

## Conference Call Transcript

### Manappuram General Finance

#### Q3FY10 Results

January 21, 2010 | 02:45 p.m. IST

#### *Corporate Participants*

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**Mr. I. Unnikrishnan**  
*Managing Director*

## Questions and Answers

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**Mahesh:** Good afternoon and welcome to the conference call for Manappuram General Finance And Leasing Limited. We have with us Mr. Unnikrishnan to discuss the results.

**I. Unnikrishnan:** Hi.

**Mahesh:** So that we could hand over the floor for further questions. So without much further ado, I would hand over the floor to you sir.

**I. Unnikrishnan:** Thank you. Thank you Mahesh. Thank you all for joining this call. We are having this call for taking stock of the third quarter numbers of Manappuram General Finance And Leasing Limited. As you may be knowing, you know we had a merger of a group company with the company, which we completed this quarter, the third quarter. As a result, when we publish the result in most of the newspapers, we could not include the comparative numbers. So, if you look, the current quarter numbers are for the combined merged company and the corresponding quarter numbers of the previous year are standalone. But we have sent a detailed presentation to almost all of you and I will be concentrating on a like-to-like number rather than the standalone numbers. So, on a like-to-like basis, I will give the number. The operating income for the quarter is INR 150 crores against INR 80 crores for the third quarter of last year, which is an increase of 87.35%. The profit for the quarter is INR 35 crores against INR 14 crores for the third quarter of last year, which is an increase of 148%. The assets under management, meaning the loan assets for the quarter ended 31st December this quarter is INR 2,250 crores against INR 1,095 crores last year this time, which is an increase of 106%. The number of customers, live customers, who are having accounts with us is 492,344, which last year third quarter was 309,024, which is an increase of 59%. The assets under management, of INR 2,250 crores which I just mentioned, out of that INR 2,178 crores is the gold loan under management against INR 1,036 crores last year, which is an increase of 110%. The disbursement of gold loan for the quarter is INR 2,484 crores against INR 996 crores for the third quarter of last year which, is an increase of 149%. The number of branches for the quarter ended is 870 cumulative numbers. Last year, this time, we had 588 branches which is an increase of 48%. The return on assets for the quarter is 4.91%. Last year, we had 3.75%. The basic EPS, earnings per share is INR 27.19; this on a fully diluted basis, after giving effect to the sales to be allotted to the shareholders of the merged company. Last year, on a like-to-like basis, EPS was INR 15.89. Cost of borrowing for the quarter is 11.79% against 12.58% for the third quarter of last year. That means it has come down. Return on equity is 41.61% against 31.55% for the third quarter of last year. We have leveraged this seven times now. Last year, we had leveraged to 4.63 times. This is on the basis of, you know, on the asset side leverage, net worth is to the assets. Then yield is 31.1%, last year our yield was 28.63. The

financial cost is 12.31. Last year it was 12.75, financial costs, which is the interest paid divided by the average loan book. CAR, i.e. the capital asset ratio is 19.84%. Last year we had a very good CAR of 34.39% because of our lower leverage. The gross NPA in gold loan is INR 10.4 crores. Last year, the gross NPA was INR 3.3 crores. Gross NPA in the vehicle loan book, these are the loan books, which we are not growing, and for the quarter we do not have any disbursement, not for this quarter alone, for this year we did not have any disbursements. In this vehicle loan portfolio, the gross NPA is INR 18.3 crores. Last year, we had INR 11.5 crores. Net NPA of gold loan is INR 6 crores. Last year, it was INR 3 crores and net NPA for the vehicle loan is INR 8.1 crores and the last year also it was INR 8.1 crores. So in the net NPA of vehicle there is no increase.

**Moderator:** Excuse me sir, this is the operator.

**I. Unnikrishnan:** Is it okay?

**Moderator:** Yes sir, please go ahead.

**I. Unnikrishnan:** Yeah. And the headcount has gone up to 5,641 against 4,334. So, this is the like-to-like comparison for the quarter. So, I hope, these numbers are very good numbers and I believe this is one of the best ever performance made by any non-banking finance institution in any quarter. Now Mahesh...

**Moderator:** Sir do you want to begin with the question and answer session?

**I. Unnikrishnan:** Yeah.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer (Q&A) session. Participants who wish to ask questions may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to use handsets while asking a question. Anyone who has a question may press "\*" and "1" at this time. The first question is from the line of Elizabeth John from Keynote Capital. Please go ahead.

