"JM Financial Limited Q4 & FY19-20 Earnings Conference Call"

May 7, 2020

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MR. SUBODH SHINKAR – MD & CEO, INVESTMENT ADVISORY BUSINESS
MR. SHASHWAT BELAPURKAR – MD & CEO, JM FINANCIAL CREDIT SOLUTIONS
MR. ANIL BHATIA – MD & CEO, JM FINANCIAL ASSET RECONSTRUCTION COMPANY
MS. GITANJALI MIRCHANDANI – HEAD, ORIGINATION FOR REAL ESTATE LENDING BUSINESS
MS. SONIA DASGUPTA – HEAD (GROUP BORROWING)
MR. AJAY MISHRA – HEAD (PRIVATE WEALTH BUSINESS)

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Earnings Conference Call of JM Financial Limited to discuss the company's financial performance for the quarter and full year ended March 31, 2020. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Kampani, Managing Director, JM Financial Group. Thank you and over to you, Sir.

Vishal Kampani: Thank you very much. On behalf of JM Financial, we extend a very warm welcome to all of you to the conference call to discuss our financial results both for the fourth quarter and importantly the full year 2019-2020. I hope most of you have had a chance to go through our presentation, our press release, as well as our results. We have updated them on the website and also on the stock exchanges. I am joined on this call with our full management team. I have Mr. Manish Sheth – our Group CFO; Mr. Subodh Shinkar – MD & CEO of our Investment Advisory Business; Mr. Shashwat Belapurkar – MD & CEO of JM Financial Credit Solutions; Mr. Anil Bhatia – MD & CEO of JM Financial Asset Reconstruction Business; Ms. Gitanjali Mirchandani, who heads our origination for our Real Estate Lending Business; Ms. Sonia Dasgupta, who is head Group borrowing and also heads financial institution in the investment banking business; and Mr. Ajay Mishra who heads our Private Wealth Business. I shall now provide an update on the performance of our businesses post which Manish will take you through the financial numbers and then we can open the floor for Q&A.

Our consolidated revenue for FY '20 stood at Rs. 3,453.55 crores. It was a small decline of 1.3% year-on-year. Our share in profit after tax after minority interest for full year FY '20 is at Rs. 545 crores, a decrease of approximately 5% year-on-year. Given the uncertainties around COVID-19, we have taken additional provisions across the group to the tune of Rs. 175 crores for the last quarter, which is captured under the ECL framework and fair valuation of investments held by us. Our adjusted FY '20 PAT without the COVID impact after minority interest would be Rs. 621 crores for FY '20 and Rs. 206.6 crores for Quarter 4 FY '20. With that I will move on to the loan books details. Our consolidated loan book stood at Rs. 11,531 crores down 18.3% year-on-year. The breakup of the loan book is as follows; wholesale mortgages continues to be the largest part of the book and constitutes 70% of our loan book which is approximately Rs. 8,052 crores. The wholesale mortgage book registered a year-on-year de-growth of 20.5% and this has been a conscious strategy for the group since the ILFS crisis. The capital market loan book constitutes 4% of the loan book, which is approximately Rs. 465 crores. This book has registered a year-on-year de-growth of 56.8%, the corporate lending loan book which also includes promoter lending constitutes 20% of our loan book which is at Rs. 2,270 crores and this is largely flat from last year. The retail mortgages loan book constitutes now 6% of our loan book at roughly Rs. 744 crores. The book has registered a year-on-year growth of 28%. This loan book comprises largely of housing finance and our education institutional lending business and also a cross sell of loan against property to our wealth management clients.

Moving onto asset quality, the gross NPA ratio of the lending businesses is at 1.65%, the net NPA is at 1.13% and the SMA2 stands at 2.64% as of March 31, 2020. A few comments on liabilities and leverage. On a consolidated basis, our gross debt to equity stands at 1.47 times as of March 31, 2020, and on a net basis at 1.04 times as of March 31, 2020. During the full year FY '20, we raised approximately 640 crores through public issue of NCDs which has helped us diversify our investor base. As of March 31, 2020, our borrowing mix comprised of 91% of borrowings from long term sources and only 9% from short-term sources. This is compared to 84% from long-term sources and 16% from short-term sources as of December 31, 2019. We feel very comfortable with this current position, in fact we feel extraordinarily comfortable having excellent long term borrowing mix currently. With that I will take you through a brief update on the performance of each of the group's business verticals, which I will start with IWS which is our investment banking wealth and securities segment. For FY '20, IWS posted revenues of Rs. 1,611 crores with a profit before tax of Rs. 434.6 crores. The business contributed to 40% of our group's PBT for FY '20. The profit after tax from this segment increased to Rs. 311.26 crores for FY '20 compared to Rs. 239.6 crores for FY '19. Asset under advice of our wealth management business currently stands at Rs. 44,883 crores excluding custody assets. The equity component as of March 31st declined 17.7% year-on-year to Rs. 10,159 crores, large part of the decline on March 31st was because of the value of the asset coming down due to the drop in the stock market because of the COVID-19 crisis. The loan book for this segment stood at Rs. 3,880 crores which is a decrease of 31.1%, as of FY '20 the gross debt to equity for IWS segment stood at 1.54 times and the net debt to equity stood at 0.8 times. We are in an extremely cash-rich position in the IWS segment and we will look to gain more market share over the next 12 months in the business.

Moving onto the second group vertical, which is the mortgage lending business. For FY '20, this segment had revenues of Rs. 1,351 crores with a profit before tax of Rs. 533 crores. The business contributed 49% to our groups PBT for FY '20. Our share of Profit after tax after minority interest from this segment stood at Rs. 178.6 crores. Our loan book stands at Rs. 7,651 crores, which is a decrease of 8.1% year-on-year. The wholesale loan book has decreased as that was our strategic decision we had taken post ILFS and our retail mortgage lending book has increased again a strategic decision we had taken 18 months ago. Coming to the distressed credit business, our assets under management for FY '20 reduced by 18.2% year-on-year to Rs. 11,489 crores. Our JM Financial ARC's contribution to the SR stood at Rs. 3,012 crores, which is an increase of 2.5% year-on-year. For FY '20, the segment had revenues of Rs. 413 crores with a Rs. PBT of 85.58 crores. The business contributed 8% to our group's PBT for FY '20. Our share of Profit after tax after Minority Interest from this segment degrew to Rs. 29.85 crores. The gross debt to equity for distress credit segment is at 1.64 times and the net debt to equity is at 1.46 times. We have had some significant recoveries in the distress credit business in the last 12 months and despite an extremely challenging environment, we have managed to have a significant amount of resolution and we hope that we are able to keep up that steam over the next two years despite the crisis we are facing with the current COVID crisis.

