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L&T Finance Holdings Limited - Chief Human Resource Officer & Chief Executive of Rural Finance

Citigate Dewe Rogerson Ltd. - Investors Relation

Shiv Muttoo, Citigate Dewe Rogerson Ltd. - Investors Relation [1]

Good morning, ladies and gentlemen. On behalf of L&T Finance Holdings, I welcome all of you to the Annual Investor and Analyst Meet for the Financial Year 2019. Thank you for gracing us on this occasion. We have with us here today our Managing Director and CEO, Mr. Dinanath Dubhashi, along with senior members of our management team.

Before we start, as a standard disclaimer, there could be certain forward-looking statements made at today's meet. A note to that respect has been provided in the Q4 FY 2019 investor presentation uploaded on the website.

I will also request all of you to please keep your mobile phones on silent.

I now request Mr. Dinanath Dubhashi to please come up on stage, sir.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [2]

Hello. Good morning, everybody. Thank you for coming here in such large numbers. I love it when we run out of chairs. Always a good sign. Welcome, a hearty welcome to all of you to this analyst meet, which is about presenting the full FY '19 performance. Perhaps more importantly, it is about presenting our plans from FY '20 onwards. Lots of questions have been asked about what's next, and we plan to answer them today. So we will concentrate perhaps most of the time in talking about the future.

I'm reminded of, again, almost to the day 3 years back in April or May -- May 2016. We had one such analyst meet in which we had presented the plan for the next 4 years, FY '16 to FY '20. And the plan involved taking our ROE, which was formally in the bottom quartile for quite some time, it was at around 8.5%, 9%, to the top quartile in the period of 4 years.

I must thank all of you for the faith that you've given us that we can achieve that milestone. Frankly, it was very unjustified, I think. We neither had the backing of numbers nor we had the track record of execution, but you put faith in us. Today, I stand in front of you not only to thank you for the faith but with the satisfaction that we have delivered on that. We have delivered on the top quartile ROE 1 full year in advance, and we all know that the last 3 years have not been the easiest.

Starting with demonetization in November '16, GST, farmer waivers, less-than-good monsoon and then latest, liquidity fears, NBFC liquidity fears, IL&FS, et cetera, et cetera, et cetera. We have had good 3 years, at least adventurous 3 years, very nice.

The interesting part was that with each of this happening, I don't know I can say that we were written off. But certainly, lots of doubt were expressed as to our capability or capacity. We arose or emerged out of those happenings unscathed or even stronger. I don't think -- I don't remember even one happening, including demonetization, including public sector bank getting capital, including on the other side the Central Bank was getting into PCA, both sides, and you name it, liquidity crunch, IL&FS, everything. What would be the effect on L&T Finance was perhaps looked at most pessimistically by the market.

Within each one of this part, it was thought that we will not emerge well. But we did. Not only that we handled each of those problems well, but after each of the problems, we took our learning out of it and made the model even strong and with that confidence of not only having delivered over the 3 years, delivered top quartile ROE for 3 years. With that confidence of execution despite tremendous amount of headwinds, not allowing many of those headwinds to completely flow to the financials, building cushions, building strengths in the balance sheet. While many of those headwinds could be harmful [or not], the flow to P&L was much less or not at all what everybody else expected.

Today, I stand in front of you with a plan for FY '20 and forward and with the confidence of having done that, with the strength of numbers behind us and with the strength of our track record of strategy, our track record of execution behind us. This presentation, this meet is not so much about, though it is titled, of course, Q4 results. That's the accepted way of putting it, but it's not so much about Q4 period. It's about FY '19, being the first full year of us having delivered on our promise of top quartile ROE.

It's about quality of the delivery. It's not like that number has just come by an accident. It's not like that number has come from some sudden windfall earnings right now. It has come because we have worked on the strength of our product. We have done all the basics, absolute basics of the ROE. We have worked on the strength of our products. We have worked on the NIMs, fees. We have worked on cross-selling. We have worked on productivity. And last but not least, of course, we have worked on the asset quality and ALM.

And FY '19 results are all about that. But it's all about having delivered that by doing things right. Is the climate easy? No, there will always be questions what's happening to this asset, that asset. People will keep coming on with reports about particular assets, et cetera, et cetera. There is no denying that. We are in corporate business. There will be definitely some credit assets which will have problems. What we are trying to show today is do we have the right underwriting skills, monitoring skills and provisioning policy to make sure that these don't come and hit us.

Even more than that, as I said, it is about talking about the future, what FY '20 and ahead is going to be for us because till now, it was all about getting that big pickup from 9% ROE to top quartile ROE. Having really that, now what? And it is such an important question. I have been asked this question for many months now, and I will explain how we have gone about it, how we have gone defining why we are sure that we will be able to deliver this top quartile ROE in a successful way year after year after year.

With that introduction, let me just skip the initial slide and go about putting FY '19 in context. What we would like to do in the few slides that talk about FY '19 are 2 things. One is establishing that the top quartile ROE has come by properly, methodically, strategically working on each part of the ROE, one. Second, a topic which is not strategic but unfortunately we have not talked about. The second, it is about putting the ghost of IL&FS behind us. And I call it ghost because it literally has been done, shape-shifted. It has shifted shape in reality, in everybody's mind for the last 6 or 7 months. And how we are dealing with that and how we have perhaps completed dealing with that in the P&L is what we would like to talk about.

Okay. So the first topic, how we are delivering that. It is the first year of delivering, no doubt. It is all about the basics, all about working on strength of our products. I will take you back to first principle, what we defined 3 years back. It is that we will be in businesses which we believe we have a right to win or we can build a right to win and exit out of the rest.

As these 3 years have gone, we have clearly built rights to win in many of our products. We will talk about each one of them. We will talk about -- a little bit about it today. I'm not going to repeat fully, but many of you have met me one-to-one in many meetings, calls. We have talked about what strengths we have in each but how we have demonstrated that, demonstrated by a steady growth in all those products.

More interestingly, over the last 3 years, we have also accepted that some more products which we started off with in FY '16, we perhaps don't have complete right to win and slowly but surely, either defocused or deprioritized or exited from those products. And very clearly, what we saw what got us in FY '19, one is pricing power. Pricing power was perhaps the most important thing in FY '19 for delivering this because as you know, everybody's cost of funds went down.

And even more importantly, especially in Q3 and Q4, a clear waterfall of fund allocation because it is no secret, whatever anybody may say, fund as an acceptable cost were available less and more difficult than what it would have been if everything would have gone as usual, right? And hence, it was very important that whether we rationed everybody, that we have clear strategic clarity as to which business we will grow fast and which business we will deprioritize. And when we did that, management of liquidity was not only done prudently.

Prudent governance comes naturally to us. I think we have established by many graphs, many numbers that IL&FS management is prudent, but also in our aggressiveness that whatever money is available, how to allocate it correctly so that growth and profitability remains unaffected or even better. And you would see from this result that our NIMs in Q4 are actually better than Q3, even after taking the reversal element.

How that has happened? That has not happened out of profiteering. That has not -- believe me, that has not happened by charging some imaginary 18%, 19% to people who desperately need the money. We don't do that because we very clearly believe that whatever is happening in the market today is only temporary. And doing that will -- it will just [finish] the model. More importantly, our good customers will go away and bad customers will remain. That is the immediate effect, right?

So we have stayed away from doing that. So how NIMs have been managed is through prudent passing on of increases based on your right to win, based on your market strength. That is the way it was done.

And then last but not the least, clear reduction in GS3 not only this quarter but on quarter-on-quarter on quarter with increasing provision coverage and creating a new concept that we introduced this year with the macro-prudential. And I think lots of questions on that. We will clarify a little bit in this presentation even more what we have done.

So we have been speaking FY '19 is about this, and this is where I'll make the proposition that because of working on each part of the ROE [tree], we believe that this ROE that we have achieved is not onetime but it is more steady. It has come out of 2 strengths that we have this.

So then how does it reflect on growth? So this is very interesting. There have been comments made to me that, oh, 17%, you are slowing down. In arithmetic, it is true because we were -- in the beginning of the year, we were at 22%, 23%. So 17%, oh, sure, it is less than 22%, right? So there are 2 things here. Yes, 17% is a very healthy number, #1.

But secondly, we have to see the quality of the 17%. When you are pushing on some businesses, prioritizing on certain businesses and deprioritizing on something else, for management of liquidity, product strength and profitability, obviously the arithmetic is going to add up to a lower number if you are doing all of them. Naturally, right? And that's what has happened. I will talk a little bit more in detail.

The most important is the original defocused book is now negligible. We have been guiding on this. We always said that by the end of the year, it will be less than INR 1,000 crores. We have got there, right? This is a number where now on the GS3 in this asset, the provision coverage is 75%. So whenever we want, we can actually write off. Okay. We don't do it because it is still volume-driven. But it will be hardly anything. That's the number. And you will see them across businesses, what mutual funds we will continue, DCM growth even in this climate. And of course, wealth management is still in growth.

And very clearly, once again, I will tell you, this has been possible because of the strength of the product and something that I will talk more on this slide, which is a very defined fund allocation strategy. So very clearly, we're seeing now and going ahead, even the products we are doing have been put into this 4 measures. So this is your growth in rural, maintaining growth, gaining market share. Yes, there are lots of questions on how rural will be in the next 6 months. According to me, the question itself is wrong.

What is important is rural is a great story for next 5 years, next 10 years. Even the 2, Skymet and IMD, don't agree with each other vis-à-vis monsoon. Who am I to stand here? Okay. I can tell them we expect rainfall across the country. India is a large subcontinent. I always wish [I can speak], it doesn't mean anything, right?

What is important is do we have the strength to make sure that wherever we want to gain market share, we can gain, one. Do we have the right data analytics to take advantage of the places where the growth is going to be good? And most importantly, do we have the right network, the digital network, I mean, to go deeper and lend to new-to-credit people rather than lending more to (inaudible)? And that's what we are going to push.

Home loan. Again, housing, you will see a minus 3% growth. And I think we have given in the annexure the whole details of this. Now home loans growth within that is 51%. And then salaried home loan growth within that is 148%. So very clearly, the businesses that we want to grow and grow aggressively are doing well.

And then the IDF, which is the operating book, the large operating book in the wholesale part, in the infrastructure part, actually operating 50% guaranteed by the government agencies, that book is growing. In fact, many of you would have seen an announcement. Of course, we were a little bit subdued in making that announcement because really the results were just 2 days away, that Apis Partners have taken -- we have signed a shareholder agreement that really we have to be closed, so I can't give any more details.

But we have signed a shareholders' agreement to take -- Apis Partners will take 25.1% in IDF. And it will bring around with them very well-recruited sovereign funds. Apis Partners, their first fund was subscribed by most well-known sovereign funds, and we expect sovereign fund investments here. More than that, I can't give you details. But most importantly, not only it will make the IDF stronger. It will give us access to sovereign funds for the rest of the company for raising debt, but more importantly, it shows the confidence that the third party now has in our good strategy of growing IDF.

So these are the 3 businesses where we see good growth has happened in FY '19.

Calibrated growth in real estate and infrastructure. I've been asked why don't I reduce real estate, right? And I would like to state here again that we are far from being apologetic about what we do in infra finance and real estate. We are very proud of the 2. We believe these businesses have a future in India. Cycles always happen. And it will depend on how you use your L&T [chops], one, your underwriting skills, your underwriting policy and most importantly, your monitoring skills to make sure that your portfolio grow well.

That's what we have done both in real estate and infra. Of course, disproportionate emphasis. This time has not been on business acquisition, but it has been more on project monitoring and project completion. The large amount of investments have happened towards project completion as we go.

Products like structured corporate finance, loan against shares, debt to equity, et cetera, et cetera, we are hardly done in any of them. We have deprioritized them. Also this year, loan against property, very clearly we are seeing -- unless and until we're looking at because of very concentrated and very poor business, there are several risks coming, risk of the property valuation not proper and risk of the price in the market not taken care of, all the risks involved, risks of being repriced in the market. And hence, we deprioritized the LAP.

