

Transcript

Conference Call of Muthoot Capital

Event Date / Time : 20 January 2017, 11 AM IST

Event Duration : 42 minutes 54 secs

Presentation Session

Moderator: Good morning ladies and gentlemen. I am Honeyla, moderator for this conference call. Welcome to Muthoot Capital Q3FY17 earning conference call. We have with us today the management from Muthoot Capital represented by Mr. R. Manomohan, CEO, Mr. Vinod Kumar Panicker, CFO, Mr. R. Balakrishnan, General Manager, and Mr. Bimal, General Manager, North and East Operations. At this moment all participants are 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, this conference is recorded. I now would like to hand over the floor to Mr. Digant Haria of Antique Stock Broking for opening remarks. Please go ahead sir.

Digant Haria: Yeah, hi, a very good morning to all of you. Today we have with us the management from Muthoot Capital, so it declared its results day before yesterday and, you know, we especially think that the results were commendable considering the demonetization. So on the onset I would like to hand over the floor to the management. Manomohan sir you can just give us the overview of how the entire demonetization affected your demand for loans, your collections, and you know, how do you see the things going ahead and then probably we will open the floor for questions and answers. So over to you Manomohan sir.

R. Manomohan: Thank you, thank you Digant. Good morning friends. I am not going to give a presentation about the figures which are already with you. We had our board meeting day before yesterday for finalizing the accounts for the quarter ended 31st December 2016. We believe we entered the quarter with decent figures and we are confident that we will be able to maintain the tempo that we have been maintaining in the previous quarters also. In between as has rightly been mentioned, the matters which concern commenced on the part of the company are demonetization, especially concerning collections, NPAs etc. First of all I will address the NPA issue as all you friends are aware of, the company was having a spike in the NPAs about three years back and after that company had concerted efforts for reducing the NPAs and in the year 2015 -'16 the results of our efforts were very much evident in the NPA figures, in the sense we started the year with NPA figure of 54 crores and we were able to end the year with figure of the same figure, which means that inspite of the increase in the volume of business, increased in the base, we were able to contain the NPA level at the same figure. Sorry, this was year '14 - '15, in the year '15 - '16 as I mentioned, we started the year with 54 crores of NPA, but there was an addition of another roughly 15 crores of NPA on account of the (not clear) from 150 days to 120 days, but we were able to reduce the NPA level by the end of the second quarter to 66.6 crores. So, what I am telling is, in the year '14 - '15, we were able to bring about a reversal of trend which was

