 16-17% yield so that is all that we will get. You would not get anything more, we would not get anything less. If that Rs. 40 gets settled at say Rs. 30 we make a loss on that then our yield falls down from 16%-17% to 11-12%. If that Rs. 40 becomes Rs. 20 then the yield falls down to almost equal to 0 which means we get back only the Rs. 6 capital because on that fixed capital we will lose Rs. 3 but we will get Rs. 3. So, effectively we just broke even on that is on the downside. On the upside, when we buy something at Rs. 40 and we settle at Rs. 50 we should get an incremental IRR of about 3% to 4% cost on that. And if we buy it at Rs. 40 and we settle at Rs. 60, we should get another 3% to 4% points IRR. So, if you buy it at Rs. 40 and settle at Rs. 40 you make about 16%-17%, if you buy at Rs. 40 and settle at Rs. 50, you get 21%, if you buy at it 40 and 60 cents to a dollar you end up getting 25% IRR so that is the broad way of estimating this. It will vary from case-to-case but broadly this is how the payoff works in an ARC model under 85-15 structures.

Moderator: We take the next question from the line of Avinash Singh from SBICAPS Securities. Please go ahead.

Avinash Singh: First one will be against some guidance on both types of business, life and general insurance, I mean the kind of growth we are seeing because of the investments we are making in both the businesses so what kind of losses we will be making over the next two, three years. Second question would be on if you can provide some color around your different type of assets under advisory and your wealth management, how is this Rs. 96,000 crore comprised of? Lastly, for the treasury, are you still comfortable with that 1% sort of ROA for FY19 in the first quarter we had a minor loss so still can we do that 1% sort of ROA, these are my three questions?

Rashesh Shah: I think the first I understood which is the LIGI business. Third you talk about the treasury we call it the balance sheet management unit and the second question I did not get it.

Avinash Singh: The breakup of assets between different class of assets to the wealth management AUA?

Rashesh Shah: So, I think on the overall first on the insurance business the life insurance, general insurance business, our share of the loss in the life insurance business for this quarter has been about Rs. 35 crore. We expect for this year this to be about Rs. 150-180 crore range is will be our share of the life insurance business loss. On the general insurance we expect to lose between Rs. 40-50 crore for this year. So, both put together we should expect a Rs. 200-225 crore loss for this year on an overall basis which is part of our share which on an overall profit PBT of whatever Rs. 1,800-2000 crore whatever is the average should be about 10% to 12% of the PBT. You can also look at in PAT terms but we will look at in PBT terms then it will stay stable at that I think between Rs. 200-250 crore a year is what we are projecting for the next 3-4 years, until the life insurance business breaks even, should be the earning drag on the life insurance and the general insurance

businesses. Obviously in the meantime, we are creating embedded value, we are creating other values in that but this is the accounting loss expected between Rs. 200-250 crore per year. On the wealth management, a lot of our assets are of course they are across mutual funds, alternative assets, equity shares itself because about 40% of our top line in wealth management comes from the brokerage revenue so a lot of that will also equity assets which are held in the DMAT with us, it is also in bonds and in alternative funds. I think approximately Rs. 1 lakh crore of AUA that we have the general breakup is between distribution and advisory assets has been given on Slide #35 on the Investors Presentation but on the whole I would say about 10% of that are what we call is the AIF, the alternative assets which is about Rs. 10,000 crore out of Rs. 100,000 crore. Another 30%-40% will be in equity assets in some form or the other. The balance will be mutual funds. Structured products should be about Rs. 5,000-7,000 crore and the balance will be bonds and other assets. Our assets are not very equity dependent, our assets are lot more alternatives and credit dependence also. We actually sell a lot of credit products to our wealth management clients also. So, as a result of that there is a fair amount of diversification in that so as I said brokerage revenue is about between 35% to 40% of the top line which was slightly slow in this quarter. Our distribution income, our advisory income, our credit income were very good in wealth management for this quarter. The brokerage income also grew but not as fast as it has been growing in the past. Your third question was on treasury BMU, our expectation on that is that our primary objective of having those Rs. 6,000-8,000 crore of assets is to manage our treasury, and manage our liquidity need as we go forward manage our ALM, manage our interest rates sensitivity but along with that we do not want it to be cost center, we want it earn money and overall last above 10 years we have ended up making between 1% to 2% ROA on that which is I said which is between about Rs. 6,000-8,000 crore we should make profit after tax on Rs. 60,000-80,000 crore, which is about 5% to 7% of our overall profits. This quarter obviously it was a loss because of the G-Sec portfolio melt down but we expect all this comes back. This is the cyclicity of the business so for this year also we would expect to make between about 100 basis points of ROA on this. So, if you look at the last 10 years when you have studied the worst year has been 80 basis point of ROA and the best year has been to about 200 basis point of ROA on the treasury assets but it is not a profit center for us, it is not a cost center it manages liquidity, interest rates sensitivity, ALM mismatch and all of that and it earns its way through and contributes to a little bit of profit just to stay ahead of the curve.

