Ujjivan Financial Services Limited
Q4 FY16 and Full Year FY16 Results
May 26, 2016

Moderator: Good day, Ladies and Gentlemen, Welcome to the conference call of Ujjivan Financial Services Limited arranged by Concept Investor Relations to discuss its Q4 FY16 and Full Year FY16 Results. We have with us today Mr. Samit Ghosh – MD and CEO, Ms. Sudha Suresh – CFO, Mr. Rajat Singh – Head Strategy and Mr. Hiren Shah – Head Investor Relations from the Company. At this moment, all participant lines is in listen-only mode, later we will conduct a question-and-answer session, at that time if you have a question please press '*' and '1' on your telephone keypad. Please note that this conference is recorded. I would now like to hand the conference over to Mr. Samit Ghosh. Thank you and over to you.

Samit Ghosh: Thank you everyone for joining our first post IPO analyst conference call. We, as you are aware, had excellent results for the financial year 2015-16 which created fair amount of excitement from last evening and today. This year our all around growth in terms of business growth, in terms of productivity & efficiency has led to the spectacular growth in our profits. This is largely because we are enjoying benefits of scale. So our gross AUM grew by 65%, net AUM by about 57% and our profits this year which is PAT of Rs.177.2 crores was a 134% growth over the previous year.

In terms of business, there was a healthy growth in our group lending business which is bulk of our portfolio and as we have been increasingly focusing on the MSME and the housing finance business, that has grown almost 100% but obviously on a small base. Right now, we are actually more focused on the transition to the small finance bank and we are working on the various building blocks which includes technology, infrastructure, people and we have just sort of in the final phases of concluding our agreements with various major technology leaders who would be providing us the IT infrastructure, the enhanced IT infrastructure which we require for the small finance bank. In the next one year, we will be actually converting our number of our branches into small finance bank branches but in terms of new branches we will be opening about 80 of them in the rural area as is required by the Reserve Bank of India that we open 25% of our branches in unbanked rural areas. So those are going to be really our new branches in new areas.

With this, I would like to hand this over to Sudha to take you through the financials of the year. Thank you.

Sudha Suresh: Welcome to all. I would like to give a quick overview in terms of the overall performance for the last financial year. As Mr. Ghosh mentioned, we have had an excellent year of all round performance reflecting growth in numbers, growth in business, also in terms of productivity and efficiency, also followed by successful IPO. So in terms of the gross AUM, we have clocked a growth of 64.58%, we have moved from Rs.3,274 crores to Rs.5,388 crores and the increase in this gross AUM is contributed by growth across the microfinance business as well as the MSE business and the housing business. So we have growth in terms of the microfinance business which grew with a healthy +60% and of course since our focus area was the MSE business, the MSE business also recorded much greater growth compared to the numbers last year. In terms of our net AUM, we have grown from Rs.3,218 crores to Rs.5,064 crores, representing a growth of 57.34%.

We have a PAT, as Mr. Ghosh indicated, which has moved from Rs.75.8 crores last year to Rs.177.2 crores, a 134% increase contributed not only in terms of the increase on the top-line but also in terms of efficient management, in terms of our cost, both in terms of the finance cost and all other costs.

When we look at our NIMs, we have also performed quite well there. The NIMs have moved up from 11.62% to 12.31%. Similarly, in terms of our OPEX ratio which was 8.54% last year, we are currently at about 7.47%, translating this into a cost to income ratio we have moved from 60.3% to 50.9%, almost about 51% in the current year.

So these are the key parameters. Of course all resulting in the number that we look at always which is ROE and ROA. The ROA stands at a healthy 3.65% vis-à-vis 2.5% last year and the ROE is a healthy 18.32% vis-à-vis 13.67% last year that reflects a growth of almost about 34%. So in all, I think the Company has put on the table an excellent performance and we are confident that in this year as much as we take on the mission of the transformation and the transition into a small finance bank, we are also looking at a reasonable growth across all the verticals that we are moving in this financial year.

Moving on to a few other specific parameters, we are looking at repayment rate which is closer to 99.8%, one of the highest in the industry. We also have a customer retention ratio which we are tracking internally which is about 86.3%, again one of the best numbers in the industry. We have employee strength of 8,000 plus currently and our employee productivity has significantly increased to 761. Consistently for the last five years we have been winning the best places to work awards and the number one company to work for in the microfinance sector. Today, we stand with more than 3 million customers, and going forward as we look into the SFB regime, I think this number will also grow significantly. In terms of the geographical spread, as you are all aware, we are the number one in terms of being the largest MFI in terms of the geographical spread. We have currently 469 branches spread across 209 districts and as Mr. Ghosh said, there will be branch expansion in the current year, essentially into the UBRB which is in line with the RBI guidelines.

I would now look at some of the quarter numbers comparisons year-on-year for the fourth quarter which can be taken up by Rajat.

Rajat Singh: Good evening, everyone. We will start with business numbers first, and then move on to income statement. In terms of branch growth, we have not added any branches compared to December to March 2016, we stand at 470 branches in December and we have 469 branches now. Our gross AUM has increased by 17% from Rs.4,589 crores to Rs.5,389 crores, on book AUM has grown by 12%. Our staff count is almost constant and it has grown just by 2%. Our customer base has grown from 2.9 million to 3.2 million. This is the basic business information. With this, we can move to financials.

I will talk about comparison of quarter four for financial year 2014-15 and financial year 2015-16. In terms of income from operations, our Q4 number for 2015-16 stands at Rs.198 crores, total income from operation as well as other income. Our employee benefit expenses are going up to Rs.54 crores and administrative expenses going up to Rs.32 crores. Our finance cost stands at Rs.118 crores and depreciation at marginally Rs.2 crores. Our provision and write-off for the quarter four in 2015-16 is at Rs.8 crores, taking our total expenditure to Rs.213 crores. This is resulting in a PAT of Rs.54.9 crores for the quarter January to March, 2015-16. As compared to 2014-15 this PAT is 102% higher and it is a result of increased business scale as well as higher productivity.

With this, I will hand the mike to Hiren.

Hiren Shah: So now we are done with the financial and business understanding form the Company side. On the equity side, by March 31st we have already taken into consideration the pre-IPO equity shares which were raised. IPO shares allotted in the month of April and May will be taken into consideration during the current quarter. We open the floor for question-and-answer session for further discussion.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Digant Haria Antique Stock Broking. Please go ahead.

