SBFC

2nd November, 2023

To
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400051
NSE Symbol: SBFC

To
BSE Limited
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001
BSE Scrip Code: 543959

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call

Pursuant to applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript of the earnings conference call which was held on 28th October, 2023.

The transcript of the earnings conference call shall be uploaded on the website of the Company at https://www.sbfc.com/investors under the section 'Disclosures under Regulation 46 of the LODR' in due course.

Kindly take the same on your records.

For SBFC Finance Limited
(Erstwhile SBFC Finance Private Limited)

JAY PRABHURAM MISTRY
Digitally signed by JAY PRABHURAM MISTRY
Date: 2023.11.02 15:58:59 +05'30'

SBFC Finance Limited MUMBAI

Jay Mistry
Company Secretary & Chief Compliance Officer
ICSI membership no – A34264
Encl: As above

“SBFC Finance Limited
Q2 FY2024 Earnings Call”

October 28, 2023

ANALYST: **MR. RENISH BHUVA – ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. ASEEM DHRU – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SBFC FINANCE LIMITED**
MR. MAHESH DAYANI – CHIEF BUSINESS OFFICER – SBFC FINANCE LIMITED
MR. NARAYAN BARASIA – CHIEF FINANCIAL OFFICER – SBFC FINANCE LIMITED
MR. PANKAJ PODDAR – CHIEF RISK OFFICER – SBFC FINANCE LIMITED
MR. SANKET AGRAWAL - CHIEF STRATEGY OFFICER & IR– SBFC FINANCE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2024 Earnings Call of SBFC Finance Limited hosted by ICICI Securities. As a reminder, all participant 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Renish Bhuva from ICICI Securities. Thank you and over to you Sir.

Renish Bhuva: Thanks Michelle. Hi good morning everyone welcome to SBFC Q2 FY2024 earnings call. I would like to thank management team of SBFC for giving us the opportunity to host this call. I will now hand over the call to Mr. Sanket Agrawal - Chief Strategy Officer who will take us through the introduction of the management team. Over to you Sanket!

Sanket Agrawal: Thank you Renish. Good morning everyone. It is a pleasure to have the analyst, investors, and my colleagues in the call. I hope everybody had the opportunity to go through our investor deck and press release uploaded on the stock exchanges and on our website yesterday. I have with me Mr. Aseem Dhru, Mr. Mahesh Dayani, Mr. Narayan Barasia, and Mr. Pankaj Poddar. The flow of the call will be that we start with the opening remarks from Aseem followed up with detailed financial performance update by Mr. Narayan Barasia and then we will open for Q&A. Over to you Aseem for the opening remarks please.

Aseem Dhru: Thank you Sanket and good morning everybody on the call. It is a lovely Saturday morning and you guys had an option to sit with some chilled coconut water and watch an OTT series but thank you for being on this call instead, appreciate it. Our AUM has been up 43% Y-o-Y and 9% quarter on quarter at 5800 Crores. Profit after tax at 53 Crores is up 48% Y-o-Y and 12% Q-o-Q. Opex is down 70 bps Y-o-Y and up 10 bps quarter on quarter. GNPA down 13 bps Y-o-Y and 17% bps Q-o-Q. So basically this led to a return on average AUM of 3.84% which is 8 bps Y-o-Y and 12 bps up quarter on quarter. Thanks to the capital raised, the return on average equitycame down to 10.4% which is 32 bps lower Y-o-Y and 159 bps lower quarter on quarter. Hitting 100 Crores PAT, this first half of FY2024 feels quite swell as the Americans would say. Being a banker continuing to accrue interest on a NPA account just did not feel right but that is what is the regulation for NBFCs but what we did was that from December 2022 we did not take interest into an NPA account beyond 12 months into our P&L. Q1 June 2024 we brought this down to 90 days and this quarter we have reversed the interest accrued for the 90 days for all NPA. So effectively we are now following the same reporting number procedure that banks do in India. As you would understand, this had an effect on our NIMs, spread and credit cost but we sleep easier having swallowed the frog. In September we received our equity raise. So we are sitting on a CRAR of 45% and I have committed but yet undrawn lines from banks and other institutions. So at the moment, we are swimming in liquidity. We opened up 35 new branches Y-o-Y and nine this quarter. We are in the middle of upgrading our tech stack with a new and improved version of our LOS as well as our LMS and in the next couple of quarters they should get rolled out. Opportunity exists. We have the capital and debt lines. We continue to go deeper into the states we are present in. Credit costs are holding steady at 80 bps. We have what we need now we just need to execute as we should. With this over to you Narayan.

