CSL Finance Limited
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Sub: Transcript of Conference Call held on 05th June 2018
Stock Code: 530067

Dear Sir,

Please find enclosed the transcript of the conference call conducted by the company held on 05.06.2018.

This is for your information and record.

For CSL Finance Limited

CSL Finance Limited
New Delhi

Akash

Akash Gupta
Company Secretary

Encl: a/a

"CSL Finance Limited Q4 FY-18 Earnings Conference Call"

June 05, 2018

MANAGEMENT:	**MR. ROHIT GUPTA – MANAGING DIRECTOR, CSL FINANCE LIMITED** **MR. RAJEEV MEHRA – COO (SME BUSINESS), CSL FINANCE LIMITED** **MR. GAURAV SUD – ADVISOR, CSL FINANCE LIMITED**
MODERATOR:	**MR. DIGANT HARIA – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the CSL Finance Limited Q4 FY18 earnings conference call hosted by Antique Stock Broking. We have with us today the management from CSL Finance represented by Mr. Rohit Gupta - MD, Mr. Rajeev Mehra – COO, SME business and Mr. Guarav Sud – Advisor to the Company. As a reminder, all participants' 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 '*' 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. Digant Haria from Antique Stock Broking. Thank you and over to you, Sir.

Digant Haria: Hi, a very good morning to all of you. Thanks for taking out time and joining to this call. We understand it's a busy time in terms of results, conferences and the market. So, thanks once again. You know this company is hosting the concall for the first time. So, without wasting much time, I will hand it over to Rohit Gupta who is the promoter of the company. He will give us some opening remarks and some introduction on the company and after which we can open the floor for question and answers. So over to you, Rohit.

Rohit Gupta: Thanks, Digant. Good morning everybody. First of all, I thank all the participants in joining the first conference call of CSL Finance Limited. We thought that since this is the first call, we will start with a brief background of the company and the journey till date. We will then summarize our financial performance and then open the floor for Q&A session.

The current promoter prior CSL in 2004, at that time the company had a small equity base of 4 crores and a negative reserves of around 1 crore. Most of the efforts such as non-performing long-term advances and investments. Overtime, we slowly divided this company and started doing private deals in listed companies, we mainly invested into small fair companies and some of our notable investments from that time are APL, Apollo tube. Asian oil field and we were the largest shareholders Asian oil services, we exited Asian oil services it by selling it to Samara Capital and overall, we did reasonably well during that period and our net worth increased to 45 crores in the span of 3 to 4 years. The global financial crisis of 2008 made us refund our strategy and we changed our focus from taking proprietary long-term positions to areas where IRRs are more predictable and regular. We started by taking our various arbitrage positions in stock market such as participation in small special situations like open offer, merger, demergers, buyback, rights issues etc. We generated good return on this segment and investment could grow and realized that it is difficult to deploy money in regular basis here. That is when the focus towards lending came and we started lending in a small way to MSE, MSME enterprises in largely real estate sector and educational sector in 2011. From 2011 to 2015, we were doing a mix of both the activities and we were running a proprietary investment book like a proprietary book and secured lending book with a target of 18%-24% IRR 3x. Our loan book performed very well and gradually our focus towards lending increased.

In the year 2015-16, we decided that going forward we will focus only on the lending business and decided that we should add retail loans in order to diversify and grow our book. In 2016, we can see defining year for our company and we took certain steps, it's like we have sold all of our noncore assets did a reverse merger of holding company, just to simplify the holding structure, partly looking for senior people to lead the retail foray. And 2016 and '17, we finalized 2 people for retail foray and basically Mr. Sandeep Lohani primarily from microfinance and Mr. Rajeev Mehra from SME lending. Both these people have a very good track record and experience for more than 15-20 years. And at that time we were also talking to our PE players for rasing some equity, capital fund for the retail foraying. As the stocks were progressing, demonetization happened and that created the PE players wait and watch mode. We also got concerned about our existing loan book and given the shock that came for the microfinance industry we decided to not foray into that space.