**Elizabeth John:** Good afternoon sir.

**I. Unnikrishnan:** Yeah, hi Elizabeth.

**Elizabeth John:** Yes, you mentioned that you have added 107 branches.

**I. Unnikrishnan:** Yeah.

**Elizabeth John:** Sir I believe that would be largely outside South.

**I. Unnikrishnan:** Not exactly. It is a fair mix of South and North.

**Elizabeth John:** Okay.

**I. Unnikrishnan:** I have the geographical numbers with me. Like West Bengal you know... this is the current status.

**Elizabeth John:** Okay.

**I. Unnikrishnan:** West Bengal we have 11 branches, Uttar Pradesh 2, Tamil Nadu 174, Rajasthan 3, Punjab 4, Pondicherry 2, Orissa 4, Maharashtra 43,

Madhya Pradesh 5, Kerala 267, Karnataka 153, Haryana 4, Gujarat 14, JD 30, Andhra Pradesh 154.

**Elizabeth John:** Sir, we already have a fair like presence in the South, but we are planning to lend in other regions in the North and West, I believe.

**I. Unnikrishnan:** Yeah, mostly, it is the West and the East..yeah.

**Elizabeth John:** West and the East.

**I. Unnikrishnan:** Yeah.

**Elizabeth John:** How are we scaling up for that I mean, and how many new branches do we see in the next year?

**I. Unnikrishnan:** Next year, branch opening may not be different from current year branch opening. If you look at, you know, we have added more than 200 branches this year. So, you know, we will continue to open as many branches as possible as in this year.

**Elizabeth John:** And the mix will remain the same?

**I. Unnikrishnan:** Mix will be, suppose you know this year, it is say 1:3, it may become 1:2 kind of thing. And, 1 stands for North, and West.

**Elizabeth John:** North and west.

**I. Unnikrishnan:** Yeah.

**Elizabeth John:** Okay. And as and when we see you know have increased.

**I. Unnikrishnan:** That's right. Yeah.

**Elizabeth John:** Sir, any kind of advertisements we are doing to increase our presence in the other regions.

**I. Unnikrishnan:** Yeah, that is one reason why our advertisement has gone up. So, when we have a reasonable number of branches in the West that means you know Gujarat and I mean Maharashtra, that cost per branch will come down.

**Elizabeth John:** But, we see more rise in the expense going forward?

**I. Unnikrishnan:** No.

**Elizabeth John:** Okay, and what would be the current yield and NPA?

**I. Unnikrishnan:** The yield is 31.1. Finance to cost ratio is 12.31.

**Elizabeth John:** Okay, and NPA?

**I. Unnikrishnan:** NPA is nothing. I have put it in amount because it is not even 1% you know. I will give you the growth NPA number....

**Elizabeth John:** Sir, that I got it on gold loan and vehicle.

**I. Unnikrishnan:** Yeah, that is the percentage.

**Elizabeth John:** Okay. Okay Fine. Thank you.

**I. Unnikrishnan:** Thank you Elizabeth.

**Moderator:** Thank you Ms. John. Participants who have a question may press

"\*" and "1" on their touchtone telephone. The next question is from the line of Arvind Raghavan from Spark Capital. Please go ahead.

**Arvind Raghavan:** Hello Sir. Congrats on the good set of numbers.

**I. Unnikrishnan:** Thank you Arvind.

**Arvind Raghavan:** Hello, this is Raghavan.

**I. Unnikrishnan:** Okay. Yeah, tell me please.

**Arvind Raghavan:** I want to know the reasons why the NPA almost tripled if you compare current quarter to the December of last year. Any specific reason for this sir?

**I. Unnikrishnan:** NPA has tripled? Which NPA you are referring to?

**Arvind Raghavan:** The one you told above specifically INR 10.4 crores you did mention that right?

**I. Unnikrishnan:** Okay. But you know last year assets under management were INR 1,095 crores ...

**Arvind Raghavan:** Exactly, it is more than a reason because this will be the highest level of NPA for us.

**I. Unnikrishnan:** No, no, no, see last year our loan book was INR 1,095 crores. INR 1,036 crores gold loan book. Now it is 2178.

