"Muthoot Capital Q4 FY2018 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Muthoot Capital Q4 FY2018 Earnings Conference Call hosted by Antique Stock Broking. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Digant Haria from Antique Stock Broking. Thank you and over to you Sir!

Digant Haria: A very good morning to all of you. Thank you for taking out time. It has been tough two months and after that April, we have seen at least some bit of good news coming from the rural side, some good numbers coming from the two-wheeler sales and I think Muthoot Capital's Q4 performance than the full year performance more than reflects the positivity that going around specially in the rural economy and two-wheeler sales. I think without spending more time on this, I will directly hand it over to Vinod, who is the CFO. He will take us through the performance for the quarter end for the full year and after which we can have Madhu, who is the COO and talk about operations and about the trends and all other relevant things. Over to you Vinod Sir!

Vinod K. Panicker: Good evening friends. Good to be with all of you again. I am very happy to actually announce the stellar set of numbers. I think today when we actually announced the numbers or the numbers were approved by the board we felt very happy and then we were very eagerly waiting to share these numbers with you guys. May be just to put the numbers in the perspective, we had a total disbursement of about Rs.594 Crores and compared to the immediately preceding quarter, we grew by about 13% versus the same quarter last year, we grew by about 51% when the numbers were about Rs.423 Crores. We ended the year with an overall AUM of about 2238 Crores, which is the growth of about 13% quarter-on-quarter and 56% year-on-year.

Based on this, the interest income that we generated in the quarter was about 119 Crores versus about 105 Crores that we did last quarter and about 80 Crores that we did last year, so versus the last year, the growth is close to 50%. The finance expense has compared to immediately preceding quarter grew by less than 1%, it was more of less at the same level as last quarter versus the similar quarter last year, the finance expenditure grew by about 25%, that is where the number was close to 25%, this time it is about 32-odd Crores. The net interest income grew by about 18% in the current quarter and 60% year-on-year at 86 Crores in the current quarter.

The operating expenses were at about 3% higher than the immediately preceding quarter at about 35% higher than the same quarter last year. In loan loss provisioning, we made a provision of about 10.6 Crores versus 7 Crores that we did last quarter and about Rs.5 Crores that we did last year, do not panic too much, I will come into it in detail, I will explain it in detail basis this we had a total net profit of about 21.5 Crores after tax versus a 15.7 Crores that we did in the preceding quarter and about 11 Crores that we did this in the same quarter last year.

Just to touch upon on the loan loss provision, this quarter we have actually made an additional provisioning of about 4 Crores to move from a 27%-28% provision coverage ratio to about 35%. This is something, which has been told to us by most of our friends in the industry fraternity, saying that you need possibly see whether you can look at increasing your provision. On a year-on-year basis, we had grown steadily in the first three quarters and fourth quarter was no exception, so on the full year basis, we had a total growth of about 52% in the terms of disbursements and about 56% in terms of loan book growth, we grew another 1439 or 1440 to about 2238.

The net interest income from about 284 Crores close to 400 Crores at about 398 Crores, a growth of about 40%. The interest expenditure moved from about 104 Crores to about 122 Crores, a growth of about 18%, which led to a total net interest income growing from about 180 Crores to 275 Crores and growth of about 53%. Operating expenses was higher as by 42% at about 159 Crores for the full year. Loan loss provisioning was at 33.6 Crores versus 22 Crores that we booked last year leading to a growth of about 52%. This includes the additional provisioning of about 4 Crores. All in all, the PAT was at 53.9 Crores versus 30 Crores PAT that we did last year, growth of about 78%.

The area, which bothers most of the analysts, is the opex to net interest income ratio. In the current quarter, we have achieved a number of about 49.7% same quarter last year it was close to 59% and the immediately preceding quarter was at about 57%. Year-on-year, there is a 4% drop from over 62%, on a full year basis from 62% to about 58%. The return on assets for the quarter was about 4.9% for the full year it is 3.6%. The EPS for the quarter is 13.1 and for the full year it is about 36.4%. That is the numbers. Maybe I am requesting Madhu to say a few words before we hear from you guys, thanks.