And then we exited completely from supply chain. This is just more than giving information. If you look at the supply chain we exited, you all know that from our filings. This is to impress upon you our thinking that we are not shy of exiting from businesses which are even L&T businesses, 80% of our supply chain book was for L&T suppliers, applied to L&T. And when we realized that as a group, we are not winning because somebody else can come and lend that 2%, 2.5% less than us, there is no value addition that we can bring.

What is the value addition we can bring? We can bring in speed. We can bring in data analytics so that our credit cost can be minimum. And we can do something different than a state bank. When something payment is coming from L&T, how can I be different than state bank? And state bank will always be 2%, 2.5%. And state bank is just an example. Large bank, any large bank will always be cheaper than that. And hence, 80% of it being L&T business, we exited all this. So this actually shows our thinking as we go ahead.

Now that we have talked about our growth strategy, now that we have talked about our strength, let us see how the strength manifest themselves. Obviously, you can't talk about strength unless you can show your pricing power. And very clearly, in numbers, we have shown 2 things. The NIMs are not separately provided here, but we all have presentations for NIM separately. Yes, we have shown steady or even increasing NIM, no doubt. But this is the metric that we maintain, NIMs plus fees. And as the presentation goes by, we will show you the quality of the NIMs plus fees that we are maintaining.

We cited, for example, fees. Large part of it was underwriting and sell-down fee. And there were lots of doubts whether it is sustainable. So the large part of fees are coming from cross-selling of third-party products. Obviously, sustainable, right? And that the character of all this has changed, and there is one particular statistic that I'm very proud about. And we will try our best to maintain it, that our fees match or are more than our operating expense, right? And this is something that we are very proud of, truly. That's something called operating ratio as to how much of my NIM is being spent to maintain my establishment. And for L&T Finance Holding, the answer 0. I don't spend INR 1 out of my NIM to maintain my establishment. It all comes from fees, and that's the strength that we have built.

And of course, last but not the least, this is something that we are very proud of. We have shown reduction not only in percentage points but also in absolute amount of GS3. Now this is all comparable, okay. Because this is GS3, it is way beyond what the first circular talks about, that circular whose future is in doubt or presence in doubt, whatever you put. But there are more questions about this.

This is Gross Stage 3. And lots of people comparing with banks, et cetera, let me remind you, banks even today follow [IRS] norm. We have to follow much proper norm, right? And this is based on that. And if you see sequentially as on year-on-year like-to-like now, there is a reduction.

Here, let me talk about the quality. Rural, which is the portfolio. In last 3 years, while rural portfolio has increased from INR 7,000 crores -- INR 7,000 crores, INR 8,000 crores to INR 25,000 crores, and my GS3 is in absolute amount less than what it was 3 years ago. So this is not the game of percentage. It's very easy to create the game of percentages when your portfolio has shifted. But this is not the game of percentage. In absolute amount, it has reduced. And we will talk how it has happened. But very clearly, it has happened because of our concentration was not on the quick fix of reducing GS3.

We were worked hard to use data to concentrate on 0 decrease. And this was -- we have a word internally, which is contrarian. Contrarian is not terrible, but contrarian is something which understands what is the real thing, whatever the world is talking. So the world was saying, (foreign language). 1 month, 2 months, (foreign language).

And today, we have really great numbers. And we are not yet giving out those numbers. Frankly, I need to see the maintainability of those numbers before I start giving. But it's a big increase. Just as an example, when I say tractor, from 50% odd, our 0 equity is now 80%. 80% on-time payment, right? Naturally, when we do that and then we keep solving GS3, this number will be squeezed and you'll see the result.

Home loans, still new, maintaining the portfolio well. No big story there. But this one is a big story. Wholesale, all our NPLs, of course, are (inaudible). And despite whatever doubts were expressed, not only INR 1,000 crores were resolved, but most importantly, the doubts expressed were whether our provision is enough or not. This entire INR 1,000 crores were resolved within the provisions we already made. Otherwise, you guys would have seen a hit to the P&L. I said I will take INR 400 crores steady state every year. We have taken everything almost to the INR 400 crores.

So no surprises there. And that's what we have tried to do. We have tried to walk the talk. The provisions required, we already made and making INR 400 crores per year, right? So a lot of people ask me, okay, if this asset goes bad, what will happen? That assets goes bad, what will happen? I mean, I will always have 2 choices: to get into a dialogue with you regarding the future of each asset, which is (inaudible) because you don't have a single reason. So everybody will advise me differently, right? Or you're getting convinced that the existing provisions we have plus the INR 400 crores we make on wholesale plus all other assets, all other businesses, the provision coverage we have, plus INR 350 crores we have made on macro-prudentials, you can trust that we are ready.

When accidents happen -- well, we will try our best that they don't happen. But yes, they will happen, we're human beings. But more importantly, are we providing enough? And I would today like to state confidently, of course, (foreign language). But for the 3 years, the provisions that we have made, we have actually shown that they are adequate in the assets that we are involved in.

Okay. So then coming to the ROE bridge. We have seen all this in detail. There are no big news here. We have not shown any big change in trends. So clearly, rural and housing continuing to deliver well. Wholesale, I will explain in a minute. Investment management is starting to make good money. Wealth has taken the trend of the steady norm. But 50% increase AUS. The profit is hugely down because there is no profit. I mean it will all come by trail. There is no upfront income. So it will all come by trail and it will come at some point, right? So that's the explanation. But most important explanation is what you see now.

So if you even go to the next slide, 548. I apologize to the analysts here. Obviously, I could not tell all of you that we are going to take this deferral of IL&FS income. But I went through your estimates and your estimates were absolutely accurate, not accounting for this performance. So I'm clearly saying that 548 plus the upper tax effect of the INR 84 crores is 607. And here is what's the time for me to explain what is the INR 84 crores and why we believe that this IL&FS group is behind. Okay.

So let me start with some basics on IL&FS. Yes. If you feel you are up to speed on that, I apologize. I'm sounding it's like a sermon, but let me still not take a risk and put this. So IL&FS has various levels where (inaudible). So what is IL&FS? And then there is -- I think there is ITNL. There are other companies there and then other SPVs. Each SPV is made for a specific use. So that is a structure.

Then at each of the level, people are then secured or unsecured. But some people have given bridge loan against liquidity, which is (inaudible). So secured, unsecured (inaudible), at each of this, right? And hence, logic, logic will say that when there is a problem and when there is a shortfall of cash, a huge shortfall of eventual cash inflow over the liabilities, then we'll have to be [sarcastic], right?

So now how did this story start? With this great speculation, we have listed why are there liability and excess of cash flow? Everybody will be given (inaudible) irrespective of how intelligent you are, how stupid you are. Okay. We always maintain (inaudible), but you'll never know. It could have happened.

Today, that is still behind us. Why that is behind us is because IL&FS, through the government of India -- or endorsed by the government of India, has filed a resolution plan in front of NCLAT and which is currently sub judice. But this is presentation made by IL&FS and government of India through the Attorney General of India. So that is what they are saying.

So in that, SPVs are sacrificed. And subject to certain classifications, SPVs will be carried, right? And then money will flow up. Okay. I hope this is clear. And hence, it is very natural that depending on which SPV you are, whether you are secured or unsecured or whether you are in ITNL or whether you are in IL&FS or whether you are given bridge loan against equity, your expected haircut and hence your provision will be vastly different. And hence, many times I'm at a loss of how to answer the question just so why I've not taken 40%, 30%, 50%, 60%, 10% provisions, why you are not getting it.

I'm sure you -- if you want to ask that question today, let me tell you right now that whatever answer I could have given, I would have given you right now because first, why some other institution has taken will depend upon that institution, nature of exposure and counter-party, which I am not privy to. I am privy to my nature of exposure and counterparty and I can comment on that, right? I hope that is clear because there are lots of questions. There are lots of angry reactions on Twitter that so and so has taken 40%, L&T Finance has not taken. And hence, L&T Finance (inaudible), something like that.

So first of all, okay, Twitter is Twitter. You can do whatever you want. But I want to clarify very clearly that why is this. Now let me put the facts. We have taken 0 principal provisions. Let me explain why is that. And then we have taken interest deferral. Let me explain why. And please even at this point of time, please stop me and ask for clarifications on IL&FS. And I will really, really request you that then let's not discuss IL&FS for the rest of the presentation. I'm ready to answer question right now. My team who is handling IL&FS is here. We can discuss. Okay.

This particular plan is submitted to NCLAT. We have classified all SPVs into 3 colors, right, green amber and red. Green means that for the next 1 year -- we have done this, [all of this], for 1 year. After that, it will be even better only. But 1 year is the toughest. Green means both secured and unsecured creditors can be serviced over the next 1 year.

Now I will tell you why that is the toughest. Because unsecured creditors normally in a project are actually the promoters which will be coming in the form of unsecured. No SPV promoters will bring equity, right, because after the SPV is over, how do you take the equity out? So they deal normally in terms of unsecured loans, preferred shares, et cetera, et cetera. Okay. Putting that as debt is itself a problem, but we will talk about that later.

But green says that even considering that, both secured and unsecured creditors can be fully serviced. Okay. And hence, that servicing can go on. So green, there is no issue. But by very definition, the green projects will be projects towards -- more towards the end of the concession period, normally. Only then the cash flow of the project will be enough to fund promoter's equity as well as secured debt in first year, right, normally. So that is why you will see the amounts are less. Those are 2 projects.

So first of all, now let us not talk about the INR 1,800 crores. Let us talk about INR 1,600 crores because it is a matter of green.

Let me talk about red, first. Red means projects are bad, neither secured and neither unsecured, definitely not. Even secured creditor cannot be serviced completely. That is red. I'm happy to tell that we have 0 exposure in red, which I believe -- I would like to believe that it is not a matter of chance. It shows our underwriting policy. Okay. I can claim that. You may agree, may not agree with me, right? But there is nothing red.

Now let us talk about amber. And let me state our facts, and this is where the interest deferral comes. Amber says that secured creditors will be fully paid. The unsecured creditor cannot be paid fully. And hence, as of 30th September, they freeze everybody's exposure and gave us 1 year time to complete the (inaudible). Okay. We believe it is (inaudible). Each one of this accounts, there is cash in the account. We can see it because we are controlling that.

There is cash in the account. Neither we can take it out, not even IL&FS can take it out. So it is almost like dog in the manger. It is only operating expenses we can take out, nothing else, right? So L&T Finance has challenged this not only in NCLAT, in Supreme Court also.

Having said that, so what does it definitely mean? It's that since the plan submitted itself, that secured loans are completely protected. That means of our principal is completely protected and we don't need the principal solution. I am not saying that. It is government of India. Resolution plan, never been challenged, no.

Now what they're saying, from 1st of October, the interest is suspended, meaning what will happen? When the sale happens, so it happens the 30th of September, if the price is enough, I may get my entire interest. It is only suspended. If price is not enough, I may get anything between 0 to full of my interest, depending on the price, right? I don't know what is the price. We believe that we will still get our full payment, but it happens. In the process now that they know that this is the (inaudible), the price can come down. So we don't know.

And hence, prudently, even though this is sub judice, we have decided to defer the entire income on amber accounts, which is exactly INR 42 crores per quarter. Since in the fourth quarter we are deferring for third and fourth, it is INR 84 crores. I hope it is clear. Tentative result, which means today until the 30th of September, we will take a deferral of INR 42 crores per quarter unless something changes in between. It is also possible that some accounts from amber may turn to green. Some of those things may happen, okay, based on certain adjustments, et cetera, et cetera, et cetera. There were talks that are also going on. But let us take the worst case scenario.

Until we will defer -- we will not get paid INR 1 of interest. It is frozen till the 30th of September. The P&L is now protected. So the analysts amongst you, in your model, till 30th of September, from your estimate, please remove INR 42 crores per quarter. So that is as simple as that, right?