Moving onto the asset management business which comprises of our mutual fund business, this segment had revenues of Rs. 63 crores with a PBT of Rs. 22.5 crores. The business contributed

2% to our groups PBT. Our share of Profit after tax after Minority Interest from this segment degrew to Rs. 10.28 crores for FY '20. The average quarterly AUM of the mutual fund stood at Rs. 6,109 crores comprising Rs. 3,285 in equity and Rs. 2,824 crores odd in debt schemes. With this brief update, I will now request Manish, our Group CFO, to present the group's financials and after that we will open up for Q&A. Thank you. Manish, over to you.

Manish Sheth: Thank you, Vishal. Good Evening everyone, before I present the financials, I would like to bring to your notice that any forward-looking statements made on this call are based on management's current expectations, however, the actual result may vary significantly and therefore the accuracy or completeness of this expectation cannot be guaranteed. Now, let me take you through the group's results, which were announced yesterday and are available on our website. In Quarter-4 FY '20, our revenue grew by 6.12% year-on-year to Rs. 841 crores from Rs. 792 crores. The Quarter-4 FY '20 profit before tax is at Rs. 215 crores, which is a decline of 12% year-on-year, but our Quarter-4 FY '20 profit after tax increased by 1.49% year-on-year from Rs. 128.64 crores to Rs. 130.56 crores. With regard to the full-year number for FY '20, the gross revenue is Rs. 3,453.55 crores and the net consolidated profit is Rs. 544.98 crores. This represents an EPS of 6.48 versus 6.82 for the same period last year. As of March 31, 2020, the net worth is at Rs. 5,586 crores which is a book value of Rs. 66.41 per share. The group's finance cost has decreased to Rs. 1,386 crores in FY '20 as against Rs. 1,446 crores during the same period primarily on account of decrease in the borrowings and overall gearing. Our cost of funds for the lending business stood at 10% compared to 9.2% year-on-year primarily due to increase in the borrowing cost and also due to change in the borrowing mix, as Vishal said, we have 91% long-term borrowing and only 9% short-term versus 73% long-term and 27% short-term a year ago. With this, I would like to conclude and we are happy to take any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubhranshu Mishra from BOB Capital. Please go ahead.

Shubhranshu Mishra: My first question is with regard to asset management business, few quarters back you had alluded to the fact that there are some new buyers in the wealth management business and that wealth management and asset management business would get aligned, but what are our thoughts presently on asset management business and given the fact that there are few AMCs which are already up on the block, are we looking at inorganic expansion, are we looking at acquiring anything from the asset management, how do we scale this up to a larger space in the AMC industry as such?

Vishal Kampani: I think our wealth management team has almost doubled in size and most of the people have joined us since Diwali and Christmas of last year, so a lot more joining even this quarter. It takes a year to 18 months in terms of performance. Having said that, our productivity and efficiency per manager has actually improved a lot both from the quality of AUM, the mix of a better equity AUM as well as the integration of our investment banking wealth and securities working wonders and we are able to put through a lot of transactions between our wealth investment bank and institutional funds. On the asset management side, again most of our recruitments are now complete, we have already closed our private equity fund 2, we have completed the first close of our distress credit fund, our private equity fund 2 closed an approximately Rs. 600 crores, the distress fund that had a first close of almost Rs. 160 crores, so those teams are ramping up as we look forward to raising more and more funds over the next two to three years. On the mutual fund side, we have hired a new CIO, Satish Ramanathan has joined us. He used to be in Sundaram Mutual fund earlier and the team is working on lot of new products and new structures. Of course, a lot of them may not be launched immediately or you may not see the movement because of COVID-19, but I would think most of our recruitment over the last 18 months which had been planned has been completed, so we look forward to seeing more traction over this year in these businesses.

Shubhranshu Mishra: The inorganic expansion part given the fact that the many AMCs are on the block?

Vishal Kampani: We have looked at a few and to be honest we are very careful on our capital allocations and on that something is a very attractive price and makes a very good cultural fit. We would not generally be the top buyers or the top payers for some of these assets. Mutual Fund valuations on private side are still rich and I would imagine the industry from a pure mutual fund perspective is going to be under some amount of threat with the advance of index funds over the next five to seven years. You have seen pressures on fees on the regulatory side, so it is not a very easy decision to take when you have to pay a premium price and purchase some of these assets when the underlying shift for some of these business is almost half a decade away. Having said that, the alternative investment business is a better and more attractive business and the PMS equity business is a much better and attractive business and I think we will be focusing in growing strategically in those areas as I have said also in my earlier calls that really full-fledged growing some of these mutual funds. The mutual fund space will get concentrated in the top 10 names, I would not be surprised that we would reach a stage in India where more than 70%-80% of market share of most mutual fund managers in India will be concentrated in the top 10 names and more than half of them will have large bank base distributions.

Shubhranshu Mishra: I take that last point, we are already at that stage where 83% of the total AUM is as the top 10 AMC, so why do we have, I understand what we are putting in PMS and AIF businesses which are lower regulated versus the MF business, so my question was if you do not want an inorganic expansion, why are we in this business in that case, this is a small sized business, why should we be in business in that?

Vishal Kampani: Because it is a good business, it is profitable, it has been managed extremely efficiently by the current team and if you see one thing that has definitely changed for the mutual fund space on the credit side is that almost everyone is becoming an equal, you have seen large players having problems which the small players have not, so there are pockets of opportunities which we can build on to, so there is no reason for us to just exit a business because we think it is not going to grow as long as we know it can grow profitability and add to our bottom line, there is no rush to exit it, so I am not saying I am negative on that, I am saying I am negative on making some big bang decision, I think even in the 20% among the non-top 10 players, there is a very clear position where we can operate profitably and grow as well.

Shubhranshu Mishra: Thanks. My second question is with regard to the retail home loan, what are the numbers that we are building in from a two to three year perspective, what kind of a book size are we looking at and how are we going to grow, will it be own sourced, will it be sourced through DSAs, will there be some kind of a portfolio buyout, how do we look at this home loan portfolio?

