“JM Financial Limited Earnings Conference Call”

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MR. MANISH SHETH – GROUP CFO, JM FINANCIAL LIMITED

Moderator: Good day ladies and gentlemen and welcome to the JM Financial Limited Earnings Conference Call hosted. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Kampani – Director of JM Financial Limited and Head of Institutional Securities Limited. Thank you and over to you sir.

Vishal Kampani: Good evening and welcome to our investor call. On this call I also have our Group CEOs as well as our Group CFOs, so we can take any questions regarding our business after I finish giving a brief explanation on the business.

This being our first Investor Call let me start by taking you through our group structure:

JM Financial Limited is the holding company of JM Financial Group and is registered with RBI as a core investment company. The group's businesses are held in majority owned subsidiary with the exception of the Asset Reconstruction business in which our shareholding is 50%.

As mentioned in slide #3 of our investor presentation, we have segmented our various businesses in five verticals. The first is the Investment Banking Securities and Wealth Management vertical which is the business the Group started with four decades back. The second is the Financing business for which we provide developer financing, corporate funding, margins, financing and a host of other products to our customers. The third is the Asset Management business which comprises our mutual funds business. The fourth is the Alternative Asset Management business which comprises of our private equity and real estate private equity funds. And last is o0ur Asset Reconstruction business which houses the groups distressed asset business.

Before we share the FY16 group financials with you, I would like to present a brief update on the performance on each of these various verticals.

Let me start with our Investment Banking Securities and Wealth Management Business:

We had a revenue of approximately 500 crores last year in this business with a PBT of 79 crores. This business contributed approximately 11% to our group's PBT. In the last financial year, our investment bank was associated with several marquee M&A transactions with the total deal value of 40,000 crores and we were also ranked Number #2 in the Indian M&A lead table by Mergermarket for last year. We completed equity fund raising of over 17,500 crores for eight companies and that represents 36% of the total equity capital raised in financial year 16. We also completed the biggest every delisting in India of over 3700 crores.

Our Investment bank was awarded the best corporate and institutional bank award as well the best equity house award by the Asset AAA Country Awards 2015. In addition, our Singapore Investment Bank was awarded Deal Maker of the year by the Acquisition International 2015 M&A Awards. I must add that we are very pleased with the performance of our investment bank. The group securities and broking business covers over 150 institutional clients across regions and as industry wide research covering approximately 180 companies. For retail clients we have presence in 260 locations spread across 111 cities through a network of branches and franchises. Our wealth management business is one of the high end wealth platforms in India which offers the host of advisory services and financing options to ultra-high net worth individuals. Our wealth management AUM has grown by 55% to reach nearly 27,000 crores as of March 31st, 2016. We have a presence in seven cities India and have a team of more than 50 experienced wealth advisors in this business.

Moving onto the second group vertical which is the Financing Business:

This business contributed 79% to the group's PBT which was approximately 550 crores on a revenue base of 1080 crores. The capital adequacy of this business is at 29% which is well above the minimum regulatory requirement. The gross NPA ratio of the financing business continued to be at 0.3% and our cost to income ratio was at 12.8%. The financing business at JM Financial is managed through two of the group subsidiaries that hold nonbanking financial services licenses, JM Financial Products and JM Financial Credit Solutions. The latter provides real estate project financing to developers with the strategy to focus on lending against residential projects of experienced developers largely in Tier-I markets. The developer financing loan book has grown by over a 100% over the year and stands at approximately 4000 crores. It has a net interest margin of approximately 10% and the subsidiary generates return on equity of 19%. JM Financial Products provide loan capital to our investment banking clients, our wealth management clients as well as our ARC clients. The loan book here is approximately 3200 crores and has a net interest margin of 6%. This business generates an ROE of approximately 15%. With a view to expand our lending business and take advantage of technology and also innovations in the financial services industry we are closely evaluating multiple investments and partnerships with various Fintech startups.