Over the last 18 months, a lot of changes have happened in our organization. During the last 18 months, we have opened 12 branches in more than 4 states. People strength has increased from 70 to 85. We got ourselves rated for the first time, CARE gives the rating of BBB. We leveraged our balance sheet for the very first time in March 2017 and we started taking loans as on date. And again, we have borrowings of 125 crores. We raised 53 crores in equity also in September '17 at a price of Rs. 390. We implemented a loan origination system to handleretail loan, worked on our processes and systems. Going ahead, our focus area for the next 15-18 months will be to grow our retailer SME book and to make it 40 to 50% of our total risk in next 3 to 4 years, build a loan book that is largely secured, with adequate collateral. Even now, we have more than 99.5% books is secured focused on making in-roads in school finance. So we have started focusing lot in the retail foray in the school finance and leverage technology to cut down our costs and focus on our processes and systems. And even on the wholesale side, we are focusing on further diversifying our wholesale lending book, plus growing our development business to other parts of NCR. We feel that if we really make book little more push and with IRR between 15 to 19% and we see that weighted yields can be anything around 17.5%. Even now we are getting yields in the segment.

Challenges were in the current environment especially what has happened after Nirav Modi and through the PSUs that building our liability book. IRR, the wholesale came down by 100 bps in this year but in the coming year we don't see that kind of challenge.

And coming to our results for this quarter, basically we are just comparing this quarter with the last quarter. It is only that last 6 quarters from September 2017, the numbers are reflected only from the lending business. So in this quarter, the total revenue increased by 113% to 13.23 crores as compared to 6.2 crores in quarter 4, 2016-17. Our AUM has increased by 108% to 181 crores as compared to 135 crores in quarter 4, 2016-17. Our net interest income has increased by 82% to 10.72 crores in this quarter as compared to 5.89 crores in the last quarter. And our net profit has increased by 110% to 5.01 crores as compared to 2.38 crores in the last quarter of the last financial year. So this is in brief our financial numbers and now I open the floor and invite your questions. I have with me Rajeev Mehra who is our business head for SME for our retail foray and he was the business head for Satin and prior to that, he was working with Magma business north and west head and earlier to that, he has worked with more than 10 years with HSBC on the SME side of the business. And along with me, I have a very good friend and our advisor Mr. Gaurav Sud who has been giving us a lot of good suggestions. His advice has been a strong pillar for our company in advising us. And I think most of the people know him. He is an IIT-IIM graduate and so now I open the floor for your questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Jatin K from GS Investments. Please go ahead.

Jatin K: My first question sir would be in the wholesale lending book. What is our average loan size?

Rohit Gupta: On the wholesale, we are working under three segments. We have classified our wholesale book into large, small and LAP. I will little bit explain all the three segments what we are. In the larger segment, we are doing it to group housing finance and in this small, it is redevelopment floor and the third segment is LAP. So our average price in the large one is around 7 to 8 crores and our average size in small is around 4.5 crores and the same is for the LAP. We also include education business into that segment.

Jatin K: That is average sir andwhat is the maximum exposure that we have to any particular project as well as to any particular group?

Rohit Gupta: This is particular group kind of parties we categorize into same thing, so we don't add, maximum of 4 years will be around 25 crores to a single group.

Jatin K: And we currently do not have any NPA etc., so how do we monitor these things as in we lend in big size to small people in this wholesale lending. So how do you ensure that people get into trouble?