Narayan Barasia: Thank you Aseem. Good morning and thank you for joining the investors call. Let us go through the financials and some key metrics before we move to Q&A. The AUM is at 5803 Crores which has grown at 43% Y-o-Y and 9% on Q-on-Q basis. We have seen a sharp increase in the interest rate globally and also in India over the last 18 months. Since majority of our secured MSME loans are on variable interest, we have been able to maintain the spreads of about 7.5% throughout the last 18 months. As a matter of prudence, interest income on the credit impaired assets, which are classified as NPA is not being recognized unless we realize it. Accordingly, the company has reversed 6.2 Crores in Q1 and about 5.1 Crores in Q2 of the current financial year for the interest already accrued as one time impact. The operating leverage has been improving consistently hence the OPEXto AUM ratio has reduced from 6.2% in Q2 last year to 5.5% in Q2 of current financial year. Our GNPA remains steady with improvement at 2.3% of its secured MSME of being of 1 plus being steady at 5.27% of AUM thereby leading to credit cost of 0.8% of AUM. Pursuing to AUM growth of 43% on Y-on-Y basis we have recorded PPOP growth of 46% on a Y-on-Y basis and PAT of 53 Crores with a Y-o-Y growth of 48%. On Q2 basis AUM has grown at 9% with a PPOP and PAT growth of 12% respectively. CRAR as of September 30th 2023 has substantially increased to 45% due to an equity raised by way of an IPO with tangible net worth of 2339 Crores as of September with sufficient liquidity of about 1000 Crores as of September 2023. Thank you. We now open for the questions please.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We will take the first question from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: Hello. Yes thanks for the opportunity Sir just two questions from my side. One is on the growth, so till last quarter we have been riding at around 5 to 7% sequential growth, but now when we look at the first half or YTD growth, it is already touching 17% and considering the second-half generally is better than the first half. So I mean how one should look at the guidance range of 5-7% which we always used to highlight?

Mahesh Dayani: No so I do not think we are changing the narrative. So the narrative remains at 5-7, so if you look at for the quarter, so the quarter was close to around 8.9. So it is not significantly different from what we have been always been talking of and if you probably look at our previous quarters as well the whole idea of a last quarter being significantly different from Q3, I do not think we will see those lumpiness over the period of time. So the whole idea is that it is going to be a lot more even as we move along and hence we have been talking about a range bound growth rate of between 5-7. The second part is I think we are pretty comfortable with this considering that the distribution that has been built up is fairly young. If you look at our branches that have come up, almost 35 branches have come up in the last 12 months. So we really do not want to accelerate too much in the first initial year. So we have been a little cautious and we are pretty comfortable. Yes, what we would want to do is that positively surprise you but the guidance would continue to be between 5-7.

Renish Bhuva: Got it and secondly again on the spread side, so last three, four quarters the spread is actually sustaining at 7% plus even after adjusting for this 7 Crores last quarter, 5 Crores this quarter interest reversal. So what sort of a steady state spread one should assume for let us say for a business like this,

Mahesh Dayani: So if you remember probably in the last call also we maintained that our book is largely floating. So our entire MSME book almost 98.5% is floating and hence what we always maintain is that we are pretty comfortable on the spreads that we are maintaining and we should be able to continue to maintain the spreads above 7%.

Renish Bhuva: Okay that is it from my side. Thank you and best of luck.

Moderator: Thank you. We will take the next question from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Yes hi Sir. Good morning and thanks for taking my question and congrats on a great set of numbers. I just wanted to check on the asset quality front. So if we look at in terms of the stage two numbers, there has been a little bit of a spike in this quarter if you see sequentially so any particular reason why the stage two numbers have gone up?

Pankaj Poddar: Stage two number if you look at 0 plus overall there is improvement stage two number has been stable in terms of percentage. So if you look on the percentage stand we are comfortable and the numbers are stable.

Jigar Jani: I was just looking at like last quarter you were at 3.7 for Q1 and this quarter it has gone to 4.4 so nothing exceptional to read into. It seems like a seasonality impact is it.

Pankaj Poddar: Yes from a portfolio standpoint, we are not seeing any kind of stress.