Our third vertical is our asset Management Business:

Our mutual fund is housed in this business where we hold 53.5% stake. This contributed to 8% of the group's PBT at 56 crores with the revenue of approximately 86 crores. Our mutual funds quarterly average assets under management for Quarter 4 '16 was nearly 16,000 crores as against 12,000 crores for Quarter 4 FY15. The growth in this average AUM was mainly on account of increase in assets under management in our equity schemes.

Moving onto the Alternative Asset Management Business:

We have two funds here, the private equity fund and a real estate fund with a combined AUM of 773 crores. We were one of the early entrants in this space in 2006-07 and we are now currently focusing on exiting from the existing investments in both these funds. Though the contribution of the funds in the group's PBT has been relatively small in this business, we are currently strategizing and looking to refocus on this business in the current year.

Our last business, a very important one is Asset Reconstruction business:

JM Financials ARC is one of the highest capitalized private sector ARCs in the Indian industry. We had revenue of approximately 320 crores this year with the PBT of 158 crores. It is also one of the most profitable ARCs in the country. Our AUM has grown from roughly 8000 crores in FY15 to nearly 10,000 crores this year, registering a growth of over 17%. During the last financial year our ARC made total recoveries of close to 1000 crores and redeemed security receipts worth 600 crores. With this brief update I would now request Manish Sheth, our Group CFO to present the group's financials.

Manish Sheth: Thank you Vishal. Good evening everyone. Before I present the financials I would like to bring to your notice that any forward-looking statements made on this call are based on management's current expectations. However, the actual results may vary significantly and therefore the accuracy or completeness of this expectation cannot be guaranteed. Now let me take you through the group's results which were announced on Friday and are also available on our website.

The Quarter 4, 2016 our revenue grew by 21% to 475 crores from 393 crores comparable quarter last year. The Quarter 4, 2016 profit before tax is at 201 crores which is 27% higher than the profit before tax of Quarter 4, 2015. Our overall profit after tax grew by 22% from 93 crores in Quarter 4, 2015 to 114 crores in Quarter 4, 2016.

Going to the yearly numbers for the group; for FY16, the group reported gross revenue of 1685 crores and net consolidated profit is 400 crores. This resulted in an EPS of Rs. 5.08 paisa as against Rs. 4.32 paisa for the previous year. As on March 31, 2016 our group's net worth is at 2804 crores with a gross leverage of 2.4 times and a net leverage of 2.1 times. Our group's credit rating by all the three rating agencies namely CRISIL, ICRA and FITCH is AA Stable.

Moving on to some more details:

You may refer to page #9 of the presentation which is available. The group's total revenue increased by 20% at 1685 crores as against 1403 crores during the previous year which is mainly attributed by the growth in the fund based businesses. Revenue from fund based businesses has grown to 1044 crore from 750 crores during the previous year. Our loan book AUM has grown from 5400 crores to 7200 crores. Revenue from fee business is more or less same is at 640 crores. Our expenses excluding finance cost have been stable and it's now standing at 480 crores versus 470 crores previous year. The group's finance cost increased to

512 crores as against 420 crores during the previous year, primarily on account of the higher leverage that was used to support the growth in the loan book. During the year we increased our long-term borrowing considerably as compared to previous year so as to better manage our asset liability mismatch. We have maintained now a healthy mix of long-term versus short-term of 37% versus 63% percentage. Our cost of fund has reduced to 9.3% from 9.9%. Profit before tax increased by 34% to 693 crores as against 570 crores. The groups consolidated profit after tax increased by 21% to 400 crores as against 331 crores. With this I would like to conclude and we will be happy to take the questions.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Ashwin Balasubramaniam from HSBC Asset Management Company. Please go ahead.

Ashwin Balasubramaniam: I have couple of questions; first with regards to your developer book. Just wanted to understand what will be the kind of funding, will it be construction finance or will it be the last mile kind of funding or what will be the rough proportion like between land funding, construction funding and the last mile funding? Second question is in terms of the ARC book while the book is not got the revenue and PBT level; there has been a fairly significant increase, so is that mainly driven by a better sort of recoveries which have happened, some color on that?