Rohit Gupta: When I am saying that there is a exposure of 20-25 crores, it is largely to group housing projects. See basically we have 3-4 parameters which we will find in each and every borrower. We are only focusing on last mile funding. When I say last mile funding, the project is from 70% to 80% complete or in certain cases if it is complete, we are selling the balance inventory or some receivables are there. So as you know for last 5, 6 years the real estate market has been weak and NCR we are seeing a huge supply. And we are only focusing on those areas and where consumer demand is there. So we are present in the select micro markets for the NCR. And thirdly when we enter, most of the risks are not there in terms of execution risk, in terms of regulatory risk. When we enter, the project is 70 to 80% complete or it is complete, it has been handed over, phase 1 has been handed over, phase 2 is under construction. So we analyzed it, we are seeing and thirdly the most important criteria which we see is we are only present in where the apartment price is less than 45 to 50 lakhs, which we see in the more affordable side of the NCR segment. And fourthly, we are only dealing with the small midsize developers having 1 to 3 projects. We are able to analyze the group much better because the risk doesn't come only from the project which we are funding (**Inaudible**) **12.52** so you have to analyze the group as a whole. Credit diligence before and even after is very important; we have to monitor those projects very closely. Every month, we have to ask for lot of debtor from those borrowers. It just shows time as regular meeting with the borrowers so as to understand them better where they are. I think we have not faced any challenge in any of our accounts and the second one which I say is more in Delhi, in NCR. In Delhi, we will not group housing, its mostly small floor, small plots, the redevelopment happens. We are technically foreclosed that rebuilt. So lot of redevelopment is taking place every part of Delhi. Now our concentration is more to South Delhi which is one of the most stable and better part of Delhi where redevelopment and JVs are happening. It's a very stable market even during last 4, 5 years the market has been very stable though because of the GST coming because of the demonetization, the phase has been little slow, but it is very stable. We have not seen any kind of risk on those markets. And I would say it is a kind of a LAP product where you are giving against existing house which is going for redevelopment and the loan tenure is between 18 months to 30 months. Projects typically get completed within 12 months and we need 6 to 9 months the sales happen. And regulatory approvals are quite upset for the extension of the plan no RERA requirement is there. And it's a very stable and a kind of a LAP product where borrowing is very repetitive. So in this segment, we have not faced any challenges and we are very bullish in this segment and we want to grow in this part of the segment. And the third one is LAP which we give it to educational institutions. Their adjusting cash flows are very strong and they are going for some new extensions. When I say educational institutions, we are only restricted to K12 schools. We are not funding under graduate or postgraduate colleges or universities, so we are only funding K plus 12 schools for bench institutions, do not fund them and we are not taking those collateral as school collateral, we are taking some individual collaterals and we have Escrow on existing cash flows. So that is all those 3 projects we are doing it.

Jatin K: And sir, what is average interest to we charge in this segment?

Rohit Gupta: On an average, I would say it will be around 17-7.5%, we do transactions between I would say 16% to 19%. So as of date yield is around 17-17.5%. And we are not off the market _____16.00 they have been very aggressive in our especially in the large group housing one. And we are not off, we maybe 100 bps to 140 bps costlier than those people, but we have certain advantages as compared to those people. So that are rate we are able to generate, IRRs we are able to generate from this segment.

Jatin K: Sir I was trying to ask that we are estimating our return on equity target, so any credit costs? So what kind of credit cost are we estimating as in what percentage of costs? As in what percentage of our book will we are expecting every year to become like NPA and we will not be able to recover, it is something like 1% or something like that?

Rohit Gupta: We get 1-2% NPA but even though the NPA we are very confident that account may become a NPA for a very brief period, but it will never become a total loss we will have huge write-offs will happen in that account because we are working with very high collaterals and those collaterals which are saleable. We are working with not less than 2.5 to 4 the size of collaterals. So those collaterals are very saleable and the areas where we fund as I have mentioned earlier are ares where still sales are happening. And I would like to just say that in last 3 to 6 months, we are seeing that things are improved as compared to earlier months. In last 3 to 6 months, the market has improved in terms of sales may not be in terms of price and especially in the redevelopment floor and in certain few micro markets of NCR. So you can see that 1 to 2% can be the credit costs for this segment.

Jatin K: And sir we have decent collaterals as you have said, so even if it becomes NPA we expect most of it to be recovered YoY collaterally. Is that so?

Rohit Gupta: Yes, it can take time maybe 6 to, with the kind of collaterals we are having, there huge generate for those builders, they will definitely like to negotiate with us, but we would like to liquidate those and in most of the cases for large business huge changes that have happened during the last one year. Earlier we didn't have the size, so for large group housing we have kind of LAP product where we used to 3 to 5 kind of collateral. But we didn't have the linkages on the receivables. Now for last 1 year, we are only working on where we are getting the Escrow linkages, we are the sole lender on the project or maybe some other co-lender can be there. So we have linkages on the Escrow and we are seeing during the last one year that we are getting constant flows every month, every day. So normally between 15 months to 36 months depending on the project and the tenure we have fixed for that.

