# "Edelweiss Financial Services Limited Q2FY22 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen good day and welcome to the Second Quarter FY22 Earnings Conference Call of Edelweiss Financial Services Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Priyadeep Chopra – President Edelweiss Group. Thank you and over to you.

**Priyadeep Chopra:** Thank you Stanford. Good evening, everyone and a very warm welcome to our results call. We hope you and your families are safe. We have with us on the call Mr. Rashesh Shah – Chairman and Managing Director of Edelweiss Group, Mr. Himanshu Kaji – Executive Director and Group COO and Mr. Rujan Panjwani – Executive Director of the Edelweiss Group.

We hope you've had a chance to review the investor presentation as well as the addendum on our life and general insurance businesses. We will be making references to these during the discussion today. Please do take a moment and review the safe harbor statements in our presentation. We will be making some statements today that may be forward looking in nature and hence may involve certain risks and uncertainties. With that I'll hand over the call to Rashesh to begin the proceedings of the call. Thank you all once again for being with us and over to you Rashesh.

**Rashesh Shah:** Thank you Priya and a very good afternoon to all of you. Welcome to our earnings call for this quarter ended September, 2021. First of all, hope you and your families are all keeping well and in good health because I think we are at the last stage of this thing called COVID but hopefully it is behind us. But I hope all of you are safe and sound. In last few months we have seen a renewed confidence and optimism. It's been all over the world, but I think the Indian economic confidence and optimism is coming back very strongly. We think it has been largely because the COVID is behind us, the government plan for vaccination - we've touched a billion jabs now. It's a phenomenal achievement something we should as Indians be very proud of. We managed it well, of course there are always hiccups in this, but I think overall given the size of our population, the health infrastructure we have it's a great achievement we have had, and we hope that this continues, and everybody gets the second vaccination, and we have this behind us. Economic activity is now at a pre-COVID level. In a few sectors the bounce back has been even bigger than what it was pre-COVID. We do feel and we'll talk about it more that the economic outlook for India for the next few years and especially corporate profits looks very strong and very healthy. I think we are at the beginning of a good corporate earnings cycle for India and a good economic upcycle for India. I think there is still going to be a little bit of an overhang and there are some sectors like the informal sector which are still suffering the after effects of COVID. Overall, we do think that the slowdown of corporate profits which was for about the last 6 to 7 years, subsequently the last 2 years of more severe slowdown driven by ILFS on the liquidity crisis and obviously last year because of COVID, all three the short, medium and long down cycles are behind us.

For Edelweiss also I think it's been a very interesting quarter, in a sense that a lot of it has been business as usual but the performance of a lot of our businesses, has taken us by very positive surprise. Some of the key highlights, we continue to invest in our insurance businesses and hence one of the metrics we watch is the ex-insurance profit after tax because insurance incurs a loss but we are creating a lot of value. But accounting wise it will continue to have a loss. We expect to break even by FY 2025-26 in both the insurance businesses. So ex-insurance profit after tax for this quarter was INR 113 crores compared to INR 7 crores last year same quarter. Consolidated PAT including insurance was also healthy at INR 57 crores. We do acknowledge we have a long way to go. There is a lot of lost ground in terms of profit growth that we need to make up but it's a good start. I think as we have said the next few quarters are going to be about profitability and growth.

The profit improvement is also been driven by the return of profitability in credit but more importantly strong growth in our asset management and wealth management businesses. One of the big highlights and again we'll speak a little bit is our retail customers. Now we have reached about 5 million customers. I think 3 years ago we were under a million customers. We are adding customers and we have added 2 million customers in the last one year. In the COVID period with all this uncertainty around the credit business, de-growth and all, very happy to say the insurance and our asset management business have added a lot of customers. I think we're very thankful to our customers and our employees who have through the last few years especially the last 3 years in a very challenging environment have stood by us and repost faith in our organization and our offerings. Our customer base and the retailization of Edelweiss is happening in real time. Our customer assets also total have crossed INR 3.2 trillion and our balance sheet remains strong. I think on all three counts, on equity adequacy, on liquidity and on asset quality. I think with all the impairments and markdowns we've taken, all the equity we have raised and all the liquidity we have amassed, our balance sheet has also become stronger.

In the investor presentation you would have seen an update on the insurance broking business which was part of the wealth management business. But when we did the PAG deal a year ago we had carved off the insurance broking business because it was a partnership with Arthur Gallagher and they had indicated that they would be keen to buy this business from us. As you are aware we have agreed to sell this business. The transaction has got all the approvals, we have closed the deal. The first tranche has been closed. The second tranche which is the last 9% will be closed by March, 2022.