Vishal Kampani: On the first question, focus on the real estate developer book is largely on residential projects so almost 92% of our loans are collateral backed and cash flow backed and almost 80% of those loans are construction finance loans in the residential segment. We have a very low proportion of loans against land which is around 8% as we look for cash flow security in almost every transaction that we do. We try and maintain our cover of over 2x to 2.5x in most of the projects that we undertake in terms of collateral cover and at least 1.7 x in terms of cash flow cover.

On your second question yes, you are absolutely correct. We have had a very high proportion of resolution and recoveries in the ARC business and that is why you have seen an increase in the profitability as compared to the previous year. Our focus on the business is not just to add assets, our focus really is to add assets where we think we can have a faster resolution and recovery and that's how we earn a better IRR on that business in terms of all investments made.

Ashwin Balasubramaniam: Just a follow-up question on the credit book, so what would be the rough yields which you would be operating at?

Vishal Kampani: It depends from loan to loan. In the developer finance book our yields would be close to 16% between 15% and 16%. On the corporate loan and the promoter loan book the yields are lower; they are close to 12% to 13%. On the retail margin finance loans the yield will be even lower between 11% and 12%.

Ashwin Balasubramaniam: Had a more broader question, in terms the developer finance book what we've seen both from JM as well as other NBFCs, they manage to grow the book quite significantly over the past year. But if we here in terms of the state of the real estate sector as a whole broadly, there is lot of news flow about unsold inventory and so on. So just want to understand what really is driving the growth which we are seeing. I guess in your book it is maybe about 100% growth in the developer finance book, so broadly at the sector level and also specially to JM if you can just give some color on that that will be helpful.

Vishal Kampani: Firstly, from an overall perspective; when we started expanding into the lending space, we saw long-term trends of many banks as well as many NBFCs. Over previous cycles, they manage their real estate exposure a lot better compared to some of the other sectors. So that was really the driving force for us focusing on real estate sector as a segment for lending. And you are completely right, there is risk in the sector in the inventory levels have been higher. We do a lot of micro market analysis and our NBFC really trying to choose what markets we want to lend into and what markets we want to stay away from. We try and focus on the best names in the credit side. We are on the lending to Tier-I names in Tier-I markets and projects where we actually feel there is a safe degree of sales to happen even after we factor in almost 30% or 40% delays in terms of project timelines and a further 10% to 20% delay in terms of sales timelines. So we do a very thorough credit analysis before we look into growing the developer book. What is definitely helped us in growing the book has been a five-year kind of exercise of spotting the right markets, building relationships with lots of developers, getting very comfortable with the kind of credit we underwrite before we've seen this faster pace growth over the last two years. Not to forget we also we also raised the slug of capital, specifically one of our NBFCs from a bunch of global investors headed by Mr. Pandit from America to help us grow this business here. So in a sense yes, I am not saying there is no risk in this space but relative to the risk we see around, this is a better place to grow your book here.

Moderator: Next question is from the line of Aman Jain who is an investor. Please go ahead.

Aman Jain: I wanted to understand the broader view on the developer financing book which you guys are running. Given the kind of stretch and NIMS you're enjoying, would you not see a lot of headwinds in terms of competition coming up in the sector and you've already seen peers like Kotak, Primal entering the space. Would you not see NIMS driving down a year or two?

Vishal Kampani: In fact we are already seeing the competition also more than specifically the two names that you've raised. There is also a possibility the NIMS may get lower over the next 2 to 3 years but having said that the sector is very-very large. If you ask me we haven't even tapped into more than 10% of the potential names we can do business with. Secondly we've kept a very conservative leverage ratio target in this business, so we are at 3:1. So it's not that, we have to do a ton of loans to maintain our growth in terms of revenues as well as profits. I think we have the ability to be able to choose of our credits and so in that sense we are not really desperate to grow our book very fast. That helps us in terms of choosing better credits and choosing better names here. But having said that yes, there is competition. But I feel the market and the sector is large enough to absorb 4 or 5 large NBFCs in this space.

Aman Jain: And we would be one of those, right?

Vishal Kampani: Yes definitely, that's our plan.

Aman Jain: You said the current book is at 16% right now, the lending is happening at 16% right now?

Vishal Kampani: Yes it's happening approximately at 15%.