Any questions? Any doubts? I would really request you to explain this to the investment community. It's a request because according to us, there is no question. 1 minute, I'll just come to you. According to us, there is no question about this, what we are doing. But still, lots of talks going on. Yes. Go ahead. You need a mic.

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Questions and Answers

Unidentified Analyst, [1]

(inaudible) operating assets and outlook.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [2]

All of it. All our assets are operating. So there is -- others said there is cash coming in, but we can't use it because of a court order. We -- to use it is going to be contempt of court. So we cannot use it. In fact, I tell you, till December -- till 21st of Jan, we actually received the income also because the first judgment came on 21st of Jan, putting the account on [pencil] retrospectively for 30th of September. So we are actually reversed for deferred income, which we actually received also. So it is not like everything we have not received. So it is very [funny].

So the cash is with us but the numbers have been deferred from the P&L. So (foreign language). I am not sure what all should be public information. This is all sub judice. I have cleared from my legal department what all I can talk about. Anything more than this, I will be worried. The Supreme Court (foreign language). Nowadays, Supreme Court is very tough for many bigger people also. So I will be very careful.

Unidentified Analyst, [3]

Amber project. What is the total value to get in that project? And what do we expect the kind of (inaudible)?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [4]

That is our exposure. He is asking total debt value for this 4 annual projects. About 4.5x. So it will be 35% to 40% of total, largely. Project to project, it may be different.

Unidentified Analyst, [5]

I just want to understand, currently we have a legal fee case NCLAT with our position on that order, and that will continue. Since we're currently sub judice and we have a legal case, just wanted to understand any kind of time lines that we could look at in terms of the evolution of this. Is it being fast-tracked? And also, can they proceed with asset sales while the legal case is going on? Or we need to wait for the Supreme Court ruling before the asset sales should take place?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [6]

I told that -- the answer to the first question is I don't know. When and what Supreme Court (inaudible), I don't know. Our own estimate is definitely till election results, it will not come. But this is completely off the record. I don't know. Sale can easily go on, sale process. Unless or until there is a specific stay, the sale process can go on and it will go on. And we will not stop it because it is in our interest in it. Our fight is saying that why when there is cash in amber, why payments are being stopped. That's all.

Unidentified Company Representative, [7]

That should not impact the sale process?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [8]

We will not appeal against the sale process. We would like the sale process to go on. And since we are the complainant is what we think that.

Unidentified Analyst, [9]

The second question I have is given our experience with (inaudible) structure coming on the question, what is our belief related to other infra or real estate SPV structures where it could be a project assigned but the (inaudible)?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [10]

Excellent question. I think this is -- we have agonized over this question as well, right? So now we are clear that the SPV structure is not under question. This was -- that is why I went through a painstaking explanation. The SPV question was under -- in question initially with lots of people talking rules. Now the SPV structure is being respected, right, because people are saying (foreign language) before paying secured debtors of -- creditors of SPV.

So SPV structure is not in question. What is in question is promoters bring their money entirely as unsecured debt, whether they will be considered as promoters or creditors. That is under question. That, of course, we will take care now. There has been change and we will not let all the money come through unsecured debt.

We will have some minimum amount of equity and different structures, different -- more tighter legal agreements saying that whatever it is, they are always subordinated even in terms of time to secure. All those changes eventually. But yes, SPV structure, what's coming under problem and if in future something comes into problem, that's the decision this country will have to completely reach. But right now, we are not at that bridge.

Unidentified Company Representative, [11]

We have this topic of dual funds with the structure presuming we are comfortable with (inaudible).

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [12]

But with this change in the legal agreements and how promoters' contribution come, we'll put way more (inaudible).

Unidentified Analyst, [13]

Sir, on IL&FS, ITNL and the SPVs, has the forensic assessment of each and every asset and liability been done?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [14]

Forensic, that is included because SPVs largely were controlled in the TRA, the money coming in the TRA. So forensic will not be our headache. It will be the Board of IL&FS, new Board of IL&FS' headache. So I don't know. I mean I frankly don't know the status of it.

Unidentified Analyst, [15]

(inaudible) level and ITNL level mainly for ITNL have been made to ITNL increase?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [16]

So not -- this is not at SPV level because SPV level is very clear. So SPVs are actually annuity still. So it is government annuity, which comes into the account. And we will grow to get our payment. So what can go wrong there? And then even with (inaudible) which we can monitor that all coming. So we've seen more need at this point of time to insist on the forensics. Neither has IL&FS' new board has asked for forensic of SPV. So IL&FS...

Unidentified Analyst, [17]

So we feel very comfortable?

Unidentified Company Representative, [18]

We are fairly comfortable on the forensic.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [19]

Okay. This is sub judice. The court can decide whatever. When we say we are comfortable, right now the way the legal practice is, we believe -- because I want this, we spread the word comfortable, right? I will be comfortable if all my money is coming on time. If it does not come from 31st of Jan, if I say I'm comfortable, you will say what sort of lendering. So there is no comfort. We know what is the downside, and we are protected on it. I can put it down. But what is the INR 84 crores (foreign language). It pains. I'm not comfortable. It pains. And that's why the Supreme Court.

Unidentified Analyst, [20]

What is debt-rated amber entity? Was there an external rating?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [21]

(inaudible)

Unidentified Company Representative, [22]

All the SPV is rated A+ and above earlier. Now because it is got into these problems right now, they have all been downgraded by rating agencies currently because of the lack of payments because it is in front of NCLAT. Otherwise, all our projects were rated A+ and above. Even right now, the amount in the escrow account, as Mr. Dinanath mentioned, is significantly higher than payments due to lender.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [23]

So your rating depends on actual repayment.

Unidentified Analyst, [24]

That I understand. But I just wanted know before this all happened, was there a rating?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [25]

So there will be downgrade. There has been downgrade because actual (inaudible), right?

Unidentified Analyst, [26]

And is there any principal due now over last...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [27]

No. Whatever principal or interest, very little, I mean, 25 years (foreign language) from 21st March, 21st of Jan, neither principal nor interest hike.

Unidentified Analyst, [28]

But we have taken reversal on the interest portion?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [29]

Principal, as I said, there is no need for it. And I will tell you that is definitely entire principal.

Shall we move on? This is the last question now and we'll move on.

Unidentified Analyst, [30]

This quarter, there would have been a INR 42 crore nonrecognition and the INR 42 crore reversal from 3Q. So from next quarter, we would have a INR 42 crore impact of nonrecognition but no reversal.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [31]

Yes, sure, that's it.

Unidentified Analyst, [32]

(inaudible)

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [33]

We don't believe so. I can't talk about details on that. We are monitoring the process properly. Chances are always there, right? I mean can I give you a possibility, for example, that a different government than what all of you are expecting comes, then what will happen to Indian infrastructure? And hence, what will be the international value? Questions? Trust me.

Unidentified Analyst, [34]

(inaudible)

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [35]

So my -- what I have said? Have I said next year only 2 quarters there will be reversal? So we expect that. If it doesn't happen by third quarter, we will reverse. We will keep reversing. So that will not be recognized, as you said, INR 42 crores. So timing (inaudible). I'm telling you today, my job -- I'm not IL&FS. I'm not government. I'm not court. I can't guarantee anything, right? I'm -- my job is to tell you my expectations. And let me tell you that our government standards are so high that we have done -- we believe we are protected the down cycle at this point. Looking into your eyes, I can say that. But we believe we have protected down cycle. Can I guarantee you? (foreign language)

So last question now. Please we'll have to move on.

Unidentified Analyst, [36]

(inaudible)

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [37]

At least I can say that current one. So normally the (inaudible) will be 6 to 9 months, 6 months. So future 6 months, initial contractually they have to maintain. And now it is even more because catch-up will be coming. So even before this, all this joke started, there will always be 6-month impact. And now cash is coming and not coming out. So you can guess, it will definitely be more than this.

Unidentified Analyst, [38]

Sir, can you indulge one more?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [39]

Sure.

Unidentified Analyst, [40]

So these classification, they're relying on the amber classification things (inaudible). But then another large private bank has an exposure to a tunnel project. Even that is classified as amber. But if you look into the projects' individual financials, even that project seems to be taking on more debt. Even that project seems like it is also going to have to take a haircut of about 20%. But then what (inaudible) exposures are going to be secure and we might also not have to take up a cut of 20%.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [41]

I don't know who you're talking about. I will ask you one question, that tunnel is operational? I don't think. All these things are operational. I hope I can not answer to your question. But as I said in the beginning, taking 10% here, taking a 20% here, I will refuse to answer, because I'm not capable of. But yes, it's my project. I said last question. We have to move on now.

Unidentified Analyst, [42]

Sir, you said last question. You said that you would like to address the ILFS issue first and you'd not like to pick up any questions on ILFS. And then why are you saying last question. If you're not open to talk about ILFS, then we'll talk at the end.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [43]

Don't get so wicked.

Unidentified Analyst, [44]

I'm saying just last question again and again.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [45]

Because there were already 10 questions. That's why.

Unidentified Analyst, [46]

You only said.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [47]

Okay. Please go ahead.

Unidentified Analyst, [48]

First question, just INR 1,612 crore exposure, which you have, have come into amber category. There are 4 SPVs. (inaudible) The coupon seems to be about 10%. So when it was given, what (inaudible) AAA, AA.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [49]

No.

Unidentified Analyst, [50]

But 10% coupon for SPV.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [51]

Sir, this is completely a different question altogether. It is not ILFS. But generally, if you see good road assets, that will be the rate. Good road assets, separating road assets, that will be the market rate. You can check. In the case of good road assets. But approximately better. Some will be little more. Some will be little less.

For -- now this, we will have to -- you have to contact one of my colleagues. (foreign language) I will tell you. Because normally projects which are new will more likely be in amber. And projects which are old will more likely be green. I will explain why. Because promoters' debt -- the way it is contracted, it will be repayable every 1 year or 3 years and always rolled over. Right? (foreign language) and the entire promoters' debt will commence at the end. So in early part of the concession, they will all be amber. So how did they get into amber, we cannot get into loss. Please understand. This amber, green, red is a definition, which somebody has put. It is not that we agree with it. It's a definition, right? Somebody has put, and with that it has come. But the way the definition is, good projects in its early part of its life are more likely to be in amber. Good projects at the later part of its life will be more likely to be in green. And bad projects will be in red.

Unidentified Analyst, [52]

What is (inaudible)?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [53]

Yes, Madam, you can ask.

Unidentified Analyst, [54]

Sir, you mentioned -- so under January, we were receiving the interest income, right? And we are now deferring the interest income in Q4. So is it that in Q4 you are not seeing the interest income coming through? And secondly, just taking cue from...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [55]

I've told already. I will repeat my answer. Secondly, you were asking...

Unidentified Analyst, [56]

Yes. Secondly, taking cue from the previous question, sir, what confidence, which we carry with respect to these SPVs, is not being taken through by the government and the rating agencies and then you have to move to Supreme Court?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [57]

Okay. So why we moved to Supreme Court? Yes, because promoters' debt being put as actual recallable debt along with actual debt, we think, is honestly unjust. So that's simple. Promoters will deflect just the form of promoter security. That is one of the reasons. Everything else, I won't able to say that, because we are going against NCLAT and the Government of India. We care about our wellbeing. So not more than that. We will talk. But -- since the judgment came, very simple, why didn't I take the reversal in Q3? Because Q3, none of these things were there. I was receiving the income. On 21st of January exactly, I think, 21st, the judgment came that it is on standstill as of 30th of September. So I can take the decision only on 21st of January to reverse from 1st of October. So on 31st of December, I didn't know. And if you remember, my board meeting was on 21st of Jan. So if it was afterwards, I would have perhaps reversed it. Okay? The judgment came in the evening, my board meeting was in the morning. So it's just -- it's a coincidence. But on other hand, it shows our government's stand. Yes?

Shall we move on? Okay. So now we'll talk about the future. This carries it back 3 years. I think last year, I think we were in some other hotel. But I stood here. Largely nothing, but my confidence (inaudible) my confidence in our government and my confidence in our management, in our promoter. The strength that we could build in our product and clear strategy, simple strategy to talk about what we will do till 2020.