Digant Haria: I have three questions. Firstly, in our microfinance business I see that our ticket sizes have already reached around 23,000 - 24,000, so in the years to come, so next year and the year after that, how much more do we see the scope for increasing ticket sizes? And does growth for us come largely out of ticket sizes or how do you break a 30% growth in to ticket size and new borrowers?

Rajat Singh: So in terms of ticket size, it is a function of couple of things. One is retention rate of organization because in microfinance we generally give repeat loan on a higher ticket size and second is customer graduation from group lending to individual lending. So if we keep these two things together, while if we only talk about microfinance, in microfinance as you know based on the

RBI regulation as well as risk appetite, we do not see our ticket size going up significantly higher from what it is today. However, there is a scope of increase on the ticket size for unsecured individual loan as well as secured individual loan; so on a composite basis our ticket sizes may go up, however for pure microfinance loans, ticket size increase would be marginal.

Digant Haria: So which means that for the coming year your growth in the microfinance portfolio would be less than 30% and growth in the individual unsecured lending would be much higher than 30%, right, that is how the numbers would add up?

Rajat Singh: That is correct.

Digant Haria: And then do we have internal target, to what proportion of our portfolio can these individual unsecured loans go or we are not working with any targets right now?

Sudha Suresh: So we have internal business plans both for the current year and for the future, and definitely the portfolio which is under the individual business loans including the housing and MSME will grow critically over a period of year, and therefore the total mix in the AUM is expected to change over a period of years.

Digant Haria: So now my second question on the cost side, we have seen very good efficiency gains in this particular year, so our cost to income ratio has come down from 60% to almost 51%, so what would be the peak cost to income ratio in say FY18 when we convert into a bank, then eventually where does this go and settle as per our calculations? I understand it is too early for all this but whatever is the business plan based on that, what is the level that we can expect?

Sudha Suresh: So as we indicated, in terms of the transition to the bank there will be certain cost incurred, so we do expect in the short tenure of the next 18 months the cost to income ratio to significantly increase. So it could be somewhere in the range again around 60% to 63%. But we feel that over a period once the volumes again grow and the costs are set already we will expect it to come down and probably the target number that we are looking at is 45% over a period of time.

Digant Haria: And I have seen that on television and in our interviews you have said that 30% growth for next few years is achievable on the asset side, so this 30% number, does it come out of the constraint that we see on the liability side or it is demand that we see, so what drives that 30% kind of guidance that we have been broadly giving?

Sudha Suresh: So in terms of 30%, probably it is the conservative number that the organization would like to indicate at such a base level. However, we could look at numbers which could fluctuate between 30 and upwards. However, the key focus for the next two years being the transformation and the transition, the organization has ensured that there is a steady growth in terms of its volume lead business and at the same time the organization is also able to settle on the transformational piece quite well because setting up SSB and ensuring its smooth functioning is the greater focus right now.

Digant Haria: So you do not necessarily see a constraint on the liability side that we would not be able to raise resources to grow at more than 30%?

Sudha Suresh: We absolutely do not have any constraints on the liability side. Liabilities both in terms of the funding sources which are available to us right now, short-term, mid-term and long-term, plus also the plans in terms of the liability strategy, both are in good shape. We do expect that the deposit base and the liability front end will take some time to develop, however there are no constraints in terms of the growth pattern that we wish to settle.

Moderator: Thank you. Our next question is from the line of Manish Oswal from Nirmal Bang Securities. Please go ahead.

Manish Oswal: My question is on small finance bank, so what is our strategy in terms of rolling out this thing both in technology front; second, product side, both liability and asset side. So could you throw some light how we are moving in that direction?

Rajat Singh: So I will first take up the IT piece. Currently for the microfinance business Ujjivan has state of the art IT infrastructure, so bulk of our processes actually are automated and it happens through either tablet or through Android phones. So on the frontend I would say 60% of our processes are already automated and on the backend side we are fully automated with the help of all the document management system and processes we have put in place. As we become SFB, we need to add to our existing IT solution and most of the requirement which we have is for fee based and banking system. In addition to that, we would also need risk management related software and a good system integrator who can put everything together so that it can work seamlessly. So we already have started this whole process and we have identified Wipro as our system integrator and we have also identified bulk of software solutions which will help us achieve this objective. So on IT side we are set to transform ourselves, build on what we already have and make it a bank ready structure in next six to eight months time.

And coming to asset and liability side, our focus is largely underserved and un-served segment of customers, so that being our prime focus because this is a segment we have been working on for last 10 years and we would like to, first, explore this segment completely because this segment currently does not have very high competition from regular financial institutions. So this segment on the asset as well as on the liability side is being served by largely informal players for example on the liability side it could be chit funds, some fly by night operators, companies like Sharda and Rose Valleys and Pearl Agro, etc, etc. And on the asset side, they are being served by microfinance and again some informal segment of players. So we would like to focus on this segment first and our strategy would be to first convert all our existing customers into liability customers, then move to one or two segments above and focus on micro and small entrepreneurs, blue collar salaried workers, migrant worker, tenant and laborers in rural area and provide all the financial services including asset, liability as well as remittances etc. So our focus will remain on this segment of customers which are currently underserved or un-served.

Manish Oswal: Secondly, in our business what is the steady state grade cost because right now the environment is very benign and most of the microfinance companies are reporting very low levels of credit cost? So over the cycle what should be the credit cost for the business?

Sudha Suresh: As you rightly pointed out, the credit costs are at extremely low levels for the microfinance business and the repayment rates are excellent. And this model itself, which mitigates risk, has served healthily in terms of seeing the repayment rates at 99 plus across many MFIs. As we look at the mix changing; from including; not only the microfinance business but also moving to the SME lending, it is imperative that we look at a slightly higher credit cost. Overall, on a blended rate we would say that the credit cost can be estimated at 1% for the company and internally we have a very conservative norm where we have gone ahead with and started our provisioning for the internal lending which is 2%, 2% of the entire book.

Manish Oswal: And lastly on small finance bank, what is the overall OPEX we are indicating for next two years, so in an absolute terms, what amount we are spending for that?