**Arvind Raghavan:** Yes.

**I. Unnikrishnan:** And the amount we are talking about is INR 3.3 crores and INR 10.4 crores.

**Arvind Raghavan:** Yes.

**I. Unnikrishnan:** Yeah, when one rupee goes up by INR 2 crores, you know, in percentage terms, it may be 100, but the amount we are talking about is only just not even 0.1% no.

**Arvind Raghavan:** Yes, and my the second question is what is the LTV, the current LTV for the existing numbers?

**I. Unnikrishnan:** Average asset is INR 2.5 crores per branch.

**Arvind Raghavan:** Sir, I am not asking... I am asking about loan-to-value.

**I. Unnikrishnan:** Oh, loan to value is around ...I will get the exact number... just wait. I will give you the number, just a minute.

**I. Unnikrishnan:** No, no, no...I will give... I will you that...20 tonnes of gold...

**Arvind Raghavan:** So it's roughly 70% right.

**I. Unnikrishnan:** Yes.

**Arvind Raghavan:** Hello?

**I. Unnikrishnan:** Yeah, yeah, that is around 70%...20 tonnes.

**Arvind Raghavan:** At the time of lending how much was it ?...

**Moderator:** Excuse me Mr. Raghavan, could you please switch to your handset,

please.

**Arvind Raghavan:** Can you hear now?

**Moderator:** No, sir the line is really very bad, could you please switch to your handset.

**Arvind Raghavan:** I am currently in the conference room... is it clear now?

**Moderator:** Yes, its better.

**Arvind Raghavan:** Okay.

**I. Unnikrishnan:** Yeah around 70% is 1,200. 27% is 1,180.

**Arvind Raghavan:** And what exactly we are offering for the new branches as showed in advertisement in the new branch opening. Are we giving a lot of incentives in the form of giving more LTV, to attract more loans or how does it work?

**I. Unnikrishnan:** No no...for new branches, we are giving lower LTV and lower interest rate.

**Arvind Raghavan:** Great.

**I. Unnikrishnan:** Yeah.

**Arvind Raghavan:** Sir, only if we offer higher LTV people would come right?

**I. Unnikrishnan:** No...no...see what we do normally, when we open new branches, we, in order to attract some peoples normally offer 2% discount to the normal interest rate.

**Arvind Raghavan:** We do?

**I. Unnikrishnan:** Yeah.

**Arvind Raghavan:** Sir, we should also offer the higher LTV right to attract more loan.

**I. Unnikrishnan:** Higher LTV, not essentially. Lower interest rate we are offering.

**Arvind Raghavan:** This is key differentiator we have, right?

**I. Unnikrishnan:** Okay. Thanks Raghavan.

**Moderator:** Mr. Raghavan do you have any more questions.

**Arvind Raghavan:** I am done. That's it.

**Moderator:** Thank you. The next question is from the line of Jai Prakash Toshnival from Taurus Mutual Fund. Please go ahead.

**Jai Prakash Toshnival:** Good afternoon sir.

**I. Unnikrishnan:** Yeah. Good afternoon.

**Jai Prakash Toshnival:** Sir, I just wanted to understand the competition from other banks like South based banks that are already firing up on the gold loan. So how this competition is faring there?

**I. Unnikrishnan:** See, competition from banks is just a mirage. It will not

happen.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** Yeah. The reason is you know this is not their cup of tea. For so many reasons. The number one reason is you know, they do not have the right skill set to do this business in all the branches. If you tell the world that you are doing this gold loan, then you have to do it from all the branches, otherwise how come the people will come to know that you are offering this. So, let us take the example of say the South Indian Bank itself. Suppose, they are saying now they are offering gold loan and one customer goes to their Mount Road branch and finds that you know in that branch it is not being offered, then the customer gets disappointed because in Mount Road it does not make any sense for them to do this business.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** So, likely, what will happen is now the number of customers will stop coming to the bank, number one. Number two, you know they do not have the right skill set in the branches to apply to the jewelry. Number three, their operations are not continuous...typically they work from 10 to 3 or 10 to 4. We work from 8.30 to 5.30 or 9 o'clock to 6 o'clock or 9.30 to 6.30. This is our office hour and so long as we keep our office open, we disburse loan. We do not have any specific time slots for gold loan. Banks disburse gold loans only in certain specified time slots.

**Jai Prakash Toshnival:** Okay. Okay. And sir what is the scale up, I mean opportunities in the gold loan area basically in the South market.