Vishal Kampani: I think it will be more home grown, we will do a few buyouts opportunistically wherever we can, but I think it will be more home grown through our direct connect to customer as well as DSAs and our target pre-COVID was to have a book size of almost Rs. 3,000 crore plus by FY '22. I hope we can maintain the same target. It is difficult to comment currently whether this will have a change in strategy or not, we are also watching the situation of how the uncertainty due to COVID develop over the next few quarters, but yes I think it is more of a homegrown strategy, it is a business that we want to increase in size over the next two to two-and-a-half years. Manish, you want to add any comments on the same.

Manish Sheth: No, I think Vishal you have covered, so basically we do most of the business in the Tier-2, Tier-3 cities and it is sourced by our own DSTs on the ground, so I think Vishal has covered.

Shubhranshu Mishra: One last question, this is a data keeping question, the home loan business what is the average ticket size and what is the average yield on that particular portfolio?

Manish Sheth: The average ticket size is around Rs. 10 lakhs and the yield is around 12.75%.

Moderator: Thank you. The next question is from the line of Ritika Dua from Elara capital. Please go ahead.

Ritika Dua: Thanks for the opportunity and my apologies because I missed both yours and Manish's opening remarks, so in case if they have been answered, then I am sorry for the repetition, so firstly on the OPEX bit, on the employee bit it looked quite down quarter-on-quarter, what is there to read into it?

Vishal Kampani: Sorry, on the employee bit meaning?

Ritika Dua: On the employee expenditure?

Vishal Kampani: We have a quarterly provision for incentives which is mapped based on performance at the year-end, so we had a lot of provisions already made for nine months, so we did not require as much of payment for the incentives to be made at the end of the year. So it is roughly Rs. 20-24 crore adjustment at the most.

Ritika Dua: Sir, if I could understand that on annual basis, how does this number look like?

Vishal Kampani: It could be anywhere between Rs. 100 crores to even Rs. 150-160 crores depending on performance and depending on the outlook for the next year.

Ritika Dua: Sir, the second bit obviously there is a provisioning which we have done which obviously most of the financial companies are adhering to because COVID being uncertain, could I get some more color on this provisioning number that we have done maybe some thought behind the moratorium being given or the best way you can help us understand that how have you arrived at this number and how confident are you, I know it is uncertain but still how confident are you from the number not increasing?

Vishal Kampani: It is actually a billion-dollar question on whether the number will increase , decrease, be stable, I hope I could answer that accurately, but let me give some perspective on the call on what we have done, so what we have done is we have done a complete bottom up analysis and almost at least on the wholesale side each and every loan that we have, again internally we have already done a full AQR on our entire wholesale mortgage portfolio, so it is an internal risk based Board committee driven asset quality review and that was completed sometime in December of last year and in fact we felt extremely comfortable after that review and in our January Board meeting, we had taken a decision to restart growing the wholesale mortgage business, which we had put on hold post ILFS crisis and all the origination team, Gitanjali, who is the head was clearly instructed to go out and actually source new business starting the new financial year which is April-May of this year and of course COVID struck us in March, so obviously that is again back on hold, so based on that AQR a lot of conservative amount of provisioning was already done for December 31st, so what did we do differently, so what we did differently is we worked with our internal risk team, we worked with our auditors over the last five weeks and we went through each and every account in our wholesale book, the wholesale mortgage book as well as the corporate funding book as well as the promoter loan book and we figured out how each of those accounts could be impacted where we could have potential losses and with a specific focus on our NPA, our SMA accounts, and we decided that we should conservatively provide as high a provision as we think is possible and bottom-up account by account we increased provisions on our SMA2 as well as our SMA1 accounts and that is how we have come to a total number of 175 crores with same, the ditto same account by account methodology was followed by our ARC for the distressed credit book. They have estimated provisions that they need to make as well as fair value losses that they need to provide against each and every security receipts that they hold and the same thing is also extended in a certain framework for our capital market loans though the impact on the capital market loans as well as the home loans as well as the structured finance and corporate loan book is very small. The large part of the provision that has been made here is actually between a wholesale mortgage and our distressed credit book, so if I were to give you the breakup between these books, the provision made in the wholesale mortgage business is roughly Rs. 87 crores. The ARC is Rs. 67 crores, structured finance and promoter lending book is Rs. 16 crores, the capital market book is Rs. 3.7 crores, and the home loans book is Rs. 1.6 crores and this adds up to a Rs. 175 crores.

Ritika Dua: Sir, any number on the moratorium that has already been extended in terms of the percentage of the portfolio which is maybe seek or extend?

Vishal Kampani: In terms of benefit extended, our wholesale mortgage portfolio is about 80% under moratorium, our capital market portfolio has almost zero moratorium, our retail mortgage loans portfolio is around 50% under moratorium and our structured finance portfolio has roughly 50% moratorium.

Ritika Dua: Sir, on the liability, if I can ask that that and maybe I will come back because I have more questions, on the liability but because obviously we have a very high share of NCDs and obviously we have completed rundown on the CPs which is a good thing, bank obviously has not been increasing as much which is obviously a bit of an industry wide phenomena as well, obviously the NCD which will not give you moratorium at least the bank side maybe now some bankers are still now probably looking to now extend the moratorium which was probably awarded earlier as well, so how do you really look at this, while you are liquid enough, you have low leverage etc. but like how do you really look to change your liability bit on which more and what is your discussion with banks at the moment?

Vishal Kampani: That is a very good question, it is something I think about every day, so yes we do have a heavy share of NCDs, but we also have a very deep share of bank borrowings, I expect by this quarter end our share of bank borrowing will go up substantially. One more reason, Ritika, you should understand is that we had taken a decision 18 months ago not to grow the wholesale real estate book and the wholesale real estate book actually depends on bank borrowing the most, so the NCD borrowing is really for capital market, promoter lending and ARC where we cannot borrow from bank because these businesses we have to borrow from an end-use perspective, we have to borrow from the capital market, but for the mortgage lending book there is no issue at all, so I think we will raise a lot of bank finance this quarter, we are hoping to close few loan transactions and TLTRO transactions over the next few weeks, so that will take care of the issue on the wholesale mortgage banking side.

On our distressed credit side, we are obviously stuck a bit with NCLT being closed, a lot of recoveries were anyway delayed because the NCLT, the IBC process that has been a bit frustrating and slow compared to what we thought it would be, so our reading of the timeline for our ARC recovery has been a bit too optimistic compared to where we are seeing it and we are hoping once the COVID-19 situation settles a bit and IBC opens up and the fact that the Government has said that no new IBC filings can be made for a period of time, that will help the current cases to get resolved faster, and therefore, give us lot of recovery cushion to take care of the liabilities on the asset reconstruction side and if that slows down then we will have to prune down our assets and we will have to sell our assets to foreign investors, which is always a choice we have had and we opted not to do, but maybe we will opt to do the same over the next one year and get the liquidity back to the ARC.