Madhu Alexiouse: Thank you Vinod. Good evening once again. I think over the last one year, we have been consistently telling markets what kind of headroom we had in the two-wheeler market. We exploited that with the help of geographical expansion on one side and second lot of digitalisation came into a process because of which we were able to not only improve our service level at the ground, but at the same time, the productivity levels of our team went up, so one of the contributor to lower cost to income ratio has been how within the limits of the manpower that we have, how we have shown the growth of 50%. So we exploited this expansion and the headroom that we had. In terms of expansion, north and east market is where we almost doubled our numbers compared to last year, although the base is lower but we has been able to actually enter into almost all the states in the northern piece and eastern piece and this year again we believe that we would be able to further expand in these areas.

The benefit of having a distribution through our flagship company, Muthoot Fincorp Limited also showed up in our results. The business, which our flagship company sources for us grew by almost 56%, which contributes about 18.5% of our overall disbursement that also contributed in a big way and without additional cost of distribution and expansion, we got business through them.

I think overall in terms of getting the business from the optimal cost is where our focus was, which we were able to find out leverage, last call I said operating leverage we have, which we need to exploit and which we demonstrated this particular year and that is why we have been able to tame our cost and show the topline and bottomline both. I think we have to open it for the Q&A or Digant if you want to take it forward, over to you!

Digant Haria: I think we will start the question and answer session.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Anuj Gupta from Perfect Research. Please go ahead.

Anuj Gupta: Good evening Sir. Sir, my doubt is one is what is the growth rate from the new regions entered and from the existing regions and also if you could provide growth rates for our different products offered like two wheelers and three wheelers?

Vinod K. Panicker: Currently as far as asset finance business is concerned, we are only in two wheelers. So two-wheeler growth had been 55% plus in terms of disbursement in terms of book. In the new areas where we have expanded the growth had been more than 100%. So that is what in my initial talk, I said that we have almost doubled our numbers in the areas, which we have done actually.

Anuj Gupta: Sir how are we dealing with the competition phase from other players that there are many players including new players like Reliance Capital who are getting aggressive?

Vinod K. Panicker: What happens is, what kind of customer segment that the company is actually targeting. As a vision, we focused on BOP, bottom of the pyramid customers or distribution network, our products schemes are designed to tap those customers and we are in centers where the competition is not even reached. So given the spread, given the distribution, given our own captive branches, which is there to source business for us, we feel that there is not much to worry about competition and secondly people like Reliance or any other company focuses on metro city, Tier 1 city, state capitals and they compete with banks and things like that and we say that that is not the customer base, we are focusing, our vision says that we are focusing on the common man of the country and that is the BOP. Entire energy, entire distribution network is focused towards that and to tie everything together, we have setup our digital process, mobile apps for sourcing business. This is how the strategy of the company had been and if you asked me whether I want to compete with Reliance or HDFC, I would say no, I do not want to compete with them.

Anuj Gupta: Sir what is the current market share of our company and also the addressable size of opportunity for us in the market?

Vinod K. Panicker: Can you come back again and can you bit louder please?

Anuj Gupta: What is the current market share of our company and also the addressable size of opportunity for us in the market?

Vinod K. Panicker: Current market share is about 1.7% of the total sales of the country. The total sales of the country is about 2 Crores 3 lakh two wheelers, our market share is 1.7% as of now, of the funded, of the vehicle which is funded in the segment, our share is about 5%.

Anuj Gupta: Okay, so from the funded vehicle we have a 5% share?

Vinod K. Panicker: Yes.

Anuj Gupta: Okay and Sir any comments on the size of the opportunity we have?