**I. Unnikrishnan:** The South market, we presume the market is around INR 15, lakh-crore.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** In the South. So we have a lot of ... I can give the exact example, in Karnataka alone there are 8,500 registered moneylenders.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** On an average, their loan book should be INR 3 crores. So, INR 25,000 crores is with moneylenders alone in Karnataka. Then, you can extrapolate to the rest of the South India. Otherwise, having around 15,000 to 20,000 moneylenders in Kerala. In Karnataka, the number I gave you is only the registered moneylenders. Our business is to grab the business of the moneylender. So, in Karnataka, today we are having INR 500 crores loan book, which is just nothing compared to the total unorganized market of INR 25,000 crores.

**Jai Prakash Toshnival:** Okay. Okay Sir and the last question, whether the customers have margin on with the first price advantage coming to you rather than going to the moneylenders.

**I. Unnikrishnan:** Moneylenders, number one we score on trust. Since we are more like a bank.

**Jai Prakash Toshnival:** Yeah.

**I. Unnikrishnan:** And all operated by the employees and the only product is gold loan and people trust us. Many of the moneylenders are not having the trust of the customers. They are just forced to go to the moneylender, simply because they need money.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** And, many a time, the moneylender may not be having enough cash in his pocket to disburse the loan. Many a times when the customer goes back for redemption of the loan, the moneylender will tell him to come on the next day, because you know the moneylender would have kept the gold in some other place.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** Yeah. So due to these reasons, customers prefer to come to us and also moneylenders typically charges 36 to 50% interest.

**Jai Prakash Toshnival:** Okay.

**I. Unnikrishnan:** Yeah.

**Jai Prakash Toshnival:** Okay sir. Thank you

**I. Unnikrishnan:** Thank you.

**Moderator:** Thank you Mr. Toshnival. The next question is from the line of Sneha Venkatraman from HDFC Securities. Please go ahead.

**Sneha Venkatraman:** Hello sir.

**I. Unnikrishnan:** Hi Sneha.

**Sneha Venkatraman:** Sir, basically I wanted to know the split between the source of funds between the main three lenders that are ICICI bank, Fullerton, and IDBI.

**I. Unnikrishnan:** Okay. Fullerton today is not having much of exposure as us. Their exposure is slightly less than INR 100 crores as of today. Though the lines are intact we are not availing from them for the time being.

**Sneha Venkatraman:** Okay.

**I. Unnikrishnan:** Or we are limited at INR 100 crores. Current exposure is less than INR 100 crores actually. Coming to ICICI, it is more than INR 320 crores. It may be increased to some INR 400 crores shortly.

**Sneha Venkatraman:** Okay.

**I. Unnikrishnan:** SBI has given INR 500 crores.

**Sneha Venkatraman:** INR 500 crores.

**I. Unnikrishnan:** Yeah.

**Sneha Venkatraman:** Okay sir. Thank you.

**Moderator:** Thank you Ms. Venkatraman. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

**Kashyap Jhaveri:** Good afternoon Sir.

**I. Unnikrishnan:** Hi.

**Kashyap Jhaveri:** Congratulations on the good set of numbers.

**I. Unnikrishnan:** Thank you.

**Kashyap Jhaveri:** Sir, I wanted to understand in this credit line number, which you have mentioned on slide number 12...

**I. Unnikrishnan:** Just a moment.

**I. Unnikrishnan:** Yeah.

**Kashyap Jhaveri:** These are credit lines being used as on today, right? This is ...

**I. Unnikrishnan:** No...no...these are the available credit lines.

**Kashyap Jhaveri:** So, this is something then an agreed portion.

**I. Unnikrishnan:** Agreed portion is coming in under the assignment is of 516, no availed portion is 560. Then retail borrowing fully utilized because it is a retail borrowing. Commercial paper is fully utilized. The balance you can work out.