I think time will come to talk about (inaudible). This time, we have the strength of our achievements behind us, but we also have these questions, right, ILFS, this that. So if I presume that was the advantage (foreign language). So I take it as a complement. (foreign language).

So when we sit -- when we sat to see, okay, what should we do, what should be our strategy for future, the first thing we had to define is now strategy (foreign language). First, it was 4 years. We have 4 years meaning from 9% to 17% to 18%, 2% each we will do. Now what should we do? And then we looked at the BFSI world. And we said companies, which are recognized as good companies, have something in common. And we changed. What we were seeking to achieve from strategy to purpose. But what will be our purpose from now? And purpose doesn't have a time period. Purpose doesn't have a time period. For 5 years, (inaudible). Purpose has to be perpetual. Maybe it will mark a little bit, but it has to be perpetual.

And hence the first thing we decided was to say, 2020 and beyond, what we're going to do. Mixed statement, but we're confident of making this change. Then we said, okay, what should be the purpose. We were very clear it has to be around this ROE, okay? And what I used to say is that ROE as the single goal. Then I thought that, okay, no ROE is not a single goal. There are so many other things that we have to do. And then again, we said, no, all those other things (inaudible) themselves in present and future ROE. And we will talk about it. So it will talk about asset quality. Asset quality is required not only for today's ROE, not only for tomorrow's ROE as well. Yes? And hence we came back to this metric called ROE. And then we started looking that, okay, how many people have achieved top quartile ROE sometime in their life. It was a difficult analysis to do. And I think you can help us. So we just put one number like 16%, because the top quartile varies every year, right? And then we thought that there are more than 30 BFSI companies, more than 30.

Who have achieved this number sometime in their life? Then we said, okay, how many companies have achieved it 3 years continuously. And there were between 10 to 15. Why I'm giving you approximate number, because various definitions, various things can change this number actually. We don't want to be challenged. If I say 12, somebody will tomorrow say (foreign language) 13 (foreign language). So it is between 10 to 15. How many companies have done it for 5 years continuously? It is less than 10. And how many companies have done it from the time we have listed. I wanted to do it for 10 years, but it was very difficult to get data. So FY '11 onwards, it is less than 5. And I'm talking about the entire business, including banks. Okay? I'm sure all of you know this well. And then we said it is a worth purpose to say that we will join that August list. Of course, it will take a minimum of 8 to 10 years to join that, obviously, because of time. I can't fast-forward time.

We are today standing in front of you and confidently putting that as our purpose, an assurance given to shareholders that year after year after year, our target will be to deliver top quartile ROE. Having reached here, we will do our very best not to go down, do our very best. Does that mean difficulties will not come? (foreign language) So unless and until (foreign language) 3 years and now everything is going to be good, if I believe that, I will be only naive, right? So situation is going to be difficult after that also. Some of them, these problems will touch us, there is no doubt. Many other -- there is a perception in the market that it is touching us, like it has been till now. Right? But we will try and build strength across the entire ROE trip to make sure that year-on-year, the ROE track will maintain that top quartile. I'm saying top quartile. Don't get into artificial things like 18%, 17%. It depends on that year's performance of the system. But it is top quartile. I think the analysts, some of you will understand very clearly the feeling behind it.

And how we will do it? Very clear, you know that we specialize by talking simple things. Simple people talk simple things. And very clearly, these are the 6 things that we will work on, responsible growth, especially on products where we believe we have the right to win and build right to win further, (inaudible) to a speed, continuously improvement in productivity. Here you see, we are not talking about we will reduce expenses.

There are some people who ask me why expenses have gone up. Naturally, because anybody here who believes that you can do retailization without expenses. At least I don't know that magic, and I'm ready to learn. If we're doing more retail, we'll need more expenses. As long as the contribution is higher, it increases. Right? So improving productivity continuously. Robust portfolio quality and balance sheet strength. Portfolio quality means underwriting monitoring, balance sheet strength (inaudible). The retailization. And lastly, which is what we have added this year. So we were always doing it in management of ALM and diversification of liabilities. In Q3, we had this learning that even though our ALM failed us, but still we were hurting for at least 20 days, because our entire funding was coming from banks and mutuals. And as we go ahead, we will need to depend on others. Right?

These are 6 things that we will work on year-on-year. Right? Forget quarter-on-quarter, even year-on-year. Some of these things will vary, no doubt. Quarter-on-quarter, we were definitely winning. Our try will be to how optimum value of this and minimize the variability of each one of them, because now we're talking stead. That is the positioning we want in your minds. We will try to maintain optimum levels of each of this, and we will try to reduce variability of each of these. But it is possible that there will be a year where one of these will vary. And hence the combination of this 6 things. Like we will try our best, that is 1 or 2 of these will vary, we will make it up by the remaining 2. Right?

So it is possible. I mean, I'm talking perpetuity, right? So it is possible that one of the years you will say, oh, your productivity has come down, but asset quality has slightly lost, possible. It will be foolish of me to absolutely guarantee that each one of these will be rocksteady quarter-on-quarter till perpetuity. It's not possible. But that's why it is important that we will work on each of these 6 to make sure that overall ROA and ROE will be maintained at top quartile. Okay?

What I will do as we go ahead is take each one of this in 2 parts: one, to establish from our track record that till now we have built the right to talk about each one of this; and then a plan, a short plan of how we will do in the future and how we will manage this in the future. We've all gone through the investor presentation and none of this will be a surprise to you. I'll try and explain it in my way.

For the first growth, these are the 6 things that we said we will work on. The first is growth. So first just talking about the growth that we have achieved. For the product, where we have said that our core -- we have achieved good growth across in the last 3 months. Just establishing credentials, that's all. If we see market share. We were absolutely also ranked in most of the products 3 years back. Today, many of our products, we have ranked among the top 5 in terms of numbers. And in profitability, I think, many of them we are actually #1. And that I don't need to claim, you guys know. It is actually difficult to produce that data, because competitors' product-wise data I wouldn't. But you will have your own estimates and you have a look.

Now using this, what are going to be the future growth drivers? And when I talk about the future, trust me, I'm not talking about till end of monsoon this year. I will not know. We will do our best. But I'm talking about the next 5 years, if not 10 and to perpetuity, right? So these are fundamentally the drivers on which we will grow. Industry growth, clearly we will choose industries where we are confident that there is a secular growth.

Then we will work on market share, but not by taking higher risks, and I will try and establish. Market share can be gained by differential knowledge, differential data. Right? It is, for example, if you gain market share by going deeper using data and digital, going deeper and finding customers who are new to credit completely, many of them biased, but new to credit, we're having current account, savings account, but no credit, that is growth in market share without taking additional risk. If you lend more to a person who has already borrowed INR 80,000, INR 1 lakh in micro loans, it is increase of market share by taking additional risk. That's one example. We will differentiate between the 2 very clearly.

Adjacencies, this is very important. And this is -- adjacency is very important to manage short-term ups and downs. Let me give you another example. In tractors, very clearly, new tractor growth will be negative, negative, negative this year. We are sure. We are calling it on. Does that mean that our tractor finance will be negative? We will try not to. And how we will do it? By launching adjacency -- not launching. They have launched them already long back. By concentrating on adjacencies like old tractors, refinance, top-up of our good customers, using those products to tide over our industry slump. That is how in medium to long term, we will use adjacencies to grow.

Then cross-sell. We today have got upwards of INR 1.5 crores data point. Till now, we have not talked too much about it, because we were not confident. We know that the company (inaudible) extremely well, far ahead of us. It still is. But today, we believe that in rural India, we have got unmatched database and a deep database. This can be used tremendously not only to cross-sell to them, but to create very credible lookalike so that we can do credible lending new to credit customers completely. There are 2 ways of lending to people who don't have a credit account. Okay? One is to create -- using data create lookalike. But if that person was a -- had a credit record, how it would be? Based on similar profiles with people with credit records. Okay? Our second, you have to lend and then go to whichever God you believe in and pray. So these are the 2 ways. Very credible business models, both. We (inaudible) right?

So I'm atheist? I believe in God. It could work, but we have to (inaudible).

And then last, but not the least, new products, new businesses. I know we are tantalizingly talking 1 or 2 sentences about them. I will try and explain a little bit more, but would like to keep most of it to myself, because this is a competitive data that I give out.

So these are the 5 things, 5 pillars on which our growth will move. This is how we will use it for our 3 lending businesses. For rural, obviously, industry growth, we accept, to be fantastic 5 to 10 years. Market share, we are very confident of growing. Adjacencies, most amenable to adjacencies. Cross-sell, up-sell, again most amenable. And new products can come more, hoping -- yes, we will use the different things to some extent. We are already using, but the big push -- obviously, we are so small on retail housing that the big push will be on industry growth and market share. Why we have put there? There is a lot to do. So we don't need to talk about the other, like we need in tractors. Tractors, we have a 15% market share. I can't grow it to 25%. I don't want to grow it to 25%, very clear. I've no ambitions of becoming #1 in tractors.

There is -- we believe that when there is a competitor who is attractive, trying to grow bigger than him will just bring more risk. Don't want to do. Very happy being #2. But #2 is (inaudible), right? And hence the market share increase will be minimal. But how can you (inaudible) like that? Our market share is at this point of time in decimals, and we believe we have got it right now. We have got our data sourcing right. We have got our digital right. Most of our home loans happen in less than 0.5 hours. And we believe now that we can use that to increase market share. And of course, infrastructure, industry growth and market share is what we will push on. Any chance we are looking at that much business that we can set it on, we are not looking at increasing the book there other than IDF. So that's how the growth will happen.

And then a new segment of SME, I will talk a little bit today, but very little bit. But as we go ahead and then we are launching it. We are right now building it. When we're launching it, we will talk definitely. But trust me, we will not do it the way it is done generally. Right? So normally SME business loans, MSME loans, everything is loan against property generally. We will -- if you do loan against property, we will call it loan against property. Why to call it SME business? SME business loans is something else, and we will see how we move -- go ahead.

Going more in detail. I've talked about this already. But clearly, micro loan will look at interconnected geographies, get deeper. Our entire rural network, and some of you have visited our branches, we are paperless already. And within next year, though my IT department banks, digital carries a much tougher target, within a year will be completely computer-less. We would like to see more computer in our network. Everything, every business will happen unhanded. A mobile with a person will be our branch, fully functional branch, fully functional. We are close to that and we'll complete it. And yes, then we will talk about 15,000, 16,000 branches, why to talk in hundreds. And that's the way we will go ahead, as we said.

2-wheelers, we believe that the 2 things happening, the CBS/ABS and the BSVI is going to increase the price of 2-wheelers tremendously. And we are taking a bet on finance penetration going up. It is already up. 3 years back, it was in mid-30s. It is above 40 now. And we believe that finance penetration will go up. We're betting on that.

IDF, the details whatever we could provide, we have given in the annexure, you would have seen. But yes, clear growth in operating projects, no risk where we are looking at as we go ahead. Market share, clearly, as I said, data-based credit assessment is something that we've almost perfected now. We will use that end-to-end digital fulfillment (inaudible) that to gain market share even more.

Home loans, concentrating on direct, we have called out that we will do more and more and more direct. Hopefully, by the end of this year, we will just completely stop GSA sourcing. We'll remove it. We are already more than 2/3 done, starting 3 years back from 0. So lots of changes are happening under the hood. And today, we are seeing the results.

Yes, real estate, focusing on category developers, leverage the relationship for home loans, adjacencies, I already talked about. Cross-sell, 2-wheelers and home loans. We have great database, use that to sell more loans (inaudible) actually but more nonloan products. The fees that we are getting, where is it coming from? It is coming from selling third-party products, and we are now doing -- one of the largest distributor, corporate distributor of insurance products. We are already there moving on.