Vinod K. Panicker: See the headroom that we have is clearly from couple of strengths, one the financing piece is about 35% of the total sales of the two-wheeler. So there is opportunity here that next couple of years, this 35% may go up to 40%, 42%, point number one. Point number two, there is an increased shift of sales from urban to Tier 3, Tier 4 cities where we are a significant player and the market is moving towards scooterization from motorcycle. The rural market or the Tier 3, Tier 4 cities used to buy motorcycles, there is a shift to scooterization, so these are the big opportunities that we have and we are very much well placed in these location should tap this particular opportunity, so I am saying that if I were to extrapolate that why it is going to happen next couple of years, I think whatever we have done last year is something, which in the next couple of years we are very confident that we would be able to replicate.

Anuj Gupta: Sir the last question is which areas are we looking to grow further in?

Vinod K. Panicker: Currently we are in 16 states. We have already reached. Now the strategy is how we add additional at least 72 to 80 districts in these areas in the 16 states, so this financial year we intent to add at least 90 districts across this states where we will start our business.

Anuj Gupta: Sir and also as in like for further growth, are you looking to expand into any new products?

Vinod K. Panicker: Yes, so we are currently piloting second hand car finance. We have already launched a couple of months ago, around Q2 is where we will be spread out across at least 20 to 25 centers as far as second hand car finance is concerned. Q3 around that we will be into the couple of more products, which maybe around at the end of Q1, I would be able to tell you, but definitely PNPL is something, which we are looking actively into personal loans.

Anuj Gupta: Thanks a lot Sir.

Moderator: Thank you. Next question is from the line of Kashyap Zaveri from Emkay Fincap. Please go ahead.

Kashyap Zaveri: Thank you very much Sir and congratulations for a great set of numbers. I had three questions. One, in our presentation, we usually give this collection charges paid out to the agent fees, if you can give me that number for the quarter? Second question is in terms of FY2019 what would be our growth - basically what kind of growth we are looking at and these are if I look at now your margins – we are probably working now at almost like peak net interest margins, so do you see that with the rates rising and the way the competition, is there any threat to those margins at this amount of time?

Vinod K. Panicker: Kashyap what was your first question, sorry?

Kashyap Zaveri: Usually in presentation give out this collection agency payout, what was that number for this quarter?

Vinod K. Panicker: It was at 3.6% of collection agency payout, the entire collection cost was about 3.6%.

Kashyap Zaveri: 3.6% of the closing AUM?

Vinod K. Panicker: No, at the total amount collected.

Kashyap Zaveri: What is the absolute number?

Vinod K. Panicker: Absolute number of collection expenditure for the quarter was about 12.3 Crores. The collection agency charges is the combination of the amount that we spent on MSI, is the combination of several other things. All put together it is about 12.3 Crores. It was at about 11.2 Crores.

Kashyap Zaveri: 11.2 Crores in the previous quarter.

Vinod K. Panicker: In the previous quarter it was 11.2 Crores.

Kashyap Zaveri: Okay. Sure.

Vinod K. Panicker: Second question was on the?

Kashyap Zaveri: Growth?

Vinod K. Panicker: Growth in the current quarter?

Kashyap Zaveri: What is your outlook for next couple of years?

Vinod K. Panicker: We are fairly reasonably confident that this trend will continue and we should look at – it is reasonable growth or similar kind of growth, let we put it in that way.

Kashyap Zaveri: Third question is on margins, we are virtually like on a 2000 Crores, it is slightly less than 2000 Crores AUM, we are at about 85 Crores to 90 Crores NII that works, it was most like about on annualized basis almost about 16%-17% NIM, do you see any threat to that number?

Vinod K. Panicker: Yes, it comes to about 18%. We are reasonably confident that we should be able to maintain the numbers, because last quarter, in the four quarter also when we met the friends like you, the constant query was on whether there would be hit on the margins because the interest rates are going up, we felt that we are growing as an organization and becoming much more stronger, which will help us, and get funds at a lower rate or at least maintain the cost at which we are borrowing, which we can see in the current quarter number.

Kashyap Zaveri: Okay and I do not have the presentation right now, but can you give me the closing gross and net NPA number?