Jigar Jani: Okay understood and just wanted to check this one DPD number that we report that is just for the MSME segment, is it?

Pankaj Poddar: Yes.

Jigar Jani: When I have to compare it is not like to like comparable with the gross stage two and stage three numbers because that is on the whole.

Pankaj Poddar: Gross stage will include all products, so for secured MSME if you look at stage two, the percentage has improved.

Jigar Jani: Okay understood and Sir, on the margin, I just missed the last commentary. So you are mentioning that spreads we will be able to maintain above the current levels of H1, which is 7.3%.

Mahesh Dayani: Yes so we have been guiding that the spreads would be above 7% and our ability to price the book is significantly higher because almost 98.5% of the book is floating. So barely 1-1.5% is fixed.

Jigar Jani: Okay understood and Sir where do you see this opex to AUM eventually settling for the business as an overall if you could guide something on the opex and the credit cost that would be great.

Mahesh Dayani: Yes so on the opex side, what we have been saying is that largely on an annualized basis, we should see the distribution sweating almost 50 basis points on a year on year basis. Last quarter we were lower by almost 12 basis points and we feel that all through the year we will be able to achieve close to around 50 basis points reduction.

Jigar Jani: Right Sir and on a steady state basis, credit cost should remain sub 1%.

Mahesh Dayani: Yes that is what we have been guiding below 1%.

Jigar Jani: Okay great Sir. Thank you so much for answering my questions and best of luck.

Moderator: Thank you. We will take the next question from the line of Ashish Sharma from Enam Asset Management Company. Please go ahead.

Ashish Sharma: Thanks for the opportunity. So just wanted to check on two things. One is on the branch expansion how should we see from the current number I mean from a medium to long term perspective branch expansion happening. I mean do we have a strategy to penetrate all the states just some colour on that and second would be on the yields part, Sir. So again currently the yields as per presentation mentioned is 17%. So from a medium to long term perspective you see yields remaining in the same range. Just some colour on that also will be helpful Sir. Thank you.

Mahesh Dayani: To answer your first point with respect to distribution, we have been maintaining that the last four years, five years in the build up, we had grown or we had built horizontally, which meant that we had invested in state and now since last year and moving forward, we need to penetrate in each of the states where we have spent significantly in building our distribution. We are very comfortable in adding 20 to 25 odd branches in a financial year. We were close to around 150 and we are now 171 in the first half. So that is around 20 odd branches. The rationale is that if you have most of the branches come up in the first half of the year, then you tend to stabilize and get the benefit in the subsequent two quarters. So if I were to guide with respect to the branches and distribution, we are not adding any further state to the existing distribution that we have, but we will penetrate deeper in the markets where we have colour and comfort on the origination that we do and 20 to 25 branches in a year we are comfortable adding moving forward as well. As far as your question on the customer yields is concerned, the customer yields are roughly close to around 16.5 odd percent. The 16.5 odd percent we feel is comfortable. Some basis points here or there, but largely it is going to be in that range of 16.5 percent.

Ashish Sharma: Okay and any read through in terms of asset quality because there were few comments by other players regarding the leverage in the rural sector, anything you have touched upon as of now, you already mentioned that asset quality remains comfortable but any signs you are seeing or it is okay.

Mahesh Dayani: From our ticket sizes we are largely not in the rural markets. So if you look at our distribution, I think one of the slides in the presentation maintained our core focus segment. We are typically in a segment which is between 5 lakhs to 30 lakhs that is our core segment and we are in the non rural market. So far the portfolio trends that are emerging tend to be stable and we are fairly hopeful of holding on to the current levels as well.

Ashish Sharma: Perfect thank you, Sir.

Moderator: We will take the next question from the line of Shubranshu Mishra from Philip Capital. Please go ahead.

Shubranshu Mishra: Hi, good morning. Thanks for this opportunity. One is what is our NACH maintenance rate? Second, what percentage of our collections are cash collections? Third, what is the zero plus and what is their rollback rate on the first bucket thanks?

Pankaj Poddar: Can you explain when you say what is maintenance rate, what do you mean?

Shubranshu Mishra: So if we have say 100 customers who got NACH mandates, how many of them really get through on the day of banking?

Pankaj Poddar: So we have closer to 97-98% activation rate on the NACH side on a sustainable basis and at the time of booking typically we take NACH mandates for 100% of the cases. So at later stage we see some of them drop off. From a collection standpoint, so 92% is non cash and 8% typically would be cash. On the zero plus the number has been mentioned it is 5.27%.