**Kashyap Jhaveri:** There is OD and short-term loans.

**I. Unnikrishnan:** Yeah.

**Kashyap Jhaveri:** This is INR 2,070 crores.

**I. Unnikrishnan:** Yeah.

**Kashyap Jhaveri:** How much have we already availed?

**I. Unnikrishnan:** Yeah. I will tell you assignment is INR 508 crores.

**Kashyap Jhaveri:** Okay

**I. Unnikrishnan:** Plan we can work out from ...

**Kashyap Jhaveri:** So about 1,500 still to be used.

**I. Unnikrishnan:** Yes.

**Kashyap Jhaveri:** Okay. Okay.

**I. Unnikrishnan:** No... total... you are asking about the total credit lines not used.

**Kashyap Jhaveri:** Ya..Ya..Ya..

**I. Unnikrishnan:** Yeah around 1,500. That's right. That number is correct.

**Kashyap Jhaveri:** Saving on AUMs is of about INR 2,600 crores another INR 1,500 crores can be utilised.

**I. Unnikrishnan:** Exactly.

**Kashyap Jhaveri:** Okay. And, secondly, on this slide number 16, which is on assignments. If I look at the number as on 31<sup>st</sup> March 2009, it was about INR 70 crores and it is about INR 500 crores now, so should going forward also one

assume that we will take more loans in our loan books rather than you know shedding them away.

**I. Unnikrishnan:** That's a very interesting question. Actually, if you ask me, you know in proportion terms at least it is not likely to go up in the medium zone, but having said that this quarter we are getting some tempting offers.

**Kashyap Jhaveri:** Okay.

**I. Unnikrishnan:** Because you know earlier we were relying in assignments in order to save the capital.

**Kashyap Jhaveri:** Right.

**I. Unnikrishnan:** So, the assignments and our capacity of the requirements comes down.

**Kashyap Jhaveri:** Right.

**I. Unnikrishnan:** But, you know, as of today, we do not have any issue with the capital, so we are not very keen to do assignments unless there is a cost advantage.

**Kashyap Jhaveri:** Right.

**I. Unnikrishnan:** Having said that, normally you know banks treat the lending to us as a priority lending and as a result you know there will be a lot of cost advantage to us in the fourth quarter.

**Kashyap Jhaveri:** Right.

**I. Unnikrishnan:** If you ask me in the fourth quarter is it likely to go up?

**Kashyap Jhaveri:** Right.

**I. Unnikrishnan:** Yeah.

**Kashyap Jhaveri:** So, I mean that would be the usual seasonality.

**I. Unnikrishnan:** That will be usual seasonality because we are getting tremendous cost benefits while in front of them.

**Kashyap Jhaveri:** Right. I mean, going forward, our own wish would be to keep more loans on our own book rather than giving it up.

**I. Unnikrishnan:** Certainly...certainly...yeah.

**Kashyap Jhaveri:** Sure sir.

**I. Unnikrishnan:** Yeah. Thank you.

**Moderator:** Thank you Mr. Jhaveri. The next question is from the line of Aditya Singhania from Enam Holdings. Please go ahead.

**Aditya Singhania:** Thank you. I have two questions.

**I. Unnikrishnan:** Hi Aditya.

**Aditya Singhania:** Hi. In the second quarter, you disclosed that your yield was 26% while you just mentioned a while back that your yield is now 31%? I just wanted to understand that the yield has actually gone up by 500 basis points or am I not understanding this correctly?

**I. Unnikrishnan:** Sequentially, you mean?

**Aditya Singhania:** Yeah, that's right.

**I. Unnikrishnan:** Sequentially, the yield just a minute...yeah.

**Aditya Singhania:** In your second quarter presentation, you mentioned on slide 17 that your average interest earned is 26%.

**I. Unnikrishnan:** Okay, okay. Though, I have to check that. It was not 26% anyways. It was more than that.

**Aditya Singhania:** Okay.

**I. Unnikrishnan:** Yeah.

**Aditya Singhania:** Okay. The second question I had is on securitization or assignment that you do.

**I. Unnikrishnan:** Yeah.

**Aditya Singhania:** If you could just describe for me what is the nature of the securitization, whether it is like a pass through certificate or it is bilateral deal? And how you account for it in your P&L and what the capital treatment is?

**I. Unnikrishnan:** Yeah. I'll tell you how we account it. The assignment, you know, we have done only one securitization transaction in the past which we have fully paid it off. So, as of today all the assigned book is bilateral assignments, thereby, we book the loan in our book when we lend to our customer and that said loan is sold to the bank or finance institution like Fullerton. Then they take it on their books. Then normally the income recognition portion we phase it over the life of the underlying loan, meaning we do not distinguish whether we carry it on our book or off the book. Income recognition remains the same then coming to the capital equity part normally when we assign them...