Rajat Singh: I can tell you the different dimension of cost which we are supposed to incur in this transformation; however it will be difficult to give the absolute number at this moment. So we are talking about four major costs out of which one is the cost of IT implementation. The whole cost of IT implementation is a public domain news now and you can see that we would be spending Rs.300 crores over the period of next five years and this is a cost of implementing new software and solutions as well as running it over a period of five years. This is one cost. Second cost would be cost of infrastructure development. Currently we have lot of branches which needs up gradation and probably we would incur a lot of cost to upgrade those branches and we would do that in a phased manner, so we will start with a few branches converting into bank branch and converting remaining over a period of time so that we can minimize our cost on infrastructure as well. Our third cost will be cost related to human resources, when we start our bank probably we would need to hire few staff for our branches to support liability. However bulk of our liability will be done by existing staff themselves, but for new segment of customers we may need to hire new people. We also need to hire branch managers who can manage the complexity of a bank branch. So close to 20% of existing people we need to hire from outside or internally be promoted and that would be another significant cost. So these are three major costs in addition to channel cost which will be dependent on the velocity of transaction. So all these costs are related to transition.

Moderator: Thank you. Our next question is from the line of Praful Kumar from MSG Partners. Please go ahead.

Praful Kumar: I have just two questions. One, will you rollout debit cards, cheque books to your liability customers and how do you think about the profitability of those accounts, given the fact that it is very low ticket sized balance that you might accrue easily?

Rajat Singh: So we plan to provide debit cards to all our customers, however cheque book will be provided only on request basis to few select customers. We understand that profitability of these liability accounts will be a question mark in initial years; however we also understand that this whole CASA business is a slightly long-term business and at early stage we would look at customer profitability because most of them will have asset relationship with us. And over a period of time through frequent intervention we would see the liability account average balances going up. So in first 1.5 to 2 years product profitability could be in red but we see based on our projections; it going up after first 18 months.

Praful Kumar: In terms of ATMs also then what is the plan there?

Rajat Singh: So we will have ATMs at our own premises, so we will start with on premise ATMs.

Praful Kumar: So can you just give us ballpark numbers in term of OPEX for setting up your kind of model per branch, can you give average ballpark numbers just to understand the math better, capital expenditure initially for setting up one branch?

Rajat Singh: So we already have basic infrastructure in place in most of the branches. The incremental cost of upgrading branches could be in range of Rs.12 lakhs to Rs.15 lakhs as a onetime expenses because the kind of branches we are setting up is quite different from regular public private sector banks.

Praful Kumar: And secondly sir, given the fact that you now have a huge chain of customer base that you can tap into, but if you look at the way MFI sector has evolved in India, top five to six players gaining significant share and increasing the market and you always had an understanding that per borrower there will be two MFIs lending who will be catering to an individual. Now, given the fact that most of the MFIs are converting into banks, that rule might not hold. So how do you think of that you will cater to those customers who already have two accounts, two MFIs with them? As a bank how will you grow or how it will play out now?

Sudha Suresh: So as much as the regime of two MFI is out and we become an SFB, in terms of prudent and responsible lending all these SFBs and the existing MFIs will continue giving their data to the credit bureau and at all points of time the SFBs will be having access to the credit bureau information before they choose to lend to the same person. So this is totally in terms of prudent and responsible lending.

Moderator: Thank you. Our next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, you have just told when we will convert in small bank there will be too much cost. So how much it will then affect net profit figure in times to come or will you cover most of the calls from first year onwards? What is your thought on this, sir?

Sudha Suresh: So as we look at the growth and the numbers, there will be a reasonable amount of growth which will result in also some kind of a steady state profit. So we do not expect the dent to be anything significant. And definitely in a span of a year or two when the growth numbers are again on top of the chart, we will expect that the net profits would look good again.

Ravi Naredi: And secondly, what is our borrowing cost now?

Sudha Suresh: So our average cost of borrowing now is 12.18%.

Ravi Naredi: So in this year too, cost of rate of interest has been down but we are not getting any benefit of that?

Sudha Suresh: Yes, so this is a culmination of two things, right now we are under the margin cap regime of RBI. Typically as you are all aware, the RBI margin cap stands at 10. Currently your yields are in the range of about 22.4 or 22.5, so typically our borrowing cost has to match and get aligned so that at the net we do not exceed a margin cap of 10. However, what we have seen as a trend in the current lending in the last three quarters is that the rate of interest has been coming down steadily. We see this trend continuing in the current year and we will be able to borrow at much lower cost. Not only that, we are also looking at diversifying the mix of our sourcing. So apart from the traditional term lending from the bank we are looking at obtaining lower cost funding by raising CPs. We also have NCDs and sub-debt which will provide strength to our ALM. And as you are well aware, we have also raised a good bit of equity. Together with all this, as we start the bank we expect that the rates across the interbank and call money market and short-term funding will definitely give us a leverage of 150 to 200 basis points. So the cost of funding in the near future is bound to come down.

Ravi Naredi: And what is our lending rate?

Sudha Suresh: So currently our group lending microfinance rate is at about 22%. We are also having our housing which is roughly at about 15.75% and our MSE lending is at about 20%.

Ravi Naredi: Some other microfinance companies are lending at less than 20%. Are you facing any competition from them?

Sudha Suresh: No. What we have observed is that there is no significant competition that we are facing even in areas where both are operating because we have, one, a strong customer base and a strong customer connect and secondly, in terms of conversion finally into a monthly EMI or a fortnightly EMI this amount is hardly not more than **a** few rupees and therefore it is not significant. The key thing that the customer looks at is the turnover time and the ticket size. So basically once this is satisfied what we have also found is that the customers are averse to the kind of 100 basis points or 50 basis points difference in the cost of borrowing.

Ravi Naredi: And lastly, FIIs can invest up to 50% only, is it correct?

Sudha Suresh: So the FIIs can invest only up to 49%.

Ravi Naredi: And we are at the limit, so that benefit will not be available to our bank?

Sudha Suresh: Yes, to quite some extent it will not be there because we are between 44 to 49 percent zone.

Hiren Shah: But foreign investors can trade among themselves.

Ravi Naredi: But new buying they cannot do, right?

Hiren Shah: If somebody is selling definitely they can do.

Moderator: Thank you. Our next question is from the line of Deepak Poddar from Safire Capital. Please go ahead.

Deepak Poddar: I think at the start of the presentation you have mentioned that peak cost to income ratio maybe in next 18 months be close to 62% - 63%, is that right?