Avinash Singh: What is the net worth of GI business at present? How long can it sustain the current capital the growth?

Rashesh Shah: So, currently we invested about Rs. 130 crore but it is a 100% subsidiary. We currently have not brought in partners from outside so a lot of people are interested we want to grow and stabilize the business, we are following a fairly unique digital kind of a model strategy. We are doing a lot of cross-sell, so we are not opening 300-500 branches. Edelweiss itself has more than 1 million customers. So, we are using cross-sell strategies, we are using digital strategies on that so we have not brought in an outside investor or a partner which we can always do at a future date. Currently, we have capitalized at Rs. 130 crore which is enough for the next couple of years but over the five years, we expect to have to invest about Rs. 250 crore in that business and out of Rs. 130 crore is already invested and we might invest another Rs. 120 crore over the next five years.

Moderator: We take the next question from the line of Renish Bhuvra from ICICI Securities. Please go ahead.

- Renish Bhuva:** Couple of questions one is on our provisioning part so this quarter our provisioning is roughly Rs. 110 crore, if you just can give us the breakup of how much it would be towards the wholesale book and retail book?
- Rashesh Shah:** Usually our wholesale, retail actually provisioning has been more or less equal only so there is not much material difference. So, total credit cost in this quarter is about 100 basis and I would say between wholesale and retail it would be almost the same. Of course, it varies difference between retail book mortgage because the mortgage credit cost is lower but the unsecured SME credit cost is higher and the same thing on the wholesale side, construction finance is lower, but usually some of the structured could be a bit higher but our 100 basis point current credit cost is almost same between wholesale and retail and if you split it up it is about two-thirds of that credit cost comes from wholesale and one-third from retail.
- Renish Bhuva:** If you can share the under ECL model, what we are building in while calculating provision and the new ECL model like what kind of PD and LGD we are doing with? What is the assumption for PD, LGD at least for wholesale portfolio if you can share?
- Management:** We can give you percentages PD and LGD as Rashesh mentioned earlier are still evolving so we can give you the ECL percentage which is of course the product I can tell you overall on Stage-1, Stage-2, it is around the distribution between the Stage-1 is around 70 bps to 1% point and Stage-2 will be 3% to 4.5% and Stage-3 obviously we have provided much higher than the ECL.
- Renish Bhuva:** But at this point in time giving PD LGD would be difficult that is what the sense is right? Since we are still a learning or maybe we are just in a very early stage of understanding the whole ECL model?
- Rashesh Shah:** Yes, it is early stage and as I said earlier we would rather add on the side of conservatism. So, the 58% LGDs that we have taken is much, much higher for a collateralized book, even all the history we have done and the internal modeling we do we expect that the LGD for a collateralized book both retail and wholesale should be about 20-25 basis points, but we are at about 58%. I think over the next three, four quarters I would expect a lot of this to also stabilize. Our overall coverage is currently more than 100% both the Stage-1, two and three if we put together and if we look at the gross NPA we are more than 100% covered of the provisioning side.
- Rinish Bua:** So, you do not expect any negative surprises on credit cost going forward physically?
- Rashesh Shah:** I would not think so. At 58% LGD I think it should only improve it should not get worse.
- Rinish Bua:** Secondly, coming back to our real estate book, so general understanding is that you know the real estate typically developer financing start having receivables after two and half years. So, we started growing this book aggressively let say from '15 onwards which is almost like three and half year old now. So, what kind of over experiences in terms of receivables from the real estate book, I mean just started coming out of the moratorium or how is the experience if you have to just guide us for last 1 years, what is your experience in terms of the receivables from this book?
- Rashesh Shah:** We have been doing this book from 2008 onwards so it is not only last 3 years I think we are almost 10 years old in this business.