evident from December '15 as for the first quarter in nine quarters, ending in December '15 we were able to actually bring about a reduction in the level of NPAs. The trend continued the next year '15 – '16 also and we were able to reduce the level, I mean, this financial year we were able to reduce the level from 70 crores in the beginning to 66.6 crores by September 2016, and as all of us are aware of, the demonetization happened in November 2016. We were afraid that it may hit our business substantially because we are a retail financier with small ticket loans and since our business takes place mostly in the cash mode, we were afraid that the demonetization is going to affect us substantially on disbursement as well as on the collection front. But on the disbursement, front we find that the affect has been only temporary, perhaps it reduced our offtake in the month of November, but we were able to come out with measures to counter the lack of demand and we are back to almost normalcy in the month of December 2016 itself. In fact, last quarter, that is the second quarter of this financial year we made a disbursement with 273 crores and compared to that the third quarter that is the quarter ended December 2016, we made a disbursement of 271 crores. Almost at level with the previous quarter. And this disbursement of 271 crores in the third quarter is much higher than 233 crores in the first quarter. So this is the disbursement we did this year, 233 crores in the first quarter, 273 crores in the second quarter, and 271 crores in the third quarter, which is not bad, because the third quarter historically the disbursement is generally lower, second quarter is higher because of the festival season, and the third quarter is lower because the sales are much less towards the end of the financial year because of the registration year getting over, people prepare to defer their purchases for the next calendar year. So, in comparison, last financial year the second quarter disbursement was 193 crores and compared to that the third quarter disbursement was 186 crores. So, in the last year compared to 193 crores in the second quarter, the disbursement came down to 186 crores. So, if you compare last year and this year, the contraction in disbursement is not even as much as in the previous year. So, disbursement there is no worry, we are quite confident that we will be able to maintain the tempo and we will be able to achieve our budgets for the year. For the collection and recovery front, it is a fact that collection was impacted in the month of November, but when you analyze the figures now, for the three months in the quarter, we find that the collection and recovery in the month of December is almost equal to that in the month of October, which means that we are able to overcome the adverse effects of demonetization which happened in the month of November. But there is a fact that there has been a slip back in NPAs in the month of November on account of the demonetization and resulting imbroglio in the financial sector, we had a slip back of roughly about 12 crores in the month of November, which will have to be recovered over a period of time. We are thinking that we will be able to recover this additional NPA in about five to six months' time. The efforts are already on. So, taking the figures, we started the year with 70 crores and we were able to reduce the NPA levels to 66.6 crores by the end of September. We are standing at 78 crores plus by December. There has been an addition of roughly 12 crores compared to previous quarter end. This 12 crores will have to be recovered over a period of time. Our original target was, we will be ending the year with 60 crores plus NPAs. That will have to be revised upwards, we may be able to end the year with about 65 or around that level. In any case, there will be a reduction compared to the beginning of the year in NPA levels by the end of this financial year, inspite of the hit of about 12 crores in the month of November. And this is the scenario now. If the NPA is under control, then we do not anticipate any problems in attaining our profitability. We had slightly reduced our lending rates, the rates of interest on our lending schemes in the month of November and December to counter the perceived reduction in the demand from the market, but that now we are revising. We

find that that much of reduction in the lending rate is not necessary. So, on the one hand the yield on our loans will be improving in the coming months, plus banks have been reducing their rate on their lending gross, but that effect will be felt, I mean, most of the banks have reduced the rates of interest by end of December or even in the beginning of January, the effect of reduced rate of interest will be felt in the coming months only. On the whole we are quite confident that we will be able to maintain a net interest margin of about 13% as far as our margins are concerned. So, this is the scenario. If Vinod wants to add something, please...

Vinod Kumar Panicker: No, in fact, the only thing which possibly I want to add over here is, just to continue on the impact of demonetization, in fact when I spoke to couple of my friends from your segments, their one concern was on the income being equal to what it was the last quarter at 70 odd crores, while the AUM has grown by about 100 crores from about 1170 to about 1270. So, whatever Mr. Manomohan said just now, in relation to coming out with some schemes where the yields were slightly lower, that is one of the factors. We actually had come out with a couple of schemes where the upfront charges are lower and where...upfront charges is something which we book upfront. So, that was one area where we actually lost about 1.82 crores compared to the immediately preceding quarter. There was obviously the penal charges are booked on a cash basis, so that is where we add a short collection of about 75 lakhs vis-à-vis the immediate preceding quarter, so that was a negative. So, then third thing was the reversal of interest income, because last time because there was a reduction of NPA between the second and the first quarter, we actually reversed back a reversal of 20 odd lakhs. This time there was a reversal of 1.2 crores because NPA shot up. So, that is the net effect of about 1.4 crores. So, all these things have impacted our profitability and that is why the numbers, which should have in a normal circumstance shown you a figure of 75 odd crores, is showing you only 70. I just thought I will just mention that and then I think we will go forward.

R. Manomohan: Balakrishnan, Bimal, what do you want to say about business disbursement?

R. Balakrishnan: For one thing, post demonetization, the finance sale was increased. Normally suppose if you take in Honda counters, almost 65% is cash sale and 35% is the finance sale. Now it has gone up to 55% and 45%. So, that is one positive factor for all finance companies because the finance sales have gone up by almost 20%.