I'll briefly touch upon the four or five key highlights for this quarter. More importantly I will look forward to feedback and questions from you. As I said, we have seen improvement in profit across all our businesses with a steady business performance and focus on quality. First credit - I think credit cluster has returned to profitability, NBFC is now strong and well-capitalized balance sheet with a capital adequacy of 26.2%. Collections have been very healthy. We are back to 94% and disbursements are also now scaling up. Our asset quality has shown a significant improvement because the workouts on wholesale credit we've been doing. The gross NPA is 2.7% and the net NPA is 2.2%. The gross NPA has come down from 3.2%, it's almost about 50 basis point improvement in that. We hope to continue to keep up the asset quality improvement as we go along. Wholesale portfolio continues to come down as we have stated. Wholesale portfolio has been coming down by INR 2,000-2,500 crores every year in the last 3 years and we will continue the same pace. I think our wholesale portfolio which is now close to INR 11,000 crores will become close to INR 5000 crores in the next 2 years and then another 2 years we'll go down to zero.

Happy to report that disbursements have also picked up. Post August, I think our retail disbursements, both in SME and in housing have picked up and we've also started co-lending with banks. Our NBFC strategy on the credit cluster both NBFC and housing finance is to be asset light and have a lot of co-lending arrangements. I know it's now the buzzword and a lot of people are doing it but we do believe that there are going to be two kinds of NBFCs in India. One set of NBFCs will compete with the banks where they have maybe capital advantage or cost of borrowing advantage the large groups or the large NBFCs may end up doing that. There'll be another set of NBFCs which will be partners with bank which will use co-lending and asset securitization as a key tool to be asset light but still post about 15% to 18% ROE. We think the second is also a very important opportunity and we want to be in that category. We do look at our credit business opportunity as asset light partnership with banks and focusing on SME and home loans.

Item two - on the asset management business, both our asset management businesses, the mutual fund and the alternatives have seen breakout quarters. Our total profit for asset management now as you would have seen in the presentation is an annualized run rate of about INR 100 crores. So, where we had wealth management about 3 years ago, we have asset management now and I think asset management profits have broken out. Even the AUM in mutual fund now stands at INR 71,000 crores which has grown by 62% in the last year out of this INR 71,000 crores almost INR 17,000 crores is equity AUM which has tripled in the last 1 year. Equity AUM has gone from about INR 6,000 crores to INR 17,000 crores in 1 year. Alternatives, we have a lot of dry powder. We have INR 30,000 crores of AUM but only INR 15,000 crores out of that has been deployed. The remaining INR 15,000 crores is starting to get deployed. In the first half of this year, we have deployed almost INR 1,850 crores. I think we want to step up and we look to be able to deploy about a billion dollars about INR 7,000 to 8,000 crores a year and we are stepping up. As you know in credit alternative funds, we earn fees only on deployed capital. As this undeployed dry powder is deployed the fee income will start accruing and that will be good for the alternative asset management business profitable growth. We also think there is a carry income in the alternatives which will start from 2023 when real exits will start. I think we do look forward to adding the AUM, deploying the dry powder we have but also realizing the carry from the exits that we'll make because ultimately in the alternative business there are only three things you do. You raise funds, we have done almost about a billion and a half in the last year. You deploy money and then you exit and earn your fees and carry. That is going to be our strategy on alternatives. Third ARC has had robust quarter, we had recoveries of INR 900 crores in this quarter as in ARC. As you know in ARC, we have recovered almost INR 25,000 crores in the last 4 years. It has been a very strong recovery track record and we think the industry leadership we have is largely because of the recovery focus that we have been able to instill in the business model.

Our balance sheet is very strong in ARC, from a top gearing of 3:1 we are now close to 1:1, capital adequacy is at 35% and retail ARC—we've been buying retail assets in the ARC—as you know wholesale corporate assets have gone through a cycle but the retail distress ed assets where collection analytics is very important is starting to grow and we are maintaining our leadership position in the retail part of the ARC business also.

Fourth, our insurance business both the insurance businesses have done consistently well have been the fastest growing in their respective sectors. Our general insurance business has had a gross premium growth of 52% QoQ and 62% YoY and they've been growing at about five times the industry, of course because we are a very small businesses, but we expect to grow between two to three times the industry growth rate.