SME. (inaudible) So by the way, don't confuse it with supply chain [implementing], which will exist. Supply chain is specific order to a large manufacturer. Where the payment is coming from a large manufacturer, there is nothing (inaudible), right. We today being L&T Group, through a particular system which the group has developed, buy 55,000 crores to 60,000 crores of materials, working towards reality and have deep database under transaction, right? There is something that L&T group is still doing or done which I'm not at a liberty to talk about. It is at too early stage. But using that database to use financing products, unsecured and secured business loans as a product. Having the deep database on that particular SME's behavior over the last 10 years with L&T and others, we believe that given the database that we have and now the data analytics ability that we have, we will be unmatched. Very simple. Are the financials of these people available? Yes, certainly yes. They're available. But before you've been there, they're available to anybody else. But very clearly what is available to me is not available to everybody.

This in addition to the GST database, in addition to the financials, in addition to increasing penetration in credit bureau, I think we have a good product. The proof of concept is being developed. I wouldn't like to talk about which month, which year. This year, yes, I'm -- we got a bullish one, it will be a (inaudible) I think which month (inaudible) we will bring out an excellent SME product. We have (inaudible) now because we believe that it is high-risk.

Lending just against the property is no different than last. Without knowing how the SMEs really are doing, we believe it is high-risk. And today, we are sure, based on our database and data analytics ability, we believe we can have a great product, but in the future. But it's a new engine of growth that we are looking at. I will ask you, request you to believe us, maybe actually (inaudible). But I just wanted to (inaudible). But don't believe us now. Believe us when we actually do it.

NIMs plus fees. Again, we're establishing our credentials. Four years, you saw quarter-by-quarter few slides back, now year-by-year. So when I say we can maintain NIMs plus fees, don't just compare the first 2 with the last 2, IND AS and IGAAP (inaudible) different. So just last year, FY '18 and FY '19 is according to IND AS. Before, that is all IGAAP. So comparing IND AS numbers (inaudible). Comparing, I don't dare. So it is completely different. But yes, generally speaking, we have maintained excellent levels of NIMs plus fees.

The fee income has been tremendously broad-based. You see retail business is like rural and housing. But 3 years backward, you need 28% of the fees. Whereas today, it is 34% and growing, right? Lots of questions were there, whether we will be able to maintain our fee income, if you will remember. The moment public sector banks got stoppages, we were told that they are now -- we are finished. And when there was [end of PCA], we were told now you can downsell, so you'll not get fee income, so you are finished, right? Well, we not only survived, we have done well in both the conditions. And how that has happened? Are we downselling to public sector banks? No, hardly. (inaudible) under PCA. Will rural come out of PCA? So then that's business planning. Now we downsell to others, number one. But most importantly, moved away from downselling, underwriting and downselling. Selling only are the source of fees. Cross-selling is a big source of fees. Even customers pay higher amount of processing fees when you can do the loan part. When you do direct, you pass on (inaudible) or 0 to the finder. Naturally, right? So my net fees, when housing was 100% GSA, my net fees will be something else. And then when it is 30% GSA, it will be something else.

What I'm trying to talk about is not just the numbers, but the way the nature of (inaudible) and why we believe that this is sustainable, even then we have a proof of sustainability. We are not talking about 1 year. So in terms of products, I established sustainability, and you can believe we are established. And in fees, this is where we are coming from. Even [sales on volumes]. And yes, FY '19 is less than FY '18. There is no -- I mean we have been saying that for the last 2 quarters. We have been giving numbers. And this is not retail portfolio sell-down, let me be clarified. We have done 0 retail portfolio sell-down. Just as a proof of strength that we have raised enough liabilities, the portfolio (inaudible). This is infra sell-down, infra and real estate sell-down, which we do as a business model. They were through sales, right? Getting fees. Yes, of course, H2 was way low than H1, but still we have INR 7,600 crores. And we actually believe that FY '20 can be better year, okay? And most importantly, establishing a robust platform, and we are established. But at some point of time, if for whatever reason, either of course (inaudible) availability, we have to securitize. We are in readiness now to securitize. And very clearly, my instruction to my team is you will securitize retail only if it is absolutely a need, that you are growing and there are risk parameters which are stopping your growth, then you will securitize. What I mean is when I reached a particular state concentration in rural, I will securitize some of that state portfolio. [On good] portfolio, I'll do that. I will not raise even INR 1, just so because I don't have liabilities I'm securitized. I don't intend to as we go ahead.

So what about the future? Clearly, NIMs is we maintain some right to win, increase use of data for differential pricing. This is interesting, right? (inaudible) we want to give refinance to a good customer. Normally because it is an old tractor, you will charge higher than new. So imagine, you are lending only to your good customers with track record and you are charging higher. Then we fully will say that, that product will not succeed, right? Why would he take it from us, right? Today, based on our data, we have the ability to price differentially, price intelligently and use that to our NIMs.

ALM, of course, and ability to pass on. I talked about where fee income is going to come from, sustainability through diversification now and strong database. We are also looking at setting up starting with the infra [EIS] more tools to get more revenue to do business without [putting] our own balance sheet.

Let's talk about productivity, I'll speed up a little bit. I think all this is (inaudible). But this is again to establish our credentials. We have done things over the last 3 years which don't happen normally. The CXO reduction from 33 to 12, right? Tooth to tail ratio, tooth to tail is head office to branch or branch to head office, going -- completely undergoing the transformation. Leveraging call center, field force and payment remittance outlets, trying to reduce. And then most importantly, using data to increase productivity, All this has happened. We have merged companies, merged branches, tried to save money wherever possible. And last but not the least, went to put all this money back into technology. And what we have done over the last 3 years is really working now. All this investment is now bearing fruit. How do we go ahead? So first one is (inaudible). At the end of FY '20, all my customers, all my data will be geo-tagged. As an example today, our entire attendance is not by geo-tagging. Is the person throughout the day -- or actually it's his mobile, throughout the day is where the person is supposed to be? Because it may not be the branch, right? There are people in developed locations, customers, et cetera, and we are monitoring that, right? And that's the beginning. And through using -- geo-tagging each of our customers and planned -- actually, the computer can view the route for each person every day, the route (inaudible) and monitor what the person is doing, thus increasing efficiencies. So smart people, right?

If he is doing -- the person is doing something which he doesn't want me to find out, there is still a bigger problem [for you]. So (inaudible).

Call center efficiency, use of robotics, we are already doing it. Simple things like getting the RC number, registration number. That's a never ending process, completely, right? Before -- after doing the business, after doing the -- find and getting the RC number and trust me, (inaudible) to retain that we get all RCs in our team. (inaudible), especially when you are doing volumes. And then there are robots, getting and downloading RC numbers and checking whether (inaudible) is there every day. Anything which is automatic is done by robots. Everything which is daily repeated thing is done by robots.

Data-based credit assessment, of course, and the next big thing will be the overall scorecards. Again, I'm talking next 5, 10 years, but obviously this will be done in the next 1 or 2 years. But the overall scorecards will be the next big thing that we are working on.

Credit cost. Here is one place where we are not showing the graph to establish our credentials. As well I think we all know how the portfolio has improved year on year on year, especially on 2 things. The retail businesses clearly improved, 0 DPD have improved since then. We have actually resolved all this (inaudible). And now the issue is how do we conserve it while going at it, right? Will lending business happen? Yes, we have a very conservative underwriting. We will keep making it more conservative. Still lending business will happen because we are in the business of lending, right? We can worry about every name coming in the newspaper, whether we are there or we are not there, right? I've heard some people saying (inaudible) all names, L&T Finance is there. First of all, pick your bags if it's not true, right? Some names, the biggest names in the indusry they are not there (inaudible) right? But that's not the point. Point is where are some partnerships, there will be some future mistakes. Do we have the underwriting tools to minimize the mistakes? Then what's most important, the second part, is do we work on early warning signals. When do we work on early warning signals? When the customer starts defaulting or before the customer starts defaulting. Our -- I mean the (inaudible) the risk department, credit department, collection department has to go through hell if it becomes very difficult. (inaudible) But the entire emphasis is on being able to pick up those signals. After picking up, are we able to control 100% of the cases? Definitely not, otherwise, we wouldn't have the NPLs that we have (inaudible). But do we get the signals now? Today, yes, for retail through data, and for wholesale, through project monitoring. Clearly, either real estate or infra, we have different levels of early warning signals. And based on that, clearly measurable projects monitoring, (inaudible) how close the project monitoring is? It can vary from a visit a month to see how the project is going to appointing our own chartered accountants to take control of the [TRA] completely. It can vary. And this is the whole range. There are projects where every payment that the promoter is making out of TRA is controlled by the chartered accountant that we are appointing. Where our projects were, our engineering always were 100% of the time. And there are projects where we will just want to monitor [much earlier]. But this is the way we laid out (inaudible). And then last but not the least, provisioning to make sure that if something escaped from the first 2 goalposts, our goalkeeper, there is a third goalkeeper to make sure that certainly quarterly shocks don't come. And we cannot (inaudible), we can say confidently that we are not given quarterly shocks, right?

So let me explain. The risk management, but underwriting in each of the businesses, in retail businesses, which is how we do it. I need to go a little faster now so you should not get bored also. But very clearly, integrated multi-disciplinary expertise, meaning what? Our credit cost starts from our economic department. Our group economics department tells us which area we are good to grow based on data, which districts are good to grow based on [saying], et cetera, et cetera lots of data. From there, it starts, it moves to parameterized underwriting, differential (inaudible). Again, let's say, a tractor, right? There are people who are asking at 80%, LTV is (inaudible), at 90% LTV is (inaudible) of course, (inaudible). But on that 50%, LTV is a different (inaudible). Based on the quality of the tractor, that brand, that model and the quality of the borrower, our LTV can vary from 40% to 90%. And we believe that's the right way to do business. Our average LTVs are below (inaudible). But there will be LTVs. And we believe that's where we bring value. Geographic selection. Portfolio of governance, as we said (inaudible) how the portfolio is growing. And then robust collection architecture which is how we manage our retail businesses.

Most interesting, next topic, real estate, how do we do it? There's just tremendous importance is given on selection of developer, developer category. So whether it is A, B, C, or D, we have clear definitions of, for example, A, one of the main definition is that the person should have -- developer should have delivered minimum of 5 million to LTV. And then there are other priorities. And then stage of construction, city, product segment, based on this various (inaudible) and the return is generally based on that. Simple. Then we look at stage of funding. So for example, if we do a funding in NCR, for example, right, it will be largely only in late stage. It will be small ticket sizes. We will not do early stage funding in NCR. Whereas in Bangalore, we may do early stage funding, right? So in Bangalore, we may look at some luxuries. So you can see how our portfolio looks, more than 80% is A category, more than 2/3 is construction funding mid-to-late stage, not some (inaudible) products like private equity, big line funding, inventory funding, all those things. More than 2/3 in less than 39 days priorities. So low ticket sizes, ticket sizes where we believe that if the project is completed, it can be sold, and major emphasis on completion of projects. And we believe, hence, that we have the confidence, that yes, certainly, are the -- is real estate a high-risk product? I would agree. Are we the right people to do? Most definitely, yes. Real estate funding is not affected as such. Anybody, if you just give a check and what project will come back? Trust me, I'm saying this, I think I'm throwing caution to wind by saying this, but most of the time, it will not come back, most of the time. The money will go, whoever the developer, most of the time.

It is important that you make sure that you are monitoring the project, you are monitoring the progress and you are making sure, so first thing underwriting, then monitoring, you are making sure that you do whatever is required to make sure that the project is completed. And so there are times that we have taken over the management to the vendors, payment. We have appointed our wholeselling agent to sell products at 10%, 20%, 25% discounts, make sure that a particular relationship continues. I don't know whether other financials do this. But we actually had the confidence of taking some of you who support (inaudible) earlier, right? Of course, all of you will draw your own conclusions based on that, but the most important thing is we did it. It took some (inaudible) and to support it no less, right? That's what we believe is the strength that we bring in, our infrastructure. This is our dream. Infra and real estate, how to monitor, we have learned from the best in the business. That is our (foreign language) It is L&T, right? And we have learned from the best in the business how to monitor each project. So even here, which sectors to choose? How do we manage stakeholder risk? Not only the promoter, but also the [SCB] that the power is going to, and then the project level risk. This has kept our current infra portfolio at 0 DPD. Whatever issues we had, we had passed.