Vinod K. Panicker: Gross and net NPA number, gross NPA was at about 88 Crores, net NPA was at about 58 Crores.

Kashyap Zaveri: Thank you very much Sir.

Moderator: Thank you. Next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

Dhiral Shah: Good afternoon Sir and congratulation for the good set of numbers. Sir what is the average ticket size?

Vinod K. Panicker: It was 56000 in this fourth quarter.

Dhiral Shah: 56000.

Vinod K. Panicker: And LTV is about 76%.

Dhiral Shah: Okay 76% and Sir what is the current branch network right now?

Vinod K. Panicker: Dhiral, we have a small correction. I wrongly said 56000 it is 53000. I stand corrected. I am sorry about this.

Dhiral Shah: No problem Sir. Sir what is the current branch network right now?

Vinod K. Panicker: Let me put this way, our businesses happen through branches, while the flagship company, Muthoot Fincorp is about 3500 branches and we source business from roughly 2200 out of them, our strategy is about 18.5% of our total sourcing, the balance about 80%, 81% is done through the various dealer points were our employees are sitting. So that is the roughly about 36000 directly and indirectly.

Dhiral Shah: Okay and Sir what is the percentage of borrowing from banks?

Vinod K. Panicker: Percentage of borrowing from banks in Q4 it was about 62%.

Dhiral Shah: Okay, is it coming down?

Vinod K. Panicker: It has been coming down. We see it is coming down further.

Dhiral Shah: Sir what is the guidance for loan book growth for next two years?

Vinod K. Panicker: We expect the trend to continue. If God willing everything goes as per our plan we had committed a number roughly 3500 Crores by 2020, we hope to be there.

Dhiral Shah: Okay loan book right.

Vinod K. Panicker: Yes.

Dhiral Shah: Okay. Thank you Sir. That is it from my side.

Moderator: Thank you. Next question is from the line of Ajay Khandelwal from BOI AXA Mutual Fund. We seem to have lost the line. We move to the next one. Next question is from Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Congratulations on a great set numbers Sir. Sir my question first is – just a small clarification the 3500 Crores that we are talking about is by March 2020?

Vinod K. Panicker: Yes.

Sangam Iyer: Sir just going back to our borrowing mix, if you see from last year to this year as you had indicated earlier as well, we have brought down our overall bank borrowing from 80% to around 60% kind of levels, so while CPs have moved up to almost 10% currently, how much leeway do we see in terms of this borrowing mix as an optimal mix over the next two years, which can help us sustain or reduce our cost of borrowing from here now?

Vinod K. Panicker: We are a deposit taking NBFC. Today the deposit that we have taken is roughly about 82 Crores at the end of the year. We are permitted to go 1.5 times the networth, which is currently close to 400, so let us see I can borrow up to 600 Crores. That is one area that we are seriously looking at because if I can actually borrow, I can borrow at 78% that is an option which we are definitely looking at, but apart from that, if I do not want to look at that fully if I want to just carry forward from where I have left at the end of Q4, maybe I would I can stick my neck out and say that at the end of the year we would try and get the bank funds to about 55% from 65% and try to ensure that there is a much better mix maybe we can do a bit more on securitization. I think the options are unlimited and whatever it takes to ensure that we can keep the cost on, we will do.

Sangam Iyer: From overall perspective how should one we looking at the cost of funds incrementally going forward and this year we did have the benefit of the fund raising as well, so on an normalised basis for FY2019 how should one look at overall cost of funds given that the mix is changing more favorable to lower costs?

Vinod K. Panicker: We hope to maintain the cost. We should not reduce it. Let we put in that way. We did get the benefit of the QIP, but that was the money came in the last quarter and post that in the current quarter, we have possibly reaped the benefits of that in the sense with a higher capital adequacy and the lower debt equity, we could possibly go and ask for something better from most of the lenders and we continue to get that and with the support from all of you, with a strong set of numbers that we have been able to deliver, we hope that this trend will continue as we go forward into the current year and maybe into the next year as well.