Sudha Suresh: Yes, around that range.

Deepak Poddar: So basically I just wanted to understand, at peak 62% - 63% are we looking for reduction in our ROAs or are we looking to maintain that? Because in one of the recent interviews I think we have mentioned that ROA we expect it to be stable in spite of cost increasing.

Sudha Suresh: So we do expect that our ROA will just have a marginal reduction and otherwise we will be able to maintain it as this is essentially because the cost of funds is also going to dip in the next few months and in next few quarters. So to some extent that will be a balancing act there.

Deepak Poddar: So if the cost of fund goes down for us, I do not think that it will have an impact because we have a 10% margin cap, right?

Sudha Suresh: No, the margin cap is not applicable the moment we become a bank.

Deepak Poddar: So the moment we become a bank this 10% cap will not be applicable?

Sudha Suresh: Yes.

Moderator: Thank you. Our next question is from the line of Avinash Kumar from SBI Life Insurance. Please go ahead.

Avinash Kumar: You have delivered a very good growth, 65% CAGR growth over the period of time. So for the coming five years from now will you achieve this growth, 65% growth or can we expect reduction in growth?

Sudha Suresh: So as we were indicating that it is a volume game, the entire business has been a low ticket size but a huge volume game and there is still huge potential for growth. So as much as we are looking at steady state growth in the microfinance business, we are also seeing the huge potential that exists in the micro and the small enterprise lending as well as in the housing. So we feel that loan typically with a ticket size which could be say 50,000 to 2 lakhs is our first focus. From 2 lakhs to 10 lakhs is the next category and similarly from 10 lakhs to 20 lakhs. So these are the three ticket sizes where we are looking at an immense potential for growth which exists and it is important for us to build and tap on this and focus on the growth for both the micro and the small enterprise lending as well as the housing, augmenting the well set microfinance growth that we have.

Avinash Kumar: So you are saying that you are trying to increase the average ticket size. What about geographical expansion? Is it done or you are expanding in another location?

Rajat Singh: We already have presence in 24 states and across 209 districts at the moment, so initial 18 months of our operation as a bank we will be focusing more on establishing our processes, policies and new products and channels etc. Post that, we can geographically expand. In first 18 months our geographical expansion will come through opening of unbanked rural branches and later we can move to further expand our geographies.

Avinash Kumar: And one more question, as you said 80 new branches you require in the process of transitioning into a small finance bank in unbanked areas and you have 470 branches already. So how many branches would be there overall after becoming a bank? Will all of them be converted?

Sudha Suresh: So what we have indicated is we already have 470 branches and 80 branches would overall make up 550 branches. However, in terms of what will be the bank branches, we are looking at initially converting about 200 of our existing branches into the bank branches and the other branches will continue as the customer service points. Over a period of time all the customer service point branches will also eventually turn to become bank branches.

Avinash Kumar: So considering converting one branch into a bank branch, incremental cost would be Rs.15 lakhs and for 200 branches it would be Rs.30 crores. That is not a big cost, right?

Rajat Singh: Right. And most of them will be capital in nature.

Moderator: Thank you. Our next question is from the line of Shriram Rangarajan from Trust Group. Please go ahead.

Shriram Rangarajan: My question was regarding this Mudra scheme that the Government of India has launched and they have done more than Rs.110,000 crores last year and this year they are targeting Rs.180,000 crores as such. Now this is also unsecured and lower interest assets, would that be competition for you guys as such?

Sudha Suresh: I would say no. In fact we are facilitating this entire scheme because Mudra is lending to us in terms of refinanced loans and we are helping in implementing the dissemination of these loans across the relevant sector or categories of enterprises. So Mudra in fact for example last year gave us Rs.100 crores loan and they will continue to give us. In fact now, maybe in the banking regime give us a higher support. So I think we are complementing and facilitating.

Moderator: Thank you. Our next question is from the line of Anugrag Mantri from Jefferies. Please go ahead.

Anurag Mantri: Just a couple of qualitative question on the microfinance business. Any color that you can provide in terms of what are the types of loans disbursements that are happening, has that changed? What are the key activities for which the loans are being given, are they probably shifting more towards consumption or are they remaining similar, in general can you give us an idea on that? And secondly, in terms of credit cost, are you kind of comfortable with such low credit cost, in the sense that do you see this kind of a low credit cost for the industry as a whole sustaining or is there any red flag that we should watch out for? Are these kind of credit costs sustainable at such low levels?

Rajat Singh: So first I will start with your first question. In terms of our loan utilization, 70% - 75% of our customers are self employed and hence approximately 70% of our loan goes for income generation loan and these loans are for adding to the stock, purchasing some capital for agri and livestock. So these are some of the key projects for which they take loans and remaining 25% - 30% can go for some consumption purposes. Coming to credit cost, our numbers we are very comfortable with the way credit cost is today. Our overall GNPA is 0.15% and it is a reflection of the robust risk management framework we have put in place since the inception of Ujjivan. In this business as you understand, we have very minimal credit cost because of the model itself. Risk mainly comes from operation. I mean large part of our risk is operational in nature and also it is because of some manmade or some natural calamity. So if we are able to geographically diversify our portfolio and if we are well spread than things going wrong in one place or two does not affect us in our overall portfolio. So in this business, one way of managing risk and minimizing credit cost is to diversify the risk and that is what we have done and hence we have been able to achieve this kind of NPA and credit cost.

Moderator: Thank you. Our next question is from the line of Sandeep Jain from Sundaram Mutual Funds. Please go ahead.

Sandeep Jain: So, just a clarification on some answers which you have given that Rs.15 lakhs to Rs.20 lakhs is the branch up gradation cost. Does it include the ATM cost also?

Rajat Singh: No, ATM we are moving towards the managed services. So there is no ATM cost included in that. It is not a fixed cost.

Sandeep Jain: So it is OPEX?

Rajat Singh: Yes.

Sandeep Jain: So how many white label ATMs or outsourcing ATMs we are planning for say next one year or two years?

Rajat Singh: So to start with, we will have on premise ATM in all our branches, bank branches and customer service points.

Sandeep Jain: So 400?

Rajat Singh: 470 will be the number.

Sandeep Jain: So it would be starting say probably in a year or so?

Rajat Singh: Right.

Sandeep Jain: And what kind of OPEX we are doing in this ATM outsourcing?