On the life insurance business, we have witnessed strong growth, gross premium is up 59% QoQ. We continue to remain the youngest and the fastest growing LI player in the industry. Our APE growth has been averaging three times of the industry for the last 4 years. We've also, in this quarter, given addendum to help you understand these businesses better because these are the not as well appreciated or well understood businesses. We have four clusters, asset management, wealth management, credit and insurance and going forward we would give one cluster as addendum and give more color to all of you. We would love your feedback on that but our idea is that at least one cluster a year update to all of you will also be a good idea. Every investor presentation we'll have an addendum which will showcase one of the business clusters we have.

On the wealth management, the assets under advice are at INR 1,80,000 crores, grown at 35% YoY. Also there has been strong financial performance. The PAT growth is almost a 70% QoQ. From Quarter 1 to Quarter 2, there has been good growth.

So overall friends, the balance sheet is robust & well-capitalized businesses. We have said given what we have seen in the last few years will go towards building a fortress balance sheet and we are committed to that. It will take us another 18 months but by March'23 we expect to have a really very fortress balance sheet. Every quarter we are making it stronger and stronger and this will help us build enough resilience and bounce back from any disruption that would happen in the future.

Our equity base is fairly robust and as we scale back the wholesale book, a lot of equity is expected to get released also. We have been bringing down the D/E ratio, the consolidated D/E which at the peak was 5.2, now stands at 2.1 as we have reduced borrowings but also increased equity and liquidity remains comfortable. I know for a lot of people last 2 years liquidity has been a focus area. I do think going forward we will stop talking about liquidity and we will start talking about growth and profitability. Last 2 years, our focus was on liquidity because we are not part of any large conglomerate on any large business house. So, we don't have too many fallbacks for any liquidity shortfall or disruption that happens. We have been very conservative in amassing liquidity, holding a lot more liquidity. It has affected earnings but I think as we get back to normalcy, that liquidity drag will also come down. But I think our focus for the last 2 years has been liquidity, governance by making the businesses stronger, by standing the boards of the businesses. We have made sure we have very robust governance in each and every business entity that we have and the third was making sure we had enough equity. We have raised close to INR 4,000 crores of equity in the last 3 years. Making sure we have a lot of equity, lot of liquidity and strong governance was the focus for the last 2 years, the next 18 months from now to March'23, the focus is going to be growth and profitability. I think having got the first three out of the way we can focus on that. It's going to be slow and steady focus every quarter. As I said earlier, one big highlight as we go forward is the retailization of our business - 5 million customers; added 3 lakh customers in this quarter. Both insurance businesses and wealth management and asset management are adding customers and strengthening the customers franchise we have.

Lastly the update on the Edelweiss Wealth Management business demerger, going as per plan. A few of you have asked me whether there is any slow down on that, we are as per plan. We will continue and as expected by the third quarter of the next financial year we should be able to demerge and list the Edelweiss Wealth Management business. It's a three-stage process, we have to demerge the asset management business, then demerge the wealth management business and then get it listed. We are on the schedule for that, in spite of the COVID and all that, we are pushing very hard on that. It's an important milestone for all our shareholders. The second focus is on scale back of wholesale book on track on that and the growth of asset management and insurance business also. All three priorities we have been focusing and have achieved on that. Along with that we are confident that given the economic prospects of India, the next few years I think there is a turnaround that is there. We will have to do it slowly and steadily. I think profitability and growth will still take another three-four quarters to be showcased slowly and steadily but every quarter from now onwards we expect that we will be able to showcase that. We do remain committed to unlocking the value. The wealth management demerger is one way of unlocking the value. We will continue to build businesses and create value but we will also continue to unlock value for the shareholders as we go along; as you know more about 45% of the company is held by insiders. So, the good thing is the insiders also think like shareholders to focus on how to create value and how to unlock value. Along with that, thank you very much again for all of you for being on this call and we will now open for questions.

**Moderator:** Thank you very much sir. Ladies and gentleman, we will now begin the question-and-answer session. The first question is from the line of Praveen Agarwal, an Individual Investor.

**Praveen Agarwal:** I have just one question regarding the scale back of the credit assets. We notice that there is a slowdown in the reduction of the wholesale credit and could you please throw some light and explain for the reason of the slowdown and also how do you plan to achieve the reduction of 50% in the next 2 years?