Aman Jain: In three years' time what would be your estimate that this number would settle at?

Vishal Kampani: It depends; we should focus more on spread in the actual rate. So assume for a second, our cost of borrowing last year has been 9.3% and we've kind of managed over the year 15% lending rate. So a spread of close to 500 to 550 basis points, so you could probably see a 100 basis points of narrowing on that spread.

Aman Jain: That's it 100 basis points.

Vishal Kampani: Yes 100 to 150 basis points. I don't see JM going below that spread to underwrite business. If there is competition which should be aggressive and underwrite spread below those levels then I think we would rather miss business than grow the book.

Aman Jain: What would be your say on NPAs, would you say like whatever NPA number is we are working with, would they go up or they should remain broadly in line?

Vishal Kampani: As of now we obviously have very low NPAs. The last four years it's been a very-very good experience with us. But having said that 0.3% is a very low number in our own projections which we don't share, not exact numbers but definitely we would provide for higher NPAs in the future.

Aman Jain: And what kind of NPA recognition cycle we are working with right now, 150 days, 180 days how much is it right now?

Vishal Kampani: For last year it was 150 days, for this year will be 120 days. These are for our wholesale loans.

Aman Jain: And the real estate financing business?

Vishal Kampani: Same 150 and 120.

Aman Jain: So we would come down to 120 this year?

Vishal Kampani: Yes that's the RBI prescribed norm. It will be 120 days this year; it will be 90 days next year. But having said that we are very focused on accounts which are even 30 days delayed, so we don't wait. So if we see trouble even at 30 days delay our recovery team, our senior team is already in front of the account to make sure. We can address all the issues in advance.

Aman Jain: I think you have book size of almost 5,500 crores in the real estate book?

Vishal Kampani: Yes.

Aman Jain: How many accounts would we have currently and it would be great if zero to 10 crores this is the number of accounts we have, 10 to 50 crores this is the number of accounts we have, then 50 to (+100) and then (+500), can you get that kind of a breakup so just we want to understand what kind of concentration you are working with right now?

Vishal Kampani: We will have it, but send to you separately. But I will give you a broad idea. We have over 50 accounts that we have lend to and the concentration will be in very large developers which will be not more than top 3 Mumbai and not more than top 3 in Bangalore. Outside of that bulk of our loans will be between the 50 and 75 crores number.

Aman Jain: So top 3 would be probably (+500), the Mumbai and Bangalore?

Vishal Kampani: Top 3 would be (+300) in Bombay and top 3 in Bangalore could be (+400).

Aman Jain: These accounts would be 2 years' account, 3 years account, what will be the maturity cycle?

Vishal Kampani: Most of our loans are under 4 years, most of them. The large accounts will be with us for over 3-4 years because we've only grown the book size with those large accounts after having comfort through multiple loans in a long history of dealings with them.

Aman Jain: But I understand the relationships would be permanent, so these guys would keep on coming back to you for their next project?

Vishal Kampani: Yes absolutely. A significant part of our business is repeat business.

Aman Jain: You said you have a varied choice of micro markets which you are working with. So you have Mumbai, Bangalore, what other markets we are working with right now?

Vishal Kampani: We have Mumbai, we have Thane, we have Pune, we have Bangalore, we have Chennai, and we have Hyderabad. These are the key markets we are looking at.

Aman Jain: Could I also get the breakup market wise?

Vishal Kampani: Will be close to 45% to 50% in Mumbai, we would be roughly 23% to 25% in Bangalore, we will be around 10% to 15% in Pune and 5% in Thane and we have the remaining markets in the balance 5% to 10%.

Aman Jain: Not working in Delhi NCR?

Vishal Kampani: No, we have had zero exposure throughout in Delhi NCR. We are looking to build a strategy there but that will be more for next year's planning. I think this year we have enough to do in these markets.

Aman Jain: You don't like the market here or the players are not good enough for you right now?