Rajat Singh: So that is still a work in progress. We are in discussion with different players to finalize commercials. We can give you information in days to come. Per transaction cost which we are envisaging should be in the range with what market rates are or lower.

Sandeep Jain: And second is, when you are saying that the cost of funds will go down, what we are factoring in terms of passing on to the lenders and what we will keep in terms of increasing the NIMs? Any guidance on that?

Sudha Suresh: Yes, so currently what we are looking at is in this tenure of transition and transformation we would look at holding the yields wherever it is right now and as we look at the trend in terms of our cost, the balancing act on the OPEX, we will look at a period of time before which we can look at passing the benefits of lower cost of funding to the customers. So right now it has to be balanced in terms of cost of the deposits and also the base cost of OPEX and we would like to arrive at some kind of balancing before we can look at passing the benefit to the customers.

Sandeep Jain: So some kind of balancing can come out and result some 40 to 50 basis points reduction in ROA?

Sudha Suresh: Yes.

Sandeep Jain: Can you give me the NPAs in your MSV portfolio since it is another Rs.700-odd crores of portfolio.

Rajat Singh: So it is 0.4% for MSV.

Sandeep Jain: And you make a 1% provision in this portfolio?

Sudha Suresh: No. On the MSV we are providing 2% to be on the conservative side.

Sandeep Jain: And in terms of housing as it is very small right now Rs.21 crores or something, what it will be in next two years? Also at what level our MSV portfolio be?

Sudha Suresh: So definitely with the focus on both these verticals since these are of larger ticket size we do expect reasonable growth across both these verticals.

Rajat Singh: So in next three years' time on our household numbers, we are expecting to go up to Rs.800 crores and similar number we are also hoping to see in MCV.

Sandeep Jain: Similar kind of growth?

Rajat Singh: Yes.

Moderator: Thank you. Our next question is from the line of Vishal Singhania. He is an individual investor. Please go ahead.

Vishal Singhania: I would like to ask Sudha madam that your company has been growing at 50% plus for so many years and when that kind of growth happens it goes down to the entire company staff down the line. So when you are saying that you will taper down the growth to 20% or 25% in the first year of your operations as a small finance bank in financial year 2018, will that not disturb the overall environment?

Sudha Suresh: So as I was indicating earlier, in terms of the potential for growth there is no limit because we do see great potential in terms of continuing on the microfinance business as well as on the SME and the housing. The idea was to see what would be the balancing act as we transit and transform and automatically in terms of projections we would like to be little conservative to start with and that is where we indicated that we could have a 30% growth and these numbers definitely are to be tested over a period of time because in terms of the potential and in terms of the capability to do higher business, both exist.

Vishal Singhania: Madam, I wanted to ask that just to taper down your growth, will you just refuse money to new customers? And if that happens, how will that go down in the overall market?

Rajat Singh: So our focus will be largely to serve existing customers with liability as well as fee based products. Probably we would not concentrate on new geography and acquisition of new customers and largely focus on existing customers, serve them through additional products. And that we do not see as a problem.

Vishal Singhania: And once we slowdown to the growth rate as you said in financial year 2018, do we go back to the current growth rate of let's say 40% or 50% plus after we have stabilized the bank?

Sudha Suresh: Yes, it is quite possible that economies of scale once again are reaped in financial year 2018-19. Post 2018-19 we could look at higher growth rates definitely on those two, three years.

Moderator: Thank you. Our next question is from the line of Rishab Zaveri from Capital 72 Advisors. Please go ahead.

Rishab Zaveri: From one of the earlier questions, you also highlighted that the cost for IT implementation could be about Rs.300 crores over period of five years. A fairly large part of this would be capital cost, right?

Rajat Singh: Yes.

Rishab Zaveri: And branch refurbishment will also be largely a capital cost, or we would capitalize that?

Rajat Singh: Yes.

Rishab Zaveri: In terms of retail deposit raising, apart from whatever cost that we would pay as coupon rate or interest rate, what are the other costs as a percentage of deposit franchise that we have to spend on some sort of related ancillary services that we have to provide them? Is there a ballpark number that as a percentage of deposits this is what we have to spend?

Rajat Singh: Actually the details of these things are being worked out. The largest cost will be coupon cost and since the initial focus will be on our existing customers our cost of acquisition will be kind of minimal. I mean there will be some initial onboarding cost of these customers and a bit of marketing cost but I would say since we will be focusing on existing customers it may not be substantial.

Rishab Zaveri: But besides the coupon costs there will no major cost. That is what you mean to say?

Rajat Singh: Yes, when we are focusing on existing customers it would not be substantial.

Moderator: Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Taking the question from the previous caller, you gave out incremental CAPEX per branch. Can you give us the incremental OPEX per branch when it converts into a banking branch? Can you give a ballpark percentage of deposit mobilization? What will be the cost? Will it be 25 basis points, 0.5% or 1%?

Rajat Singh: So on the branch OPEX cost, see depending on the weightage of branches we have different cost. Let's say one of the mature branches which we have we have a running cost of close to Rs.3.5 lakhs - Rs.4 lakhs per month. That cost can go over a period of time to Rs.6 lakhs - Rs.6.5 lakhs and the increase will be gradual. It would not be on day one.

Pritesh Chheda: As it is incremental Rs.2 lakhs - Rs.2.5 lakhs on the 200 branches which would get converted into banking branch over the next couple of years?

Rajat Singh: Right.

Pritesh Chheda: Incremental Rs.2 lakhs - Rs.2.5 lakhs per month?

Rajat Singh: Right.

Pritesh Chheda: And deposit mobilization cost?

Rajat Singh: So deposit mobilization cost would not be substantial as I answered in my previous question. I mean our focus will on existing customer.

Pritesh Chheda: So let's say hypothetically assuming you raise deposit from new customer, then what kinds of costs are incurred? You would have done arithmetic's on it as well?

Rajat Singh: So it is done on an overall basis. I mean over a deposit base it could be close to 0.5% or 1%.

Pritesh Chheda: So 0.5%, if you convert your term loans let's say hypothetically assuming if you convert your term loans which is Rs.2,700 crores into a deposit, it is about 0.5%?

Rajat Singh: Right.

Pritesh Chheda: And this is where it corresponds to the cost to income ratio which you shared initially moving from let's say 50% to 60% on an outlier basis?

Rajat Singh: Right, so that includes infrastructure up gradation and people cost as well this cost.