Our portfolio in solar, in wind, in road, in transmission is at 0 DPD. And this has not happened [back then]. We believe that we are the best in business.

This slide you have seen before, very clearly we have triggers and we have flags for managing early warning signals. What is the difference between trigger and flag? When a trigger is activated, you just act immediately, you don't think. But when a flag is activated, there is a process of thinking. So customer behavior, portfolio trends, operational risk events are triggers, where you immediately get into action. You don't think. It may (inaudible). Whereas, sectoral outlook and government policies, the think tank gets together and thinks. These are the early warning signals that we have maintained. And last but not the least, the macro-prudential. This is sometimes misunderstood as a provision I'm creating because I'm expecting trouble. No, no, no, it's not that. Macro-prudential is basically being humble, realizing that there will be event risk, since we are talking about perpetuity. Forget perpetuity, if we just talk about 5 years or 10 years, there will be event risks which will be charged in modeling because under IND AS we are to model everything and take provisions accordingly, which cannot be modeled. And hence taking provision for that when the profitability is good and using that when need be, right? And we created close to INR 350 crores this year, and we have got our Board approval to create up to 1.25% of this. Over what period? At this point, we don't know. This is capability-based provisioning. When we are capable, provide when able. Just so that anything happens, we take -- that shock is subdued, right? And here we have to talk about our overall provisioning level. There are a lot of people who ask, suddenly something happens in micro finance, what will happen, okay? Let me explain a few things.

I am more than INR 1,000 crores provisioned in rural on balance sheet plus macro-prudential, right? Plus, our opening book in rural is INR 25,000 crores. At 4% credit cost, I still make that ROE which I make. 4% on INR 25,000 crores is INR 1,000 crores. That means I have a kitty of INR 2,250-or-something crores to provide for any problems. And trust me as well, the country is not breaking.

So suddenly our problem of INR 2,250 crores, right? So that's the whole idea. But you can talk about events that is as if it is the end of the world. But good companies, companies which are looking at continuous profitability will provide funds, right? Same wholesale, we believe we are provided fully, plus we are making INR 400 crores per year. Will we need more than that? Maybe. Who knows? Is it probable? I don't think so, we'll be well provided, and that's the whole idea.

Retailization. Again, establishing credentials. Before we are worried that we are large infra. Interestingly, even today, people talk about that sometimes. But naturally when we start with 60%, it can become 0. We are a company in transition and not that we want to make it 0 per day. We believe that infra is our core business, but 60% was large. And largely, we will very happy if we reach between 30% to 35% in each of the business. That is through diversification. And we will move there.

How have we done that? Very clearly, calibrated our program Rural and Housing. I'll talk about each unit. We're very confident that this move to retailization, because of our product strategies, is a sustainable move. It's not just something that we show at the end of the quarter how we can move. Very clearly, growth in Rural and Housing and in wholesale, doing a lot of business, that's having the discipline of not giving capital to it and selling them. The business is very clear. We can do business as much as we tell. With that discipline, we move towards retailization.

And last but not the least, ALM. These are slides that you have seen, updated. Once again, very clearly towards the last 2 years, at least, we have never funded long-term assets versus short-term revenue. We will never be in a problem with our repayment standard. In the worst case scenario, growth may be in question, but never repayment, never the case. Obviously, you can see the yellow part is our outflows, the first one is our inflows. And you will see all the time, the inflows will be higher than outflows. Such as the one here.

This one is interesting. This is called liquidity gap. This is called interest rate gap. The interest rate gap meaning how much of your assets are repriceable. Even if you have the pricing ability, if your prices are -- assets are not coming up for repricing, what will you do? And our balance sheet is structured such that our assets, which are repriceable, are always more than the new liability or repriceable liability. And that is clearly again through horrible quarters. We have maintained an increase.

This is a another proof. We have given clear guidance on the interest cost. And we are very proud to say that in the last 2 quarters, when the world went crazy, our interest costs have gone up only by 20 basis points and it wouldn't have gone so much if we hadn't raised retail liabilities towards the end of March. Otherwise, it could have perhaps been 2, 3 basis points less than this, but we will talk about that in a minute.

Most importantly, in the second half, when there is a lot of talk about mutual funds, softening NBFC, we have actually raised INR 43,000 crores in market interest in the second half. So going there, there were 2 things. One, prudent selling, always maintaining positive gap. And in the first 1 month, even maintaining a positive gap for 1 in 10 scenarios. I will explain the stress scenario that we cut our inflows, take away some of the bank lines and do the stress scenario, even then, we will maintain one way -- 1 year -- 1 month liquidity. So anytime you will see a INR 3,000 crores to INR 5,000 crores, cash will be on balance sheet, cash and cash-like instruments will be on balance sheet. That's what we will continue to do.

Very clearly, Q3 and Q4 have taught us that we cannot remain only dependent on banks and mutual funds even though we have been able to raise it, right, because these following things are happening. As per regulatory norms, for NBFCs, banks and mutual funds have reached NBFC limits, so I'm putting it here even before you read those. And last but not the least, there are group limits. Now we will be competing with our parent for bank limits, right? How logical it is that we will beat. But at this point of time, yes. I mean, I wonder what banks will do if they can't lend any more to groups like L&T, Tata, Birla, Bajaj, et cetera. All these companies and all these groups have invested right? But we will cross that bridge when it comes.

At this point of time, you have to prepare. And the way we are preparing is by diversification. We are the only NBFC, which did 2 retail issues within 1 month and both times oversubscribed on day 1. The second issue being 30 basis points lower than the cost, retail oversubscription. Then, we raised more than INR 1,000 crores from IFC Washington, which is World Bank Group, and in process talking for more of that.

These are very important factors because, obviously, IFC Washington will lend after doing complete due diligence on the first one, right? So either each one of you can wonder whatever this asset, that asset, that asset, while trust some companies they said. There are some very positive which will come out of this liquidity crunch. The largest bank -- largest public sector bank wrote a check of INR 5,000 crores to us and did a complete due diligence of our book. So the INR 5,000 crores is huge. And after that, they lent INR 5,000 crores.

IFC Washington is (inaudible). It's not just any other private equity. It's an international institution of repute. And they have done complete due diligence on our book, and this is just the beginning, INR 1,100 crores. We are doing more with. Okay. These are some of the things that I can do short of allowing each one of you to look at every name in my portfolio and satisfying yourself of the goodness or badness of them. I even may do that, but unfortunately each one of your opinion will be different about it. So it is completely nonactionable, right? So I would trust -- I would really request you to trust the management of the company to do the management of the company. But yes, there are certain external institutions, which have certified what we are doing.

With that, let me come to the last slide that I'm going to present today. I'd say we are following this whole thing. I have always come crying from -- when I talk about some of them, always crying internally. I always have the one method, very effective method of giving targets to my team that I normally go on national television and announce. But this is what we are going to do this year, right, or in Analyst Day.

Trust me, there is no other motivation for the senior team to then deliver. This time, we again delivered. Assurance is a theme, which is reverberating with each of our teams, in business, product strength, productivity, each of those things, but even government, even some small things, which can slip, which can go off the radar, with every government compliance, in every aspect. We are looking at no surprises.

Internally, the target is 0%, right? What I'm assuring you today is that there can be 1 or 2 surprises here and there, but overall, as I said, we will try and minimize the variability of each of these 6. And definitely, we will minimize the variability of the combination of this 6, plus giving the assurance of sustainable top quartile ROE to our shareholders.

Thank you very much. I have taken a lot of your time. If any questions are there, I will be very glad to take it.

Sure, sure.

Unidentified Analyst, [58]

It's [Dhruv Agarwal] from [SkyWorld Capital]. In last 6 months, I mean, a lot of people have focused on the asset okay, it's important, but do we need the liability side of that?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [59]

Sorry?

Unidentified Analyst, [60]

It's a liability side crisis, potentially. I'm glad that you're focused on ROE. For me, wealth creation is a function of ROE growth. I mean as your scale grows bigger, INR 98,000 crores over the next 3, 4 years, one of this kind of a crisis as a result. At INR 98,000 crores, you could manage and growth could slow down. My worry is that too much crore, if this kind of a crisis occurs, liability side will be extremely difficult to manage.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [61]

You are 100% correct.

Unidentified Analyst, [62]

And again from this time, I may not be worried about the asset side, but growth may be seriously affected. So my worry is if I look 5 years into where you are looking at, if another crisis occurs, what may again become. So what's your take on the liability side, how are we going to manage that over next 5 years? Not just for next quarter or 2.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [63]

Great. If you're talking about the sector as such, I agree. About us, I would much like to correct some facts that our growth is not compromised. Overall growth here, that's because of the strategies, strategy of getting -- deprioritizing some of the businesses. So as I said, the 17% is just commission. Whereas, the good business we saw growth. Having said, I will answer your question. There are many ways to answer your question. It's an excellent question. The first is just taking advantage of my white hair. I will say that -- mine are not colored, they're really white. I will say that few years back, people asked the same question to various companies (foreign language).

So markets do expire. When you are talking about 5 years, 10 years, there is a particular trust provisionary in financial services, right? 5 years back, we wouldn't have such a large (inaudible) parameter; 10 years back, we'll remove it. So markets do expand and absorb some of them. So that's one of the assets. Having said that, can we just depend on that hope? We certainly can't. We have to prepare. There are various ways of it. The first one is, of course, there will be a secular growth in bank funding and mutual fundings, et cetera.

As I said, diversification, directly going to retail is a big one. So just now the beginning, within first 2 months, we have raised INR 2,500 crores, which is 2.5% of balance sheet. It's no joke. We have our internal targets as to how much should we retail. I'm not going to tell them now. But a substantial part of our balance sheet will be retail. It will be costlier than wholesale, no doubt. But the businesses will build that strength to make money over that, right? We have to take it as a provision coverage that you are providing on the liability side, that higher cost, which is for -- retail money will always be steadier than the wholesale money. That's the first answer. Second answer is going international, where the crisis will not touch the long-term money internationally, like IFC Washington. Our name was there in raising CDs and (inaudible) et cetera. I'm not going to deny any one of them. I only don't want to comment on the tax. But yes, obviously, we are a leading NBFC. So we will be at the forefront of all these things, of raising money internationally. That's the second one. Third, various tools like AIS, et cetera, who will -- your balance sheet is not the only way in which you can generate income and grow. There are other factors.

Last, but not the least. One big tool, which everybody else has flagged already (foreign language), which is securitization of retail. If after all this, there is some difficulty, that tool is always absolute top quality retail portfolio. Any emergency we can use that, either as a tactic or as a strategy, right? That answers it, right? You were talking outside -- I'll take that question. That is becoming the bank resolution. Frankly, I don't know. And at this point of time, it is not my decision, right? Under the current existent laws of the country, law of the land, either I have to be LNG or I have to be a bank. But at this point of time, our clear choice is becoming -- being LNG. So if you're industrial group, you don't need a license. (foreign language). There are so many things to think about. So does that answer your question?

Unidentified Analyst, [64]

Thank you, Mr. [Chair] for presenting in detail the presentation and for patiently answering some of the contentious issues as well.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [65]

Thank you for patiently listening.

Unidentified Analyst, [66]

Sir, my first question is with regards to the disbursements. Okay, so your loan book, say, would have grown 17% and as you rightly pointed. The key is businesses have grown but disbursement for the quarter have come down significantly.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [67]

For Q3?

