Edelweiss
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2016 INDIAN OLYMPIC TEAM

Investor Day

Edelweiss Financial Services

Interaction with Investors and Analysts

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Corporate Participants

Rashesh Shah
Chairman & CEO

Venkat Ramaswamy
Executive Director

Himanshu Kaji
Executive Director

Rujan Panjwani
Executive Director

Siby Antony
MD & CEO, Edelweiss ARC

S. Ranganathan
Chief Financial Officer

Salil Bawa
SVP - Stakeholder Relations

Questions and Answers

Introduction by Salil Bawa – Thank you very much ladies and gentleman, I welcome you all to the Edelweiss Investor Day Event.

I am Salil Bawa and with me today we have Rashesh, Chairman & CEO, and the Senior Management team including Venkat, Himanshu, Rujan and our CFO - S Ranganathan. Following the reading of the Safe Harbor provision, which is also included in the presentation, I will hand over the stage to Rashesh who will give an overview and the business update. We will then have a Question and Answer session where the management will be available to answer any questions. Today's presentation and transcript will also be available on our website.

Certain statements that may be made today in the presentation or will be discussed in this conference may be forward looking statements that may be tentative and this needs to be reviewed in conjunction with the risk and uncertainties that the company faces. Thank you very much and over to Rashesh.

Presentation on Edelweiss Investor Day: Financial & Business Update

Rashesh – Thank you Salil and a very good evening to all of you. It is good to see quite a few familiar faces of all friends out here and obviously the idea is to give update on Edelweiss and industry and how we see our future. But the other important objective is also to interact with all of you here in the Q&A and after that and get inputs from you because I found that in a lot of interactions I have had with quite a few of you in the past, it has been a lot more enlightening and the questions as well as the observations that you all have had have also helped us understand and see some new angles that we hadn't seen earlier. So I hope that we will also have that opportunity in the evening as we go by. Again thanks to each and every one of you for being here.

It is always great to keep on talking about Edelweiss and I know that I can go for hours and hours, but I'll try and keep this to about half an hour or so and spend a lot more time on Q & A and there will be obviously a lot of questions or observations you all have. We can add a lot more color through those.

As you all know the global scenario remains either exciting or worrisome (slide no. 3) whichever way you define it, but we do believe that in the coming years also the global scenario will continue to be a lot more challenging and it has its own impact on India, especially given that our exports will get/are getting affected. And I always found that whenever the global economy is on a downturn, the way it is now, there are some pros and cons for India and the con is obviously on the export side and the absence of global opportunity, but on the pros side what we have seen is oil price coming down is always good for India and capital also is available because every time global slowdown happens the global central banks ease liquidity which makes cost of capital cheaper - India imports oil and India imports capital. All of us help at least on importing

capital, we don't help as much in importing oil into India, but we all in some form or the other help the import of capital coming into the country and along with that as we all know India is still a very fairly positive economy in the world.

There are still growth prospects for India and while we are cribbing over whether the growth is going to be 7% or 8%, but having said that there are two important things happening in the Indian market. One is the liquidity in the market has improved a lot, especially the last 5-6 months (slide no. 4) and what we have seen the impact of that has also been because of the liquidity and the key change in that which went unappreciated in the early days was the RBI moving from the -1% NDTL in the system to a neutral stance and this itself has made a big impact on equity markets, bond markets coupled with the fact that growth itself is starting to comeback, optimism is still there. So one is that the liquidity in the Indian markets is currently still very strong and as we all know there is a slow and steady progression of reforms also going on. So this is having a fairly big impact on how Indian economy and the markets are starting to do.

As I was speaking to a few other people, we all feel the markets are overvalued (slide no. 5) but Indian markets have always been about growth and lot more than valuation. We are starting to get back in that zone and all of us are trying to say that if growth comes in then all this is ok, if growth is absent then it is a huge problem, but we all feel fairly positive that India growth is starting to or will start to come back soon.

Almost every macroeconomic parameter except inflation is under control (slide no. 6) though inflation is relatively a lot more stable and one of the views we have is on the current account - if India starts becoming current account surplus then we might have another problem because then the rupee appreciates and we have the other associated problems with that. Sentiment is good.

We are starting to see some investments coming back (slide no. 7). In fact in the last 5-6 months we have seen a lot of industries are starting to see some growth coming back slowly and steadily and even that is slightly positive though we do feel that a lot of the growth will have to be led by government spending as well as by the foreign investments via FDI, it won't be the India private sector contributing to growth.

But having spoken about that we do think the Indian financial, especially retail financial services are at a very interesting point (slide no. 9). We will all know that pre 2000 there was hardly any retail credit market in India. We had few housing loan products, and a few auto loan products but the retail credit as we all know now, it did not exist. For the first 8–10 years when ICICI Bank, HDFC Bank all of them started ramping up the retail credit part of the opportunity, it was still largely in the urban areas, largely in the metros and also largely to salaried employees of the companies. Only in the last 7-8 years we have seen the growth of micro finance companies, SME Sectors (slide no. 10), Self-employed where earning are erratic and where there is no clear salary certificate, the credit bureau getting setup, and now with analytics you can have a fairly good estimate of cash flow. This is a completely new new market which

has opened up.

The same thing we are seeing in insurance as we see that the interest rates outlook has become stable because for a policy holder the best thing happens is you buy a insurance policy and then interest rates come down which is opposite for the insurance company, but in a falling interest rate scenario insurance companies do well. Home loans we all know and overall we do think that there is fair amount of growth happening. Even in things like asset management as we spoke about MSME and all, this sector is starting to come back. There are four or five trends we are starting to see and these are the important ones (slide no.11).

The first one we are starting to see is a lot more of government firms are starting to give-up the market share and this is not unusual and in fact we have always felt that either intentionally or unintentionally this is some form of privatization step by step. So if you see in industries like aviation, you go back 20 years ago Air India was a major player and now 20 years down the line Air India is a smaller player. It has happened with MTNL and BSNL in telecom industry, happened in broadcasting industry with Doordarshan, it happened in FM Radio, happened in asset management from UTI and SBI Mutual Fund to a lot of other private sector MFs. We were seeing that happening, and it is starting to happen in the credit markets also now and we have also started to see that in insurance markets.

We are also starting to see that along with this a lot of the global bank are starting to go back home because of all the global issues that are going on. So increasingly lot of foreign bank if at all they focus they focus on the wholesale side of the equation, but in retail a lot of them are scaling back. If you at look housing finance you go back a few years ago - HSBC, Standard Chartered, Deutsche Bank were big players and then they all started to shrink back and we are seeing this retreat of global banks at a time were India is starting to grow and this is a great opportunity.

The next one we are seeing is India is starting to grow and it is actually very coincidental and very good for Indian private sector financial companies because public sector has its own issues, the global financial service players have their own issues.

India's growth continues but along with that we see the global capital is coming because any financial services company also relies on availability of capital and we are seeing huge amount of global capital coming in. Global capital would have come through the global financial institutions in the past, so if you go to Australia there is a lot of Australian investment through the super annuation funds which would have come through Australian banks, but now since Australian banks are going back home they are all trying to search for partners here. We are also seeing Canadian pension funds looking out for partners out here, Scandinavian pension funds looking for partners out here, Korea, Taiwan, Japan and so on. So it is great for India financial service players because we are a few financial players who have to be in India and we will always be India for good or for bad.

And actually this is what I was saying that government owned banks were obviously big in credit (slide no. 12 & 13); all of you aware of that. But this is an important slide we have always tried to focus on - what is the incremental share of credit for them, and this year the government banks will be getting only 22% of the total incremental credit growth and though the stock is still fairly still large, almost 70% of the outstanding credit out there is with them, but out of the new credit getting created they are going to get only 22%. Our estimate is that India grows credit by almost 140 to 150 billion dollars a year; the actual demand in the economy is closer to $200 to 220 billion. And the interesting thing about credit not just in India but all over the world is that it is actually one of those things where supply creates its own demand. Because if you to go a company, an SME or a company, it is like there are very smart people and who can invest money and make 18 – 20% return - there are quite few of you in the room who are capable of that - and somebody came and said sir I am giving you credit at 13–14%, you will find opportunities to use that credit. Same thing happens in business. So credit supply, fairly good well thought of supply and not just completely blind supply, creates its own opportunities and that's why we think there is 40–50 billion dollar potential credit i.e untapped opportunity in the market. We have seen the growth of micro financial companies, the gold loan companies and what we are seeing currently is not that the market share is being taken away from them but untapped markets are starting to open up. And it is easier for private sector players.

For government sector to find a new niche is a lot harder. One of the other things we are seeing is the entire credit market is also very heterogeneous now and there are smaller and smaller segments of credit which are starting to open up. For example, microfinance companies and Equitas or Nujeevan is happy to build a Rs. 4000–5000 crore book over 8 year and be happy over that. But it is hard for a bank to say that I am going to spend 8 years figuring out the micro finance market and build an 8–10,000 crore book through it can be very profitable. The scale is actually starting to work against them in new emerging opportunities. So while we are seeing these untapped segments in the credit market, each of them is at a size of where it is exciting for building a 3-4-5-7 or 8000 crore book. But you can't build a Rs. 30 – 40,000 crore book in any one segment.

It is the same thing happening in the insurance sector (slide no. 14). Very few people have realized it but this will be the 1st year when LIC will below 50% of the individual APE, what we call annualised premium equivalent. The excitement around ICICI Pru IPO and HDFC Max merger is also going to give a lot of momentum to this as the awareness is also starting to grow. And this is also not new, as you saw the private sector banks start in 1994 and the market share is being ceded by the government banks to the private banks. It started galloping in the last few years and we are seeing same thing to happen in insurance also. It is not just Life Insurance; in General Insurance also the same thing is happening. In fact as per our estimate in the general insurance, of the new premiums the government firms are only 25–30% of the market now.