Now, coming to the capital market book and the promoter lending book, this entire business actually depends on capital market finance both in the form of CPs and in the form of NCDs, but luckily as I said that we are holding cash and liability profile is very long-term in nature, so I do not see this impacting us at least for the next 12 to 18 months, but if the economic crisis is going to be very bad and some people talk about depression etc., then we do not know, but as of now for 12 to 18 months, we are in a very comfortable position and we will still be able to fund and grow our business even though the NCDs and CPs is going to be out of reach for at least the next couple of months, our cash on balance sheet should be able to provide us the much-needed growth. Also the book here is fairly short dated right, the maturity of the assets on the promoter lending and the capital market side is all left in one year which are the potential additional liquidity of almost Rs. 1,350 to Rs. 1,500 crores, so if those repayments come back and they will because they will get all liquid security that additional buffer for us to be able to grow the business, so this is kind of the overall picture. Now, on a macro level how long do I think before people get confidence back to start lending from a mutual fund side, I think it is going to take a long time, I think we have never heard of six funds getting closed down and almost Rs. 28,000 crores of investor money is not being available to them that should have been available to them at a moment's notice, so these are pretty significant sort of events that have happened in India's capital and India's financial markets, and therefore, it is only advisable to still be prudent and not do anything stupid.

Ritika Dua: On the capital raising, what is the view now, I mean we were maybe price is obviously is also a consideration but then I think lot of financial companies would again start and already we are hearing a lot are planning to, what is your view on capital raise?

Vishal Kampani: I do not have a view, we have a resolution in place, we had taken a Board resolution last to last year enabling one to be able to raise capital. Right now, we think we are in good shape, so there is no urgent need to raise any capital, but we will keep reviewing this as you will understand the situation is very dynamic, I mean I have not left my home in almost 45 days, I have not sat in my car for the last 45 days and I have not entered my office in the last 45 days, I do not even know if I am going to be able to do the same in next 15 days, so things are very dynamic, but having said that I think our ship is sailing quite well, so we will take that decision as things evolve.

Ritika Dua: On the provisioning discussion, obviously when we have discussed last also, you had a decent provisioning on your ARC book because of the delays and etc., if you want to maybe share the number or you want me to share the percentage whichever way or may be a comfort there, how provision you see ARC book today, and secondly, on the promoter which, while I understand obviously you are the lead investment banker, so you are very close corporate relations, but then the stock market obviously has been very brutal, so how confident are you if I remember when you were disclosing your breakup of the Rs. 175 crores, if I am not wrong a Rs. 16 crore kind of a provisioning be okay given the way the markets have sell and most of the cases I think it will be the security of the promoter which would be as against which probably you would see extending lending?

Vishal Kampani: Both again very good question, I will tell you why we increased the provisions in our ARC book, the reason is we think that there are going to be more distressed assets available and when there are more distressed assets going to be available, the price realization that you will face from your current assets may actually go down, so we actually believe that the IRR returns that we will get from our current stock of assets will actually go down because the more distressed assets being available. Having said that, that is also an opportunity and that is why we have been raising this distress funds, our ARC team is working very closely with our asset management group to raise distressed funds. We have lots of credible partners globally more than five have already contacted me to partner for various assets coming up as well as assets in our own book, so I think he distress asset piece will slowly move from being a balance sheet business to actually being an asset management business, but that is not true for our real estate business. I think we have an absolutely fabulous wholesale real estate business, I think it will stand the test of time, I think we have a great management team that has done a good job, I think we will probably have the lowest NPA in this sector and we have great asset coverage underlying our loans and that is the business we would still want to grow on balance sheet and we were ready to grow it this quarter, we did not now because of COVID but as soon as the time is back, we will be the first ones to grow it again.

Your question on promoter loans, you rightly said that most of the clients we lend to are our investment banking clients, but it is the integration of the IWS and the investment banking securities and wealth franchise, which allows us to manage risk extremely well in these situations and I can confidently tell you that in the last decade, forget about the last one year or two years, we would probably have had the lowest loss given default in this business among all our competition, and the reason is we are very conservative, we look for very high security levels, our understanding of the underlying company that we are lending to is super solid and we are also very fast in pressing the exit button, which is the critical thing to manage risk here, and therefore you see low provisions. We are very confident that we will not see any incremental issues in our promoter lending.

Moderator: Thank you. The next question is from the line of Umang Shah from HSBC securities. Please go ahead.

Umang Shah: Just wanted to clarify on a couple of things, so on the moratorium front, is it fair to assume that on probably the overall book level almost about 50% to 60% of our customers or 50% to 60% of our loan would be under moratorium that is roughly half, and have we sought any moratorium from banks or we are honoring our commitments?

Vishal Kampani: We have not sought any moratorium from any bank or any financial institution and we do not even plan to in the near future.

Umang Shah: On the liquidity front, Vishal, you mentioned that clearly you have got a very good cash cover on the balance sheet, would it be fair to assume that may be that allows you to manage your repayment obligation, your fixed cost maybe for a couple of quarters?

Vishal Kampani: Yeah, probably even longer than that.

Umang Shah: Just lastly Vishal in some of your previous calls clearly you have given your outlook for the sector that it had to worsen before it could get better and that was pre-COVID, and obviously now we have been hit by such an unexpected event. Clearly, your commentary so far infuses a lot of confidence that you appear to be fairly comfortable on your book, but then where do you expect there will be pockets of stress because there will be stress for sure, so which could be the pockets of stress and probably within the sector what would be go’s and no go’s for you as a company, maybe not looking immediately two quarters, but maybe from a four to eight quarter perspective?

Vishal Kampani: Again, that is a great question, I think my commentary obviously has been conservative and I have always maintained that the worst is still to come, but I do not have a magic sort of wand to predict COVID, no one predicted COVID, no one even knew what COVID-19 was till late January, so this obviously is an unprecedented event and it can have crazy sort of ramifications. We are just in an environment where our management team has been very conservative. I am actually blessed to have people who constantly think about risk all the time and who are not just telling me to grow, but also telling me to manage balance sheet and because of the construct of our DNA, the construct of how we think we have been very conservative and that claim now sort of in our favor right now, but if the COVID situation were to extend say beyond one year, say still around in May, June, July then obviously it is I would look to be a debt free company, why I am going to hold any kind of leverage if this situation is going to pan out the way it pans out and luckily for us our net leverage is already 1:1, so to bring our leverage down to zero will not take us very long, it is just about triggering the large asset sales program to two or three large banks and taking our leverage down to 0, so the point is not that, that is not the intention of the management but the point is it is very difficult for me to tell you what will happen going forward, but let me give it a very quick attempt without taking time away from the others.