**Rashesh Shah:** So, as you know earlier, we had been focusing on the reduction and there was a two way, one was repayments and the other was, we were also selling some portfolios here and there. On the portfolio sell though the option is available, we think given the real estate improvement, given the projects have been moving forward, a lot of projects that needed additional last mile funding, they needed to be sold off. Whoever is buying that portfolio also gives additional funding and helps complete the project because we were not giving additional funding. Now we are finding that additional funding from the SBI SWAMIH Fund and some international funds is also coming through, without us having to sell the portfolio. We expect to make at least about 12% to 14% on that portfolio going forward. When we sell the portfolio, the yields that the investors want is about 18% to 20%. If need be and we need to expedite we can sell but we think maintaining the pace of INR 2,000-2,500 crores reduction every year we can do that organically. This first half as you know the real estate sector turned around, a lot of projects are now going towards completion. We expect that for the next 18 months, we should be able to do about INR 1,000 crores a quarter as we go along. I think we are on track for that. Organically we will be able to because the projects will get completed and if we need to sell portfolios we can sell. It's economically not a better option for us but we can always do that. That we always keep that as Plan B so that we can achieve the numbers that we want. This first half because of COVID and all, we ensured that we focus more on projects getting completed and they are all getting done. So, you will see the outcome of that in the next 18 months.

**Praveen Agarwal:** The follow-up question would be, does that mean that we are shifting our strategy and thinking from selling of the projects towards getting them completed and arranging the last mile funding also?

**Rashesh Shah:** It was always there. If you see we have been doing a lot of the workouts. We have a slide on that which we are doing workouts on that. Earlier the workout meant you have to take a larger haircut, sell the project and get somebody else to do the last mile funding. Now we can do work out organically also but we will do a combination of two. We have sold two-three projects also. We will continue to do that but I do feel in this first half we have reduced the book by about INR 800 crores. I do feel that we will continue to do about as I said to about INR 2,500 crores a year. I think that is our plan going forward. The book is at about INR 11,000 crores. It will be about INR 5,500 crores in 2 years and then it will go to the zero 2 years after that. And the other good thing about wholesale I must add Praveen is there are no more impairments. We do a quarterly NPV of the portfolio based on the cashflow expectations. As the markets have recovered for the real estate, we expect the cash flows are actually slightly stronger. And we now are committed to making sure the NPV is always higher than the carrying value on the books. There are no more impairments on that which is a good thing because it gives us chance to do things organically and still adhere to the timeline that we have. We want to get this book down to zero by 2025 and that we are very confident on that.

**Moderator:** The next question is from the line of Hitesh Dhawan from Citi Bank.

**Hitesh Dhawan:** Mr. Shah you mentioned your Mutual Funds and Alts business are seeing strong growth in AUM. Also notice that profits have jumped in this current quarter in that segment. At an absolute level they still remain low as a percentage profitability of the whole firm. When can we expect these businesses to be substantial contributors to your overall profitability?

**Rashesh Shah:** As you know about our assets and it's an important question. Thank you for asking this. As you know, our total AUM is now crossed INR 1,00,000 crores. About INR 70,000 crores in mutual funds and INR 30,000 crores in alternatives. Now in alternatives, there are three sources of profitability. One is the deployed capital, when you deploy capital, it increases profit because your costs don't go up but your fee income goes up and third is a carry. We do expect that a carry income will start coming in from 2023-24 onwards and there is a significant carry by some estimates on the investments we already made and the funds we have the carry itself will be INR 800 to 1,000 crores. So, the alternative business has a lot of profitability but some of it is back-ended because of the carry income and some of it also is slightly back ended because you always want to deployed, so out of the INR 30,000 crores we have only INR 15,000 crores is deployed. So we earning fee only on INR 15,000 crores, the other INR 15,000 crores when it gets deployed we will earn fee but our cost will not go up because the fund team and all are already in place and they are getting paid on that. As in when we get carry, the fund team has a carry share also but our share of the carry as I said should be at least INR 800 to 1,000 crores which will come over 3 years from 2023-24 to 2025-26. So in a way that is where the real profitability takeover will happen.

On the mutual fund, the key drivers for profitability are our equity assets and currently we are still growing much faster. So, we are front-loading some of the cost on building distribution and on boarding IFA's and others. So, our equity assets have jumped from INR 6,000 crores to almost INR 17,000 crores. They are now constituted of more than 25% of the AUM. We think long-term we will have over 35% to 40% of the AUM which will be from equity assets, so equity assets will also drive profitability. So, I think one way to look at it is currently we make the annualized run rate is about INR 100 crores on AUM of INR 1 lakh crores. So, as we increase AUM but as we increase deployment and carry income comes in, the profitability should double which is currently at 10 basis points should go to 20 basis point is what I would feel and I think being in the range of 20 to 25 basis points on a long-term basis should be steady state for asset management business which is a mix of alternatives and mutual fund that we have.