As we have spoken, the global firms are retreating (slide no. 15) and we ourselves have acquired the asset management business' schemes from JP Morgan, we saw Fidelity, ING sell off their mutual fund business. Same thing we are seeing in private wealth - Morgan Stanley, HSBC all of them are starting to exit India even at opportunity time whereas all of us are excited and we are able to make investment in hiring and gaining market share.

On Global capital (slide no. 16) we do think that about 70–80 billion dollars a year comes to India, FDI and FII all put together, and it is going to keep on coming. The interesting thing is our current account deficit is going to be about 35 to 40 billion dollars and you are going to get portfolio investment of more than 40 billion dollars. So either you will accumulate the reserves or rupee will harden and I have always believed that India needs a stable current account deficit of at least 40–50 billion dollars. So you get 40 to 50 billion dollars gap on current account and you get another 50 billion of FDI/FII investment, then your rupee is stable. But there is a huge possibility of rupee appreciating because 70–80 billion dollars of inflow and we only get 30–40 dollars of current account deficit - RBI will have to accumulate 40–50 billion dollars every year, which has been happening for last couple of years. But how long can they keep on accumulating because one of the interesting issues around this is every time RBI accumulates 100 billion dollars, they lose between 6–7 percent on that because if you are the Reserve Bank of India you are buying dollars and giving out rupees. Effectively your cost of rupees is 7% and what you are earning is 100 basis point, only 1%, so you are losing 6% which you can only make up if the rupee falls by that because then you are ok as you are adjusting the cost including currency become the same. It is a huge issue, for every 100 billion dollar if the rupee is stable then effectively as bank you have lost 6 billion dollars in the year and ultimately the Reserve Bank is a bank, it also has a balance sheet and a P&L at the end of the day. So this is going to be another thing to watch as we go along and we are starting to see the impact of that. What we have seen is the liquidity easing off in last 4-5 months. RBI has accumulated quite a few dollars and more accumulation is expensive.

Along with that we also are very confident that India will become a 5 trillion dollar economy by 2025 (slide no. 17) and the interesting thing in this in '07 we became one trillion dollar after 60 years of independence, in the next 7 years we added another one trillion dollars. I think we will add another one trillion in 5 years, then another one trillion in 3 years and after 2025 we will be adding one trillion dollar to our GDP every 18 months. This is truly the compounding of India which has started and interesting example that I came across the other day on this was HDFC, the housing finance company all of you know, has currently an asset base of Rs. 250 thousand crore, which for a non-bank is one of the largest. But in 1994, when it was 18 years old that time because it started in 1976 and the IPO in 1980, in 1994 they had a book size of Rs. 2,500 crore - so they have grown 100x in the last 20 years. Even in 2007 HDFC was only Rs. 50,000 crore, so they have added 4 more HDFCs of 2007 in the last 8 years - this is the compounding happening.

So when your GDP goes to 5 trillion your savings will go to one trillion dollars. When we started Edelweiss 20 years ago, the Indian economy was 300 billion dollars; it is now 2.1 trillion dollars and it has grown 7x in absolute US dollars term in spite of rupee going from say 30 rupees to 68 rupees, whatever it was at that time. So we have had our rupee falling and in spite of that in dollar terms we are 7x in about 20 years and that has been the growth in India. When you see the growth, it impacts everything else - auto sales, cement sales, housing and all that but the financial institutions are the first beneficiary of a GDP growth. We all felt that if we think of compounding, and all of you are smart investors, you know the effect of compounding, one is the growth rate. So even if you compound over 100 years at 2% a year it may not add up to a lot but if you can grow at 7–8 % over 30 years that is a huge number. In the same thing time is very important - if you can grow at 30% for 3 years vs 20% for 8 years - time plays a big role; and your starting point matters - if you start with 100 rupees and compound very well for long time also it won't matter much, but if you start with a crore it is different. We think this is the time for India as at 2 trillion dollars we have reasonable size, we have at least another 15 years to go and we will compound at 7–8 % per year and if you can hit 7–8 % growth per year you will double your GDP every 7–8 years.

That's the easy rule of thumb - you grow at 7 – 8 % you double your GDP in US dollars terms every 7-8 years. Over 2007–14 we doubled it in spite of global financial crisis, in spite of taper tantrums, in spite of all the other issue that were there globally and in India, and we still doubled our GDP in those 7 years and that is now the phase in India again. I think all of us are aware of this. This will create huge opportunities for financial services sector (slide no. 18)

Given all this, how do we see Edelweiss and what strategies we been following and we obviously have our slogan that though we are like every other financial services company, there are something that we are trying to implement in a different way and one of the key ones for us has been what we call the credit and non - credit approach that we have taken because we have seen that most of the banks or most of the other NBFCs are very credit oriented and credit is obviously the big part of the opportunity. Obviously currently credit is very hot but over a long term we have seen India growing the way other economies have grown and having the non-credit side of equation also gives you a balance and gives you a lot more sustained profitability. If you see even HDFC have asset management, they have an insurance business and they have a bank and housing loan business - so having a good mix of credit and non – credit Is the way to build truly a very scalable kind of a model and on the credit side also most of the NBFCs are either in housing finance or commercial vehicle or they are fairly mono lines and what we have found is if you look at the NBFC's history in India, monolines grow very fast but also struggle across cycles because if you are a housing finance company and you think there is a lot of irrational stuff going on the financial industry and people are under pricing, will you be able to scale back the business? It is very hard to do because how do you give up growth? No credit company will be ok with the shrinking book. So you will continue to grow hoping that I will be smarter than the others, but you

will not be able to escape the irrationality of the industry. However, if you are a broad base firm, which what the banks are, you can keep on reallocating your portfolio.

Aditya Puri once remarked to me that when the auto finance industry got very irrational there was a lot of undercutting going on and HDFC Bank scaled back, actually exited the auto finance business completely for 4 years and then they came back after that. Now if you are at HDFC Bank you have that option, but if you are only an auto finance company do you have that option? You have the sales force, you have all the relationships with the dealers and you can't escape that. You can slow it down but you can't escape that. So having a good credit and non-credit mix is very interesting to us. We have the credit book, size of which is now about Rs. 21,000 crore, which we feel fairly good about because it is neither too small nor too large. When we started this about 10 years ago we were only 10 years old and we wanted to be in credit at least 3-4 years before we scaled it up. But the biggest problem to be in the credit business is you need capital and it is not the asset side problem, it is the resource side. The liability side problem is even bigger and hence I always remark that if you look at the NBFC sector in India, almost 80 % of the large NBFCs are promoted by the industrial groups or the business groups because it was easy to raise resources if you are a Tata, Birla, Bajaj, Reliance, Cholamandalam, Mahindra or L&T, but it is very hard for a non-business group to build the resource side of the equation. The asset side work will always be there. What has changed in the last 3 years is the resources side has become lot more easier for NBFCs. I remember about 5 years ago we thought that glass ceiling for the size of NBFC was about Rs. 30–40,000 crore; we thought that is what an NBFC can grow to and then you struggle to become Rs. 80,000 crore book and then you converted to a bank. Even if you see the larger NBFCs or housing finance companies, they are about 50–60K to 65K crore and there are a lot of others who are Rs. 40–45,000 crore; we are at about Rs. 21,000 crore. So we are in between and there are others below Rs. 10,000 crore, but that is starting to change. A lot of more NBFCs which are not constrained by resources are now starting to take advantage of this.

So over 10 years having built Rs. 21,000 crore book, we are happy but what we are also happy about is we have built it in various verticals because our idea is to have this broad base and any one particular vertical, say structured credit or real estate or distress credit, if it give us about Rs. 5–10,000 crore of opportunity over 5 years it is good enough for us, while for a bank may be Rs. 5,000 crore book over 5 years may not be exciting, but for us it is exciting enough.

In the distress credit business or ARC which has been one of the exciting businesses, quite a few of you have been talking to us to understand that business. Very few people know that we started this business in 2008 and earlier we had seen Kotak and others who had made fair amount of inroads in the business; so we believe that this is an opportunity, it is a niche opportunity, it is not a broad base opportunity. We started the business in '08, we got the

RBI approval in 2009 and during 2009–13 we ran this business on a break even business. We kept on building the team, kept on investing, kept on buying some assets and understand the space more. We had an experienced team out there but we also had to build our systems, processes, underwriting and all of that and from '13 to now we have put our own capital to work. Our capital is about Rs. 2,700 crore now; you can argue 8 years and Rs. 2,700 crore is not that exciting, but our estimate is we can make about 4% ROI on that - a good Rs. 100 crore odd profit. We still see growth coming in and we still think this can be Rs. 5,000–7,000 crore opportunity for us over the next 3 years and even at three and half % it is a nice Rs. 150–250 crore opportunity that can come for us while for a bank to really spend 8 years trying to figure out and doing all that is not worth it. So in a way size is an advantage or the lack of size is an advantage because we can go after smaller and niche opportunities and you have seen a lot of other NBFCs and the credit firms have also gone after that.