Personally, I think the COVID issue will settle sometime around January-February of next year, this is not going to be a problem which is going to vanish away over the summer just because we have some more heat. There are a lot of smart people in Government with people who have studied medicine and studied viral infections over the years and they clearly understand that the mutation of the current Corona virus is extremely, extremely contagious and it is not going to sort of go away fast, having said that I think the global response to find medicine to cure this is also unprecedented and I am pretty sure we will have some early wins maybe in the fall of this year, so I think till December or at least till maybe February of next year one has to have cash, I think we have more but businesses should have cash to cover all their liabilities, interest payments and vendor payments as well as all their fixed costs, very important number one.

Now, when you come to the real estate sector, I will make a few comments. I think to my intuition and my thought process in having seen this sector over the last one-and-a-half decades, I am super bullish on residential real estate. I think the next 12 months to 15 months will see the completion of the down cycle of real estate which India has seen over the last seven years or eight years depending on which city you pick and there are couple of reasons why I think that. I think we are coming out of a phase of huge insecurity, I mean COVID has created insecurity between families, businesses, people who are employed, people who run their own businesses and I think the first thing you would do when you come back to some kind of resemblance and some kind of normalcy is that you will want to own a home, number one. Number two, home prices will come down and I do not think home prices will come down by 5% or 10%, I think home prices will come down by 15% to 20% on average, so that is going to be attractive proposition for people to buy homes. Number three, interest rates are going to go down, they are going to down further. There is no choice, I think we may see a contraction in GDP by over 10% to 20% this year, if that is going to happen there is no way, interest rates are going to be where they are. We already have Rs. 8.5 lakh crores of liquidity of banks sitting in RBI not lending us, and the safest asset class in India over the last four decades of statistics has been home mortgages, home loans and the first asset class which the Government will want money lent out to and banks will be comfortable taking risk will be home loans, so I think you will have a lot of financing, you will have interest rate maybe as low as even 6% or 7% on a home loan, you will have home loan prices cut not just by 5%-10% but may be even 15%, 20%, and 25% in certain cases and lastly you are coming out of a phase where psychologically people will want to own homes. Then if you talk to large companies, you talk to TCS, just look at JM, we are looking at moving 25% of our workforce to work from home. When you look at these trends which are developing, I think investment in a home is going to be very important, so that makes me feel that the next 12 months to 18 months is the final sort of down cycle for the residential business in India and then I think we see a seven-eight year upcycle, a clear big upcycle. One more point, the last reason is there are lot of projects, there are lot of dirt projects, lot of badly financed projects, lot of badly constructed projects which will never see the light of day, so when people talk about inventory, inventory is just as the project is launched, it goes on to inventory. It is not completed inventory and I think a lot of that inventory is never going to see the light of day because there are many companies, which will not be able to complete the construction finance and many projects that do not deserve the construction finance with the project to get completed, so if that is the case we are never going to see the inventory coming up, so 18 months down the line, the inventory picture is going to very different, so that is the fourth point.

Now, overlaying all of this, the concern I would have in where I could be proven wrong is that if we do not have a strong enough fiscal push and if India goes through a deeper crisis not able to attract more foreign industry, FDI, or Indian businesses suffer a lot more pain compared to what most of us are thinking today, then that could result in a lot of unemployment and if the result in unemployment is quite high and the unemployment statistics continue to weaken over the next two, three, four, five, six quarters then that could be little bit of a dampener in terms of home purchases and through that home loans, so that is the one negative, but I think the four positives outweigh, I am fairly confident that our Government will eventually take steps, there will be a fiscal package in place which will help SME as well as consumer India, and a year from now things will be back to normal. Now, coming to commercial real estate, I have a very different view. Commercial real estate will go through pain and every country is going to localize more than globalize, just like India is going to want more jobs in India, the US and Europe and many companies that are going to want more jobs in their home country because COVID-19 is not a disease that has impacted one country, it has impacted the whole world and because of more of a local movement compared to more of a global movement there could be trends against outsourcing, there could be trends against offshoring and to cut cost in all those businesses, people will focus on ideas like work from home and reduce their commercial space requirements and commercial has seen a very strong sort of growth in the last four to five years and I think that will turn and get hurt probably over the next three to four years, but I think residential will grow. Coming to retail, I think retail gets impacted the most in the short-to-medium term, but I think after we get past Corona I think retail again will come back with a bang, so I am long term bullish on retail, but short term very, very negative.

Umang Shah: Just one last data point, have you guys referred any of your projects to the SWAMIH fund?

Vishal Kampani: No, zero in our real estate business, we referred one project in our ARC.

Moderator: Thank you. The next question is from the line of Anil Laddha from HDFC Mutual Fund. Please go ahead.

Anil Laddha: Most of my questions have been answered actually the explanation what you offered just now in the previous question was good, just wanted to understand like to clients to whom you have given moratorium or the wholesale book if you can give some color like what proportion is residential financing, what proportion is commercial and what proportion is under construction?

Vishal Kampani: Around 25% of our asset side book on the wholesale mortgage side in Credit Solutions is actually loans against property where the projects are completed, so over there it is only basically sales to happen and we get paid. Roughly 20-25% of our book is loan against shares to developers as well as loan against land and the balance 50-55% of our book is construction finance loans. Loan against land is broken up into two pieces, one is pure loan against land, which we would only do if the land parcel is very attractive and it is super prime, super prime for example in India would be Malabar Hills or Breach Candy or Altamount Road, very, very super prime land parcel where we know we will be able to sell it at some price to someone. It does not have to be a land parcel for development to be sold in for private bungalow and the balance is project which are early stage which are against land right now, which needs some aggregation or income development, so loans against land for development, loans against land where it is pure security and loan against shares of large commercial developers like RMZ or Divyasree, these kind of guys, they are 25% of the pocket as I said, so the breakup is not very even, it is really a more project based, so for example if there is a project which has been selling very well and the units are ready with OC and the developer feels he has enough of cash flows and he has not asked for the moratorium, but if the sales cycle has been slow, he has been pushing on sales and because of COVID-19 many of the registrations have not happened and he is very confident he would get the cash flow back in June or July when the lockdown opens, he is obviously asked for a moratorium so again it is a case-by-case analysis and that is how the moratorium is not very even or even percentage across the entire portfolio.