Renish Bhuv: But I think sizable disbursement from the numbers it is like Rs. 7,000 crore between '16 to '18?

Rashesh Shah: It is a scale issue and also what has happened in the last three, four years a lot of this opportunity has moved out of banking, especially the sale thing because of the PSU banks capital issue and all and a lot of projects are actually doing well but taking longer so the cash flow cycles have get elongated but in a lot of our modeling we have ensured that there is enough sensitivity that we have built in that. So, we are seeing good yield on this loans. There has not been too many moratoriums and all but that is a function of how do you structure and how you underwrote the loans if you expect everything to go perfectly, it will not happen but if you say that the developer expects to get cash flows after six quarters, but you model after 8 quarters or 10 quarters then it becomes a lot easier and we have been modeling on that and now along with the new real estate rules and all RERA this has become a lot easier in fact I think the current market size for developer funding and construction funding is now close to 4 lakh crore. There are players HDFC, Piramal and Indiabulls and others are there but there is a 4 lakh crore current market we think in the next three years this 4 lakh crore should go to about 8 lakh crore. They should double in the next three years should grow at about 20% to 24% because what is also happening in the developer financing market is earlier they were getting a lot of funding from customer advances, now the customer advances have started to go away and they are getting replaced by structured credit. Now the customer advance also carried an implicit capital cost. So, the capital cost is now changing except the provider of capital has changed from the customer who was giving the advance and getting a discount on its price to a structure credit provider like all of us who are having more control on the project and cash flow and able to monitor it much closely.

Rinish Bua: So, basically, if this is the correct understand that you are saying the past quasi capital for developer were coming primarily from the advances of the customer which has been replaced by a specialized player like us?

Rashesh Shah: Absolutely, see if you go back and see 10 years ago on an average project at least about 60-65% of the funding came from customer advances that 60%-65% has now gone down to about 40% or so. We think on the long-term basis it will go to only 20-25%. It is usually a developer puts about 10% to 15% of its equity he gets another 10% to 15% as structured. He gets another about 10%-odd as construction finance and the balance will be customer advances. Now the structured finance which should be 10% to 15% has become 25% to 30%.

Moderator: We take the next question from the line of Anitha Rangan from HSBC Asset Management. Please go ahead.

Anitha Rangan: I just wanted to understand your distressed credit I mean the way you are growing your loan book and given that there are so much of opportunities given by the insolvency resolution process, how much would you like to grow the book and therefore, how much would be need for capital that is my first question. The second question given that there is so much of bank distress, banks are also like becoming more and more cautious and there is also news that RBI is doing on the ground of AQR, how much do you think will be more stress on anything related to that coming into our book into like SMAs up to like 30 days or 60 days you are seeing in our books?

Rashesh Shah: It is actually a very different question you have asked. So first question our distressed credit book is currently Rs. 6,540 crore of cash as we have deployed as I had explained in the earlier question. So, AUM is about Rs. 45,000 crore, our cash deployed about Rs. 6,540 crore on which as you can see we have made a