Shubranshu Mishra: And the rollback rate from the first bucket.

Pankaj Poddar: We will have to check and get back to you this number.

Shubranshu Mishra: Sure thanks.

Moderator: Thank you. The next question is from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: Hello Sir. Good morning. So thank you for the opportunity so I am looking at the presentation, I see the share of gold loan is declining consistently. So just want to understand your strategy that where do you see the product mix moving and any dynamics you can share about the gold loan and why is it declining.

Mahesh Dayani: So if we really look at from a branch distribution perspective, we have 150 odd branches which do gold out of 171. Our average AUM per branch is close to around 6 odd Crores and that is where the total number is 900 odd Crores. The whole idea around the branch strategy for gold has been that our average AUM has to start moving up and we are looking at the entire product from a profitability perspective. But moving forward, what you would tend to see is that as we keep expanding our network and branches, gold is going to be a part of it but what we have always guided is that you will tend to see almost 85% dominated by MSME and 15% is going to be gold. Why is that percentage tilting towards MSME is because obviously the ticket sizes for MSME is closer to 10-11 lakhs whereas the ticket size for gold is close to around 80,000 or 85 odd thousand so by design what you would tend to see is that it is going to tilt towards MSME and gold is obviously going to be a lower percentage on the overall AUM. But if you look at as a standalone metrics, it is going to be in line with most of the peers that you have.

Bhuvnesh Garg: So you are saying 85% eventually would be MSME and then around 15% would be gold.

Mahesh Dayani: Currently we should be around 80 to 83 odd percent is MSME and the balance is between gold.

Bhuvnesh Garg: And Sir any colour of in terms of competition basically what kind of yield we offer in gold loan and any colour on competition dynamics in gold sector?

Mahesh Dayani: So I would say compared to last year, the yields have stabilized obviously if I were to give you some colour on the overall market. So the large tickets are dominated by banks, the smaller tickets become the domain of most of the NBFCs and I guess both segments are extremely independent and mutually exclusive. Yields have largely stabilized for most of the peers and they are in the range of 17 to 18 odd percent. We are also in that particular band.

Bhuvnesh Garg: Got it and in terms of our co origination portfolio, so if you can just share some details about the arrangement with the counterparty and is it same as co lending, I mean is it same or what is the broad contours?

Mahesh Dayani: So this is the circular one where the origination happens at a real time basis at both the organizations along with us and co origination partner. The ratio is 20 and 80 and at the time of disbursal both the disbursals happen at the same time, which is very unlike the second circular. The commercials is something that we do not call out, but clearly it is a great tool for us both on the liability side and it is an ROE enhancer for us as well.

Bhuvnesh Garg: And there is no I mean any FLDG kind of structure where you are seeking.

Mahesh Dayani: There is no FLDG and risk is on a pari passu basis.

Bhuvnesh Garg: Pari passu basis okay great. That is it from my side and thank you for the responses. Have a good day.

Moderator: We will take the next question from the line of Nilesh Jethani from BOI Mutual Fund. Please go ahead.

Nilesh Jethani: Hi, good morning and thanks for the opportunity. Sir my first question was on the growth side. Say hypothetically if I want to understand without even adding one branch so what can be the growth expected. Basically I just wanted to understand where the AUM per branch etc from current levels can go up to if you do not add even single branch, what can be the growth expected?

Mahesh Dayani: So if you look at 170 odd branches and you look at our total AUM currently which is close to around 5800 odd Crores, we should be closer to around 33 Crores per branch. If you look at our branches which are maturing, which are more than three years, you would see them inching more towards 43 odd Crores. If I were to answer your question that if we do not add a single branch, this 43 would probably ultimately mature anything between 45 to 50 odd Crores. So if I were to look at 170 branches and multiply that by 50 you will get 8500 odd Crores.

Nilesh Jethani: Got it Sir that was helpful. Sir second question was on this branch addition target of 20 - 25 per annum wanted to understand whether this could be newer states or we are focusing on the existing one or two states where we are more confident on.

Mahesh Dayani: Yes so we are not adding state because on the secured side, I think there is significant amount of investment that is required, right from origination, credit, risk, audit, operations. So there is a whole deal of investments that you need to do and most of those investments have already been done in the existing states. We would continue to remain invested in the states where we are already present, but now go deeper in those particular markets depending upon the credit outcomes, our behaviour, maturity of the portfolio so we are not adding any further state, but we will remain invested in the existing one.