**Moderator:** The next question is from the line of Ravi Kumar from Sahani Partners.

**Ravi Kumar:** I have a query on your credit business, you said that the possibility of returning in the credit business. So, I just want to know is it fair to assume that the worst in terms of impairment is over now and if you can give some guidance on the credit cost and the PAT outlook for this business for the next couple of years?

**Rashesh Shah:** I think the worst in terms of impairment is definitely over. In fact, I think now the reversals will start because from what we have provided by our estimate with the caveat that this is based on the cash-flow estimates that we do, our estimates we should get back about INR 700 to 800 crores out of the impairment and provision we have made. Assuming this comes over 4 years that's about INR 150 to 200 crores a year should start coming back from the over provisioning or over impairments that has been done, because to be conservative last 2 years we have front-loaded a lot of impairment. But in terms of further impairment that is as you correctly said it is definitely over at a portfolio level. Couple of accounts might slip and you might have to provide for that but there'll be three-four others where the flow back and the ride back will happen. So at a portfolio level we are now in the reversal cycle not in the impairment cycle.

Now we have to start growing because as we have not grown our retail books also SME and home loan, they've started to grow from August onwards. To just give you a little bit of color in our retail and SME three ILFS crisis we were doing about INR 700 to 800 crores of disbursements a month. We had come down to about INR 100 crores a month in both these businesses. We are now back to INR 250 crores, by March we should be at about INR 400 to 500 crores of disbursements in the retail credit business. So, I think the impairment cycle is over and growth will start. We are carrying excess liquidity which is still holding back profits a little bit but that will also get over in the next couple of quarters.

Thirdly as the retail growth starts, I think the deep profit because we are carrying the operating cost of that business or capacity is almost four to five times what we are currently disbursing. But even that will get used up. So, I think the U-turn has happened. It started happening about three quarters ago but then COVID wave 2 happen and we all pull back a little bit. It has got in a way delayed by three quarters the scale up on the credit business in retail, but I think that is now ahead of us. On all three counts the mark down on wholesale, the drag because of the liquidity and higher cost liquidity which is also the cost is also coming down and thirdly the retail growth. All three should ensure that at least some normalcy in profitability for the credit business should come back.

**Moderator:** The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund.

**Vivek Ramakrishnan:** So, my usual question on the real estate rollback has been asked but I also noticed that you put an addendum which covers the life insurance and general insurance business is in greater detail and Edelweiss you've mentioned earlier nurtures certain businesses and if there's value then is able to monetize it as well. Why have you done that and what values do you expect these businesses for the next few years? I mean what can we expect from these businesses?

**Rashesh Shah:** So, as I said if you remember, couple of quarters ago, we had given an addendum on ECL Finance also. So now based on the feedback from all of you we have decided to give more color to individual clusters also and as I said we'll appreciate your feedback because we do think that last 2 years the credit story over powered all the other parts of Edelweiss. Asset management has grown well, wealth management has grown well and even insurance is doing well, so I'm happy that you had a chance to go through that. On the insurance business to give you an idea on the life insurance business we have invested about INR 500 crores from Edelweiss up till now, that is the investment we have made. Our current embedded value is about 1,400 crores. We do think that given the growth rate and the quality of business we have that the business today should be valued, though we are not in the market to sell or even monetize or IPO that business. We'd need another 2-3 years of growing that business. We think that business is currently worth about INR 4,000 to 5,000 crores in it's intrinsic value. We calculate intrinsic value of all the businesses. We have a very elaborate model. So, our internal model is showing the intrinsic value of the insurance business at between INR 4,000 to 5,000 crores and we own half of that. So, our share should be worth about between INR 2,000 to 2,500 crores. We have invested INR 500 crores over the last 10 years in that business.

Same thing in the general insurance business, we have invested about INR 400 crores. Our gross premium in that business this year should be at an annualizing run rate of INR 400 crores. That business is growing very well. It's growing at five times the industry size and if we wanted to raise money we own 100% of that. We are not currently looking to raise money in that business. We think we can value that business also at between INR 2,000 to 2,500 crores, but both the insurance business is need capital. In life insurance we and our partners have allocated capital, so we will it will need about 400 to 500 crores in the next 3 years and we'll be able to allocate that. The general insurance business consumes about 100 crores a year and we have enough allocation for that also. Both the businesses will break even in 2025-26 and we think the businesses should double in terms of the top line from here and the I think the value of the businesses should also at least double from here is what we are hoping for.