25% ROE on that. We expect this has grown at 27% in this quarter as compared to the same quarter last year. We expect our own distressed credit book to grow at about 20% to 25% a year which means in other words we will increase the book by about Rs. 1,000-1,500 crore every year is what our expectation is. If we can do Rs. 1,500 crore so what is coming in Rs. 6,500 crore should become Rs. 8,000 crore after one year and that should Rs. 10,000 after another year is what we expect the growth to be and we see for the next three years at least there is enough growth in the opportunity and there are enough deals we are seeing on that. I think ability to deploy that kind of money between Rs. 1,500-2,000 crore per year for the next couple of years is going to be possible on the net basis but what we also as you said there is still according to us about Rs. 3-4 lakh crore of assets still not resolved and they are stuck in the banking system. So, the banks will sell a little bit more. So, if you see the total capital that has gone in buying stressed assets in the last five years the total money that has gone in has been about Rs. 30,000 crore out of which we have provided Rs. 6,500 on our book and we have done another Rs. 1,500 crore from the funds. So, out of the Rs. 30,000 crore, Rs. 8,000 has come from Edelweiss and Edelweiss Funds that we manage. We expect every year about Rs. 15,000-20,000 crore of new cash will have to be deployed for buying out this assets so there is about 3 lakh crore of are still unresolved assets which banks will need help and at least half of that should be sold to ARC on a stressed assets funds because that is there it can be managed better than what it can be managed by the bank. The third thing you said is very interesting because now we are not only seeing NPAs as a stressed asset opportunity, even the pre-NPA market is becoming very interesting which is our SMA-1, SMA-2 because of the IBC code a lot of the promoters even when they become SMA-1 they are going and doing a one-time settlement with the bank for which they need structured credit and funding and all that and a lot of these are of good quality assets, good quality companies but our suffering either temporary cash flow issues or the balance sheet is heavily skewed towards debt so if you restructure the balance sheet, help them raise some equity and help them do the one-time settlement with the bank which reduces the debt a lot of these companies also become viable. So, actually, these entire stressed assets market has now got divided into five different parts. That is what we call pre-stress market where even before you become SMA, companies are anticipating and starting to take correcting action, then there is an SMA-1 market, there is an SMA-2 market, there is an NPA market and then there is a post-NCLT market when these companies are coming out of NCLT also they need capital. So, you must have seen IndusInd Bank, and all have shown that they will be doing a lot of that in their Earning Call, they mentioned that they had been funding a lot of the post NCLT opportunities also. So, I think these entire stressed assets is expanding very fast and in a very interesting way.

Moderator: The next question is from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.

Shubhranshu Mishra: Just a quick question of the housing loan, how much of it is domiciled in the top five cities?

Rashesh Shah: Home loans we are actually present in I think about 35 to 40 cities. We actually have two kinds of home loans one in our normal home loan in LAP and the other is small ticket home loan. Small ticket actually there in almost 80 cities in India because that is more small ticket about Rs. 5 lakh to Rs. 10 lakh loan to mainly self-employed professional that is a small book that is about Rs. 200-300 crore book and the other would be mainly in the top 20 cities home loan and the LAP is mainly in the top 20 cities the small tickets is up to 80 cities but I must clarify we also do not do much under construction at all in fact small ticket we do not look under construction at all and lot of it either LAP or it is home loans where we know project developer very well because we have seen that the risk in under construction is there. So, the problem in home loan business is the not NPA

because even NPA home loan business usually your loss given default is lower, your recoveries are much higher and they usually get cured very easily but the biggest risk in home loan business is fraud risk and the biggest fraud risk is usually in under construction kind of a business especially under construction small ticket kind of loan because small ticket under construction is the most because a fraud is 100% loss given default while the normal NPA can be 10-20% loss given default while a fraud is a 100% loss given default. So, in home loan you have to be very careful in not being in the under construction segment and we do not have more than 4% to 5% of book in our under construction, we are mainly outside of that.

Shubhranshu Mishra: What is the outlook on the capital market because you alluded to the capital market being a little slow, the business being little slow so how do we look at it going forward for the next three quarters and what does it accrue for us in terms of revenue outlook?

Rashesh Shah: See capital market we have seen on a long-term basis we expect a 25% growth on a consistent basis that is basically along with every other part of the financial services and if I look at the last 20 years the long term growth trajectory in the capital market which includes for us equity capital market, debt capital market, investment banking, brokerage, M&A all of that put together it is usually a 20-25% growth is what we expect. It will be more volatile on a quarterly basis it will be slightly volatile on an annual basis also, but we expect that I think overall if the market being robust, capital raising activity being there, but what will happen for us it will always remain chunky, it is a small part of our overall revenue, the investment banking and all will be 5% of the total revenue but you might have two deals getting closed in a quarter and very often a deal gets closed in June but you get the fees in July because the listing happens after a few days so it can be chunky on a quarter-to-quarter basis. The second part is the cash volumes in the equity market. The first quarter the cash volumes were slightly lower, but they have started to come back now. So, again, I think long-term we think it should be a 25% kind of a growth rate but on a quarter-to-quarter basis it is very hard to give guidance on that and that is why we have always told our investors and analysts to have that intelligence. Fortunately we have a diversified business model which makes sure even a little bit of volatility on a capital market business or on our G-Sec portfolio, still does not affect our overall results I mean we are happy that we have reported a 37% growth in profit overall in spite of it being a slow capital markets quarter and it also being a quarter by G-Sec at a mark down and that is the strength of the diversified model that we have tried to build that there might be little bit of volatility quarter-to-quarter in each of the businesses but it gets evened at a global level.