The key performance highlights for us is for the first quarter we have grown at 53% excluding insurance (slide no. 21) because we always look internally at ex-insurance because insurance is an accounting aggregation, but we have ring fenced that capital. Our joint venture partner has put in a lot of capital in that but because we own 51%, whatever be the loss of that entity it will get aggregated with our accounts, but it is not a financial or cash flow drag on Edelweiss per se. So we internally look at ex- insurance and we are happy to know that we have been able to clock over 39% YoY growth. Over the last 4 years we have been growing at 38% CAGR which has been very interesting and we had said that we wanted to be 20% ex-insurance RoE by 2018 and we are on track for that because we have now started clocking 19% and above. We have had good growth in both credit and non-credit. Credit is appreciated but even the non-credit is something we are getting exciting about.

But the interesting one is that we are trying to grow it with not very linear growth in assets (slide no.22) so that is a non-credit model that our assets have grown at 17% and profit at 53% YoY. You can look at a lot of NBFCs where very often asset growth is faster than the profit growth; ours is the opposite - our profit growth is faster than the asset growth.

This is the slide (slide no. 23) I get most excited about. We completed our reengineering in 2012 and if you see the history of Edelweiss - until 2008 we were largely capital markets led with having just started our credit business in 2006-07; but if you see 2008 we were mostly capital market led and then obviously capital market volume shrank, the market corrected. There was huge growth between '03–08 and so we enjoyed the growth; but we also unfortunately enjoyed the correction after the growth and around 2008–2009 is when we had the capital because of the IPO and we had raised capital to build the credit business; we had clearly stated that during IPO and so we had the capital and we started building our credit and then insurance and other business which took us about 2-3 years. We started our ARC business in 2009; we got RBI approval in 2010. Then we started hiring people for our retail finance business, in 2011–2012 we started the insurance business; so in those 3–4

years we did a complete reengineering of Edelweiss from capital markets to financial services and from wholesale to retail and we were very clear that retail took 8–10 years to build. So I do think that even now retail business in Edelweiss is under stated in the profit because we are still in the investment phase - not just insurance but even others like retail assets management, wealth management and other sectors which will take us at least another 2-3 years and it takes 10 years to build retail financial services including retail credit. We started our retail credit business in 2011 and only this year we have hit 10–11% RoE; we think it is a 20-22% RoE opportunity that is there.

But scale matters a lot because we have studied all the retail finance service companies and your cost income ratio and your scale are inversely proportional. What we say in all retail businesses you have the front book and the back book and the acquisition cost of the front book is what impacts your current P&L and the back book is what really adds to P&L. For example, in insurance your key inflection point happens when your total premium is about 6–7 times your first year new business premium. While we are currently about equal like half and half, 50% of the total premium is new premium and 50% is renewal premium, when we get to the new business premium at only about 14–15% of total premium that is where a key inflection point happens. Similarly all retail finance companies invest a lot in building the back book and it takes you 8–10 years to build the back book and you have to go through the grind. We started this in 2012 and from 2012 onwards it has been good growth and we are still continuing to invest in retail. We do feel confident that as the retail is getting scaled up, there is still a lot more opportunity in front of us.

We are also keen that consolidated RoE which is above 15% now (slide no. 25), we have always stated our objective is to be within 16–18% on the consol basis and about 20ish on the ex insurance basis, RoA of 2 % and even here our long term target is 2.3–2.5% which we think is achievable.

Here is we had a credit profit growth of 35% (slide no. 26) but the non-credit profit growth of 26% is an interesting one and fairly stable. Asset quality is also stable (slide no. 27).

In our structured collateralized book (slide no. 28), and we have been in this business for 10 years, we have built a Rs. 7,000 crore book and we are fairly comfortable as this is very collateralized and here is a question that is asked very often about wholesale credit in India. We do believe that if you analyze the NPA issue going on in the banks right now, which is mostly on the wholesale side, but 80% of the NPA issue is around project finance and frauds. So if you take the frauds like what is happening in REI Agro what happened in Deccan Chronicle and all of that, and if you take the project finance whether it is power, whether it is coal, whether it is mining, whether it is roads because approvals didn't come, projects were over invoiced or whatever else were the reasons, 80% of the problem is project finance. There are quite a few of us, Jyoti was there when I was in ICICI, and we started our career in project finance, so even 25 years ago project finance was always risky. Project finance is never without risk in India and one of the reason all of us have avoided it is because at 13–

14% interest rate you are not getting compensated enough for that; there is no risk reward in project finance but you can get scale in project finance easily, you can put Rs. 1,000 or 2,000 or 5,000 crore to work in the project finance opportunity quickly to gain scale. But if you avoid project finance, then wholesale credit books or corporate credit books even in IndusInd Bank, Kotak, Deutsche Bank etc. are not doing badly. So anybody who avoided project finance and frauds has been ok.

Currently everybody is extremely worried about wholesale credit book and the same thing for us also. We have been fortunate we have been able to build a good book and we have been more than 7 years in this space, we haven't just entered this space recently. In Wholesale mortgages we are basically funding real estate developers for the housing projects and even here we are seeing a fair amount of comfort from the risk point of view and there is a larger risk, and this is not the price risk, the larger risk is execution risk. So if you choose the projects and client very well where the execution risk is not there, and average collateral cover is between 2 to 2.5 times, you are ok. If we are funding a project at 30,000 rupees a sq. foot estimate, unless it falls to 15,000 rupees you will not be out of money. And in the wholesale mortgages we have seen the HDFC has been the leader, Ajay Piramal group has also been in that, Indiabulls is in that, so it is a fairly established kind of a market.

Retail mortgage is the one that we are now fairly excited now, we have Rs. 2,700 crore book. Agri and rural financing is another area where we see a lot of opportunity. Especially in agri financing competition is low, it is very scalable. We started this business about 3–4 years ago and we are still understanding, so it is only a Rs. 1,000 crore book along with rural finance and that has been our strategy - take 4-5 years understanding it and then you start scaling up. As I said, at our size we can afford these things and we have the SME business.

So our whole idea is thinking like a bank having about 5–6-7 sectors where we can keep on reallocating capital and again scalable and profitable (slide no. 29) because we are making a 2% RoA on this. Asset quality is good largely because we are well collateralized - even on the retail side LTV is fairly low (slide no. 30).

On the non-credit side (slide no. 31) we still have a high cost to income ratio of 74% and on long term basis we think we should be 50–60% because as you get scale it improves. But currently we are investing in building scale so we are growing fairly fast. We want to grow this business at a Net Revenue level at 35–40% and it still makes only 22% RoE, usually non-credit should be between 30–40% RoE. We think it will be another couple of years away before we get that scale to start generating or eking out or harvesting the profitably out of this.

And here we are very excited by asset management, wealth management and capital markets (slide no. 32). Quite a few of you are aware, we have had an eight year kind of drag on capital market, so we think there is some reversion to mean also on the way because as markets will do well your capital markets, broking, investment banking etc. will also come of age as we go along. The reason we are in agri services is because we want to build agri credit business

and we have realized that without an agri service as an arm you can't build an agri credit business as your risk will not be easy to manage.

On the wealth management side (slide no. 33), our growth on asset has been 80% per year and the large part of this is because we are constantly investing in hiring people. There is a huge amount of hiring, opening branches, getting more clients that is going on and we have said that for the next 2 years we will continue to invest in it. It is like a land grab out there and we are seeing a lot of Indians now with wealth and unlike pre '14, a lot of investors are comfortable having advisors and wealth managers. People are getting used to investing through the mutual funds rather than investing on their own and that's a very key change that has happened that people are comfortable taking advice, though they are still not paying a lot for the advice and the fees are still very transactional fees and not advisory fees on the asset. But people are getting comfortable with that. There are a lot of high net worth individuals, ultra high net worth families out there and the size is fairly big having between Rs. 40–50 crore to a Rs. 1,000 crore portfolio. There are lots of people out there who have liquid investments in that category and it is constantly growing.

There is a market called OPDO market which has come about which is called owner, promoter, director, officer segment because officers have ESOPs now and they are also fairly valuable now. Owners, promoters, directors in this OPDO market is what is starting to happen and the interesting thing in this is that unlike earlier where the foreign banks dominated this, the landscape is now changing. Earlier it was mainly selling mutual funds or the conventional products and you would have a high churn of assets or high fee kind of a structure where the market is up by 30% and you take 5-7% out of that and hardly anybody used to protest. But after 2008 this has changed as SEBI changed the norms for commissions. Now a lot of the high net worth investors, a lot of the high net worth families they want IPO funding, margin funding, they want back office service, they want access to research, they want to invest in real estate, invest in high yielding bonds and so on. They are actually searching for yield which is a lot easier for an Indian firm like ours and others who are there to cater too because you have a large variety of products, you know they want estate planning, they want all of that. The conventional model had products of mutual funds and this is what has changed in last 8–9 years.

And this change in the last 8-9 years - same thing we are hoping in assets management. We are hoping that with the JP Morgan Schemes' acquisition and a few international funds that we are trying to close, there is a fair amount of growth there is available on this.

Also ARC (slide no. 34) will continue to grow for the next couple of years because the banks usually sell the assets after the second year because the provision impact is the most after the second year because they provide 15% in first year, 30% in second year and goes upto 100% soon. The irony is that very often, the NPAs are not beyond recovery. If I gave to you home loan and it became NPA, it won't become zero and eventually one should be able to recover 30, 40, 50 percent. For the bank it makes a lot of sense to sell to an ARC even

at 40 cents to a dollar and avoid the last 40-50% NPA provision because once they sell it to ARC, then they don't have to provide anymore.

In capital markets (slide no. 35), we continue to have fair amount of leadership on both investment banking and brokerage businesses.