Unidentified Analyst, [68]

Exactly. So my question is how much -- was it your strategy given to conserve your cash in the quarter? And how much was at the marketplace?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [69]

Very good question. I can't really answer the second part of the question. In our core businesses, cash will never be the concern, and that's the difference. But even in Q3 targets, Q4 was far easy compared to Q3. Even in Q3, the core businesses, we were very clear. If there is business to be done, cash will not be a concern. I very clearly assured it. And we said, okay, noncore will not get standard -- noncore, the businesses that we were not pushing hard, we said we will get 0 cash. Finally, it didn't get 0 cash. So it was managing this strategically which helped us.

Q4 to Q3, I can answer it very simply because good answer is a little more nuance is they only come in Q3. And rural businesses, Q3 it's always the case. So Q3 to Q4, whichever year you take, it was at this time Dussehra and Diwali and Navaratri all came in Q3. So Q3 was a huge growth. My request will be not to draw conclusions out of Q3. Yes, you can draw conclusions on year-on-year basis.

Unidentified Analyst, [70]

So actually year-on-year also there has been a drop, especially in your rural business. The following question is how can the [margin] return back, you are already starting May of the next quarter? So what have you experienced now?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [71]

So actually, no. We're just -- been huge positive growth in disbursement year-on-year, okay. Now I will answer a question for next year, when the rate of positive growth will definitely come down, just mathematically, when the book grows from 7,000 to 25,000, there will be one growth. From 25,000, it can become 75,000. It is 3x, right? So the percentage growth in 3 years, if I maintain the same it will become 75,000. And then all of you will say, I'm being reckless, right? So it is not going to happen. Even the 20% book growth from this time will take me -- will be INR 5,000 crores. It's huge, right? So percentages, when the company is in the right turn, the profit grow back. This year my profit growth is 92%. Next year, I'm not going to guide you how much, but it will be a fraction of that, right. That's obvious.

When you think we are slowing down, we'll think of a plan. When you go from 9 to 18, what is the profit growth required? And if you will remain at top quartile, what will be the profit growth require? So in that ticket and that context, rather than comparing our -- growth rate in top line, in top of these businesses and in profit are going to be lower than what we told in FY '19. I mean, it's obvious. But the easiest way to answer that, look at the base, it's much higher. And profit, we are already at a level where we want to be.

So a plane, for example, the thrust setting it has while it's taking off is much higher than when it is cruising. So we will -- in fact, we are now looking forward to establishing that we are in cruise mode. We are still away from that. But we want to establish more and more. We cannot show the step velocity anymore.

Unidentified Analyst, [72]

On the rural business, what is really the meaning that the income growth has gone -- the income, I think, has gone up from 0.7 in FY '18 to 1.7 so...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [73]

Two factors -- 3 factors, actually. First is cross-selling. Cross-selling of third-party products, more than internal products. That is number one. Second is giving such service to the customer in such speed that they are ready to part with more processing fee. And holders giving such volumes to dealers that we have to part less of [funds] to the dealers. So that's all 3 acting to increase that.

Unidentified Analyst, [74]

And how do you finance this? Or...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [75]

Very similar. Mostly in finance business, when you do GSPs, it will be -- the net fee will be very low.

Unidentified Analyst, [76]

No, my question -- no, no, the income in businesses, like the average ticket size on home loan is INR 40 lakhs, what is the Right to Win there? If you're targeting salaried customers that even banks are targeting, what is your Right to Win?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [77]

So we believe -- so this here -- to believe what we believe here. In fact, we are still building the Right to Win. Very clearly the Right to Win is how to put it. We're just learning the project so well that one part of the assessment when we do retail is already done. So when I'm doing only the person's assessment with database with lots of IT involved, I take much less time and the valuation of each flat, okay. How do I put it without letting out lots of competitive information. So far, when I'm finding 2 flats, pick up 2 apartments in a particular building, right, then I have to see whether it is garden facing, pool facing, some other construction facing, base it on that and then do valuation based on that, very subjective, it takes time.

When I do lending to a project that I have studied in detail, by flat number, the value is already in my list, right? So that just -- increases of speed is tremendous. So 99 percentile or something of our home loans are done within 30 minutes. And that clearly builds our Right to Win. Of course, there is HDFC, there is SBI, who will do maybe more faster than us, but more people will go there, and we are clearly far away from competing with them. Right now, we do INR 1,000 crores a quarter. We do INR 2,000 crores a quarter, still small, but we're very happy. So it's not factors where we are 15%. We're now looking what is the right tool. There are small changes in Right to Win that will get us big growth. It is exactly opposite to what I answered, but here the volumes are so low that small improvements can take us big growth.

Unidentified Analyst, [78]

Perfect. So just a macro question on inorganic growth. So it seems like the promoter is deciding what to -- what is to be acquired for some of its subsidiaries like we can -- the idea that's the kind of feedback we get. So what are your thoughts on inorganic acquisition?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [79]

Good question. So I will answer it this way, okay? So you are right that lots of things are concerned, okay? I have a strategy department, which is very busy, that put it all. But there are 2 things that are very important, I think. First of all, I, by nature, a randomizer, okay. Very simply, first is the business tend to come to us, sure deal within our core area, right? We will otherwise want more areas where we believe we should grow now. It should be there. Just because something is available cheap, we will not buy it, just because it is cheap. It should be the business that we like. And if it is business that we like, then we will not buy it unless it is cheap, right? Find -- cheap, by definition, you guys are making it more and more difficult for me, no? Like screwing up my valuation -- so why would I say more than my valuation to anybody unless and until I believe that they're adding tremendous amount of value, which I don't think, either we knew we are totally wrongly valued. And why would I say anything more than what I am valued, before anybody else. Unless they are those people from (inaudible) who are better than me, also who are (inaudible). So whatever is available, I don't think is as good as us, and then they should be available at a value less than me and which you guys are making difficult by the day.

Unidentified Analyst, [80]

Correct. So assuming that it does fit into your business and then assuming that it is cheap, are you size agnostic or did you open up part of a...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [81]

I only answered that one. So yes, if it is -- okay, so let me, without picking a name, answer. If a 10% stake in a large company is available, I will not take it, right. It doesn't make sense. People have tried that before. It doesn't work. That is number one. Number two, if a very large company is available with a very different thinking, so how do we look at this? We are, by nature, is a company who believe in centralized credit, computerized credit, totally human-free interaction. Human should be interacting only to close the business and close collection (foreign language). There will be a company who believe in (foreign language). It is so different from our DNA, right?

Maybe if we take over a small company like that, we will be able to adjust it. A big company will not do that here. And if we take over that model, only to change the model, why do pay value in the first place? So that's what -- so answer is still -- I mean, right now, there's no argument but answer it very simply, we are so confused that at that point -- this point of time, unless someone said -- promoter's expectations about their company, more drastically I don't see a chance. We have a lot to do internally, lots of promises we are doing. My team will be -- other than the Strategy Department of key people, they will be concentrating on it at this point. Yes?

Shweta Daptardar, Prabhudas Lilladher Pvt Ltd., Research Division - Research Analyst [82]

I'm Shweta Daptardar from Prabhudas Lilladher. Sir, 2 questions. One, the retail side, we are growing clearly. We are adding new products. So how is the synergies or interactions between existing and new businesses in terms of, say, geographic infringement of customer profile mapping, so that the end result is -- the outcome in terms of better efficiencies or cross-selling?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [83]

So I will tell you some truth, okay? There will be products where the same thing can sell. Like, I talked about adjacency, right? Because adjacencies are (inaudible), like somebody who is holding a new tractor largely can find the old tractor or can do these demands and concerns, right? But can the same team do rural SME? Somebody who tells you that is just lying. It doesn't count. So generally speaking, completely neutral will mean completely different people.

Geography, however, can be a synergy, not because of cross-sell, but because of knowledge and data, that the geography we are in, you can largely be having more data and more knowledge, knowledge in the terms of the data there. So it is natural that the new product will perhaps go there. But it is very general answer. For example, something I told you, our strength is going to be L&T data, which is very geography-agnostic [whoever's current one], right? But will I go and start the old tractor in a geography where my new tractor is not there, unlikely or impossible. So it will be a nuanced answer, but these things are getting synergies by common themes, et cetera. It generally doesn't work unless and until it is very closed subject.

Shweta Daptardar, Prabhudas Lilladher Pvt Ltd., Research Division - Research Analyst [84]

This is where I am coming from, please correct me if I am wrong. For two-wheelers, you focus more on the semi-urban side, right? Micro loans, for the rural, yes, for the rural. So then how is the spread and synergies buildup there?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [85]

There are no synergies.

Shweta Daptardar, Prabhudas Lilladher Pvt Ltd., Research Division - Research Analyst [86]

Sorry?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [87]

The synergy -- there is no synergy, that's it. And despite that we make a lot of money. So I'm not reading your question. The answer is there is no synergy. Very similar in micro loans, there is 0 synergy. But other than -- these are looked after by the same chief executive.

So as we add products like consumer loan and more from the retail side, then how would the mapping happen? And how would that translate...

So I will tell you the synergies of people is not a consideration for the mapping. I will not do another product in the same geography just because I have people. If it answers your question. The database should show that there is a market there and I can do business supposedly there, I don't mind putting that (inaudible), just because there is a (inaudible) mapping.

One thing we would look at synergy, which is different from the answer that you typically get is that if we are looking at a business, like consumer loan, what is the biggest synergy we have, is experience in doing parameterized credit in an STT mode where there is 0 deviation, 0 exception and the value proposition of 30 seconds of (inaudible) That's our biggest synergy. One more synergy we have is a collection model, dedicated on the assumption of 0 DPD. That is a huge synergy. So will I have to change my credit thinking? Answer is no. You have developed very different analytic model? Answer is no. Do I have to change the way credit risk takes place? Answer is absolutely no. Do I need to create a collection architecture, which is fundamentally different? No. These are the synergies. Will the same person do multiple things. Come on, I mean, if I have a tractor sales person, he is based in a dealership, he can't go checking after a customer outside of dealership. Come on, even I can't do multiple things.

Shweta Daptardar, Prabhudas Lilladher Pvt Ltd., Research Division - Research Analyst [88]

Yes, so clearly wholesale is 35% of [RC in common], it remains there, right, going forward? So incrementally now that we are falling into little challenging environment, so incrementally which are the businesses besides IDF under wholesale, which you would be focusing on and maintaining that kind of an interest?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [89]

So one minute. So first is our focus has been very clear: we'll continue to be on infra, rural -- I'm sorry, renewables, roads, [track station -- operating roads]. This is in our focus whether it is within IDF or whether it is within L&T infra. So for operating projects and project construction. So the focus will continue. We believe that there is good growth in this, challenging environment as you say. For us, we are talking about paid on time, right, that is number one.

So what are the rules here that within this capital, so business disassociated from capital. Capital is available for IDF. That is we will book -- grow the book. Whereas non-IDF infra, we will not grow the book. We will use carried-down machinery to do a lot of business, do underwriting, get the underwriting advisory fees and set up, right. Other businesses like we used to do structured finance non-infra. We believe that in corporate world, we understand infra. We don't understand non-infra. More importantly, we can't control. Now this is very important. One of the important things there was project monitoring, right? This is the conclusion, right, if you go long against share. If you do structured finance, the most -- best frequency you can monitor is on quarterly results, the best we could, okay, other than daily share price movement. And then other than selling, you can't do anything. I mean, we are very proud that we exited out of the (inaudible) exposure completely. But trust me, we were (inaudible) and there are many people who are stuck. So very clearly that is something, which is totally deprioritized. We will not do it. We will concentrate on infra.

As far as capital allocation is concerned, that is different. It will go to IDF most and L&T infra. There is one IDF portion left, right. But the business and both seems largely the same except for IDF, which are totally operational with 1 or 2 years movement.

Unidentified Analyst, [90]

Sir, if you could throw a little more color on pricing power in the two-wheeler tractor and MFI headwind?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [91]

Sunil?