Moderator: Thank you. Our next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: All our loans are private sector lending, am I right?

Sudha Suresh: Yes.

Sushil Choksey: What is the cost of borrowing as of today especially as we borrow from banks other than NCD and commercial paper?

Sudha Suresh: So our essential line of borrowing is from banks, yes, and our average cost of borrowing is 12.18%.

Sushil Choksey: 12.18 %?

Sudha Suresh: 12.18% has been the average borrowing cost for the last financial year. We are looking at a decreasing trend in terms of the interest cost which will definitely show in coming years.

Sushil Choksey: Madam, our lending typically other than housing and MSME should be all below one year?

Sushil Choksey: No, we have both one year lending and two year lending. In fact we have specific scheme where we have any amount around Rs.30,000 or below is a one year lending and we have customers with Rs.25,000 and above, it could be a two year lending, and predominantly we have a lot of repeat customers which means that the ticket sizes are higher and these repeat loans are often for a period more than one year.

Sushil Choksey: Am i too ambitious in asking this question, can you see your borrowing cost because of priority sector tag and MCLR or MCLR plus quarter percent?

Sudha Suresh: Can you come back on the question please.

Sushil Choksey: Based on your current borrowing cost and now that you are public you have a fantastic rating and performance. Can I see your borrowing cost at MCLR or MCLR plus 25? Now that the base rate has moved to MCLR which you are familiar with, I do not see why your borrowing cost should be higher than MCLR or MCLR plus 0.25.

Sudha Suresh: So the borrowing cost is also a function of the fact that we are under the margin cap regime. Currently, as long as the yields, the cost of borrowing for our customers is around 22% you will see that this cannot be matched. Therefore this is a function more intricate than only the MCLR into position. As much as the interest cost are coming down and we are diversifying sourcing of funding, we also need to have a balancing act between the two to ensure that we are in compliance with the margin cap of RBI which is for just about maybe the next few months. Once we are into the SFB regime, definitely you will see that happening.

Sushil Choksey: But once you move to the bank, entire business of yours will be priority sector. So the tag will not remain but your borrowing cost will go down. But for your existing borrowing I wish and I feel that you can succeed to that rate. Second thing is, your housing business also is eligible for NHB refinance or that would not be?

Sudha Suresh: Yes, it is.

Sushil Choksey: So would you be borrowing NHB and capping, because NHB refinancing you cannot let beyond certain percentage above your borrowing cost.

Rajat Singh: So NHB has certain criteria based on which they provide that refinancing. So in case we go for that, probably we will have to comply with all that and NHB also requires certain maturity of portfolio before we go to them.

Sushil Choksey: Yes performance, but you are already eligible under the current performance as you are already profitable for some number of years. So when do you get eligible for that?

Rajat Singh: So it will take I think three years maturity of portfolio and now we are currently one year old.

Moderator: Thank you. Our next question is from the line of Jaya Rathi from Capital Matrix. Please go ahead.

Jaya Rathi: Since we have just raised capital, how will our borrowings play out for the current year and FY18?

Sudha Suresh: So in terms of our borrowings, we will continue to have a fair spread between the term lending from banks plus we will also be looking at other sources of funding which includes sub-debt, NCD. We are also looking at the CP market in the next six months. So our borrowing typically would be a mix source from all these funding sources and we would have borrowings which is required to carry on our business as planned and targeted for this current financial year.

Jaya Rathi: What would be our free float currently, after the IPO?

Hiren Shah: Approx. 64% of the company's shareholding is locked-in for a period of one year. A very small portion of the Anchor investors during the IPO is locked-in for a period of 30days, from May 6th. Post which the free float will be 36%. Company's domestic investor holding post IPO was 55%-56% which is down to 51% now.

Moderator: Thank you. Our next question is from the line of Manish Karva from Deutsche Bank. Please go ahead.

Manish Karva: Just wanted to check, once you convert into a bank we will have to maintain 21% - 22% SLR ratio from day one itself, is that right?

Sudha Suresh: Yes.

Manish Karva: And a CRR of 4%?

Sudha Suresh: Yes.

Manish Karva: SO how do you plan to build that overtime?

Sudha Suresh: So what we are planning is as we grow our portfolio we might take on to significant securitization in the coming quarter and the funding from the securitization will enable us to do the investments required for the CRR and SLR.

Manish Karva: So as I understand, we will convert into a bank by the end of this year itself, right, fiscal 2017?

Sudha Suresh: Yes, definitely.

Manish Karva: So on day one you will have to be compliant on CRR and SLR whenever we become a bank?

Sudha Suresh: Yes.

Manish Karva: And that will be a reasonable negative spread, because if you are borrowing at 12% and we have to build almost 25% of the book into CRR and SLR.

Sudha Suresh: The marginal cost of funds, as I was mentioning earlier also to some of the speakers has been coming down consistently, we have been able to borrow at much lower rates of 11% and 11.5% in the recent few months. So we were indicating that we will be able to achieve and borrow at lower cost continuing in the next few quarters. So the difference or the spread between funds where we need to invest with the CRR and SLR, I think the gap will come down.

Manish Karva: And when you say your cost to income ratio will rise from 50% to 60%, you are also assuming the fact that our margins or income probably could come off a little bit because of some margin impact because of built up of CRR and SLR?

Sudha Suresh: That is also factored into account.

Manish Karva: And after becoming a small bank we have to have 75% of our loan into PSL. So for the remaining part would you look to do some new products in the first two, three years or you will continue to do what we are doing, as in on microfinance only?

Rajat Singh: So we will focus on blue collar salaried workers and we would be getting into personal loan to a certain extent.

Manish Karva: But largely in the rural space only, rural or SME?

Rajat Singh: It could be rural, semi-urban as well as urban to salaried people. I mean unorganized sector salaried people or where currently banking operations are not prevalent.

Moderator: Thank you. Our next question is from the line of Roshan Chutke from ICICI Prudential. Please go ahead.

Roshan Chutke: Firstly, want to understand, I think you have mentioned this earlier in the call but I was not very clear. What is CAPEX for you and what is OPEX for you going forward in terms of the cost that we are going to accrue?

Rajat Singh: So I think we have mentioned about CAPEX of Rs.15 lakhs for a branch conversion. As of now it is kind of an estimate and for OPEX we mention that it will increase from its current Rs.4.5 lakhs to Rs.6.5 lakhs for mature and large banks in steady state.