On the balance ship management (slide no. 36), we are scaling back our assets. As I have always said, we operate like a bank and we should hold 10 to 20% assets in the treasury assets because that only can manage liquidity. 25% is now coming down to 19%. On a long term basis this should come down to about 13 to 14% of our total assets.

Insurance is the third pillar (slide no. 37 & 38). The other question on insurance I am asked most often is - not having a bank how hard it is to sell insurance - and the answer is very hard. If you want to be an insurance company you need a bank. The bank assurance model is a very easy one because it will not have large upfront cost and it is easy to build. But in a banca model it is easy to sell ULIP. But if you want to sell par and non-par traditional products, it is difficult to do it in banca model and you will need an agency sales force to do this. It is very comfortable to sell ULIP products in banca but very few banca models can sell par and non-par products. But the problem in ULIP now is that the margins have come down significantly over the last 8 years or so before which they were healthy. Margins are still good in par and non-par products but you need an agency force to sell it. If you look at most large good insurance companies around the world over the last 40-50 years, you will find very few companies which have been built around the banca model. On a long term basis, to build an insurance company, you need to have agency model. But the problem with agency is that it is expensive and it is a drag on your profitability, capital and cash flow. However, on a long term basis, the profitability of selling traditional products through agents is the highest. So in a way, you are buying a new more fuel efficient car which is very expensive. So you are spending a large amount upfront, but you get the returns over the long term.

We are very fortunate that we have a JV partner in Tokio Marine who is providing a large part of the capital. As per our current understanding, they will provide about 70% of the capital and we will provide 30% upto Rs. 2,000 crore. We have so far invested Rs. 350 crore and may have to invest Rs. 150 crore more over the next five years. But they are providing a large part of the capital. One other thing that matters a lot in agency model is the agents' productivity. Fortunately we started after the industry had already changed. Already the productivity of our agents is among the highest in the industry and we are investing a lot in that. We are confident that with all of this, we will be able to create good value in the insurance business. This kind of realization will come as life insurance companies start getting listed.

One other thing about insurance industry is that if you look at APE over the past 5 years, 2011 to 16, the APE for private sector companies has not grown at all. In that we have been able to make inroads. Even in persistency, (slide no. 39) which is about profitability, we have improved from 50-60% to 71% now which is among the highest in our peer set of companies.

On the other side, we are having a calibrated growth in our balance sheet size (slide no. 40 & 41) though total assets we manage are starting to cross Rs. 100,000 crore. What is interesting to note is that our off balance sheet assets are growing faster than on balance sheet assets (slide no. 42) which is good because that improves the RoE faster. This is again the credit and non credit model that we have been espousing in the past. There is no risk capital associated with off balance sheet assets and so improves RoE. We are also achieving non linear growth in profitability.

If you see our cost of funds, it has remained same over the past 18-24 months, though it should have fallen at least 50-75 bps. What we have done is instead of bringing down the cost of funds, we have taken this opportunity to elongate the duration of our liabilities to match our assets (slide no. 43). It is a conscious choice we have made though longer tenure borrowings are a drag of around Rs. 50-60 crore a year, but we think it is a lot smarter to be on the longer end and use that to fund asset opportunities on the longer end in your businesses. Along with that our ALM is fairly balanced with no mis-matches (slide no. 44).

We also focus a lot on liquidity cushion (slide no. 45) because as you know we are not a part of a large industrial house or a large business group. In that sense we operate like a standalone bank with a large part of assets in treasury. Our ALCO focuses a lot on liquidity management and in fact the liquidity guidelines that we internally follow are the Basel 3 guidelines. We have almost 9% of our assets in unencumbered cash assets available to us on an overnight basis. We are able to do this because we have a treasury approach to this which most of the NBFCs do not have, though they are starting to build now.

Overall we have 18% capital adequacy ratio (slide no. 46) with around 79% of RWAs to total assets, which looks a bit high compared to banks for whom this is around 65%, but we do not have a large SLR portfolio like banks.

Overall the compounding story continues (slide no. 48 & 49). And what we articulated in this is about keeping credit cost under control (slide no. 50). If we keep our gross NPAs under 2%, you are fairly ok and there are lots of asset opportunities in India that continue to come across.

And that broadly is our story, how we been trying to grow. And I always feel that this is a Goldilocks moment for us because we are small enough with Rs. 33,000 crore of assets and we can grow to Rs. 50-60,000 crore fairly easily, if we can maintain the quality of execution, control risk. Even now the glass ceiling is about Rs. 80,000 crore and who knows that in the next 3-4 years may be the glass ceiling for NBFCs will become Rs. 100,000 crore and there is a fair amount of growth available for next 5-7 years. Our focus is to exploit and another thing is when you want to build is credit and non-credit in a diversified structure, you have to invest a lot in organization, the culture of organization and the leadership bench. In India a few organization have tried to build a broad base. It is easier to build a narrow focus or monoline business as leadership breadth required is much lower, but if we want to build a long term diversified business, this is much harder but at the same time more stable and sustainable. We invest a lot in the leadership team in making sure that the culture is

collaborative and they can all work with each other. So for example, 15% of our insurance sales happen through the Edelweiss broking arm as if we have our own banca equivalent internally. In our housing finance about 10% to 12% of sales happen through our internal broking team. So we are able to get synergies and so as you build this, it becomes a lot easier. There is a huge amount of synergies between asset management and wealth management. So our idea is to keep on capitalizing on that. If you can grow at 25% a year for next few years, it would be a great opportunity.

So again with that thank you very much all of you for having been very patient and if you have any questions we are happy to take them, or observation or even suggestion for us.

Question & Answer Session:

Question: Hi One question - may be very pretty simple question, but in terms of timing you know I believe this is one of the first analyst meet of Edelweiss and you could have come out with an analyst meet let's say last year when the things were good or you know when there was buzz about Modi and like that and you have been doing pretty well for last 4 years at least. What we have seen in the last 8–10 months there are new NBFCs which have emerged like a very fast high growth NBFCs. Is there anything to read about the timing of your Meet since the NBFC is doing so great or is it more like you were busy in building the foundation and now you believe Edelweiss is at an inflection point and so it gives you more confidence to come out in public and spell Edelweiss story rather than before?

Rashesh - It is a good question and along with that a lot of people assume that when you go out and talk to investors you are in a capital raising mode, which is not we are doing this for. Two reasons, as you correctly said, we started re-engineering our businesses in 2008 and in 2012 we thought, and to be very honest about this, to get the current size we thought we will be there in 2018. In fact we had an 18/18 target which was the internal slogan – that is 18% RoE by 2018 was our internal target and that time estimation of growth was about 20% – 25% a year. Now we have been actually growing at 38% a year and so we got there to 18% slightly earlier than what we had also thought because growth has been a lot faster for everybody, not just us alone, in the last 3–4 years. Along with that as we were in re-engineering mode, we wanted to allow our businesses to get scaled up, for example retail mortgage finance is still a Rs. 3,000 crore book, our SME is Rs. 1,500 crore and so we wanted to get some scale and get you to know that business in way that we can explain to the people and show it because if it is a Rs. 300 crore retail finance book what do you talk about? How do you explain your strategy?

I must admit that if I had a choice I was planning to wait for another year or so before we started really going out and talking because we wanted to execute first and talk later. I also come from the capital markets, you know I have been an analyst and investor for a long time and I found that all companies can talk very well. But you know why we are able to show that graph and show the 38% growth and show some scale, it is about execution. And internally what was

very important for us was that we had targeted Rs. 1000 crore pretax profit ex-insurance and we are on track for that this year. If we look at the first quarter for us - that was an important milestone. As I said that 2008 to 12 we reengineered the whole company. So around 2014–15 we started getting confidence that now it is scalable and we can showcase it and speak about it. We could have gone out a year ago, yes but we started now with a lot inputs from the investors and others.

It has also been that in the last 5-6 months a lot more of investors have been coming and asking to understand the strategy on ARC as the ARC business has grown. 2 years ago ARC business was not exciting for anybody or I don't think anybody wanted to ask about that. Now there is a lot of interest on ARC Business and also on retail credit business. It also happened along with the marked growth of NBFCs and others but it also happened with our own size. So that has been the main reason. If you see since the IPO time we always had an analyst call even through the bad market of 2011 – 12 we have never missed the analyst call and we always were happy to meet people who came in and met us though we were not going out as much. But then we said may be now we should start investing in that and we also think that the rate at which we are growing we will have to raise capital after 2018 while in the earlier plan if we were growing at about 20–25% a year we could wait until 2020. We are capital conscious and we had excess capital so far. If ever we need to raise capital in future, we need investors and analysts to know what we are doing, why we are doing and also commit ourselves, see us executing. So it is something as simple and complicated as that. (Note: During 2012 to 2015, we have also been having an annual sell-side analysts' meet at our office in the month of March every year.)

Question - Thank you very much and one more question.

One of your slide you have shown that the private sector banks are now taking away share from the PSU Banks, what we are seeing in the private sector banks is also the same thing happening for example, in the category like Old private banks and new private banks. Similarly probably few years down the line there will be a new category called new private banks and NBFCs because the NBFCs are growing at a faster rate. So is it a case of the other people becoming too big and they are now being more cautious? Even in the NBFCs, it is not like a Sriram and Sundaram of the NBFCs which are growing at this rate but the new age NBFCs are growing at 30–40-50 %. So what do you make of this?