Anil Laddha: You in your presentation have given indication in terms of some of the large exposures, some of the loan book, does this takes into account the fact that they could be a price cut

Vishal Kampani: Yeah, in our AQR modeling, what we have done is we stressed that to the portfolio assuming delayed construction, delay in sales as well as a drop in prices and we try to figure out that assuming some very strict adherence to these probabilities, so for example say a price drop of 25%, say a delay of two years and assuming all of this, what percentage of our portfolio actually falls below our cover of one because that is scary, the cover is going below 1x that it is obviously a red signal.

Anil Laddha: Lastly on the liability side of the balance sheet when you interact with multiple banks what you are hearing or what you are getting to feel our banks to still looking to fund to give you line of credit or how is it? Second, on the NCD exposures, if you can break up that exposure into what proportion of the NCD is retail NCD and what proportion is largely taken by future fund or by corporates or by insurance companies?

Vishal Kampani: Sorry, your first question was again?

Anil Laddha: What are you hearing from the banks in terms of line of credit?

Vishal Kampani: I think my view frankly is that the banks will lend and eventually lend, but the banks are also in a bit of a shock right now, there is COVID-19, see what happens is think about you being a lender, you have to disburse money, you have to give money to clients and you know there is a unprecedented crisis like COVID. The first thing is you are going to do is you are going to check their own balance sheet, you are going to try and project what NPAs you may have this year and next year, and then you figure out who do you think is going to survive, who do you think is going to be safe and then eventually you start lending, so obviously your first gut feeling is yeah let us just lend to a Reliance or a Tata because we know they are safe and they are never going to default, so it is a process time which takes place within a bank and the bank system and I think eventually the credit will start moving, but it has to move. If credit transmission does not happen then I think you will very quickly forget about waiting till next year, I think by September you will see bankruptcies going up in India and I am sure RBI and the Government understand that and I would not be surprised if they just make the reverse repo 0 just to make sure that the Rs. 8.5 lakh crore actually moves in the system because one thing is very clear, if you have one dollar and when you give a subsidy of one dollar, remember the subsidy of one dollar you have lost is the minute the subsidy has been used, you are not going to recover anything from it. At the same time, when you use that dollar and you use that dollar to provide say for example a credit guarantee, you may actually never use it, but by providing the credit guarantee you will move $ 10 of credit in the system and I think this is the point the Government and RBI need to understand that the Government by providing a two lakh or three lakh crore guarantee will move 20-30 lakh crore of credit in the system which will get the economy back and going, but I am sure there are people who understand this, and hopefully, we will see some action soon.

Anil Laddha: On the NCD side?

Vishal Kampani: We have roughly if I am not mistaken almost two third of our borrowing is in NCD form, correct me if I am wrong and I think 20% to 25% of that would be retail NCDs and of the balance, around 50% would be from mutual funds and I think 20% from corporates and the balance from insurance companies.

Anil Laddha: Do you track on the retail NCD data like what could be the number of upcoming you have, what is the repeat customers?

Vishal Kampani: We have never contracted any kind of deal or transaction to attract wholesale customers, most of our retail NCDs are pure, real retail NCDs, so we have never tried to fill up a public issue just for the heck of it, I mean we go for a pure, well-distributed retail response in each and every issue that we have done.

Anil Laddha: And last side given the involvement and the liquidity with the wholesale developer, I think there is enough pricing power with each of the lender. So there will be interacted bank, each of the bank indicating to us there is enough pricing power even with a large AAA corporate. Can we hope that there can be some margin increase next year?

Vishal Kampani: Fingers crossed, let's see, I tell you one thing, we got to be careful in real estate and you got to be careful generally, credit transmission, as I said is the key. So, if you just look at the simple macro card, you have inflation, which is definitely going to run low for this year. I don't see oil demand picking, I don't see cars on the road, right. So where the question of oil demand picking up, so oil will remain where it is till traffic comes back to normal, both on land as well as in air. And so, and India has a good stock of food grains in their surplus and food right now. And hopefully if you had a good monsoon that's going to be okay too. Consumer staple health, they will do well, will do fine, but consumer discretionary is going to get hit in a big way. So we're talking about a low inflation environment. So if you have inflation, say circa 4 to 5%, and our credit spreads have widened, they've not narrowed because credit transmission, as I said, the biggest problem in the economy is not happening. So if we have a widened credit spread on low inflation, and we try to increase our margin, then we could be inviting, bad assets on our books. So, it could be a recipe for actually disaster long term, trying to actually increase your margin in this environment. So, we can increase our margin for short term funding, people who have short term needs where we see just a cash flow mismatch and we are comfortable with the security of the source of repayment and we will continue that business and that business made a good amount of profit for us last year, which is part of our investment bank. And we will continue that business over next year but in our mortgage business we'll be very careful we are not very enthused with making a lot of loans and high interest rate because we see that as a recipe for disaster 2, 3, 4 years down the line.

Anil Laddha: And may I ask one more question, on the OPEX side, if you can give some color like what proportion of the OPEX is variable, is there any space to reduce some part of the variable costs?

Vishal Kampani: Our assets come in the elevator every day and go back in the elevator every day. That is the biggest component. We're a financial services business. So its people so that's the biggest part of our costs our remaining cost are not very high.

Anil Laddha: And how much percentage of your employee cost is fixed and variable?

Vishal Kampani: So, it will be roughly 65% or 70% fixed and the balance will be linked to incentive schemes and variable structures including deferred payout.

Moderator: Thank you. The next question is from the line of Antariksha Banerjee from ICICI Mutual Fund. Please go ahead.

Antariksha Banerjee: Sir one thing. Which piece actually the wholesale part, the SMA number that we provide, if I look at your credit solutions separate presentation, there is a Rs. 150 crore which is not a credit solution, could you just tell me what those SMA-2 accounts would be like?

Vishal Kampani: Sorry, what is the Rs. 150 crore, I missed that?

Antariksha Banerjee: Of your overall SMA-2 that you have provided. If we get the credit solution, rather Rs. 150 crore roughly is the balance that is remaining if I do the calculation correctly. Is that related to wholesale mortgage or there is some other?

Vishal Kampani: Yes, so that would be the old wholesale mortgage as well as structured finance of the Products. If there is any SMA-2 there, Nishit, you want to clarify that?

Nishit Shah: Vishal you are right, it will be in the old wholesale mortgage as well as in the structured finance.