Sangam Iyer: Right, so Sir I mean given that our mixes changing and also the full year benefit of this will come through for us at least, so to that extent can we see another maybe 10 BPS or so, 10 to 15 BPS reduction in cost of funds coming through for the full year average for the next year?

Vinod K. Panicker: No commitments. I will leave it at this.

Sangam Iyer: No issues. Sir one more question from me in terms of the overall loan book mix, as we are talking about the newer products introduction, the car financing as well as the personal loans, etc., so when we move into FY2020, how should one be looking at the overall loan book mix for us and given that these two products will be lower in terms of the yields as compared to your two wheeler loans, what is the endeavor in terms of an optimal mix that you would be looking at so that we maintain our NIMS calculated at the current levels, which is the endeavour that we are mentioned earlier?

Vinod K. Panicker: There are two parts to reply to your question. One that if you asked me what is the projection about 2020 from other products other than two wheelers, it would be around Q1 or Q2 that I would be able to tell you and this 3500 book that we are talking it is only about two wheelers, okay that is two wheeler book, existing products, so anything what we launch and it grows up till 2020 would be additional 3500. In terms of how we select a product and what are the products that we would be keen and doing, we are guided by two things. One who is our customer or what is our customer base? So we are focusing absolutely on the bottom of the pyramid customer and that is how the group's philosophy, group's vision is or distribution network or branches are aligned to this vision, we are driven by customers, what they need, what is their next aspirational products, so those are the products that we think of launching. The second and the most important guidance to any product launch is that in terms of ROA and ROE is it in line with our overall financial strategy? If we are convinced that this product is delivering this then that product is something, which will grow in a big way. So these are the thought process that is there as far as any new products that the launch is concerned. We believe that secondhand car is something, which is the next aspirational product for a customer base. You should know that for the customer segment that we are talking about whether he buy his two wheeler or car, it is actually part of his business model. It is part and parcel of his earning, so that is one of the reasons why we believe that our portfolio quality had been much better than what had been in the market for our competitors, so these are certain guiding forces that we look into, we considered before launching any product and around Q2 we would be able to kind of give a feedback on how new product portfolio would look like by 2020, but let me assure you that there would be at least two more product besides two wheelers when we look at 2020, the numbers I can share maybe around Q2.

Sangam Iyer: Great and Sir given that our opex is not going to go up on the same line in terms as our overall loan book growth, which we has to go at the current peak itself, so is there a target cost to income ratio that we have in mind in terms of how should one look at it on a full year basis?

Vinod K. Panicker: Sangam, on a full year basis, we would be happy if we can be at about 55 or just below that.

Sangam Iyer: For the next financial year?

Vinod K. Panicker: On a full year basis because there would be blips in the certain quarters, fourth quarter will look very attractive but one should not read too much into it. I think one should look at the full year picture.

Sangam Iyer: Got it Sir. Great Sir. Congratulations and all the best. I will go back into the queue.

Moderator: Thank you. Next question is from the line of Rajiv Pathak from GeeCee Investments. Please go ahead.

Rajiv Pathak: Congratulations for a very good performance. Sir just to add on this cost side, so now our operating cost averages something like 40 to 43 Crores a quarter, so what is the kind of inflation that we take in this number going ahead?

Vinod K. Panicker: Rajiv thanks for the congratulatory messages for both by Whatsapp and now orally to us. Now let make put it this way operating expense, the major expenses are variable in nature because there is a big chunk of collection expenditure, which is directly linked to the amount that we collect and second is the sourcing, so let me put it this way out of let us say 43 Crores that we actually mentioned roughly about 12 to 13 Crores is the collection and may be similar number it would be the sourcing, now that is directly linked to sourcing, so when the volume, sourcing was 7.5 Crores in the quarter, so if that goes up the cost will go up, so these together will be about 50% of the total cost. Others you should safely assume the inflation rate and nothing beyond that.