Sunil Prabhune, L&T Finance Holdings Limited - Chief Human Resource Officer & Chief Executive of Rural Finance [92]

Let me try and answer that question not just in the context of NIMs, but in the context of answer, which is NIMs and fees. As Mr. Dubhashi mentioned earlier in his presentation, what is known for us over a period of time is our ability to command not just that particular yield that we are looking for, but a combination of yield and fees. You'll agree with me that if I was in charge of yield, which is out of line with what is revealing in the market, I would do so only by exiting its product. The only way I can make a sustainable proposition is if I look at maximizing my (inaudible) fees or the acceptable risk profile. They can see the major increment that has happened for rural has been in the area of fees and not necessarily earnings. But you will agree me with that, that also requires pricing power.

The methods have been three, which have been outlined already. One, very clearly, is that we are leveraging our data base far better than what we were before. Roughly speaking, if our product penetration before was at about 1.7 times the consumers that we have, it is now 2.7. We are humble enough to acknowledge that 2.7 is not the greatest number that you can get. We can do far better. And our intention will be to do far better going forward.

Second, our ability to carry out a value proposition, which has wide customer appeal allows us to do 2 things: one, get arrangement from manufacturers, which is true both on tractor and on two-wheeler side; and second, it allows us not to play [the payout game] with the dealers. We can do business with lower sales that translate into higher net processing fees.

And third element, very clearly, is that there are fewer and fewer and fewer instances because of our value proposition [offset] that are helping let go of fees that are charged to by final consumers. The final consumer for certainty or for rapid sanction is willing to part with a higher processing fee. Hope that was a useful answer.

Unidentified Analyst, [93]

Yes. So lastly, I had another question. We have around 19,000 crores of exposure to the renewables sector. If you could throw some light on what is the nature of your exposures and if any of this is guaranteed by the government recently or the bank?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [94]

Whatever will be in IDF, yes. Maybe you'd like to take the question, Shiva?

Unidentified Company Representative, [95]

Renewable energy mostly divided into solar and wind separately. In solar, you have projects in Gujarat. In the initial round of it, which are guaranteed by the government of Gujarat as per the power certificate given. You have projects, which are guaranteed partially by IIFCL, which is a government-owned company. Then you have government-supported projects, which come under the National Solar Mission. Here the off-takers are either NTPC or SECI, both owned by the government of India, and have an excellent registered results. The union budget, I don't know whether you are aware. The union budget has also set aside 440 crores 3 years back to support projects, which are under National Solar Mission and the amount has never been utilized till date. So these are the 3 focus areas for us. Apart from that, we focus on about 5 different states. This comes in 5 different states that are off-takers. Our analysis suggest s these 5 discounts are good because we've done a demand-supply estimate and we find that curtailment in these states is unlikely, one, because transmission equipment is available, transmission capacity is sufficient. Second, the pricing that we look at in our financial models is (inaudible) pricing rather than the pricing which is there in the power purchase agreement, which means that we size our debt based on a lower tariff rather than the contractor tariff. I think this would give you an idea as to our focus area.

Unidentified Analyst, [96]

Good. My question is on your IDF. You're growing that book. Can you tell us what are the various assets do you have in the IDF because that is eventually entirely funded by you. You have stated...

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [97]

Various types of assets.

Unidentified Analyst, [98]

Yes, I mean it is also -- the thing is you do NPAs. So these are all operational assets as you were saying so...

Unidentified Company Representative, [99]

So we have a profile. Obviously, we don't get into the names of individual assets. The profile we have around 8,000 crores, 94 projects in the portfolio. These 94 projects are largely renewables, roads and a small percentage coming from transmission. When I say renewables, it's not one sector, it's solar plus wind. Again, the focus is on National Solar Mission for solar projects and Gujarat solar, which are guaranteed. For wind, again, those 5 states that I specifically mentioned. Those are the focus areas. In wind, we also focus on projects, which are guaranteed by IIFCL. In roads, all the projects are guaranteed 100% by either the National Highways Authority of India or the Jharkhand government or Madhya Pradesh Road Development Corporation, and all these off-takers have an excellent track record with respect to honoring their guarantees and making payments thereof. The other aspect is that our average number of years of operations of the projects is 4 years against RBI's regulation of at least 1 year of satisfactory operations. RBI has defined the word satisfactory that implies -- to say that these projects should not have been restructured in the last 1 year. They should not be NPAs and they should have had a consistent cash collection record throughout the period except for maintenance. I think this will give you an idea of the quarter now.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [100]

And on top of it, look, further growth equity now is coming from the partner. The 25% that we took is partly primary, partly secondary. We will give you all the details once we close the transaction, which will be 10, 15 days from now. We should close and then we will give all the book. So it will be partly growth equity and partly profit to be booked by us. And most probably, as it is our want, we will just keep it aside for relief, that's all. Just increase provision coverage.

Unidentified Analyst, [101]

And then on the -- can you hear me? So can you give us some color on the development loan book? I mean one is that what's the total size irrespective of your internal classification? There are some reports that some development loans you've classified as retail loans or something like that. That is one part. Second is if you can give us some sense on the color that, because we are also hearing there's a lot of developers are no more getting disbursements from a lot of other NBFC, creditors and regulators and all of that. So how are our projects and some color and how would we project it?

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [102]

So on the first one, I'm going to answer it a little abruptly. I will give a very abrupt answer to a few questions. First is are we classifying something wrongly, right? Second is are we, what was it, is our provision coverage enough on many of these? We are under-indexed, right, and in the call classification written is what the management believes. What does management believe. So it all comes to whether people will comment like, trust -- L&T and trust with this management. So beyond that, what can I say. If you believe that L&T management and the L&T company can classify something in a different way. Okay, I'm telling you I'm proud of my real estate exposure. I'm proud of my real estate business. We have total of, what, 15,000 now, 15,000, another 400, 500 crores, why would I put it as retail? If I have said 15,000, probably I will have 15,500 crores now. So the starting point is that you need to trust us, right? Otherwise, you should not give the valuation that you are giving also now. There are companies, which are valued at 0.3x book. So first is that you trust.

Second is provision coverage. If -- since it is management estimate, what I believe is enough is what I will provide and more I will provide, right? if I provide less than what I believe is enough, again, the same thing when my integrity is under question. I hope they are not discussing that, right?

Unidentified Company Representative, [103]

(inaudible) in the sector.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [104]

Exactly. So based on the headwinds in the sector. So first of all, classification question is just out of that. There's no chance that anybody of us will even think of doing that, forget do it.

Number two, considering the headwinds provisions, so something which is not GS3, I can't provide, right? What do you provide if there is nothing. And that is why we have brought in micro financing. That, yes, we do recognize there are headwinds in the bank. Yes, we have done the best of underwriting. We are doing the best of monitoring. And especially when something comes under early warning. And there are 2 things people do on an early warning. A lot of people get an early earning. The first phase, second phase, third phase. And there we have very clear plans of exiting. So first of all, the asset coverage or the cash flow coverage of that project itself is very good.

Secondly, okay, we are always very careful about what competitive information we have. If not that, then we are going to a developer. It is not that always we take only that project as security, right. There is a developer (inaudible) time value mix. That is the business model. (inaudible) That is the business model. So yes, you can put [my name] and think, oh, he is in trouble? Yes, he is in trouble, yes, I know, right? So for example, our core way of getting the money back is completing our projects. There are other ways. (inaudible) some other assets and we will [write that].

Second question is more important and that is extremely important. 93% of my projects, exactly 93% is fully funded by me, the project. It is well within my capacity to complete the project. The remaining 7%, it is me and HDFC, right? We do not have anything with any other company in this discussion, not one project. Okay, let me not take names, but you all know, right? No other NBFC, no other HFC, nobody. It's either us or HDFC.

Unidentified Analyst, [105]

Sir, a couple of times you have mentioned about the valuation, which you completed. Probably this question, if you can elaborate, can you give some answers. Couple of years back, your cost of liabilities was about 9%. The cost of equity, as I assumed, should be around 14% to 16%. So effectively, your cost of capital was 9.7% and you have given loans to (inaudible) at 10%. So at what the percent of margins of the business in order for you not get (inaudible).

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [106]

But that's not our book, no?

Unidentified Company Representative, [107]

Marginally, if you are doing business, that's what the percent margin. Obviously, people are not going to give you that. The people who get high valuations of 4x, 5x, look at their differentials.

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [108]

So let me (inaudible). So you have a very important point. I am talking about 1.5x, not 4, 5x. We are at 1.5, that is number one. And I'm not here so first of all. I take some of you in jest, right? I am not here to teach how to tell you what is the valuation I should get, that is your business. Most important reason (foreign language) There was a company called [Birla] (inaudible) and those were the 2 most unsuccessful years of my life because I was a horrible equity analyst, right, and why I was horrible is I used to get the projections exactly right, which today also I think I get. But valuation, where the share used to go, I had 100% record (foreign language). So I will not pretend -- I will not pretend to know what we should be valued at, right? I am only (inaudible) but yes, particular loans (inaudible) At that point of time, what was interest cost? So there are the decisions taken at that time. Right now, are we doing the right business? Because one more thing, sir, about valuation, which I know, okay, is some cost you always talk about the future and you see you take it only the indication of it. That is something that I understand, right.

Unidentified Analyst, [109]

(inaudible)

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [110]

Yes. Absolutely, absolutely. And that is why we are trying to explain that how we are concentrated: on high sustainable ROI businesses going ahead. I would -- valuation, again, I don't understand. I understand business. And I understand that high-yielding product are not necessarily good. High NIM with good fees or good NIMs with good fees, manageable expenses and then low credit cost is good. The company, which is getting 8, 9 valuation, not 4, 5 have done all these things well. I have tremendous respect for my friend personally and the company. Extremely (inaudible). But we are not talking 8, 9. We are talking (inaudible) what we are talking about, is taking small steps, the early steps to go in that direction. That is what I will put. I would second time in this meeting apologize to you that if anywhere I would have felt -- you would have felt that I'm pointing out to your mistakes in valuation, I'm sorry. All those things are said in jest.

Unidentified Analyst, [111]

You're not talking (inaudible)

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [112]

I'm not going to answer this question right now.

Unidentified Company Representative, [113]

Thank you so much. I think in the interest of time, we can take these question within the Investor Relations team and we'll be here outside. Thank you, sir.

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Presentation

Dinanath Mohandas Dubhashi, L&T Finance Holdings Limited - CEO, MD & Whole-Time Director [1]

So we are just ending the Q&A session right now. And couple of people here, I will meet you. When we are having lunch, we will talk. We are very close to 1:00, I'm sure all of you are hungry.

So we have the last slide, assurance slide. Can you get it on this, please.

So I'm showing the slide again with 2 purpose. One is to reiterate this. This is going to be our strategy going ahead. Assurance as further rightly said, that companies, which deliver this ROE year-after-year get the value. Yes, definitely, if not for value, was to give that assurance to shareholders. This is going to be our strategy. At the same time, we also believe that to be truly sustainable, it is not enough to give value only to shareholders. It is equally enough to give value to all the stakeholders, be it customers, be it employees, be it environment, regulators, government, everybody. And with that in mind, we, for example, truly believe that every business that we do is an ESG-compliant business.

Yes, it is. Environment, social, government. In each one of these, we would like to again establish our credential and year-on-year show sustainability on not only on ROE, but on each one of them. With that in mind, we are launching our first sustainability report, as we speak. This has been audited by one of the Big 4. And like many good companies, we are showcasing our ESG compatibility, the IP address is on your table. In spirit of sustainability, we have not printed the report. The IP address is on your table. Please be kind enough to download it, go through it. We are very happy to establish, to show and to take the responsibility of maintaining that, as we go ahead, we will not only deliver sustainable value to the shareholders, but to all stakeholders in a truly ESG value added to it.

Thank you very much for your very, very good questions, deep questions. Hope you have been satisfied with our answers. More importantly, hope that you believe now little more than before that we will be able to deliver this ROE year after year after year, after delivering it this year, after seeing some interesting years last 3 years. Thank you very much. The lunch awaits you. There's enough time in between you and the lunch. Thank you.

Unidentified Company Representative, [2]

Thank you. Please join us for lunch, ladies and gentlemen.