**Aditya Singhania:** If I may just ask, that you recognize the income over the life?

**I. Unnikrishnan:** Yeah.

**Aditya Singhania:** and the life here is three months? or

**I. Unnikrishnan:** Yeah. Suppose you know in the first month of the loan, we recognize income only for the first month just like on balance sheet.

**Aditya Singhania:** Okay.

**I. Unnikrishnan:** Absolutely, there is no difference.

**Aditya Singhania:** Okay and what about, you know, the cost associated with the operating cost?

**I. Unnikrishnan:** Same, same, same, same.

**Aditya Singhania:** Okay, this is on the books, as and when ...

**I. Unnikrishnan:** As good as in the book. Yeah.

**Aditya Singhania:** Okay and the capital treatment you mentioned about?

**I. Unnikrishnan:** The capital treatment is when we assign say INR 100 crores loan to a bank normally we provide 10% credit enhancement, which acts as a FLDG for the first lot, the capital pool we are providing.

**Aditya Singhania:** And this is in the form of a fixed deposit or is it a company guarantee?

**I. Unnikrishnan:** Normally, it is a mix, you know see, when I say 10,000 it is not a 10,000 to all the banks.

**Aditya Singhania:** Yeah.

**I. Unnikrishnan:** For example to Axis Bank there is no FLDG, there is no credit enhancement. Some other banks take 15% and some other banks take 5%. I am just giving the outer limit as 10%. Okay.

**Aditya Singhania:** Yeah.

**I. Unnikrishnan:** When we assign say INR 100 crores, sometimes we will give INR 5 crores as guarantee and INR 5 crores as fixed deposit to the same bank telling them that if there is going to be a credit loss in the INR 100 crores pool, we have sold to them, if there is a loss in that pool, they can set off that loss against the amount we have kept with them or against the guarantee we have given. Okay, but normally in our case, you know, our NPA never goes beyond 0.25% and all that. So, all the money comes back after the deal is done, after all the underlying pool is paid off. Then, this INR 10 crores, whether in the form of guarantee or in the form of fixed deposit, what we do, we show it as a, you know, on that amount we provide 15% capital.

**Aditya Singhania:** So that amount you are not knocking off from capital like the banks do?

**I. Unnikrishnan:** That amount we are to knock off if we are doing a proper securitization deal by issuing pass through certificate. Since this is an assignment transaction, we do not do that.

**Aditya Singhania:** But that loan is also off your book, so in effect you are getting huge capital relief?

**I. Unnikrishnan:** Yes. But, you know, as of today we look at the leverage etc. on plus off book basis.

**Aditya Singhania:** Okay.

**I. Unnikrishnan:** Yeah.

**Aditya Singhania:** On and off and on book basis combined what is the leverage that you are comfortable with?

**I. Unnikrishnan:** 7-8 is okay, but, earlier our rating agencies were very particular about seven times leverage. But as recently as last August, our rating agencies said since you are in the business of gold loan a higher leverage is possible and to a similar company from the same geography ICRA has said a 10 times leverage is fine so long as you are doing gold loan and they have verbally communicated the same to us also, meaning we can go off to 10 times leverage. But having said that if you ask me what leverage I am okay? I will

say 7-8 is fine.

**Aditya Singhania:** Right. And 10 times leverage with what rating?

**I. Unnikrishnan:** Short-term A1 plus.

**Aditya Singhania:** And long-term?

**I. Unnikrishnan:** Long-term is LA plus.

**Aditya Singhania:** LA plus.

**I. Unnikrishnan:** Yeah.

**Aditya Singhania:** With LA plus you are okay with 10 times?

**I. Unnikrishnan:** Yeah. We are not too much bothered about our long-term ratings because you know since our loan life is only 3-4 months.

**Aditya Singhania:** Sure. No but the rating agency would look at that?

**I. Unnikrishnan:** Exactly, yeah.

**Aditya Singhania:** Okay, thank you.

**I. Unnikrishnan:** Yeah.

**Moderator:** Thank you Mr. Singhania. Participants who have a question may press \* and 1 on their touchtone telephone. The next question is from the line of Jaynee Shah from Dolat Capital. Please go ahead.