Rashesh – So again it is these three or four things - there is a lot of heterogeneity in the market place now. Market is getting segmented which happens with every new entrant. So if you see consumer goods in India, there was one detergent out there. Then suddenly Nirma, Rin and Wheel and a lot of others came about. As the market is growing the segment doesn't remain static. So like the SME segment itself has at least 8-9 categories from equipment finance to what is called UBL - unsecured business loans, to SME secured, to trade finance, to various other categories. And SME itself has got micro SME'S where the average loan size is about Rs. 8-10 lakhs, to SME's where your

average loan size is about Rs. 30-40 lakhs, to mid SME's where your average loan size is a crore, to large SME's where it can be up to Rs. 5 crore. And these are very very different categories – their needs, their banking experience, their track record, and the information available about them are very very different.

So if you saw in housing also, companies like Repco and all grew because they went after the self-employed segment which was not there earlier. Until 8-9 years ago people were not actually going after that because of lack of enough underwriting data or the analytics or the credit bureau information. So now what is happening in credit is newer segments are opening up. For the newer players, a thousand, two thousand or five thousand crore rupees market segment is also exciting, while for an existing large player it may not be. And third is when you become large and if you have been doing a particular asset class it is very hard for organizations to change, especially for mono lines becoming multi line is very hard. If you see Bajaj Finance is not a monoline, they are now multiline. Their real growth started the day they removed auto finance from their name. It used to be called Bajaj Auto Finance, and then the day Auto was dropped is when the growth started happening.

So these are two important trends, the credit market is getting segmented and from a risk management point of view more data or information is available. Going after the new emerging opportunities you should be able to go after multiple, smaller opportunities where you can learn the game. The only bank who has done this very well is the HDFC Bank. It is the only bank which will a see Rs. three thousand crore opportunity and go after it. So whether it is gold loan or a micro finance loan they are not leaving that behind. So amongst all the banks it is the only bank I have seen which can go after this sub scale opportunities and build expertise in that and that been the magic they have. Twenty years ago when the broker accounts was a small part, the first one to maintain and build that line was HDFC Bank and their ability has been to go after the smaller segments. We have obviously studied all of them and so to do that you have to be agile, have to be slightly more adaptable, which may be the new age firms are.

That and the other side, as I said, the resources side has got easier, so a lot of the older firms were able to grow because they had access to bank relationships and other funding options. The bank credit as a percentage of their borrowing is starting to fall as the bond market is starting to develop. There are a lot of new players in that, for example insurance companies are becoming a big supplier of credit to the NBFCs. It was always earlier banks, and then mutual funds started after 2008-09 when they started getting some scale. But in the last three years insurance companies are emerging and I can guarantee you that in the next five years insurance companies are going to be big provider of capital, long term capital to the NBFCs. And the reason for this is that a lot of the private sector insurance companies used to sell unit linked products until three or four years ago. Now there is a lot of demand for the traditional products - the par the non-par products, because a lot of investors feel interest rates are coming down, long term inflation is down because of all the global factors. So the investors are

keen to buy the traditional products. An insurance company on a traditional account will allocate 85-95% of the money in bonds and only 5-15% in the equities. While in the unit linked, it is almost 100% equities. So all that is starting to change and so I am saying that liability side change is very exciting.

The other analogy I give is to go back and study the US between 1977 and 1988. Coincidently the US went from two trillion dollars to five trillion dollars economy in those eleven years. The three economies which have gone from two to five that we have studied - the American economy took eleven years from 1977-88, Japanese economy took 8.5 years and China took 5 years to go from 2 to 5 trillion dollars. We are estimating India will take ten years which is not very aggressive in that sense because the global factors are not the same. So India is in that growth phase where all this is happening at the same time. And compared to that, even today the total credit outstanding in the entire banking sector is about Rs. 75 lakh crore out of which about 52 is with the PSU banks and 22-23 is with the private sector banks. The total credit of all the non banks put together is only Rs. 8 lakh crore even after all this. So it is a smaller base and even within that there are the larger NBFCs who are mono lines focused on a particular segment. Out of Rs. eight lakh crore at least Rs. 4.5 to 5 lakh crore is housing finance. So the non housing finance is only Rs. 3-4 lakh crore in the non bank markets. So if you keep on slicing like that you can estimate that there is at least a fair amount of opportunities are still available.

But as with everything in credit, you have to be very careful, you have to focus on cost, at underwriting cost. Your underwriting costs are the most important cost as compared to your cost income ratio or even your cost of funds. What can kill you in a credit business is your credit cost, it is not going to be your cost income ratio, and it is not going to be your cost of funds. If you are reasonably smart, it is okay. But if you can get your credit cost down and keep them under control then there is a huge opportunity.

Question – Good evening Sir. When we envision going from a Rs. twenty one thousand crore credit book to a Rs. fifty thousand crore credit book, how are you placed in terms of the processes and the operations? The variable part like the manpower will grow in tandem, but on the core credit appraisal, the monitoring systems, how are we placed when we scale up?

Rashesh – It is actually very important. Here again I go back to - if you are just an auto finance company and you go from Rs. five thousand crore to Rs. forty thousand crore, our estimate, it can be correct or not, is that your incremental risk return starts getting worse because from an operating underwriting point of view as well as the market that you are addressing because you are obviously harvesting a lot more in the same particular segment. While if you see the approach that we have is that we have multiple credit lines and for each of them up to Rs. eight or ten thousand crore there is enough capacity through technology and all. It is not very hard to have a housing finance book of Rs. ten thousand crore or the distress credit which is currently Rs. two and half thousand crore to say Rs. five – six thousand crore over three - four years.

So our idea is not to build one book big and each one of them is to be at a manageable scale, which we say is Rs. five to ten thousand crore. So on wholesale books, both the corporate credit or structured credit book as well as the real estate financing, we are now starting to taper off the growth and we are starting a few funds in which we will capture incremental growth. And so we are going on the wholesale side from the balance sheet to the off balance sheet and allowing whatever space we have on the balance sheet to grow the retail and SME businesses a lot more because now we have scope to grow them.

Question - Sir the SME businesses are done through DSA models or our own staff tries to source it through the CAs or someone like that?

Rashesh – It is a combination of both. We have different products in that. So DSAs would be about two third of the origination and the remaining one third would be on our own.

Question – Just two broad questions, when you think from a strategic perspective are there any lines of businesses where over next five to ten years you would consciously not enter? And let's say in past 8-10 years or say since the time you have reengineered the business, what were the mortality rates of any new businesses which you entered and perhaps you closed down or some learning from there?

Rashesh – We actually either fortunately or unfortunately have not closed down any business but we have scaled back on some of the businesses. The idea is to have a portfolio that you can keep on scaling it up or down depending on the environment and your own capabilities. We have also struggled through businesses at times. When we started wealth management business, we struggled for the first couple of years because the market was filled with the old distribution models where we were getting relationship managers who were good at only selling mutual funds. And we realized that was not the model. So we struggled with it and then we found the model of this entire advisory with a portfolio of solutions. So things like that have happened.

As you would have seen it in the last three or four years, we have also scaled back the commodity business. In about 2011-12 we started allocating capital to the commodity business because we had excess capital. In fact until now we had excess capital. And commodity was not trading business but it needed capital based intermediation. So you become a part of the chain and you use your capital as working capital to fund part of the trade. It was an interesting opportunity and we thought it would scale as India evolved. Commodity markets also became big, but in the last two years commodity markets have come down, the inflation is low. In Commodities the flavor has gone away, the interest has gone away. So we have changed our portfolio. We still have that where credit has a part but the other commodities we have scaled back. So our idea is that the environment will change may be couple of years down the line.

And I would hold ourselves responsible and ask ourselves do we have the capacity at that time to say that the environment is changing and can we also change?

The ARC - for first five years we kept on investing in the business and we built a small book but we built an expertise. And when the opportunity came we can scaled it up. So in a way we are I would say humble enough to know no matter how good or bad we are the environment is also important. And as the environment changes can we also adapt according to that.

I must give you another example. In 2008-09 we had started a business called financial product distribution, Finpro business, as we were setting up all the retail businesses. A lot of my colleagues may not even remember that but we had actually opened about eight shops all over Mumbai as corner shops and the idea was that the retail financial store will sell stuff to you, broking, mutual funds, insurance and all of that. But it just did not work. The economics did not make sense. In fact, at the retail level we are finding the economics of any physical presence; any selling through people is very expensive. You have to use technology. You have to go online and same thing is happening to bank branches and they are increasingly not as profitable as they used to be. So we started those eight ones, and then we closed them down.

Very few people know that we also started a branch doing gold loan business in 2010-11 in Goregaon where we experimented with the business to understand and then we concluded that it was not for us. The skill sets required all were very different.

So as we move on, and we are very comfortable to say that we can experiment and see what works. As I said about the ARC, we experimented for five years and we kept on getting more and more confident on the business, so we keep on evaluating new segments. But currently we are at a stage where we have enough growth because we need to grow our credit book by Rs. four to five thousand crore a year. And in the current verticals that we have, we see a lot more opportunities than Rs. four or five thousand crore. Also on liability side, we even calculated if you have to raise Rs. five thousand crore from outside sources, can we raise say Rs. one thousand five hundred crore through banks, another one thousand five hundred crore through mutual funds, another thousand crore by retail bond issuances and another four or five hundred crore through insurance companies, another four five hundred crore through NHB? So we have an estimate of from where we can raise money and optimize on that and where we can put our assets on that. To be able to grow assets by Rs. four to five thousand crore every year for the next four years is not a huge challenge given the portfolio that we have.