Roshan Chutke: And are you taking into consideration IT also here?

Rajat Singh: Yes, it includes that.

Roshan Chutke: And you are saying out of the 470 branches about 200 branches are converted from existing branches, right?

Rajat Singh: Yes.

Roshan Chutke: And the remaining would be fresh, new branches, is my understanding right?

Rajat Singh: So today we have 470 branches, 200 branches we will convert into bank branch. Remaining branches will be customer service center.

Roshan Chutke: But are you not planning on adding new branches altogether?

Rajat Singh: Not in near future, we are adding only unbanked rural branches to comply with RBI criteria. So first 18 months of our operations which is where our transformation is taking place new branches are not being added.

Roshan Chutke: And one more thing on the securitization bit, madam just mentioned that we will do securitization once we become a bank. But for you to do securitization, the bank on the other side who is taking a securitized product will want 18% kind of interest product because cost of funds is 10% and 8% cap will apply, right?

Sudha Suresh: Yes, so what were you trying to indicate?

Roshan Chutke: So do you have 18% product on your books right now?

Sudha Suresh: So we do not have a product right now, but I think the talks that we are having with banks we will be able to negotiate deals which are in consensus for both parties.

Moderator: Thank you. Our next question is from the line of Sarvesh Gupta. Please go ahead.

Sarvesh Gupta: My first question is on your ALM, how are you matching your assets and liabilities?

Sudha Suresh: So actually we have a significant positive ALM that is matched throughout all these years because of the fact that we have both one year customers lending for both one year and two year time period whereas we have the entire term loan coming and also the NCDs and others for typically a period which is 2 years and more. So far we have enjoyed the benefits of positive ALM. Going forward, we will be seeing two things. One is the dependence on short-term money market where we could have lending ranging from one month to one year and on the other hand we will also be looking at lending which could be significantly over a period of two years. At least I think one part of the segment which could be coming under this category will be housing. So what we are looking at in terms of strengthening our ALM in the post NBFC, MFI regime as we move towards the SFB regime is we will be looking at comfortably placing and positioning some long-term debts and instruments well before we start on the SFB. We are also looking at significant refinance facilities from NABARD, SIDBI and Mudra in the banking regime. They are already lenders for us currently but we will be looking at longer tenure loans coming from them. And we would be able to sort of balance and match between the short, medium and the long-term comfortably. The very fact that we have raised capital now also keeps us on good stand in terms of ALM.

Sarvesh Gupta: So you do not see any stress going forward as you convert yourself into a small finance bank?

Sudha Suresh: Absolutely not.

Sarvesh Gupta: And one more question which I wanted to ask was a general take on the industry. Now a lot of people who are slightly sort of non-believers in microfinance say that there is a lot of ever greening happening which is what keeps the NPA ratios at such low levels. So what is your take on that and how do you know that customer has actually gone into an income generation activity and has returned the loan when you are continuously lending as you said you have 86% repeat ratio and you are giving higher ticket size as well. So how do you know that the loan is being paid by ever greening instead of something else?

Rajat Singh: So two things. One, the process which we follow for any customer to take the repeat loan, they have to first close their previous loan and the final approval of this loan happens independently through a credit department in Ujjivan. So sales people will recommend their next loan, however the final approval will happen through credit department which will make sure and check that the previous loan has been paid by the customer. Only then does he get the next loan. So that is at the process level. I mean as a policy we make sure that it has been done.

Second thing is, for us the acid test of this hypothesis was during the crises. So during the crises we did not have a lot of bank funding and at that time we stopped lending to a new customer and our repeat customers. We actually told them to some of them that we will not be able to give you loan on time. Maybe it will be a delay of two to three months and to some customers we said that we may give you loans but our ticket size would be lower than what we have given you earlier. And even during that period we did not see any major problem in terms of our portfolio quality with customers who had repaid all the loans, even though some of them did not get loan, some of them got delayed loan and some of them got lower ticket size loan. So I mean that was the acid test for us and I think that is kind of one point which stands out that ever greening to that extent is actually not so prevalent in this industry.

Sarvesh Gupta: And sir, while RBI has a cap of two loans per customer, but these borrowers can also take loans from other sources. For example they can have a gold loan or they can have loans from unsecured sources. So how do you maintain a check, because even though this RBI cap is there it is valid only for MFI. So one customer might be having four to five loans on him.

Rajat Singh: So in addition to checking their credit bureau reports, we also do a due diligence of that customer. During house visit and customer meeting we try and asses what kind of indebtedness they are into. That is been done through our own internal probing of customers and we try and assimilate that information and based on that information final decision is taken. So credit bureau information is one important aspect, but it is not the only aspect we look at.

Sarvesh Gupta: And sir my final question is on the gold loan market. In the past we have seen so many gold loan companies growing at rapid rate and now we are seeing microfinance companies which are growing at a very rapid rate. Is this because you are now offering loans at the same interest rate without collateral or is it a move from customers who were earlier taking gold loans and now are getting the same loans without putting up any collateral. How these emergences of microfinance or the growth that we are seeing impacting the gold loan market and how do you see this phenomenon?

Rajat Singh: We will not be able to comment on that as gold loan has never been our interest. So we are not closely tracking that.

Moderator: Thank you. Our next question is from the line of Suhani Doshi from Edelweiss. Please go ahead.

Suhani Doshi: I wanted to know what is your guidance on CASA ratio and how much can it support the cost of funding?

Sudha Suresh: So we are looking at building CASA over long-term. It will take some time to build the CASA, especially considering the fact that the segment that we are involved in right now and of course we will be approaching one or two notches above the current segment and also tapping into the informal sector. However, this is going to be a long drawn process. But over a period of time, I would say that definitely CASA will have the ability to support up to 60% of the CASA and deposits put together will be able to support FX side or up to 50% or so.

Suhani Doshi: So in the near term you are not looking at CASA mainly for lowering our cost of funding?

Sudha Suresh: No, it would form a marginal saving maybe, but it will not be the critical saving factor.

Moderator: Thank you. Our next question is from the line of Shreyas Bhukhanwala from Sushil Finance. Please go ahead.

Shreyas: Madam we just said that we are going to convert around 200 branches to bank branches. So what would be the timeline like, 18 to 24 months?