**I. Unnikrishnan:** Hi, Jaynee.

**Jaynee Shah:** Hello Sir. Fantastic set of numbers.

**I. Unnikrishnan:** Yeah.

**Jaynee Shah:** Sir, I want to understand that this quarter includes the numbers of MAFIT as well right?

**I. Unnikrishnan:** That's right, that's right.

**Jaynee Shah:** Is it possible for you to give some sort of indication as to how MAFIT has performed separately?

**I. Unnikrishnan:** Ha, see you have the UFR with you?

**Jaynee Shah:** I am sorry.

**I. Unnikrishnan:** The unaudited financial result, you know, the regulatory form, SEBI format with you?

**Jaynee Shah:** Yes, I have.

**I. Unnikrishnan:** You compare that one with slide #7, you will get it.

**Jaynee Shah:** All right sir, all right. I am sorry I could not follow, somebody asked this question earlier as well, as to how was there been a significant jump in our yields quarter on quarter. I am not sure if I got the answer.

**I. Unnikrishnan:** You know see, he was finding out some apparent typo or whatever in the yield. You are saying in the last....

**Jaynee Shah:** Sir, I just wanted to understand has there been any significant

jump quarter on quarter because....

**I. Unnikrishnan:** No.

**Jaynee Shah:** Because in terms of 19% again...

**I. Unnikrishnan:** No, no, no. There is, you see, in the last quarter too our yield was around 30.77.

**Jaynee Shah:** Right.

**I. Unnikrishnan:** Yeah. This quarter it is 31.1.

**Jaynee Shah:** What was the NIMs in the last quarter Sir?

**I. Unnikrishnan:** 30.77.

**Jaynee Shah:** No, our margins last quarter?

**I. Unnikrishnan:** Oh, 30.77 minus 13.01.

**Jaynee Shah:** Close to almost these levels?

**I. Unnikrishnan:** No, it is 17-18. It is 17.75 and not 17.76.

**Jaynee Shah:** So it is just that cost of funding cost has gone down.

**Mr. I Unnikrishnan:** Yeah, it has gone down. Our incremental cost of borrowing is in the range of 9% now.

**Jaynee Shah:** Okay. Do you see the funding cost going down further from these levels or would...

**Mr. I Unnikrishnan:** This quarter again it will go down because this quarter, we get lot of, you know, solicitation for private sector lending.

**Jaynee Shah:** Yeah, the securitization aspect.

**Mr. I Unnikrishnan:** Yeah, yeah.

**Jaynee Shah:** Right, all right sir. That is it from me, thank you.

**Moderator:** Thank you Ms. Shah. Ladies and gentleman, if you have a question, you may press "\*" and "1" on your touchtone telephone. The next question is from the line of Ishank Kumar from Religare Capital Market, please go ahead.

**Mr. I Unnikrishnan:** Hi Ishank.

**Ishank Kumar:** Hi sir. Just on this borrowing profile...if we look at this quarter your borrowing.... commercial paper now account for more than 10% of your total borrowing.

**Mr. I Unnikrishnan:** Yeah.

**Ishank Kumar:** So, can you give us some guidance on how much percentage you want to raise through commercial paper and at the end of FY10 or/and FY11 and what is your cost on that?

**Mr. I Unnikrishnan:** FY10, we may have some INR 400 crores of, you know I am just putting a number there... as of today it is INR 300 crores, anyway not more than INR 400 crores by the end of this year, but going forward, you know,

as per our internal policy we can have one-third of our total borrowing by way of CP and that brings some cost benefit also.

**Ishank Kumar:** Okay.

**Mr. I Unnikrishnan:** So, currently, the 90 days CP we are raising currently around 5.4% but six months, 1 year CP also is there. One year CP we had raised in October at 8%, at 8.25% also. That was the first round of CP. Then it came down. Now, you know, CP cost average will be around 6.25% to 6.5%.

**Ishank Kumar:** Okay, and also sir your net interest margin expanded in this quarter. If I look at sequential net interest margin expanded in this quarter by around 150 to 206 points because of this low cost of fund, so are you looking at maintaining your yield and that is why we can expect some improvement in net interest margin from this level also or are you looking at passing on this lower cost of fund to customers.

**Mr. I Unnikrishnan:** We have passed on the lower cost of funds to the customer leaving our yield intact and having said that our yield on a constant basis should be, you know, I have to tell you, it should not be less than 15%.

**Ishank Kumar:** And so on the growth front, basically you earlier guided for around AUM of 25 but then at the end of FY10 you are already at 22.5 billion, so can you guide us on what is generally the growth profile for Manappuram in last quarter because we know that Q3 is the strongest quarter because of festive seasons, can you guide us on the growth profile in the last quarter.