Jatin K: One last question would be what kind of loan growth are we targeting, on consolidated level what kind of loan growth are we targeting for next 1, 2, 3 years?

Rohit Gupta: I would just like to Rajeev to just add on the little bit on the SME side, how we are building that, and then I will take this question.

Rajeev Mehra: So essentially what Rohit mentioned in the call earlier is that we have forayed into retail lending and at the same time, the retail lending book could also we would try to account for roughly 40% to 50% of the book to the retail lending part. And this book would actually help us boost our overall lending business as well as diversify ours also. So we are looking at roughly 70-80 crores of SME book getting built this year and then doubling that number or we are making into 2.5 times that number in the coming year. Rohit will just take you through the overall book building and that we have for the next 3 years. Over to you, Rohit.

Rohit Gupta: So we just broadly say that our ability to grow, we are still very small and still there is lot of scope to leverage ourselves on the distinct network. So building the book will not be a challenge. Right now, little bit what has happened is we are focusing on building a liability side of that, that will help us to build our book and in terms of segments what we have prioritize ourselves, within that our focus is to build the SME first and though it is a gradual buildup and now that buildup will be little faster than what earlier was, now that branches are operational. So second one which we want to focus more is the wholesale small segment, the redevelopment floor and if we are able to build our liability, hopefully we will be able to do that. Then you can see that we will be able to grow I think around more than 40%-50% if we are able to build our liability properly and we do not see any challenge in terms of building a book. There are some challenges in the current scenario what has prevailed in the last 2-3 months maybe on the building on liability side.

Jatin K: Just I wanted as in you said building liability is more important, can you briefly describe as in how do we plan to build this liability book?

Rohit Gupta: Primarily at this time our focus is to build our book from PSUs. State bank larger lenders from private sector banks, everybody most of the bankers and through larger NBFCs. I think that will be at wait for 1-1.5 years. Then on achieving a certain size then opens certain other options in terms of this NCD and other instrument, but for next 12-15 months, I would say that these will be the options if we are able to build our liability. A very healthy capital adequacy of 65% and so we do not see the building the book for last 2-3 months, the PSUs have been little slow. It is not for us, it is for everybody that the business slow in proceeding the proposals. We hope going ahead, the things will change.

Moderator: Thank you. We take the next question from the line of Raj Sharma, individual investor. Please go ahead.

Raj Sharma: I have couple of questions. The first one I saw in your presentation that you are talking about lending free from PSU and the interest scenario is also changing. So how do you feel that in kind of raising money, do you feel it will be a challenge or kind of interest rate will move sharply up. Can you throw some light on that?

Rohit Gupta: Interest rates have hardened, I would say, by 0.5%, 50 basis points, this has hardened during last 3 to 4 months and we see that we will be able to book even from the private sector banks, still none of the larger private sector banks is on liability side and even larger NBFCs also and still few PSU banks we are targeting those. And we are hopeful that we will be able to build that.

Raj Sharma: So interest rates will be higher on the private sector banks, that is what I think.

Rohit Gupta: No, larger private sector banks are as competitive as the larger PSUs.

Raj Sharma: Thank you. One more question is that what is the target for the total number of branches in FY19?

Rohit Gupta: This year now we intent to open branches in Gujarat, 4 to 5 branches will come there and then we will be present in 5 states. Then, still there is a lot of scope to open more branches in the existing states and even there is lot of scope to add more people in the existing branches and products as we have now started focusing on our core business, we have a dedicated team in each and every branch and we have started getting business there. So right now you can say like 18 to 25 depending from how we are able to scale up or whether we have more people in the existing branches or we open up new branches that will happen for sure, Gujarat will be opening during next 2-3 months.