Moderator: Mr. Panicker, this is the operator, I am sorry to interrupt. Mr. Panicker, can you hear us?

Vinod K. Panicker: Yes, I hear you. I think we lost Rajiv.

Rajiv Pathak: Okay. If look at your sourcing cost 7.5 Crores kind of number, this has actually grown at a lower pace than your overall AUM growth, so is it this like a one quarter phenomenon and should we just assume that this will grow probably mostly in line with our volume growth?

Vinod K. Panicker: Let me put in this way, there is a specific formula basis, which the sourcing expenses are incurred, so if somebody does not meet the slab then he loses everything, so maybe Q2, Q3 which are attractive quarters as far as the festival and other things go, the sourcing costs are higher because you would have end up the schemes and things like that. In Q4 you do not do all these things, therefore the cost looks lower but I think while the loan book went up by I would say about 52%-53%, the sourcing cost, I agree has gone up by about 48%, so it is more or less in line with that.

Rajiv Pathak: Okay. So full year you are saying that we should look at 55% kind of a cost to income?

Vinod K. Panicker: Yes. What I said was we will be happy if we can be at 55% or something like that.

Rajiv Pathak: Sir if you look at our overall mix, now south is around 81% of the total mix, so going forward in next year where do you think this mix can stabilize and another part was on the western front where you are seeing slightly higher than normal NPAs versus the other three regions, so do you want to keep focusing on that region or what is the strategy over there?

Vinod K. Panicker: The strategy is how to build up business in the non-south, north and east, we have been telling that it is growing now actually we have a good book there, a sizeable book there. The growth had been quite remarkable like we have been doubling the book year-on-year. As far as west is concerned, the NPAs that you are seeing is basically some legacy issues, which have been there in a couple of years ago, there were some issue in a particular area, so that is not reflective of the entire west book actually, west book is good barring one particular location and I am clearly telling this because west is the area where we want to grow. We grow and we have very solid branch network in Gujarat, we have solid branch network in Mumbai, we have solid branch network in suburbs of Mumbai, so we see that there is a huge opportunities within the captive branch setup itself. We will grow west. So the NPAs that you are seeing is, nothing to be worried about as of now, and that would get cleaned up as and when the collection happens. So you will see south coming down. We want it to strategically come down below 80%, below 78% this particular financial year and it would come down, it would come down as we expand into west and north.

Rajiv Pathak: Okay and what is the kind of normalize credit cost that we should take now?

Vinod K. Panicker: See over the last three years it was about 2.2%, this year if you leave of the voluntarily charged off 4 Crores to P&L, the provision, it comes to roughly 1.87%, which is something, which we have been committing for a while that we will be sub 2%, I think we should safely assume 2% as we go along.

Rajiv Pathak: Thanks a lot and all the best.

Moderator: Thank you. Next we have a followup question from line of Kashyap Zaveri from Emkay Fincap. Please go ahead.

Kashyap Zaveri: This is related to your earlier reply to LTV and the ticket size, at Rs.53 Crores at 76% LTV ratio, this comes to asset finance value of about Rs.70000, now if I look at the total sales of motorcycles or two wheelers in India, in that bracket of 70000, there is fairly low population of bikes, which would be sold in that category, so let us say out of probably I have data pertaining to FY2016 out of about 10 million or 11 million odd vehicles, there is about more than 70%, which is in economy and executive where there are fairly few products which are in Rs.70000 category, so how come it is so high, the value of asset finance is so high at 70000. Sir, did you get my question or should I repeat?

Vinod K. Panicker: May you need to repeat because I think you were dropping every minute.

Kashyap Zaveri: What I am saying is that ticket size is Rs.53000 and LTV is about 76%, so the value of the asset financed by us would be about Rs.69500 or Rs.70000. Now if I look at the total motorcycle sales in India for the year, and if you were to sort of include this scooters part, about 76% of the total vehicle sold are in economy and executive segment, which has very few product which has Rs.70000 ticket size, so I am just trying to understand how come our that the value of assets that we finance is about 70000, it should be much lower right?