R. Manomohan: Bimal?

Bimal: For North, we had Diwali in the month of October, so Diwali month was good for the business, so still our business continued till the month of December. So, despite demonetization we felt only 20% deduction in the booking vis-à-vis November month. So, otherwise collection and all were under control only.

R. Manomohan: This is one thing, Balakrishnan mentioned something which I wanted to, in fact I omitted to mention that. As far as two-wheeler sales are concerned, the company was having an excellent year this financial year, in fact up to September 2016, the total sales of two-wheeler units were about 95 lakhs; 84 lakhs in the previous year, corresponding period previous year, there is about 17% increase. The same trend... this is up to September 2016, the first half year, the same trend continued in the

month of October also, sales were about 17% up. But after demonetization, November the sales came down by about 7% and December the sales came down by about 25% to 30%. But inspite of that, as Balakrishnan rightly mentioned, on the one hand there is the two-wheeler sales coming down, but on the other hand, finance sales, the total two-wheelers sold is increasing. It was about 35%, which has gone up to 50, 55% as mentioned by Balakrishnan. So, on the demand side, even though the demonetization has resulted in lower sales of two-wheeler units, as far as we are concerned, as financier's sales is being compensated more than adequately by the preference for finance by the purchasers, that's from my end. Yes, Digant?

Digant Haria: Sir, one more thing, we have launched some scheme for the... Gold-link Scheme, that is almost 0% loan payment to the customers.

Bimal: To add to CEO sir what he said that finance percentage is increasing, so in North we have seen particularly, branch-based business has grown in the month of December. So normally we were running a flat contribution from the branch. In the month of December, we saw the branch contribution grow by almost 40%. So, that was one was there was increased demand for loans, another was that we gave lot of thrust to the gold-backed scheme, which is a 100% finance scheme. That scheme is doing very well in the market.

R. Manomohanam: Digant, I think we will prefer to answer specific queries if there are any.

Digant Haria: Yeah, I think, we can start the question and answer session now. Honeyla, you can announce that.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Sir the first question comes from Naysar Shah from Capital 72 Advisors. Please go ahead.

Naysar Shah: Good morning sir and congratulations for good set of numbers.

R. Manomohanam: Thank you.

Naysar Shah: Sir, on a YOY basis our other expenses have gone up by 32%, so when do we see operating leverage coming in, when do we see this line item, coming down?

R. Manomohanam: Vinod?

Vinod Kumar Panicker: I think I will take that question. Naysar, good morning. See, this operating expense, it is a combination of two figures, one is employee cost and second one is the other expenses. On the employee cost, obviously, there are three, four factors which actually push up the cost, one is the annual increments and other things which happens. So, between December '15 and December '16, there would be

increment, that is what is pushing up the amount. Second is the bonus active has undergone a change, which has actually increased the cost from about 30 odd lakhs to some 70 odd lakhs in the quarter and then third one is we have started our North Indian operations sometime in January this year, January of 2016. So, there are sizeable amount of people, roughly about 200 - 225 employees who are there, not necessarily employees, some people are through the contracted parties, but then they are about 225 - 230 in number, so there is a cost attached to them. So, while we are an organization, which is running, there are various pockets where we are starting out business afresh. So, that is why there is this kind of spikes which are there. And it would continue to be there till we actually kind of cover the entire condition. Then, on the other expenses, I think, one of the things that has actually gone up, is the collection expenses, because it is the combination of two figures, one is the amounts which are paid to Muthoot FinCorp for collection, we are paying 1/2% to them for collecting the money. What has happened is, that expenses have gone up, because the overall AUM has gone up, the overall collection has gone up. Then the second part is the amount which are paid to collection agencies, above 90, now across all the locations it is given to the collection agencies. So, because of that the figure actually went up from about 2.89 crores to about 4.07 crores. So, that is on the collection expenses. Business, the overall AUM has grown up, but then the disbursements also grew by some 46%, 47% even at the hypothecation loan level. So, there is a cost there, there is a business sourcing cost, which is paid to the dealers as well as to Fincorp for sourcing the business, that went up from some 2.8 crores to 4.7 crores. So, that's the cost. While we came down substantially on our investigation and legal charges, which went down from 1.7 crores to 1.1 crore, there are certain other expenses there which have gone up. Let us say we started doing some amount of work through back office team so there the file processing went up. We had come out, in fact I think in one of the statements we had mentioned that we re-launched the Ladies Only scheme. So, there we have totally spent about....plus Balakrishnan mentioned about the gold-link scheme, so that plus the Ladies Only scheme which we did across north India, across the country, we spent close to 80 odd lakhs. So, all these things have actually increased the other expenses from 22, 23 crores to 27, 28 crores. To the question on when will the figures stabilize? See, a lot of these expenses are directly linked to the volumes and when we actually keep growing most of these numbers will keep growing.