Nilesh Jethani: Got it Sir and Sir my last question was on the NPA cycle. So just wanted to understand since our book is also very new and the growth rate has been very fast for us, but in general if you have to take the 7, 8, 10 years period typically in the segment where we operate SME or small business loan, what are the best NPA or GNPA one can expect? What is the best case provision one can expect and where are we today and what can be the outcome in a very normalized situation?

Pankaj Poddar: So in the segment we are if I take secured MSME space typically we see the delinquency peaking at 36 months tenure so on a vintage basis, so based on that the coincidental GNPA numbers which we are seeing is in the range of 2.2 to 2.5% and at a lag level it can be higher but at a vintage level if you look at that translates into a credit cost of 80-100 basis point and LGD of 30%. So based on that, the model has already been baked in and we are comfortable with 7% credit cost guidance in long run.

Mahesh Dayani: Just to add and probably give you some colour on the industry landscape. So if you look at the segment of 5 to 30 odd lakhs, so the total size of the market is close to 2.5 lakh Crores that is growing at above 20%. So that is a good runway for growth but if you look at the peak delinquency which was probably post COVID that was the number which was closer to 5 odd percent but in that the NBFC did a better job, the banks, cooperative banks and other players in the segment probably did a poor job. So we feel that probably one our gross NPAs are going to be significantly better than what the industry puts in and as Pankaj rightly mentioned that we have been conscious of while we are growing the book, we have been conscious on how the zero plus is moving out and our gross NPAs which ultimately translating into the credit cost and what we have been guiding is that it is going to be sub 1% so on a risk adjusted basis it spans out extremely well because if you are lending at almost 16 and a half odd percent and you manage to keep your credit cost sub 1%, this ultimately is an ROE accretive model for this segment.

Nilesh Jethani: Got it Sir and Sir one question on a very longer term basis I had with regards to yields, so when we speak to your peers they clearly come out and say that customers there are non bankable and new to credit, so charging them X percentage of yield is very convenient for them. But for someone like us SBFC, so typically we are in the peripheral of the urban areas where I believe lot of customers would not be new to credit but also would be having some bankable or the credit history. So what gives you confidence of charging the current interest rate for a longer term period.

Mahesh Dayani: If I were to split this, I do not think there is a luxury to charge customers any amount of interest rate because obviously customers are becoming increasingly sensitive. But if I were to probably break this into two parts, one is related to your ticket sizes. If you look at ticket sizes which are in the range of 2 to 4 lakh probably the yields are going to be upwards of you know 19 odd percent. As the ticket sizes keep on moving then obviously the yields keep on coming down. That is because of two reasons. One, you are getting closer to the metros where the competitive intensity from large NBFC's and banks is extremely high. And second is obviously you have a tested customer who comes in to play. If you look at our customer profile and a lot of that information is captured in the in the investor deck you will realize that almost 85% of our customers have a CIBIL score of more than 700. They are borrowing against a commercial property or their own property for the first time. They have a bureau score, which means that the score could originate from a consumer durable or any asset that they would have borrowed. But there is some history, but they are borrowing against the property for the first time and that number is close to around 75 to 85%. So if you are looking at those set of borrowers, yes you have some flexibility in able to price your customers. But as you move along into the journey and they get tried and tested with you for three and four years, ultimately they will transit into larger banks with a competitive interest rate. It is just our ability to price them in their initial journey is high, but eventually the MSME segment is going to land, which have a good track record with them into a lower pricing with the larger banks.

Nilesh Jethani: Got it Sir so directionally with the leverage etc is slightly lower for us, but as we move in and leverage increase what is the best outcome leverage one can work with as far as SBFC is concerned and with increasing leverage any calculation which you guys would have done with regards to how the NIM will perform as we take up more and more equity?

Narayan Barasia: So our leverage post the equity raised through IPO has reduced significantly. Our CRAR has moved pretty well. So from a medium term to long term perspective, so if you look at all the banks covenant we have given, it allows us to go to a debt equity of five but looking at the macroeconomic picture, we believe that somewhere between 3 to 3.5 is the right leverage to debt equity to achieve. I think keeping that in mind obviously the return on equity will then subsequently increase and improve from where we are today.