**Mr. I Unnikrishnan:** Ishank what we can do because I cannot put a number there....

**Ishank Kumar:** Okay.

**Mr. I Unnikrishnan:** What I can do, see, you look at the current quarter growth from 2178 minus 1726, which is a 26% growth.

**Ishank Kumar:** Right.

**Mr. I Unnikrishnan:** Normally, if you ask me about the seasonality, the best season for this product is the fourth quarter followed by third quarter and the last is the second quarter. That is the seasonality of this business.

**Ishank Kumar:** Okay sir and one last question sir, after this merger, can you tell us what is the outstanding equity capital number of shares of the company.

**Mr. I Unnikrishnan:** That is there in the UFR note number.

**Ishank Kumar:** Yeah, but there is some warrant also which was outstanding from the promoters...

**Mr. I Unnikrishnan:** Yeah, that is around INR 15 lakhs, INR 15.4 lakhs.

**Ishank Kumar:** So that has been converted or...

**Mr. I Unnikrishnan:** No, no that will be converted this quarter.

**Ishank Kumar:** Okay, sir. That is it from my side. Thank you sir.

**Mr. I Unnikrishnan:** Yeah, thank you.

**Moderator:** Thank you Mr. Kumar. The next question is from the line of Harmanpreet Singh from ICICI Ventures, please go ahead.

**Harmanpreet Singh:** Hello sir.

**Mr. I Unnikrishnan:** Hi.

**Harmanpreet Singh:** Sir, I wanted to check your loan outstanding per customer has gone up from 35,000 last year to 45,000 this year. Is there a particular reason, are you lending in higher ticket sizes?

**Mr. I Unnikrishnan:** No, see, that is, last year we had 35,734, now it is 44,000.

**Harmanpreet Singh:** Right.

**Mr. I Unnikrishnan:** See, one reason is, you know, till last September we had an outer limit of INR 5 lakhs per customer. That INR 5 lakhs exposure now we have increased to INR 10 lakhs. That is the same reason if we look at the number of clients, you know, earlier, there was 1:2 relationship. Now it has come down. That means, you know, the large ticket size has gone up.

**Harmanpreet Singh:** Okay.

**Mr. I Unnikrishnan:** Yeah.

**Harmanpreet Singh:** And one more thing, do you also give FLDG on your term loans or is it only on the assigned property?

**Mr. I Unnikrishnan:** In the term loan and on-book lending there is no concept called FLDG, it is only....

**Harmanpreet Singh:** I mean, I mean, do you give cash deposits or...

**Mr. I Unnikrishnan:** Haan ...That is normally, you know, some 5% in certain cases we have given, not in all cases.

**Harmanpreet Singh:** Just one more thing sir. What could be your write-offs over the year in the sense, the last year what would be your write-offs in cash losses?

**Mr. I Unnikrishnan:** Write-offs...just a minute I will give you the write offs...I will give you the details. That is there in the slide, no?

**Harmanpreet Singh:** Sir which one?

**Mr. I Unnikrishnan:** Slide number...that bad debts and NPA no, that is actually the write off, number 18 no?

**Harmanpreet Singh:** Number 18, okay, fine thank you.

**Mr. I Unnikrishnan:** Yeah.

**Moderator:** Thank you Mr. Singh, the next question is a followup from the line of Arvind Raghavan from Spark Capital, please go ahead.

**Arvind Raghavan:** Sir, what will be income from securitization for this quarter.

**Mr. I Unnikrishnan:** Raghavan, unfortunately I do not have that with me because we do not kept it ready. I can send that detail to you.

**Arvind Raghavan:** Okay, thanks a lot.

**Moderator:** Thank you Mr. Raghavan. Participants who have a question may press "\*" and "1" on the touchtone telephone. As there are no further questions, I would like to hand the floor back to Mahesh for closing comments, please go ahead.

**Mahesh:** Thank you sir and thank you one and all. If you have any further questions, you can reach us directly or the management. Mr. Unnikrishnan, thank you for the opportunity to host the call.

**Mr. I Unnikrishnan:** Thank you Mahesh.

**Mahesh:** Thank you all of you.

**Mr. I Unnikrishnan:** Thank you. Okay, bye. Thank you, bye.

**Moderator:** Thank you. Ladies and gentleman, on behalf of Edelweiss Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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