So currently unlikely that we will be looking for any new segments but if there is some interesting stuffs we will experiment, build a five hundred or thousand crore book over three four years, study that and understand the market as we are doing in rural because we think after 2020 rural housing could be a big opportunity. It is a hypothesis we are trying to understand. And it is the same that level of adaptability that is required to be able to identify the new opportunities that are opening up in credit.

Question – As you rightly said resources has been one big factor and it has pushed down the cost of capital, both equity and debt, over the last three or

four years. Do you get a sense that there are at least some pockets of the lending markets where that easy money is leading to compromise on the lending standards by way of either pricing or LTV's that lenders are willing to offer? Are we there yet? Is that one of the reasons we are seeing this kind of growth? Because we are in a unique situation where for some of the banks their lending to NBFCs is growing faster than their own retail loan book growth. Right? So banks are not growing but NBFCs are. Is there that froth creeping in some pockets of the markets?

Rashesh – We all NBFCs talk to each other and you know people who are handling products they are friends all over. Currently there is no stress building up. Their profitability has eroded from the home loan market. So home loan, especially urban salaried home loans, there is no profitability. We are not seeing increase in NPAs in that. In fact metros have becomes fairly competitive on both LAP and home loans but the tier 2 tier 3 cities we are not seeing stress getting to build up beyond what is the normal range and it is partly analytics and partly also the craziness that we saw even in the home loan market in 2008 with 100% LTV and all are anyway not allowed any more. We are not seeing that kind of behavior. In fact underwriting discipline has still been fairly good and partly aided by the fact that people are able to grow without making compromises. It is not like 2008–09 where you had to make compromises in terms of your underwriting standard to grow. It is not just our experience, when we talk to everybody and you all will also know that people are saying that we are not getting the push to scale back the standards. In fact if you saw our LTV, it has only come down. So we are not seeing it but it is a worry that should always be there and you should constantly look out for that.

The NPAs, currently a large part of that is in the project finance and the fraud sector. Even in 2008 when there was a retail banking crisis, 80% of that was in small ticket personal loan, what is called STPL, that time and everybody from GE Capital to Fullerton to ICICI to HSBC everybody had a large part of STPL book and there was craziness because the same guy was actually borrowing from 8 people. You didn't have the credit bureau then and in fact people like Bajaj benefited out of that unsecured market collapse as everybody emptied out of that space except the HDFC Bank. So if I go back to 2011, the only players left in unsecured consumer loans were HDFC and Bajaj.

Question - So the point that you make of STPL some people believe that we are seeing something similar in microfinance probably today.

Rashesh – That is what it is and we handled the Equitas IPO and we asked them all the time. We know Janalaxmi very well and we talked to all these guys and we are not seeing that, unfortunately or fortunately, I don't know. it is a sense of worry because especially in micro finance you are very right because the loan is only for a year and so you have to not only originate equal amount to stay in the same place and if you are growing at 40 – 50 % you have to increase your origination by one and a half times every year. To maintain that kind of origination pace is a challenge. But there is a huge market in India - there are a lot of pockets where cost of credit is not important as availability of

credit. So it is currently at that phase and because of the credit bureau and what happened in 2008 and the RBI rules etc is making sure that 5 - 5 people are not giving loan to the same guy and that actually is imposing some discipline to the market.

Idea in credit is to pick up early warning signal like we ourselves have gone and analyzed the 2008 STPL market and there were 2 – 3 firms which really got stressed. But you know large part of stress happened when everybody else slowed down and scaled back, they continued for 3 more quarters and the 3 more quarters was what actually killed them. So the idea is to see the early stress and scale back which is what I keep on emphasising and lot of our risk focuses on analytics and we work with CIBIL and everybody else to see that stress. So except for rural finance or commercial vehicle we are not seeing that.

Question - My other questioned is talking of RoE expansion in an environment where cost of capital is likely to continue to fall. What is risk that either a new entrance or technology causes RoEs to collapse? If I were to give an example, what DMA has done to the institutional equity business. The reason the capital market is not anywhere close to the 2007-08 period it is because the technology has had its impact. What is the risk that RoE expansion in a declining cost of capital brings a new player who can disrupt the industry? While your growth may not be impacted because as you said the opportunity is very large but profitability could be seriously impacted.

Rashesh – True. And the risk in agency business or flow business is the highest because there are no capital requirement and no entry barriers. I would also argue that in institutional equity though on one side your yields have fallen, your cost has fallen a lot more. We used to run a back office with 40 people earlier and now we are running a back office with only seven people. So I don't think the profit or the profitability has come down - your cost and yields both have come down. You also have to constantly work on cost.

In our case you know just one very simple example for a normal home loan or an LAP, we used to get about 4-5 bank statements from every applicant and we had a business process outsourcing unit somewhere in Tamil Nadu that will courier it to somewhere in Pune and somebody enters it in an excel format on which now you can do underwriting. It used to take us about 24–36 hours to get it ready for underwriting. We now have a technology solution that we had deployed 3 months ago through the pdf and adobe reader and it now happens in 30 mins; saves a huge amount of cost, huge amount of manual labour and these are all small small improvements and we are not the only one I must admit that. Everybody in the industry is doing a lot of other similar thing to work on cost.

In terms of the intermediation, Fintech and all, the payment space is getting really dislocated or disrupted very quickly because it is a flow business and it is highly technology amenable. On the credit side P2P is starting to happen but a lot of that is still on the origination side because the more important thing in credit is the risk transfer. So if you look there is a market place model and a

risk transfer model. So even in insurance the market place model is working, people are aggregating insurance queries so that market place actually becomes an advantage to the manufacturers because now the original cost should hopefully come down. We are not seeing any disruption in the risk transfer space because that requires capital. If you want to build a book you have to have capital because ultimately credit requires capital availability both on the equity and at debt side. So that is something we constantly should be cautious about but I don't see this getting disintermediated in a big way.

The technology will play a big role and in fact in the next 5 years technology is going to change the game completely on how you operate. In fact in Edelweiss we used to say that earlier all financial services were about capital and people. These are two ingredients you have to have. So whether its capital market business or credit market business, you need capital and people. We have now changed it to say capital, people and technology. In fact we see our own history and in the first 10 years we hardly had any capital. We started in 1996 until 2006 we hardly had any capital. We were largely about people. Our real asset was only people because our entire 2005 balance sheet was not even Rs. 100 crore. After 2005 when we raised the first round of outside capital and then we started building credit business and IPOed and we are now Rs. 33 thousand crore asset base company. So the last 10 years in a way has been growth of people and capital and we say that next 10 years we need people, capital and technology. It can't be only people and capital only anymore.

But again all this is ultimately opportunity or threat. It is a threat if you can't adapt. If you are adaptable then it is an opportunity. The thing that keeps us awake most of the time is are we adaptable, are we constantly listening to what is happening out there? That's why in the end I talked about the organization culture and collaborative approach because you are hearing things in the market, you are looking at your competitors, you are listening to your customers and can you adapt?

Question - What is the key risk, not the macro risk like an internal or a credit kind of a risk? What is the risk which you see to this particular plan of yours?

Rashesh - I think the largest risk when you are building the non-credit business is operating cost/ operating risk. If you see, there are three kinds of risk that we all carry. We carry operating risk when we are opening branches and hiring relationship managers, cost to income ratios go up which is largely on the non credit side. Second risk you take is your financial risk which is largely on the financial side and the third risk that is carried in both of them is the franchise risk - Compliance which is always universal. So when we are building the non credit business, we are taking a lot of operating risk and that is why cost income ratio are always higher because we are constantly investing. It is every year when we start the year at the board level we argue that should we bring down the cost income ratio and it always comes to saying are we ok with instead of a 35% growth may be with a 20% growth? So that is a larger risk on asset management, wealth management, capital markets. It will be painful as profitability will not grow - but it will not kill you because ultimately operating

risk is opening offices and hiring people.

Your credit risk is a key one on the credit side because that is ultimately the real financial risk.

And franchise risk like NSEL and others you have to constantly avoid and that is also an ability to say no and in that also a broad based model helps because you can always say that this particular industry isn't doing well. If you were only a broker and at that time equity markets were bad and you had only opportunity in NSEL, you would have gone after that. While we were happy saying the credit is growing and we don't have to go to NSEL.

Currently we are not harvesting wealth management, asset management. We are happy to keep investing in that. So having a diversified model also allows you to be countercyclical. So on the credit side the biggest risk is your credit cost on the non credit side it is the environment and the growth assumptions you have on that side and as we earlier said. The largest risk is you will get blindsided by some industry structural change - Technologies coming in or some other things are happening and you are not adaptable. So being hungry, being adaptable all those are the internal risks that you run and we have to be constantly conscious about franchise risk because we don't want to be caught on the wrong side. So every IPO you do if something goes wrong, SEBI will come after you. So you have to be constantly careful about that but things have improved, capital markets have become a lot easier, cleaner.

Question – Since you do the wholesale mortgage business and others like HDFC, Indiabulls, etc have these special recovery skills, I don't know whether we have those same special recovery skills. Because they have been getting paid over these years for a different reason than even financial. But how do we get comfort on that business?

Rashesh – Actually there is no special skill. Ajay Piramal is also doing it. Large part of that is your counterparty selection and your collateral. We have the same, our people are the same. Not that the people are completely new to the business. The people in that business we have, have been doing that in other firms like HDFC and others for many years. If you look at the history of even the non-HDFC, non-Indiabulls, Ajay Piramal entered this only in the last three years ago and they also have not had a problem. There are a lot of players there, IIFL has a big book. If you select your counter parties well and see what was happening in that market, you should be ok.