Vinod K. Panicker: LTV as far as two wheeler is concerned, they calculate on on-road price, because there is a road tax, there is insurance, there is accessory and then in between there would be revision in prices, prices and things like that, so unlike cars or commercial vehicles where you look ex-showroom price and deduct the discounts and then calculate the LTV, in two wheelers this is on on-road price actually.

Kashyap Zaveri: Let us say economy and executive, there would still be very few products, which are on-road more than Rs.70000 ticket price, I mean on road price of 70000 or would you be able to give me a flavour as to in terms of the total AUMs or disbursements that we do we have done in let us say FY2018 what is the OEM wise breakup and probably if you can name top five models that we have?

Vinod K. Panicker: Kashyap I think we need to get offline. You send out a mail, we will address it separately. I do not have any problems in giving you the details, it will take us one or two days time.

Kashyap Zaveri: Sure Sir, no issue Sir. Thank you very much Sir. That is the only question I had.

Moderator: Thank you. Next we have a followup question from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Sir, do you have any target for PCR over the next two years in mind?

Vinod K. Panicker: The target of the?

Sangam Iyer: Provision converge ratio now that we have increased it in this quarter for this financial year, is there any targeted provision coverage that we have in mind?

Vinod K. Panicker: My friends in the investing sector fraternity have been suggesting that we need to move to a 50%-55%, so over the next two years, I think we would ideally want to go to at least 50% that is the intention.

Sangam Iyer: Great Sir. Thank you.

Digant Haria: This is Digant this side. I think we still had five minutes, so I thought I will ask two question, which I had to. The first question was this year we had really great two-wheeler sale, probably India created world record by selling more than 2 Crores vehicles, if we have to dissect growth in terms of how much growth comes from the general increase in two wheeler sales and how much growth comes from the penetration driven and you are entering new geographies as well as you are activating more Muthoot Fincorp branches. If you have bifurcate that and if I have to even think that in FY2019 and FY2020 let us say the industry growth is not so great as we saw for this year, then how much can this penetration driven growth and activation of Muthoot Fincorp branches help us grow faster than the industry?

Vinod K. Panicker: Digant there are two important things here. One that the Fincorp branch business is our own sourcing business, we will source that business, we have about 75000 walk-ins daily into this number of branches that Fincorp has, so if you ask me whether we should be compared with any other players in the two wheeler finance market, I would say please do not compare us with them because our distribution network, our sourcing capability is totally different, our customer base is totally different. So if you ask me if is market going to impact us? I would say it may impact but we have our own capability in sourcing the business, which otherwise do not go to the dealership for buying the vehicle, they are the customer who walked into our branches and our team convert them. So about 18.5% business comes from non-dealer kind of tie-up, so that is one leading indicator. The second is that our major business comes from Tier 3, Tier 4 cities or rural areas, so reaching those areas, converting business there, meeting it with our digital sales process, these are certain things, which we believe that we have created a niche for ourselves and we would be able to generate the business that we desire irrespective of how the market goes up or down. So in short what I am trying to tell is that there is a captive capability that we have created, which we are very confident that at least next two to three years, we would be able to generate our topline.

Digant Haria: All right and in terms of geographic diversification, Kerala would be what part of our loan book, Kerala and Karnataka now?

Vinod K. Panicker: South is about 83% as of March 31, 2018, of which Kerala could be in the range of 50%, Karnataka would be about 10%-11%. You should see that number coming down like Madhu replied to somebody else sometimes back that that number should come down significantly as we go ahead.

Digant Haria: I think that is it from my side and there are no questions in the queue as well. We could very well close this call. Thanks everyone for joining and thanks to Vinod and Madhu for taking out time. I think everyone you can have a pleasant evening and thanks Rio for hosting.

Vinod K. Panicker: Thanks.

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