Rajeev Mehra: So actually, we have added one more product in the micro SME space. We started off the business we were already targeting traders in our micro SME space. Now, we also launched school loans in MSME space. That gives us an opportunity of adding more people at the existing branches itself. So going forward as Rohit mentioned, it is a combination of adding new branches as well as increasing the team size at the existing ones.

Raj Sharma: So right now the employee strength is 85, we can see a significant uptick in that?

Rajeev Mehra There will be significant uptick.

Raj Sharma: Just a broad question onwhat is the biggest challenge you are facing in scaling up the business?

Rajeev Mehra What Rohit mentioned couple of minutes back was that right now the main challenge is to build a liability side of the business that will actually help us generate more fund for lending out both in the corporate as well as the SME space.

Moderator: Thank you. We take the next question from the line of Shankar Dutt, individual investor. Please go ahead.

Shankar Dutt: Sir, my first question is Delhi has been perceived as a slowest market for real estate, but your NPA record is very good. Can you explain a bit more on your customer selection, underwriting procedure and monetary mechanism?

Rohit Gupta: NCR has been a very slow market during the last 5 to 7 years, but in NCR, when we say in NCT to an outsider see that markets are very slow, but what has happened during 2004 to 2010, there was an explosion, lot of builders has come. They have started number of projects. So nobody thought where the demand will be and in certain areas they started with the projects where the actual demand was not there. So our focus first is to see certain select micro markets of NCR where we see the end consumer demand is there where economic activities happening. So we have not guided by the infrastructure in certain areas, maybe having better infrastructure, but where economic activities not there, where the demand is not there. We do not have a single presence in terms of any my borrower is not from that segment. So that is first and secondly as explained earlier, we are only to last mile funding. Only at the CF level, we have only done one or two transactions that is only on the affordable side. Affordable housing, when I say affordable housing, the average ticket size is less than 50 lakhs. We have only done 2 transactions there and those accounts are doing exceedingly good, but in those accounts also, when we lend the sales has already been booked. They have launched it through lotterysystem and it was over-subscribed 2-3 times and we have only giving the CF even the sales are fully closed. So we are little conservative. So in terms of that, we do only last mile funding where average ticket size is 50 lakhs or affordable where we are doing sales in affordable segment and hardly there we see the actualend consumer demand is there, certain markets of NCR there is speculative activity. So, we have not touched those areas and we are only focusing with one or two small builders. We are able to assess the risk much better and we are seeing reasonable equity of the builder is in the project and it is our few criteria which has helped us to do this business with 0 NPAs right now.

Shankar Dutt: And sir can you explain a bit more about underwriting and monetary mechanism after new disbursal loan?

Rohit Gupta: Whenever proposals come, it go through various from the legal side sees his own thing that apart on the legal diligence on the projects to receive if there is anything on legal cases going against the builder, we do all the people checks and do all the **LC checks 31.27** then do all the financial diligence based on the financial information and most important, you have to see the project, what kind of receivables are going to come, what kind of customers they are sold into, whether they are well-funded, whether they are individual customers, what kind of inventory he has left with. We have to dissect the kind of inventory also in terms of larger BHKs or smaller BHKs and you have to dissect even the receivables. So whether the receivables are coming regularly, certain clients are not paying. So you have to dissect that thing also to see the project as a whole what kind of cover you are getting. So it is a sum total of all those factors and above all, I would say the borrowers. When you meet him, assessing his market reputation, any formal information which you get, you are very active in CREDAI body and otherwise informally also. Even if we are very small, but CSL Finance has built up a reasonable presence with **(Inaudible) 32.30** itself builders and so we are able to get formal information also which is also very important in this kind of transaction.

Shankar Dutt: And sir if I heard you correct, you said that your collateral is 2x to 3x of your loan disbursed?

Rohit Gupta: Yes.

Shankar Dutt: And sir my second question is your lending yields seem to be around 18%. Do not you face any competition from IIFL, Edelweiss, Piramal and any other player in crowded market of Delhi NCR?