Naysar Shah: Okay and sir one more question. How does the demonetization event affect our business model say in the medium to long-term?

Vinod Kumar Panicker: Sir to take this question?

R. Manomohanan: Hello? I will take this question. I told you that our experience is that the effect is extremely, not only medium term, but short-term, the effect on disbursement has been only for one month and on the recovery and collection also, our experience is that we have already got over the bad patch in November. It was only for a month. On the disbursement, I mentioned that we will be able to continue the growth momentum and we do not anticipate any issue as far as the demand and disbursement is concerned. If at all there is any negative impact on account of the lower sales in the two-wheeler numbers, it is more than compensated by the increased preference for financed purchase. On the Recovery, the effect we found is that is only in the month of November. There has been a slip back, there has been an addition to NPAs in the month of November which will have to be recovered over a period of time which is about 4 to 5 months, or maximum 6 months. But other than that recovery is not

impacted on a continuous basis. So, let me answer the question that the effect of demonetization on our business has been extremely short-term.

Naysar Shah: Okay thank you very much sir and all the best.

Moderator: Thank you sir. The next question comes from Mr. Anand Bhavnani from Sameeksha Capital, please go ahead.

Anand Bhavnani: Good morning sir. I wanted to understand how the fall in the number of two-wheeler sales affected us and how is it likely to affect going forth and if you can share some numbers on percentage of our book that is in two-wheeler loans and commercial loans, if you can give some break up.

R. Manomohanam: See this....we have still the majority lending to two wheelers only and our volumes mostly result from two-wheeler financing. Roughly about 90% of our figures are on account of two-wheeler financing. As I mentioned, there has been some hit on the two-wheeler sales numbers but in our case, we find that it is more than compensated by the increased preference of finance purchases by the purchase of the vehicle. We don't find any problem there. If you want specific figures I am requesting Balakrishnan to give the figures please?

Anand Bhavnani: Sorry sir, if you can come again? I could not understand how is it that two-wheeler sales fell significantly in November and December and we were still able to grow our book, so what is the resiliency in the business model that helped us achieve this.....

R. Manomohanam: That is what I am telling. In the month of November, the All India sales fell by about 7% compared to the corresponding month in the previous quarter....All India figures. In the month of December, it fell by about 25%, that is on the one side where the number of two-wheeler sales had come down. But on the other side, people preferring for purchasing two-wheelers, they go to the dealerships and they buy the vehicle paying cash. Only about 30% to 35% were opting for finance loan for buying their vehicles. Now because of the demonetization and resultant uncertainty in the market, people prefer to retain whatever cash is with them and they prefer to take loans. So, the percentage of people taking loans has gone up from 35% to 55%. So, on the one hand the unit sale has come down, but on the other hand the finance sale has gone up and our market is those people who were buying vehicles with loans. So, that is compensated.

Anand Bhavnani: Okay...