Vishal Kampani: Exactly, I think half and half.

Antariksha Banerjee: Yes, the second one is this early stage financing part which you touched upon, its roughly 17% of your credit solutions book according to the breakup. So, as I understand those are not concentrated. These are very small and specific exposures.

Vishal Kampani: That’s right, there will be many loans across various projects.

Antariksha Banerjee: Okay, so that’s not something would stretch, because?

Vishal Kampani: These are something?

Antariksha Banerjee: You do not categorize that as a stressful product at the moment?

Vishal Kampani: No, in fact there is something is very early stage, actually it is not very stressful also because you are under approval, it’s not that you disbursed too much money for construction as a project to stuck. So actually we are in a very good position where we don’t have stuck projects, right. Our projects are moving, we have one or two stuck projects that it which are very confident will take care, but most of our projects are moving, which is a big positive.

Moderator: Thank you. The next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Vishal just wonderful replies and very patient hearing and replying. So thanks a lot. One part of the NCDs the retail NCDs, the market are quoting anywhere between 18 to 25% with very thin liquidity of course. If JM with such a wonderful position, not even trying to signal something by buybacks or some form of legal remedy to this, because that will help to raise retail deposits at a later point in time?

Vishal Kampani: So, to be honest, I had no idea retail entities are trading at 18%. I think we closed a buyback recently for a very large NCD at a much lower rate. Sonia, are you with me?

Dhruvesh Sanghvi: Yes, I think that was at 18.5% which I heard but the strange part is that if people are looking to exit at these rates, it’s like it really signals we are very bad and we don’t know sometimes these things can have its own contagion at a later point in time. So that is one feedback, which you should consider.

Vishal Kampani: No, I had no idea. I haven't seen our, I've been told NCDs haven't even crossed like 13% number. They've been well below 13%, even in a very, very bad times, some I am shocked to hear this.

Dhruvesh Sanghvi: I will send the list and I've been tracking this weekly for last one and a half years.

Vishal Kampani: No, please do. I will have a look at it myself.

Dhruvesh Sanghvi: Right, so the second.

Vishal Kampani: It's quite shocking to me honestly, because considering our leverage and considering our strong balance sheet position, we should not be trading at those levels.

Dhruvesh Sanghvi: Right. And the thing is you know, even the people on the call, if they start looking something like this for six months, they will have unwarranted questions in their head going on, which you will never come to know when the speaker is asking a question.

Vishal Kampani: Fair enough.

Dhruvesh Sanghvi: Right. So that is one. The second element here is, I want to understand your mindset and the organizational mindset in terms of let's say, how do you see the IWS and let's say specifically the securities business, and when I say securities, let's start and break it by broking particularly. So in the advent of the discount brokers who are taking market share, let's say, I think the CDSL, NSDL data came in with some 5, 6 lakh additional accounts getting opened, even in the month of April, I see that JM does not have an online mechanism of opening accounts. So, are we not losing out in a very big way, in this manner?

Vishal Kampani: Yes, it's a good question. And we've been studying these trends, just like you have been. In fact, I spent almost two hours, three hours this morning on our online strategy and you will see more of that very soon in the next three to six months.

Dhruvesh Sanghvi: Right. So, a little bit of scuttle but, which I did with a lot of employees and somewhere I've been associated with JM as a client as well. So, what I see is the employee of the retail business also feels strangulated, considering that a company sees everything only from a compliance metric. And the business development really goes a backburner, or even when there are good employees across the value chain that you have. So again, this is one more feedback. And the last one is, apart from the securities, where do you see let's say we are focused on the mortgage lending, so, there could be situations where so many builders will not be there anymore. And it's their consolidation in the residential space happened in a big manner. How will this create an opportunity, or this will be a dangerous situation

Vishal Kampani: I can only tell you one thing that, if there are going to be more residential developers who have disappeared the lenders will disappear even faster. So, I would courageously say that, we can double our loan book today. I don't think we have to even add a single more origination officer, I think just from our current set of clients on book and people who we have dealt with over the last decade, we can very comfortably and easily double our loan book over the next few years, which is almost 25 to 30% growth. I'm least worried about that. And I don't see, in our list of 120 clients, I doubt even 10% go under.

Moderator: Thank you. The next question is from the line of Kaustab Bubna from Rare Enterprise. Please go ahead.

Kaustab Bubna: So, I see your investment banking wealth and securities business has really supported the profitability line item over the year and over the last few years has been doing well. But going ahead into this year and it's really, I understand it's tough to predict what's going to happen, how sentiments is going to improve, how the pipeline is going to look. Six, seven months from here, but coming off a strong base how do we see this division and the pipeline going ahead in times of uncertainty and less business movement in general, could you just highlight?

Vishal Kampani: So, let me break up that question in two parts. So, one is pipeline and the second is the execution of the pipeline. So let me tell you one thing that our pipeline is rock solid. So we have a really, really strong pipeline. And I think the IWS team has performed really well and they've done a great job in the last 18 months. We've taken away market share in almost all our businesses from competition, but the challenge this year is going to be the execution of the pipeline. So just for example, if we have an M&A transaction, the challenge we are facing today is how do we execute it right. How do we do due diligence, we can't even leave our homes right there, so pipeline I am not concerned about just a mandated transaction that we have today will grow our revenue over last year's revenue, I'm very confident, but can I put those transactions through. So, if Ajay has to go meet some new wealth management accounts who want to transact with us, how much are we going to be able to convert that on a zoom call right. It's not that easy. So we're seeing huge amount of interest, huge amount of business volume coming to us. So pipeline I'm not worried about, it's just the execution. So therefore, this year from an execution perspective may be a washout. But I'm not concerned about pipeline at all.

Kaustab Bubna: So how does that affect, how would that parse effect profitability in this segment?

Vishal Kampani: Of course it will affect, where you can't do IPOs, if you can't close your deals, you can't get new customers in the wealth platform, you don't add to your PMS account. Secondly, if the equity markets remain low, then the equity addition in our wealth managing portfolio actually goes down. So of course, but what do you do, you actually strengthen yourself, you cut costs, you make yourself more efficient. We will be making a lot of investments in technology further. Right, we'll be sharpening our resources to focus on more profitable opportunities and more profitable clients. Servicing profitable clients more and we'll look to basically gain more market share once we are behind COVID. So it's a difficult question, right, it's like frankly asking Mahindra & Mahindra how tractors they will sell or how many cars they will sell.

Kaustab Bubna: I understand, just wanted to get your view on this.