One of the other significant changes that has happened is, banks are becoming more conscious of risk based pricing. This entire NPA mess is forcing banks; banks are also saying I am not going to give money at 12-13%. So anywhere, normally these real estate guys would borrow from a non-bank at 100–200 basis points higher than they can get in the bank because bank has all these other issues. The banks are now starting to push this out of the banking part and your largest risk in real estate developer financing is execution risk. When you do a real-estate residential project, and we do only post approvals so usually there is no approval risk. If you take approval risk you can get a higher

yield but if you do post approval, your only real risk is execution risk. It is not price risk at that level. You are 2x collateralized and unless there is a real estate collapse like an Asian crisis happens in India and suddenly the real-estate fall by 50–60 % which is not something that we think can happen in India given the way the economy is. In fact it has been improving. In the last one year even housing market has started to crawl back. Commercial real estate improved one year ago and this quarter housing also did really well and again, over the years I have seen one thing, the way night follows day, real-estate market follows stock market. So, if the stock market is going to be robust for the next couple of years, because real-estate market has not gone anywhere for 7–8 years, this is the biggest de-risking that has happened. Commercial yields are starting to inch-up but again idea is not to be too optimistic. Select your counter parties very carefully. If you get good counter parties and your collateral is good, you are ok. Some projects will be slower so your project execution risk may be there and we have people who have worked in real-estate and spent a career in doing projects so they understand this.

Ultimately in Edelweiss, this is not that you will learn on the job, you will also hire people and every part of that whether its credit, whether it is retail finance, whether it is insurance, we have just hired a lot of people who have deep experience and I am strongly biased towards getting people who have domain expertise. You can have a few generalists also but what you need is people who have spent 20–25 years in the business. So the way HDFC and Indiabulls have, we too have similar people and eventually this is about understanding people, understanding clients, understanding where they are. The whole market of real-estate residential developers' credit is about Rs. 100–120,000 crore market per year. HDFC is about Rs. 40–45,000 crore, Indiabulls is another Rs. 17-18,000 crore, Ajay Piramal's group is about Rs. 14–15,000 crore and we are a Rs. 5,000 crore in that and that's a fairly good market. Not a lot of people have lost money in that. The project have got stuck but on the credit side very few cases and that's why I am saying, one good thing about credit markets in India is that there have been pockets like STPL in 2008, Project finance now and project finance in 89–90–91, 2000–2001, 2002-2003 was also project finance. It was auto finance is 96–97–98. There are always pockets and that is what we worry about the most that can it happen in SME and at that time our idea is that a) it should not be a large part of our book and b) can you scale back? Actually even in structured credit in 2008 we had a Rs. 1,100 crore book. By end of 2008 it became Rs. 400 crore. We shrank back that book in that time because of the market volatility post Lehman. So the ability to manage your risk and shrink it back is equally important. I remember I was talking to Uday Kotak and he said in 1999–2000 when all NBFCs failed, Kotak survived and one of the reasons is that they scaled back their business.

Question – Now that the revised RBI guidelines have come out for banking license, what are your thoughts on getting one?

Rashesh – We are actually as confused as everybody else. The last time all of us applied was because that was the only window that opened at that time. In

2012-13, things were very different, credit business was not growing and as I said in the last 3 years even the fears you had about the liability constraints have gone down. The good thing about that is that these things are on now on tap and since it is on tap you can pick and choose your period. The pros about a bank is that you can choose your scalability because if there is a glass ceiling on NBFC at Rs. 100,000 crore and if you really want to think about the next 10–15–20 years and at some point you want to be Rs. 2 lac–3 lac crore, then you need to think. It is currently hard to see an NBFC scaling up more than Rs. 100,000 crore but as I said it keeps on changing. 10 years ago I would have said Rs. 20,000 crore; 3–4 years ago I would have said Rs. 40,000 crore, now I am saying Rs. 100,000 crore is the glass ceiling for NBFCs.

The other thing that the banking structure will allow you is some more stable regulatory environment because a non bank is always exposed to RBI changing its view on NBFCs and we have seen that happening over the years. The last 3 years RBI has been very positive about NBFCs but it can easily change if there is some chaos in the industry. So you are always suspect to scalability issues and the change in the regulatory environment if you are a non bank. On the other side what has happened is the profitability of the non bank has improved as compared to banks. As I keep on saying, how many banks you can name who have RoE above 18% and how many non banks you can name who have RoE under 18%? The game has changed in the last couple of years but our idea is that in the next 3-4 years we just focus on growth where I said there is enough and we want to grow by Rs. 4–5,000 crore credit assets every year so we just focus on growth and may be after 2018–19–20 based on how the environment seems for growth after 2020 you make your call.

So other than try and grapple with it now, where it is an academic exercise, you see how things can evolve after 3-4 years. The good thing about this is that if it is on tap then it is like getting a broking license or asset management license, you will decide when it makes a lot more sense for you or if it makes sense for you at all.

Question - But what if guidelines change later on?

Rashesh – Unlikely, because now that they have worked so hard and they have made it on tap; though it can always happen. In India things can change but should you go out and grab something that you are not currently convinced about? What will be good is 4–5 years from now the new banking model might be clearer because currently banking itself is in a flux. A branch network is either an asset or a liability wherein 3 years ago it used to be a big asset. Banks used go and start 300 branches. May be it is not an asset any more, it is a cost. So in the next 3–4 years the new banking model, the technology, all of that will become a lot clearer. The last thing you want to be right now is follow a conventional banking model because you don't have the advantage of having setup branches 8–10 years ago and you don't have the advantage of the new model because it is not clearer. So the idea is to wait and watch for the next 3–4 years and continue to grow.

Question - This is about the commodities business and you have already

addressed it how 2 years ago the company was very optimistic about the business and things changed and agri-value chain business opened up, so one question about the capital employed in the business, if you could give us a little bit of color. The second one is we now have more than 300 warehouses and you used to speak about how the financialisation of a lot of assets and the transition towards collateral being available and accountable that will help in the long run and the commodities business is actually quite interesting. So if you could just give us more detail on how you see it progressing 5 years from now or 10 years from now?

Rashesh – Current assets on the non credit side of the commodities would be about Rs. 800 or 700 crore or even lower than that because it is an intermediation business and capital is a large part of the working capital, it has been come down. It used to be Rs. 2,500 crore a couple of years ago, we scaling back that and we are adding that to the credit side. So in the commodity intermediation business, the capital employed continues to fall and as there is not a lot of volume uptake and we have also in a way de-focused on that. Rujan can add some more colour.

Rujan Panjwani - So that is currently about Rs. 500–600 crore. It is a fluctuating book because it short term credit based on the crop harvesting cycle. That is supported by a 1.2 million ton warehousing capability and that capability you need to build in order to grow the credit book over a period of time. So that's panned out fairly well until and now we would be amongst the top 3 or top 4 in that industry.

Rashesh – Star Agri is the biggest. They are about 1.6 million tons and we are about 1.2 and we have NCML which recently Fairfax acquired who are in the 1.3–1.4 million ton. We are already at 1.2 million ton, so we have got that base out of the way and our whole idea about that is that the warehousing industry is getting organized and we have WDRA (Warehousing Development and Regulatory Authority). Eventually warehouses should be like NSDL– CDSL. If there are goods lying in the warehouse then you can be certain that the goods are there and they are clean and that is where India needs to go towards. The good news is that the warehousing industry especially for agri is starting to get organized. We have NCML which is owned by Fairfax and Fairfax paid Rs. 1,100 crore for that business for 1.3–1.4 million tons and they make about Rs. 28–30 crore PAT and they paid almost 40X of that because they see opportunity there. Temasek and IDFC are big owners of Star Agri. We have a company called Sohanlal and Sons which is owned by Everstone and ICICI Ventures. We have Shubham that is owned by Tano Capital and we have NBHC which is owned by India Value Fund. So a lot of the PE money is starting to go into this which is the first indicator that this is getting organized and all are high quality companies that are getting built. This is a 5–10 year trend.

All banks are keen to do this (agri credit). Our estimate currently is that this is a Rs. 100,000 crore credit opportunity for the organized market and currently banks do anything between Rs. 20–40,000 crore and this keeps on fluctuating because ultimately a warehouse receipt business is a risky business and in the

past ICICI had issues, all banks have had issues, NSEL is another one, because we are still not at a stage where a warehouse receipt is something you know that the goods are behind it as we all have found out after NSEL. An organized warehouse manager is something that banks want and banks are appointing us and others as collateral managers. There is a feeling that the WDRA is going to impose capital adequacy norms on the warehouses managers which will be good. It is in the proposal.

Rujan Panjwani- Ultimately the credibility of any industry is also led by the credibility of the leading players and until now the leading players have been government and quasi - government owned organizations. With the advent of the 5–6 private players, which are also well governed because of the PE investors in them, there is a huge change coming about including in the thinking of the government.

Rashesh – We are not into warehousing and logistic business. We started doing a little bit of agri credit, built our first Rs. 100 crore book then realized that there is a lot of risk management required when the goods are lying in the third party warehouse. Hence we stopped that and went back to drawing board which took a lot of time to convince our board. On a long term basis we don't see ourselves as a warehouse manager; we just had to do it. Coincidently we may have ended up building a standalone good business but our long term idea was that if there is a warehousing logistics management opportunity we will go on that part and we will be sponsors of that but we wanted to use that base for building an agri-credit business as our attempt has always been to find credit opportunities where you are not competing head-on with banks because banks have a cost of capital advantage.