Shubhranshu Mishra: Just your outlook on net new money for the wealth management business.

Rashesh Shah: We have given that on one of the slides, Slide #35 so the net new money is about Rs. 3,000 crore we have got in this quarter and I think we now expect to average about Rs. 1,000 crore a month as we go along it can go a little bit up and down but I think that kind of Rs. 1,000 crore a month is what we would try to look forward.

Moderator: We take the next question is from the line of Manish Shukla from Citi Group. Please go ahead.

Manish Shukla: First is on gross Stage-3 you have equated that to the NPA definition of RBI just trying to understand a thought a process behind that because one school of thought is if were to do a Stage-3 equivalent for banks, we would include NPA as well as SMA-2 and restructured loans and that is what ballpark will be Stage-3 for a bank. Now given that about 60% of your credit book is wholesale, I was just trying to understand the thought process behind equating Stage-3 to 90-day NPA role?

Rashesh Shah: We do not have stressed assets in Stage-1 and Stage-2 at all which is SMA-1, SMA-2. So, even for banks it is usually the NPA part which is 90-day which is equal to the Stage-3 so our Stage-3 is equal to the same the 90 days as on the banks and we do not have restructured loans at all in this because if it is a restructured loan it usually gets added to our NPA book and it gets added because unlike banks we do not do restructuring, we do not have what you call the CDR and SDR kind of loans. So, Stage-3 includes all stress assets NPA and restructured, if any, but we do not have restructured in that at all.

Manish Shukla: So, there is no SMA-2 equivalent in your books on the wholesale side?

Rashesh Shah: No, but the SMA-2 is the Stage-2. See SMA-1 is Stage-1, SMA-2 is Stage-2 and NPA is Stage-3 that is how this ECL framework is launched.

Manish Shukla: And if I got the numbers right on Stage-2 you have provided between 3% to 4%.

Rashesh Shah: Yes.

Manish Shukla: The other question was if I look at your credit book of the SME and business loan and structural collateralized credit, what proportion of those loans will property or real estate be a primary collateral, roughly Rs. 8,000 crore of structured credit and Rs. 4,000 crore of SME book?

Rashesh Shah: Usually the collateral cover is about 2x, if I look at Rs. 8,500 crore the collateral value should be closer to Rs. 17,000 crore to 18,000 crore. Out of the Rs. 17,000-18,000 crore not more than Rs. 4,000-5,000 crore will be real estate because if it is real estate then it falls in the real estate books, it would not fall in the structured collateralized credit book. But very often when you take a collateral package you will take shares, you will take cash flows, you will take other assets and you will enter things from real estate assets, but my broad expectation is that it is about fourth of the total collateral package of the structure collateralized book which should be Rs. 17,000 crore should be value of the total package, about fourth of that should be real estate.

SME and business loans out of the Rs. 3,800 almost half the book is the unsecured book which has obviously no collateral and out of the other half as I said the property will be a secondary collateral we normally do a business loan with property as a collateral so in that property will be a large part of the collateral, we will have some equipment also but that 20% of the collateral will be equipment, plant and machinery 80% on the collateral package and that book will be your real estate but usually this is self-occupied using real estate, very little will be an idle real estate, we do not take educational institute where we do not take real estate which has end used restriction of that so we have an underwriting policy so if it is a hospital or it is an education institute like a school which cannot be reused for the purpose we do not take those at all. We will take either office or a house which has reusable capability.

Moderator: Well ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

Rashesh Shah: Thanks a lot. As I said we do not usually do a Q1 Earnings Call but with IndAS and all the stuff going on the environment, I want to once again on behalf of the entire management team of Edelweiss thank you for being on this call. Thank you for all your questions. If you have any more queries, obviously you should be feel free to contact any of us we will be very happy to clarify any feedback, any insights, any observations from you will be very welcome. Thanks a lot for being on this call.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of Edelweiss Financial Services Limited we conclude today's conference. Thank you all for joining us and you may disconnect your lines now.