**Moderator:** The next question is from the line of Sanjay Pandit from 1729 Capital.

**Sanjay Pandit:** I was wondering if you looked out 3 to 4 years what kind of return on equity targets, you're thinking of for Edelweiss Financial as a whole? I think there's been a good transition from asset heavy to asset light businesses and that ought to eventually result in a more attractive return on equity profile looking out 3 to 4 years. So, question number one is, what might that look like in a range and the second thing is if indeed a lot of value will accrue to the business in the next 3 to 4 years as businesses achieve scale and the excess liquidity in the business today on account of all your cautiousness that might a share we purchase makes sense to take advantage of today's prices relative to book value and relative to your long-term ROE target?

**Rashesh Shah:** Excellent question. I would say I think there are three parts of this. I think one is as you know we are going to demerge and distribute the shares of the wealth management business to investors and the wealth management business is currently at a quarterly profit rate of about INR 100 crores a quarter give or take a little bit and I think it will continue to grow. We hope to grow it at about at least 25%-30% for the next year also. So even if it is annualized run rate of about odd INR 500 crores of profit after tax, we will distribute our shares and the investors will participate in that so that will be one thing. It will not affect the return on equity but it will be in a way distribution in kind for the shareholders.

The other is if I look at 4 years down the line and if I keep insurance outside of that because as I said by 2025-26 insurance will breakeven after that they will start throwing out profit. But on credit and asset management, credit we expecting of 14%-15% ROE and asset management is a very asset light capital light business, so combined Edelweiss we should aim for a 20% ROE kind of a target on that. Keeping the wealth management business has been distributed by then and insurance is being kept aside, because that's a different cluster. So, if I look at Edelweiss asset management and credit or if I give you another answer on credit, we should make about 14%-15% ROE and on asset management we should make I mean the ROE is unimportant. Because if you make even 400 crores profit on 300 - 400 crores of equity it will be a 100% of ROE. So that is how we see the business is in this and the other answer on share buyback that you asked. I think we have excess liquidity.

We want to be conservative on capital as you know we have our capital adequacy is fairly good. I think we would like to use that first for growth and as I said from 2023 onwards as the profit growth also steps up significantly, we can always look at a buyback. But for us a buyback comes after growth. We've been holding back on liquidity and capital because we wanted to strengthen the balance sheet and all which has all got done. We would now like to step up on growth and after the growth needs are met, any excess capital we have we will look at buyback and I think maybe the time will be right a year, a year and a half if so at all.

**Sanjay Pandit:** I was wondering what kind of hurdle rate you think about when you reinvest in the business?

**Rashesh Shah:** We look at what we have our own model of what is called intrinsic value and we look at 18% intrinsic value IRR. So over we used to look at 10 years now we look at both at 10 years and 25 years for all the businesses. So, we have an intrinsic value calculator for each of our businesses saying over 10 years and over 25 years, can we make this kind of intrinsic value return? So, if we invest X amount of money and you can make that return, I think 18% is our internal hurdle for trying to calculate the return on capital invested in terms of intrinsic value. Unfortunately, in financial services like insurance and all you invest a lot of money up front, so using only profit, accounting profit or cash-flow is not the only way but using intrinsic value is a way. We've been adopting that for last about couple of years and I'm happy to say that in most of our businesses except in the credit business given what happened in the last 2 years, we have been setting that 18% targets in things like wealth management, asset management we've exited that. In credit also, as we get back, we have not done badly over 14-15 years but I think maybe our intrinsic value return would have been about 8% or 9% up till now it is not 18%. But as we grow this and get the flow backs and all that, we hope that in credit also by 25 when we look back and we calculate the actual value realized, we will be able to hit our 18% targets.

Any input or any feedback any of our stakeholders will have we will truly appreciate that. But I think intrinsic value calculation is an important way we use for allocating capital.

**Moderator:** Ladies and gentlemen that was the last question. I now hand the conference back to Priyadeep Chopra for closing comments.

**Priyadeep Chopra:** Thank you everyone for your time today and joining us for this call. Thank you Rashesh. Please do write into us at Edelweiss investor relations for any questions or any additional information you may need. Once again, thank you. Have a good weekend and a great Diwali ahead.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Edelweiss Financial Services that concludes this conference. We thank you all for joining us and you may now disconnect lines.