Vishal Kampani: No, we've just been more comfortable in the West and the South to begin our business. Also 4 or 5 years back when we started in this business, we've found a lot of oversupply inventory, also the way sales happen in Delhi, large cash complements so things like those which did not make us very comfortable. Having said that the North market is a very large market to ignore, so we will do a strategic review this year on the North market and we will take a decision by the end of the calendar year whether we want to enter the North market or not. But as of now over the next six months exposure will still remain zero in the North.

Aman Jain: Moving on from the Real Estate Financing business, what about the retail side, what kind of focus do you have there on the retail side?

Vishal Kampani: On the retail side our focus is largely with our Retail Capital markets and our Margin Financing business. We don't do retail real estate loans as of the moment.

Aman Jain: You plan to get into housing finance given everyone is getting in there?

Vishal Kampani: Yes, we are constantly evaluating the sale. There could be a point in time where we will enter that business.

Aman Jain: And what are we looking with Faircent?

Vishal Kampani: Faircent is actually a venture capital investment that we've made it in a Peer-to-Peer lending company.

Aman Jain: We would not be operating them or handholding them, it's just a VC investment as of now?

Vishal Kampani: We would be handholding them. We have a board seat, we have observer seat and we are helping them strengthen their processes and systems. But we will not have a controlling interest, not at this stage.

Aman Jain: Because the size now is very small there like it's not taken off in India as of now?

Vishal Kampani: Yes, we planned that investment from a longer-term perspective. All our Fintech investments, we plan to invest close to 200 crores in the Fintech space over the next 2 to 3 years. But it's a very long horizon investment over the next 6 to 7 years. We are very choosy about where we want to invest our money in Fintech.

Moderator: Next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: This is on the Developers Finance book, did you mention that the yield over year is around 15% to 16%?

Vishal Kampani: That's right.

Nischint Chawathe: And roughly 40% of the exposure would be to the top 3 developers in Mumbai and Bangalore?

Vishal Kampani: Right.

Nischint Chawathe: Is it like a working capital facility or what kind of facility is this?

Vishal Kampani: These are more residential construction finance facilities.

Nischint Chawathe: And these would typically come in before I guess you get the approvals? Is it for financing of land?

Vishal Kampani: No, financing of land is very small. As I said financing of land is 8% of the book, 92% is against cash flow based financing of which almost 80% is residential construction finance.

Nischint Chawathe: Just moving on to the ARC, what is the value of loans that would have purchased last year?

Management: The total value of the loans purchased last year was 11,000 crores. 11,000 crores was the acquisition price and total purchase was….. you are asking cumulative or last year?

Nischint Chawathe: Last year.

Management: 5600 crores is total value of loans that we have acquired and we have paid 2032 as consideration for that.

Nischint Chawathe: Any sense if you could give how many assets and what value of assets were available for sale in the market last year, basically to give some color on how was the market share out there?

Management: Last year there were about 189 auctions taken place amounting to Rs. 1,44,000. This is an approximate figure. Out of that the acquisition by raised ARCs, it ranges about 40,000 crores. The consideration paid was in the range of about 15,000. This is the figure that we have till March. Last minute in March there may be some additions to this.

Nischint Chawathe: What would be your outlook on this business for FY17 in terms of resolutions or more assets coming to the market? Some qualitative color on this would be very helpful.

Management: This is with regard to ARC?

Nischint Chawathe: Yes that's right.

Management: Pose the asset quality review by Reserve Bank of India the trust asset part of it has gone up in the system. It is in the range of about 11% to 12% down. That amounts to about 8 lakh crores. The NPA position as from date, it's in the range of about (+4) lakh crores. This gives us an opportunity to get into this space based on the strength. No doubt it requires huge resources to acquire assets because 15% is the minimum requirement and we envisage during the course of the next year that is this year that is 2017 and in the past we should require a similar size of assets based on its viability and restructure capabilities. We will not have any mad rush as such to acquire assets. We will be very-very selective because resources are scarce.

Nischint Chawathe: What would be the total duration of borrowings on the loan assets with regard to the lending business?

Manish Sheth: Total duration is around 18 months on the liability side.

Nischint Chawathe: And on the asset side?

Manish Sheth: The real estate side it is between 24 to 36 months. Capital market lending business it is less than 12 months.