Sudha Suresh: No, we are looking at converting these 200 branches over a lower period of time. We will start off with some branches maybe in the first quarter of 2017 and rapidly look at converting them. So the timeframe for this is just about maybe the next 12 months or so.

Rajat Singh: The first quarter of 2017 means last quarter of financial year 2017.

Shreyas: So calendar year 2017?

Sudha Suresh: Yes, calendar year 2017 first quarter we are looking at significantly converting the bank branches that we plan to.

Shreyas: So by FY18 end we should be through with these 200 branches?

Sudha Suresh: Yes, for sure, much earlier than that.

Rajat Singh: So let me clarify. We are saying in first three months of calendar year 2017 we will convert these 200 branches and going forward business from these branches will be kind of bank ready business.

Shreyas: Secondly Ma'am, in the MSE and housing segment what are the average ticket size we are looking at?

Rajat Singh: So currently if you look, our average ticket size for secured loan is close to Rs.3.4 lakhs. However our product has capacity to go up to Rs.10 lakhs. So average ticket size is expected to move upwards of period of next two to three years.

Shreyas: So individually MSE what it would be, around Rs.10 lakhs?

Rajat Singh: So ticket size can go up to Rs.10 lakhs. Average ticket size currently is close to Rs.3.5 lakhs and the number is expected to move up as business proceeds.

Sudha Suresh: Also, in terms of the MSE where you are looking at ticket sizes from Rs.50,000 to Rs.2 lakhs, we have currently only an average ticket size around Rs.65,000.

Shreyas: And for housing, madam?

Rajat Singh: More or less it will follow the same pattern as MSE. It also has higher bucket up to Rs.10 lakhs.

Moderator: Thank you. Our next question is from the line of Harshit from ICICI Securities. Please go ahead.

Harshit: Just wanted to know that currently what is the headroom available for ROE improvement? Obviously currently the leverage at which we are playing is around 4.95. So since you need to maintain a 15% capital adequacy, can we see some improvement on leverage side in the coming days?

Sudha Suresh: Yes, over a period of time we definitely intend to leverage the ROE and ensure that capital adequacy requirement of 15 and keeping a margin of 1%. So at an adequacy requirement of 16, we would like to see that we leverage almost up to 6.2 times.

Harshit: So obviously there is scope for ROE improvement despite ROA might be a little less because of the OPEX expenditure in the first few years?

Rajat Singh: Yes.

Harshit: Currently in terms of the deposits, what will be the target area and the target customers for us? Maybe we will not be targeting metro cities because the reach will be difficult. So what exactly is your strategy on that front?

Rajat Singh: So our first priority will be to convert our existing customers and up sell liability products which could be savings as well as fixed deposits and recurring deposits and these customers are between 3 million customers spread across urban, semi-urban and rural area. So we would be focusing on all these customers across geographies.

Harshit: So for the existing customers obviously this will be the case. So once you have to setup the infrastructure in these areas obviously even for non-existing customers you will be targeting all these three areas. Will your efforts be equally put over there?

Rajat Singh: Yes.

Moderator: Thank you. Our next question is from the line of Manjit Buaria from Solidarity. Please go ahead.

Manjit Buaria: Sometime back there was this report in Bandhan Bank that within first six months of their operations they had garnered almost Rs.6,000 crores - Rs.7,000 crores in deposits and their customer base is actually is 6.5 lakhs compared to 3 million of ours. So how do you look at this quantum, like from your internal estimate say by FY18 - FY19. What are the kind of deposits you think your current customers can give you?

Rajat Singh: I think Bandhan's size is significantly larger than us and I think as per the publicly available number it is significantly larger than Ujjivan. And because of their larger customer base which they have and a different strategy followed by them to tap different customer segment, probably they are then able to raise that kind of deposit. We would not be able to comment on that further.

Manjit Buaria: So let's say if we leave Bandhan aside, are there any internal estimates you have on the deposit side which you think your customer base can contribute to?

Rajat Singh: See, these things will be much clearer as we reach closer to the launch of the bank. Right now overall as Ms. Sudha has indicated, we see 60% of our asset to be funded through customer deposit over a period of five years.

Moderator: Thank you. Our next is a follow-up question from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: We are doing such a big social service and current government and RBI is very much interested that all the subsidies are paid through bank. When will we be eligible, and if we intend to do that business?

Rajat Singh: You are talking about DBT, Direct Benefit Transfer?

Sushil Choksey: That is right.

Rajat Singh: So DBT would be one important feature of our saving product which we wish to offer.

Sushil Choksey: And when would we be eligible to do it, after we convert to bank?

Rajat Singh: Yes, as a beneficiary bank we are automatically eligible for that. Not as any sponsor bank.

Sushil Choksey: Is there any kind of a study that once you start offering all these benefits what kind of stickiness or balances the government will offer or the customer would offer you as CASA?

Rajat Singh: We are still evaluating those things.

Moderator: Thank you. Our next question is a follow-up question from the line of Harshit from ICICI Securities. Please go ahead.

Harshit: I just wanted to know that apart from the normal lending activities, as an SFB can we enter into any other non-risk sharing activity. Have you been talking with other mutual fund houses regarding this aspect for any partnerships and all?

Sudha Suresh: These are early days but there have been some interest shown by couple of mutual funds. However we will see how this takes shape and we will look at that at a later stage once we have setup our SFB.

Harshit: So basically this can be expected to generate some income post six, seven months after SFB transformation?

Sudha Suresh: No, we are not giving any timelines on the same.

Harshit: And you will be hiring more number of employees whenever you are converting into SFB. Can I know how much of this will be lateral hiring from other NBFCs or other players who are there in this current industry? So currently from 8,000 employees that you are having around right now, to what extent can this move?

Rajat Singh: It is expected to go up by 20% roughly and bulk of it could be from lateral hiring and also could be from fresh hiring.

Moderator: Thank you. As there are no further questions I would now hand the conference over to the management for closing comments.

Sudha Suresh: So this actually has been a very interesting discussion and I would like to once again thank all the participants who have raised all kinds of perspective and different questions. We are truly thankful to them and we hope for similar such responses in the future conferences. Thank you so much.

Moderator: Thank you, all, for being a part of this conference call. If you need any further information or clarification, please email at anand@conceptir.com or parin@conceptir.com. Ladies and Gentlemen, this concludes your conference for today. Thank you.