Rohit Gupta: Yes. When we were earlier doing last 2-3 years with our IRRs were around 19%-20%, but in last 1.5-2 years, it has come down to around 17.5%. We are largely focusing on better borrowers where we see that we are comfortable and even in terms of larger players, firstly larger players are not looking at a ticket size of 15 crores to 20 crores. We are present from 2 crores till 15-20 crores. In that segment, Edelweiss, IIFL, even IndoStar and Kautilya and all those DMI, we are not looking at this size of deal. So in our deal, we are getting the competition from Capri, from Reliance, but because of our certain other USPs where our turnaround time is much better, where we have easy prepayment clauses. Generally, we do not charge beyond 6 months to 9 months prepayment, we have flexible repayments period. So because of certain USPs and primarily when we are doing the last mile funding, turnaround time becomes very important. So with the largest players it usually they take 2 months to 4 months and typically they take 15 months to 25 days. So we have a much shorter turnaround period and because our presence right now only to NCR because of the domain knowledge and better understanding of the borrowers, we are able to close the transaction much faster than our competitors that is the edge and not I would say only in terms of that we have a lower tax, but due to our penetration also, the only limiting factorhas been that we are not able to do larger tickets deals. Now, we have also started building certain co-lending relationship with larger players and we have been in talk and we will do with two to three large players where they see that we have better understanding of our local area and they want us to be part of the deal for the co-lending because of our edge in terms of our credit assessment and rating and knowledge of the area.

Moderator: Thank you. We take the next question from the line of Bhavik Mehta from Antique Stock Broking. Please go ahead.

Bhavik Mehta: Sir, I just have couple of questions. So we have a very low level of leverage currently right now because of the capital infusion that we had done recently. So I just wanted to know what is the comfortable level that we look for that?

Rohit Gupta: Still our capital adequacy ratio is very high at around 65% and what we had internally plan within that we can leverage our SME book 4 to 5 times in coming 2 to 3 years and on the wholesale side, we can leverage 2x of book there. So it will help us to reasonably go in the next 2 years. So these are our targets for next 2 years and then we will see how both the segments perform and that is the target in terms of leveraging ourselves.

Bhavik Mehta: Sir as you right now said the challenge right now is on the liability side to get funds from the banks and NBFC. So I just wanted to get a gist how are you planning to target those set of lenders to fund us basically?

Rohit Gupta: We are in regular touch with those credit team and we are working with at least 8 to 10 bankers right now where our proposals are going on and we have treasury department, we have a team and we have two people who are solely working building relationships with possible lenders and we are in touch with those people and give them regular information and all the debtors are **(Inaudible) 38.15** those people. So we have built a treasury department within our organization. So we are only working on building a liability side.

Moderator: Thank you. We take the next question from the line of Shankar Dutt, individual investor. Please go ahead.

Shankar Dutt: Sir, you said your maximum loan is 25 crores a single growth. Is there any policy on exposure limit, what is your largest loan as percentage of net worth, percentage of loan book?

Rohit Gupta: We do not intend to go more than 15%. Typically, we have kept10% to 15% is the maximum that we will go and that too only where we see a very good borrower and where we see no challenges. In certain cases if we don't give keep a certain size, we are not able to get the linkage and there are other few deterrents and we don't become only lender do the project and because of those constraints in few of the transactions which we see our very good we go up to that size otherwise normally our average size is between 1 crores to 10 crores.

Shankar Dutt: And sir also Delhi NCR, do you have any presence in one micro market or any micro markets?

Rohit Gupta: When we say NCR, NCR is huge right now. So NCR to get the whole Noida, Noida extension, Yamuna Expressway, we are not there, then Ghaziabad, Vaishali, Indirapuram, even the Kundli side, then coming on to Gurgaon side, Dwarka Expressway, Gurgaon-Manesar, even Bhiwadi then on the Faridabad it is a huge market and we feel that we were small and still we see lot of market here. So for the sake of diversification, we could have gone to other areas which we plan in the next 1 or 2 years that in next one year we tend to go Jaipur and Chandigarh side and Lucknow side of that too, but keeping in view the size we still see that we have lot of scope to penetrate our existing market and we intent to go in further areas also in the coming year and we are only present in few micro markets of Delhi NCR where we see that end consumer demand is there and sales are good.