Vinod Kumar Panicker: Sir one more thing I would like to add here; there is a growth of 11% compared to last year April to December '15-'16 to '16-'17. If you take in '16-'17 April to December, the number of units sold is 1.33 crores. In '15-'16 it is 1.2; so, there is a growth of 11%; so, the major part has happened in April to October with 18% growth. From 18% growth from April to October, in November it has dropped by 5%. Again, there was a drop-in December by 30%. Overall there is a growth of 11% for the two-wheeler industry which will go on for the three, four months and we are expecting a growth of 16% to 17%. Earlier the percentage was 25% growth over the entire year, now it will be almost 17% to 18%.

Anand Bhavnani: Okay fine. And sir my second question was about NPAs. You mentioned in early part of the call that over the last three years, we have been able to significantly reign in our NPAs. Sir can you in short explain to me how has it happened and what is the NPA percentage figure that you are targeting for FY'17.

R. Manomohan: We mentioned that we found a spike in our NPA levels three years back and we changed our collection strategy substantially. The main changes that we made, one is we were earlier resorting to collection only depending upon our own personnel. We were doing the entire collections in-house. From there we started engaging agencies, especially for harder buckets which means longer overdue loans, we were engaging agencies for the collection of such loans and we have been shifting more towards agency model and we find that that is giving very good results. That is one thing. Second one, we have fine-tuned our collection mechanism. For example, there is a payment for collecting the dues which we call incentives, in addition to the fixed payment, there is always an incentive. We started giving incentives not only for collection of NPAs, but also for collecting stressed assets, which are likely to become NPA. So, there is a detailed target for every personnel for collecting NPA and there is also a focus for collecting accounts which are three months' overdue which are likely to become NPAs. Then there is also incentive for collecting doubtful assets; which are already an NPA and doubtful status. There by collecting we can roll back the asset to lower portion receipt, you understand?

Anand Bhavnani: Yes.

R. Manomohan: So, one is engaging agencies and second one is giving focus on different sectors of overdue, specifically.

Anand Bhavnani: Okay and sir what is the likely NPA percentage we are targeting for 2017?

R. Manomohan: I mentioned that we were targeting about 60 crores by the end of the financial year that is by 31st March 2017, which is likely to go up. In spite of the 12 crores, roughly the hit on account of demonetization in the month of November was about 12 crores, but we are hoping that we will be ending the year with about 66, 67 crores, which is still lower than the starting figure of 70 crores.

Balakrishnan: Anand, one thing I want to add over here, I think, we are possibly the only entity which tracks NPA on absolute amount basis. We don't talk in percentage terms. We talk in absolute number basis and the way we look at it is, if it was x last time, it should be x minus something this time.

R. Manomohan: Definitely, it is easy to manipulate, I mean, giving... increased base and all that. We don't even look at the percentage, the base is keeping on increasing, we are a growing entity, we are keeping on (not clear). The base is keeping on increasing. The percentage will come down, but we are talking about absolute numbers. In spite of the base growing, we want to reduce the number.

Anand Bhavnani: Thanks sir. Sir, I will come back in the queue sir. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Digant Haria. Please go ahead sir.

R. Manomohan: Any other questions?

Digant Haria: Yeah, there is a question from my side. This is Digant. I just wanted to know that the percentage of financing has gone up from 35% to 55%, is this number correct, 55?

R. Manomohan: Yeah, it is more than 50 now, nearer to 55.

Digant Haria: And this trend, are you observing mainly in South India or is it the same across West India, North India, and so on?

R. Balakrishnan: See, I am talking about South, I am talking about 55% in South, North, Bimal can...same numbers or it has gone...

Bimal: Yeah, Digant, in North also, we are seeing there is a slight increase in the people preferring to take finance. If you look at our log in numbers in the month of January, so we are almost clocking the same number, which we clocked in the month of festival, despite not increasing any more locations and number of people. So, there is a slight spike in the percentage of people preferring finance.