Narayan barasia: And your question on NIM obviously with a high debt coming in the NIM slightly compresses, assuming that the spreads are maintained and everything is status quo, the NIM come off, but the ROEs significantly improve.

Nilesh Jethani: Sir any calculations internally you would have done with regards to how the NIM will move with every reduction in the capital adequacy ratio.

Narayan Barasia: See this is simple. So if you assume that the spreads are constant, you can work at a different leverage numbers assuming that all things remain the same how the things move is the easy explanation to be done. But the important thing is which any NBFC would like to have is the ROEs improved from where we are today.

Nilesh Jethani: Okay got it. Those were my questions and thank you so much for replying to them. All the best.

Moderator: Thank you. We will take the next question from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.

Bhuvnesh Garg: Yes thank you for the follow up Sir. Just on this co origination bit, so I see that most of our RPS are either on co lending model or direct assignment model, but we are going with co origination route so just want to understand what is the thought process behind going for co origination not for co lending or direct assignment and what is the difference in terms of yield, etc in these three models?

Aseem Dhru: So see, the way it works is that co origination was the first circular that came from RBI and that was a very superior circular that came because what you get there is that there is a risk, there is not just a risk participation, there is also an understanding of risk that is brought into the transaction up front by both lenders. So we have an arrangement with ICICI Bank where we originate a case, we look at credit, we select the customer. It is a jointly approved product program so ICICI Bank has also applied its own thought on the product program and then it goes to their credit buyer for approval. So their credit buyer also adds value. They have a lot more experience than us. They have seen a lot more winters than us. They also add value in terms of guiding us on whether this is good credit or not good credit. So there is one more level of credit screening that happens on every case and then the transaction gets done. Also what happens here is that effectively it becomes one if we get a better credit outcome on a co origination transaction second is that the risk participation is pari passu because it is by logic because both the people have looked at credit up front, so therefore both have bought individual credit. They have not taken a risk on us, they have actually bought the credit of that individual transaction. However, all good things in life are difficult to do. That is the central rule of life. You know that if it is a good thing, it will be difficult to do. So co origination became very difficult to execute and I believe we are the only substantial co origination arrangement in the market I am not aware of any other NBFC with significant volumes on the co origination business and which is why the RBI came out with second circular which was the easier circular of co lending where it is simply direct assignment with a different name. All co lending is a direct assignment with a minimum holding period taken out so it is a much simpler transaction and therefore it took off and everybody participated but in that the bank has not really bought the risk of the transaction, it is more like a direct assignment and the bank has done a portfolio selection, so the risk outcome of that will be different. Plus there are stamp duty implications and all etc. The way we look at it, co origination is a much superior model based on both credit outcome as well as in terms of profitability it is asset light ROE happy model so we have focused on what is the more difficult thing to execute and we have worked hard on integrating technologies. So we had to do an API linkage into the bank because the bank has to see the file digitally and approve it regardless of which location, two credit banks could be in a different location. If I am originating a file in Nagaon in Assam, it is not necessary that my credit buyer could be sitting in Nagaon but ICICI Bank could be sitting in Guwahati so I should have the ability to digitally show the file to them and they are able to instantly approve the transaction or decline the transaction and we come to know of it. So based on this API linkages it is a tough thing to do. I took us time to build this but in the end it has been a happy outcome.

Bhuvnesh Garg: Got it Sir understood. And how does the interest rate work Sir because I understand that ICCIC Bank would be having lower interest rate but our interest rate would be higher in that case in co origination model how does the interest rate works out.

Narayan Barasia: Interest rate when it goes to the borrower it is a weighted average interest rate between the NBFC and the bank so 80% weightage is to ICICI's interest rate and 20% weightage is to our interest rate and so the combination of rate is given actually to the borrower.

Narayan Barasia: So obviously our interest rate is definitely going to be higher than what ICICI Banks interest rate is.

Bhuvnesh Garg: Understood. Thank you Sir. That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Aseem Dhru for closing comments. Over to you Sir.

Aseem Dhru: Thank you. Thank you everyone for being on this call and taking the time out and also incidentally tonight is the lunar eclipse and 11:30 I think while your guys daily job is to find the moon behind the clouds of data that that is there. Today you may actually get to see the earth between the sun and the moon. So it would be a wonderful sight do watch it. Thank you so much for the call and look forward to the next quarter and the next call and the interactions thereafter. Thank you very much.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.