Shankar Dutt: I am asking what made you enter the SME business? And what has been our initial experience and how do we aim to build this portfolio?

Rajeev Mehra: SME business, why we launched SME business? Number one, this is one segment which today holds a very important part of the overall economic development of the country. Number two, the rate at which SME segment is growing is by far the best in the corporate side. So it makes all sense for growing NBFC to enter this segment. Number three, the experience that we have had till now has been very encouraging both in terms of our sales as well as in terms of our credit quality and why we started off in a very cautious note because when we launched this business, it was just after the onset of demonetization. So we launched our branches very cautiously in a very slow manner. It took us somewhere around 6 months to launch the first 4 set of branches. However, once we saw the response from the market in terms of business as well as in terms of our credit quality, it gave us lot of encouragement to then expand faster. So we now have 12 branches up and running. We are in the process of opening another 4-5 branches in Gujarat and if we keep on getting the success that we have got in the initial first phase, the geographical expansion as well as expansion of headcount and the existing branches will go up.

Shankar Dutt: And sir what kind of loan book, operating cost and ROE can this business generate in steady state?

Rajeev Mehra: So SME, as of now our loan book is 20 crores plus and as you mentioned few minutes back that we expect this loan book to constitute roughly around 40%-50% of our total book size over the next 3 to 4 years.

Shankar Dutt: And sir operating cost and ROE?

Rajeev Mehra: So the current IRR, weighted IRR is 19.5% or 95% secured book.

Rohit Gupta: I would like to add one thing. Earlier when we started, we were doing unsecured and secured, both where our target was to do 30% unsecured and 70% secured side, but in 6 to 8 months, we realized that we were facing little bit challenges on the unsecured side and we discussed that we will not be doing this and for last 5-6 months, we are not doing any on the unsecured business. So as on date, our unsecured book is 1.77 crores and we are running down that book and we have lot of new, I would say contact and new NBFCs are focusing it very easy to build up, but we are seeing certain challenges there. We had certain JVs who are fintech partners phenomena was one and **(Inaudible) 44.28** where we are seeing that there were some challenges on their book also which we have run down completely. So that then we took a decision that right now we will be focusing on the secured side of that.

Shankar Dutt: Sir I am asking about leverage, basically at low level right now. At what level you are comfortable?

Rohit Gupta: Told earlier also that SME, we are comfortable, growing 4-5 times and we have target internally to leverage 2x our wholesale book and we can increase our leverage depending upon how we are able to raise or build our liability. So based on that, we can dointernally and this targets will sufficiently help us for next 2 years to build our book.

Shankar Dutt: Sir, you said sir you are comfortable at 4x to 5xleverage for SME and for your other part of businesses?

Rohit Gupta: 2x our wholesale book, these are targets for next 1-2 years and which we are always dynamic and seeing on the performance for the various segments. So we can always review those. With these targets, we will be able to grow our book I think reasonably well in next 1 to 2 years.

Shankar Dutt: And sir have we started building relationship with banks, NBFCs so that they can lend us?

Rajeev Mehra: Yes, we have started building those relationships and what Rohit was mentioned that we also created a separate treasury department within our organization which has full time relationship management under those organizations.

Moderator: Well, ladies and gentlemen, that seems to be the last question for today. I would now like to hand the conference over to Mr. Bhavik Mehta from Antique Stock to add his closing comments. Also, we have the management to give their final comments. Over to you, sir.

Bhavik Mehta: Thank you, investors for participating and I will ask Rohit sir to give us the closing comments if he has any to address at the last moment.

Rohit Gupta: Thank you all for participating in this first concall of our company and we aim to do this concall every 6 months to keep our shareholders and investors updated. We have also started during last quarterly results, we are giving investor update also. So, our aim is to build a quality loan book with low delinquency and keeping our credit cost low and that is our basic ethos on which we are working and if anybody has any queries, I would like that you can mail us and we look forward to interact with you on regular basis. Thank you very much.

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