So in Urban Salaried Home Loan, you are competing head-on with banks and it is very hard to compete and that's why we are seeing a lot of the non-banks not able to do that. But in distress credit we are not competing with banks, we are on the other side of banks. On structured credit, we are not competing with banks. In real-estate credit wholesale we are not competing with banks. In SME self employees segments we are not competing with banks and the same with Agri. The idea is to find things where you don't compete with banks but you collaborate with them. A lot of the Agri credit we are doing we expect that about a third of that will be priority sector. So now a lot of banks come to us saying can you help us expand our agri portfolio? We don't want to do farmer loans but here biggest thing is the collateral is in your control because if it is not in your control then risk multiplies manifold. Unlike a car which has its identification or a house which has an identification, a bag of wheat has no identification which is the biggest risk at the end of the day in this particular sector. If that risk is conquered, this is a Rs. 100000 crore market and think about it, for 4% spread on Rs. 100000 crore market is Rs. 4000 crore. Opportunity is out there and it is a fairly big one. All banks, a lot of global financial institutions want to come and partner with us. All the PE guys are very excited. NCML when it was offered for sale it used to be owned by NCDEX, there were 8 PE firms bidding. NBHC also had a lot of bidders. So it is an opportunity by itself but we are not in that

business. We are in the credit business because our whole idea is even if you can build a Rs. 5,000–10,000 crore book at a 4% spread it is a fairly good Rs. 200–400 crore opportunity to us at a net revenue level.

Question – In Asset Reconstruction business we heard about Rs. 29 thousands crore of asset under management. What is the resolution or success rate till now we have and how do you think about the economics of this business?

Rashesh – My colleague Siby Antony is also here. Though he still is fairly young; he is also called the grandfather of the distress asset business in India. So Siby has extensive background -he used to be in IDBI and when IDBI had split into what was called good bank and bad bank, the bad bank was called SASF, Stressed Assets Stabilisation Fund, which was about Rs. nine thousand crore at that time. SASF was handed over to him and he actually cleaned it up and recovered a lot of money and he was also the chairman of the CDR committee when it was formed in 2003–04 by RBI. So if there is anybody who understands this particular market, he is the one.

What happens inside a bank is recoveries and NPA resolution is always very low priority. It is not a career enhancing department in almost every bank and I have been there when I was in ICICI where it was called recoveries and legal and nobody wanted to go in that group. The second thing that happens in the business is that the ARC is very strange animal. It is partly an agent of the bank for recovery but partly also a provider of capital to the banks. ARC in a way operates like a distress assets fund. Thirdly it is also an LP and a GP in the same version. So what happens is when you buy a Rs. 100 crore of asset from a bank, you put Rs. 15 crore of your own money and Rs. 85 crore is a security receipt (SR) you give to the bank and so you and the bank are 15-85 LP or limited partner in that fund. But you are also the GP of that fund as you manage it and on which you get your fee and economic interest and the carry incentive. So your economics for the pure LP activity are not more than 8 – 10%. That is, out of the Rs. 100 crore, if you invest Rs. 15 crore in that, that Rs. 15 crore will not make you more than 8–10% because you are buying at that price. If it was a great economic proposition, then you will pay all 100% cash if you can make 20–25% on that you will buy it for all cash. But the banks are selling it at a price where your returns are slightly muted and you are happy to buy it at that price because you are making 8–10% on what is your LP interest; but you are also getting the GP interest. So when you look at hybrid of these two, you are able to make about 20% return on your capital deployed and that's why we look at what is your capital deployed.

Actually it is a very elegant model because what happens when an ARC buys Rs. 100 crore from a bank and pays Rs. 15 crore on that, the bank also earns return on that Rs. 15 crore. So assuming on that Rs. 15 crore the bank earns Rs. 2 crore a year and the 2 crore is also the fees that he has to pay the ARC (annual management fee say @2% on Rs. 100 crore), so in a way the bank is fairly indifferent for the fee that it pays you. Earlier, 5:95 was very much in favour of the ARC because you are putting 5 rupees and getting 2 rupees as fees and against that bank was paying fees

out of his own pocket because on 5 rupees may be the bank was earning 60–70 paisa and paying you 2 rupees. But at 15 rupees the bank is earning 2 rupees on that assuming it takes the money and redeploys it. So you make about 14–15% return on the GP and another 8–10% on your LP. But because even on that credit there will be some haircut and other things, so overall you make a LP/GP economics of ~20% on that and usually the risk of loss is low because you are buying it very selectively. On an average, out of the total assets that banks put up for sale, only 10% or so is bought by ARCs as per the experience in last two years and so ARCs can pick and choose what they are buying. It is not that you are buying anything or everything.

Where you feel that the recovery is there, say there is a Rs. 100 crore loan of the bank and we think the recoveries value is only Rs. 50 crore; if we have to pay all cash and we think it is going to take us 4 years and so how much we will pay? Say Rs. 25 crore because I will put 25 now and recover 50 over 4 years. I will double my money with a good rate of return; but the bank will not sell it to you for Rs. 25 crore and they will sell it to you at Rs. 40 crore or so because of their provisioning requirement. So if you buy at 40 and you recover 40-45–50 out of that, you don't make a lot of return on that but you are getting fee out of that. So that is its very interesting structure and it is unique from India point of view but we are seeing that in the European market also a lot of banks are doing this kind of deal with asset managers. So it is a fairly interesting model where you are partner with the bank, you are an agent of the bank and you are also a counter party to the bank. So as I said, if you can make about 20% return on that it is a fairly good business. Again its very niche and what we found is almost 60% of cases are where you do financial restructuring, very often these are the positive EBIDTA company, but they have an unsustainable debt and so you convert part of the debt into equity or if they are stuck somewhere, they need to complete the project, they need the last mile funding to get the cash flow started. For example, if you are a mall or a commercial building and you are 80–90% done and you become NPA. When you become NPA, no bank will give you additional money. So if your ARC can buy it, give him the remaining money, help him complete the project and then he starts generating cash. So about 60% of cases are what we call financial restructuring cases.

Another 20% cases are legal cases which go into recovery through court cases, asset sale and by enforcing collateral or guarantees, and the other 20% are very hard to crack but usually you buy them very cheaply. Those 20% come to us in a portfolio sale. So when we are buying a portfolio of say eight assets, out of that there are four which are actually 90-95% of the value. The other four we are just buying because the bank just wants to get it off their books and they are insisting and you are not paying any price for that. We have about 500 cases, out of which about 30 cases are about 60-65% of the book. So here also there is an 80-20 rules and you focus on those 30 cases which are fairly viable and those are healthy cases.

Question - Those 60 and 20 and 20 that you described, these are the cases

you actually bought. What is the quality of 90% which you did not buy?

Rashesh - I think you can estimate that because it was not just quality, a lot of them have no recovery value and revivable value and that's why when the bank is putting something for sale, only 10% are getting bought by the ARCs. So think about it, even today if the bank wants to sell Rs. 40,000 crore of assets, ARC puts Rs. 6,000 crore of its own money and after 8 years in the business we are at Rs. 2,700 crore and we are the largest. Our expectation is to add about Rs. 1,000–1,500 crore capital every year in distress credit. So the 30 cases which are the larger ones we have really analyzed them well. We have a game plan and on that we are confident that we will make more than 20% return. If there is a revival of economy, you can end up making 25–30% also on it. Because in all this there is an LP GP interest but the part of GP which is carry, so if the economy revive and carry kicks in s you can make a higher return.

If we have to add Rs. 4-5 thousand crore of credit assets every year, we are expecting ARC assets will be Rs. 1,000 -1,500 crore, retail will be about Rs. 2,000–2,500 crore, Agri will be Rs. 1,000 crore and then the ability to grow is very easy. The opportunity is there and you can pick and choose.

You think about it, if you are a bank and there is Rs. 100 crore loan which is now 3 years into NPA. So you have already provided 50% on that and assume recoverability is also Rs. 50 crore. If you keep it on your books, you have to immediately provide the balance 50%, mark down value in your books to zero and then as and when you recover it comes back to your P&L. Instead of that, you sell the loan at Rs. 50 crore to an ARC; you have actually stopped at least the balance 50% provisioning pain. You may not earn anything on that but an ARC who buys it will earn fees and if that 50 comes back 50-55, then ARC is happy with that.

Question – You mentioned briefly about the capital on FY18. Can you talk a little about your best guess either at parent level or the subsidiary level for equity capital?

Rashesh – We estimate that until 2018 we still have enough headroom to grow and let the RoE improve. We have not yet made up our mind though we are getting offers at subsidiary level, parent level and our board is trying to debate. It is not just about raising capital at a valuation, we also have to think about the long term strategy because if you bring a third party investment in a subsidiary then you also undertake certain commitments for either going public or providing an exit in the future. So you have to think through that. We are currently debating that and since we have about a year to grapple with that, we are trying to see the pros and cons. But at least for the next 18 month to 2 years we have enough capital for our growth and we don't have to be worried about that. And then there is the strategic angle - in some of the business there are strategic partners globally who want to come in and invest in which case it is not about either liquidity or IPO but it is also about the strategic value that they bring in. So we have to just figure it out. The good thing is there are a lot of options available because there are lot of people coming in retail finance to agri and lot of people are excited about ARC. There is a lot of excitement around

that but these are specialized businesses and so we just have to decide how we do that and if any of you have any inputs for us we will be happy to listen as we ourselves are grappling.

So along with I want to thank all on behalf of all my colleagues and everybody. Thank you each and every one of you. It has been a very insightful, very interactive evening and thanks a lot. We will get a chance to catch-up more over drinks and dinner. Thank you and good evening to all of you.

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