Vishal Kampani: Yes, it's a good question. So, that's why I broke it up, pipeline is not a problem. The problem is really the execution on the ground now our offices, our biggest office is in Prabhadevi which is a containment zone so we can't open our offices. So we are all trying our best to work from home. But what do we do, all of Worli, Lower Parel, Prabhadevi is shut. Bandra, BKC because of Dharavi is going to be shut. So it's just an execution challenge.

Kaustab Bubna: All right and on the wholesale or just on your loan book, your wholesale and home and, other parts too, even though they're small. So, a big part of your book is in moratorium, but that doesn't mean that these guys are going to default. The situation requires them to be in moratorium, let's just say, but I could also say and again, it's just a confusing thing. Like 70% of your wholesale book is a moratorium but the provisions you've made obviously doesn't have to align to the 70%, but it's still I'm still confused by this number. I would say like, based on the amount, I would have expected this number to be a little higher, or I don't know, could be going ahead in the next few quarters. So could you talk a little bit about how you see, you putting your book a certain part into moratorium and then providing on that, could you speak about how you do that?

Vishal Kampani: One concept of moratorium is, to understand that how it's easy for us to tell a few clients that no you please pay or we provide funding to those clients and tell them okay, continue paying and don't be in moratorium. But we are really here to make sure that we are not troubling our clients when they are themselves are going to pain. For example, today, a real estate developer, his biggest pain is going to be to make sure that he has enough migrant labor to be able to construct, his is building. So I'll tell you what we've done. Our team has spoken to each, almost each and every account, almost 80 to 90% of our book has been spoken to, we know exactly when they're going to receive the permission to restart. We know exactly most large accounts, how many migrant labor today are already on the site, when they should be able to start getting material, how easy it is to get material into or out of the city. And therefore when we can predict how that sales cycle will be. Dwello, which is our internal real estate broking businesses actually sold apartments in the month of April. Well, not a large number. Obviously a lower number compared to February and March but at least I still have been tender giving in work area. While, I can talk you through that data and this would you why the concept of moratorium being a 70 or 100 or 50 is not important today. The important thing is that how quickly will these projects start, and you really don't want to give many of our clients the pain of thinking about interest to the three months, but really thinking about restarting and getting that cash flows back on time. So, for example Bangalore is back first, work is on full fledge on most sites. And, they're all the developer offices also have started, albeit with one third sort of attendance. Mumbai and Pune are next, most permissions are coming through, the only challenges, how are they going to get the material on to their sites, and that also will in my view, get sorted in the next two to three weeks. Where we see issues are really Kolkata, Pune and maybe Noida. But having said that, in Noida labor is not an issue, and for Kolkata and Chennai, there have been a bit of a problem in restarting but I'm pretty sure in the next six weeks that would also get sorted out. So, we are more focused on engaging all our clients, then all our borrowers, on these issues we are really, pushing them that just pay interest and a few JMs book current, so they are very confident they themselves they will do a good job and for loan to get repaid. So, these are not things I'm really stressed about.

Moderator: Thank you. The next question is from the line of Kapil Popat from Sundaram Mutual Fund. Please go ahead.

Kapil Popat: Just wanted to understand a couple of things on the liquidity, first you said that you are planning to do a TLTRO, so any indication on the amount size when will that happen?

Vishal Kampani: That would be tough for me to comment. We've applied for reasonable amounts, we haven't applied for big amounts. So I'm not, I don't believe that we should pay up too much for our borrowing. My borrowing cost will increase, I will not grow my book, we need to borrow at a reasonable level and we should lend at a reasonable level and make our margins. And that is how your asset quality remains good over time. So we applied for a reasonable amount, I wouldn't say a very large amount, a small amount and it's to various banks, it's almost seven to eight banks. Sonia, you may want to give more color on the same.

Sonia Dasgupta: Yes, sure. So, we have applied to the banks and the banks are talking to us on the same as you know, the TLTRO-1 was largely given to all AAA names and the TLTRO-2, which is largely for NBFCs has finished one of it only 50% got subscribed to. So we are engaging with them and like Vishal said and our focus will be to borrow long term and at good rates, since we are very comfortable on our liquidity. We won't like to spoil our yield curve and borrow in distress at all.

Kapil Popat: Sure, but as a ballpark, would it be like 10% of your borrowing, or less than 5% of your borrowing?

Vishal Kampani: It will be more than 10% of our borrowing.

Kapil Popat: Okay. And one more question I had if you can allow me, I understand that the liquidity is managed on an umbrella basis and not on segment basis, is that understanding right?

Vishal Kampani: That's right.

Kapil Popat: Okay. So in that, in one of the pages, you have mentioned that the cash and cash equivalent as on March 31, 20 was stood at around Rs. 3,400 crore?

Vishal Kampani: That's correct.

Kapil Popat: And in a presentation you have mentioned the surplus liquidity of Rs. 936 crore as on March 31, 2020. So how can I reconcile these two figures and what's the difference between these two?

Vishal Kampani: Sorry, Manish, what is this 936 sorry, I missed this?

Kapil Popat: On page 15 of PPT.

Vishal Kampani: Page?

Kapil Popat: Page 15 of the presentation, PPT. Just have a look at it.

Vishal Kampani: Page 15, that doesn't have any. You are looking at the group presentation?

Kapil Popat: I am looking at the presentation uploaded on stock exchange, and it says.

Vishal Kampani: Which one, this is group or for Credit Solution which is ours?

Kapil Popat: Yes, it is Credit Solutions.

Vishal Kampani: So this is Credit Solutions Company's liquidity of roughly Rs.1000 crore and the rest is in IWS and distress credit. So the total is Rs.3, 400 crore.

Kapil Popat: So, the important for us would be Rs.3,400 crore right?

Vishal Kampani: Correct. The number would have been close to Rs. 400 crore for the distress credit and asset management business on 31st March. It is roughly Rs. 1,000 crore for JM Financial Credit Solutions and almost Rs. 2,000 crore for IWS business. That's roughly the split of Rs. 3400crore .

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Vishal Kampani for closing comments.

Vishal Kampani: Yes, thank you. I thank all the participants for taking time to attend this call and in case there are any specific questions or concerns you may have, please feel free to reach out to our investor relations team. Please be safe, take care, all of us know that we are going through very difficult and very, very unpredictable times but I'm sure together we'll come out of this and we will all come out strongly. Thank you again for participating on this call and spending this time with us. Thank you.

Moderator: Thank you. On behalf of JM Financial Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.