R. Balakrishnan: Digant, I am talking about this 55%, is for Hero and Honda, if you take other manufacturers, it may be more than 55%.

Digant Haria: Okay, okay. So, there is a very definite shift which has happened because of demonetization.

R. Balakrishnan: Yes.

Digant Haria: Okay. Anyways my second question was on collections that as far as I remember, almost 95% of our collections used to be in cash, so now the new...you know, what are we doing, like are we still allowing the customers to pay in cash or are we trying to migrate into cashless system?

R. Manomohan: Our collections were not 95%, it was more than...about 99% was in cash. But now we have started shifting towards NACH, namely. In respect of new loans, it is now compulsorily NACH mode. Now all the loans granted are only in the NACH mode and in respect of existing customers also we have given schemes, we have announced incentive schemes for our field staff for converting them to NACH mode. As a result, it has already come down to...the cash collection has already come down to 90% and NACH is about 10%. Going ahead we will be keeping completely towards NACH mode.

Digant Haria: But is our customer base ready for complete shift to the NACH mode, like wouldn't they say that we don't have bank accounts or something like that.

R. Balakrishnan: No, now the customer understands the market now, because now the country is going by cashless mode, so now everything is going to operate through banks, so they accept that yes, there is no issue at all.

R. Manomohanam: Because see, government has readied the market for us, and everything else...billing is non cash now, so the customers are...I mean, we will also be adding e-payment and other methods in future where the customers can remit their instalments through other modes also, digital mode, other digital modes.

Bimal: In some areas where banking penetration is low, like in East India, particularly North Bengal and all, so there the customer opts for a new account, so in terms of booking the loan, our turnaround goes little higher, so they have to get a new account, get a cheque book and etc., so the (not clear) is a little more there, but otherwise 100% customers are opting for NACH in North and East.

Digant Haria: Alright, thank you. And then now my last question is, let's see in this third quarter because of demonetization, our interest income growth was lower than our balance sheet growth, our operating profit growth was lower than the net interest income growth, and our profit was even lower because I understand there is, you know, this entire asset quality and collection related hit, plus collection cost to income, so from Q4 onwards would these numbers start being in sync with each other, like you know, your balance sheet growth being probably equal to your operating profit growth?

R. Manomohanam: Definitely there will be improvement from next quarter onwards. Vinod, you want to add?

Vinod Kumar Panicker: Digant, the quarter 4 we expect whatever the negatives which have come up and which we have accounted for to go away, that will give us a positive boost in the fourth quarter, and thereafter as we go forward it would be possibly growing at the same...I mean, in tandem, the loan book and the income should grow in tandem.

Digant Haria: Alright, alright.

Vinod Kumar Panicker: You should see some reduction of OPEX, the bottom line should look better.

Digant Haria: Okay, okay. Alright sir, thank you, that's it from my side. There are may be two more questions. Yeah, Honeyla, can you take the next question please?

Moderator: Yes sir. It is from Mr. Naysar Shah, Capital 72 Advisors. Please go ahead sir.

Naysar Shah: Thank you for the opportunity again. Sir, if you can update us about our diversification plans, of venturing into say, other new segments? If you can update us on that, where are we?

R. Manomohanam: We had mentioned about financing of new cars and used cars. New cars, we already have tried out association with financing drivers of Uber,

that is some vehicles are being financed and we will be taking it forward. And used car segment, we have announced this product and we have started financing also, but we did not focus very much on that, because it is a new product and our attention was diverted because of this demonetization and all that. But definitely, on the one side, the used car and new car financing will be pushed and on the other hand, other products also will be introduced, but they are being finalized.

Naysar Shah: Okay. And sir, maybe If you look at about say two, three years down the line, what could be the contribution of say this new initiatives to your overall loan book?

R. Manomohan: It can even be...the new initiatives can even be about 40%, yeah, it can even be about 40%, because we are finalizing that, let me say the medium-term plan for 2020, that will be finalized by the end of this financial year, then we will be able to give you a better picture by that time.

Naysar Shah: Okay. And I have one more question, this question is specifically to Vinod, so maybe, next year can we look at say maybe about 3% kind of ROA number, is it possible?

Vinod Kumar Panicker: Yes, quite possible. This year we were hoping for it, but then this current quarter has actually taken us off our gears. I think next year we should definitely gun for 3%.

Naysar Shah: Okay, thank you very much.

Moderator: Thank you sir. Sir, can you hear me?

R. Manomohan: Yes.

Moderator: The next question is from Mr. Anand Bhavnani from Sameeksha Capital.

Anand Bhavnani: Thank you for the opportunity again sir. Sir, I wanted to understand, we currently are a single product company, we are largely into two-wheelers and we are relatively small in the market space, so sir how do we, in the long run, let's say over next three, five years, how do we plan to establish a niche and compete with the bigger players, who might get more aggressive with, given the competition increasing in general in the banking and financing space. So, what is the competitive strategy, if you can throw some light on that?

R. Manomohan: See, we are already well established in the southern markets, even in Kerala, and in many counters, we are number one in Karnataka, and we are...in the southern states generally we are very well established. We don't say that we are a major player in all the southern states, but we are a well-recognized player. And expanding the business, we are currently at less than 3% market share. Our aim was to reach 3.75% of the market share by the end of this financial year, and take it forward to about 11% in three years' time, which should have given us a very good visibility. The increase in the business can be done in two ways, namely, one is by increasing geographically. We are currently predominantly in the southern states and some states in the north, where we are not present in all the places in the states.

Second one is by increasing our presence in the existing counters, existing areas...increasing our presence in the states having the dealer points, two-wheeler dealer points. In the states where we are present, we have not covered all the dealer points, except in the state of Kerala. So, we can increase our presence in the number of counters in the other states. So, it is...in a nutshell we are a minor player, as you rightly mentioned, we are a minor player as of now, and reaching market share of about 5% to 7% is not a big issue. We can do it in the normal way by increasing our focus on sales in the quiet organic way.

Anand Bhavnani: Okay. And sir by any chance do you think that you could be a good acquisition target and you would be willing to give up control, let's say in case of a good offer arise by an established bigger player in some other segment?

R. Manomohanam: What is it?

Anand Bhavnani: I am wondering if you have any thoughts about, I mean, if some company comes and tries to acquire you, are you open to it, are you...

R. Manomohanam: I would not like to answer that question because that is something to be considered and decided by the board, but I cannot...

Anand Bhavnani: No, but does company have a ballpark...

R. Manomohanam: Yeah, the company is always looking for strategic (not clear), so...

Anand Bhavnani: Okay. So, is it open to being acquired by a bigger player?

R. Manomohanam: I cannot answer in the affirmative or negative conclusively, but we are generally open to strategic synergies.

Anand Bhavnani: Okay. And sir, what do you see as, you know, the biggest threat to the business over the medium to long run?

R. Manomohanam: Biggest?

Anand Bhavnani: Threat.

R. Manomohanam: Threat?

Anand Bhavnani: Yeah, threat to the business, threat to our profitability, threat to our growth.

R. Manomohanam: See, NPAs you see, the highest threat that is affecting our profitability, we were controlling the NPAs, as I told you, it was well under control till September, but these are subsequent ones, but we will be able to make up.

Anand Bhavnani: Okay, okay. Thank you sir. That's it from my side.

R. Manomohanam: Thank you.

Moderator: Thank you sir. There are no further questions sir. I now would like to hand over the floor to Mr. Digant Haria for closing comments. Over to you sir.

Digant Haria: Yeah, thanks everyone for participating in the call and thank you to the Muthoot Management for taking out time. Thanks everyone and have a great day.

R. Manomohanan: Thank you Digant.

Moderator: Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good day everyone.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.