Moderator: The next question is from the line of Shankar AVSB from Seven Avenues. Please go ahead.

Shankar AVSB: I wanted to ask a slightly broader question; we have fund-based activities like lending and we have fee based activities like advisory which is really core strength. Over the next 2-3 years or at least the economy recovers, do you see equal opportunities on both advisory or fee based and fund based? Do you see certain areas more stronger thereby requiring more resources to be lined up for them? In other words the question is are we prepared of both fund based and fee-based equally or do we need to ramp up resources on one particular fund to actually meet what the requirements will be?

Vishal Kampani: I think there are equal opportunities in both the fee-based as well as the fund based businesses. I think we are pretty well-prepared to handle the fee-based. We will be investing more resources time on the fund based activities over the next 3 to 4 years. But I think with the rebound in capital markets as well as M&A activity especially after the new government, there is definitely a case where there will be growth in fee based activities over the next 2 to 3 years.

Moderator: The next question is from the line of Mohit Pandey from Crisil. Please go ahead.

Mohit Pandey: The capital market lending book has seen a decline of around 500 crores in the quarter, so could you please give some color on that?

Management: Most of that is linked to the margin funding and loan against share, so with the volatility in the market exposure in the capital market has come up. And also lot more stocks have moved in the F&O so therefore we find a lot more clients are taking positions through the F&O market. And the third point is obviously our risk management, we extend the credit based on our also view on the market and we feel the markets are very volatile. We are also more cautious in terms of our lending book.

Moderator: Next question is from the line of Sunil Jain from Parasnath Securities. Please go ahead.

Sunil Jain: Last year your income was 20% from FY15 and there is not net profit was again around the 17%-18%. Can you expect the better strength this year FY17?

Vishal Kampani: We don't give any formal guidance on the future.

Sunil Jain: About the turnover?

Vishal Kampani: We did not give any formal guidance.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: On Faircent, can you share the consideration for buying stake?

Vishal Kampani: 7 crores for the 10% stake.

Moderator: Next question is from the line of Ajitesh Nair from Premji Invest. Please go ahead.

Ajitesh Nair: If you could share some outlook on the ARC business for F17, basically on the existing AUM. What would be the biggest concentration of on account and what are the recovery potentials that you currently see?

Management: As indicated previously, we don't give any forward-looking statement as such. Business for 2017, based the past performance if you see I think we should do same amount of business or more than that.

Ajitesh Nair: Just some color on what is the largest account that we have in our ARC business right now?

Management: Our asset size wise it ranges from 1 crore to 4000 crores.

Ajitesh Nair: This is after Leela?

Vishal Kampani: Leela is our biggest asset.

Ajitesh Nair: I thought we have already redeemed that exposure.

Vishal Kampani: We've done some part of it which has released significant part of our capital investment but we still have to redeem part of the SRs which are held by the banks. I think the opportunity the ARC business is large enough. You know what's going on with the PSU banks as well as some of the private sector banks in recent times. But the issue is really pricing and getting the right kind of asset to which we can see some cash flow realization, so as long as it meets all those of three standards I think there are transactions to do. But if it doesn't then we would be slow in terms of closing transactions.

Ajitesh Nair: For the 10,000 crores AUM that we have, what is the maximum leverage that the ARC and **VRC 39.25** can go to?

Vishal Kampani: We try and cap the ARC leverage at 3:1, so assuming we have a net worth of close to 700 crores and we have a debt capacity of 2100 crores that approximately takes you to 3000 crores of total capitalization. That's why 3000 crores being a 15% number we can actually go up to as high as 20,000 crores of assets.

Moderator: Thank you. Next question is from the line of Aman Jain who is an investor. Please go ahead.

Aman Jain: Where would a typical repayment cycle start for the Developers Financing book, so let's suppose if you signed up with the new developer and you paid him out probably in January or February 2016, so when would these guys typically start repaying?

Vishal Kampani: What we do is, we actually build a cash flow analysis model for every loan that we do. We obviously stressed at that internally as well as with the feedback we get from brokers in that micro-market on the velocity of sales then we project out the sales number over a couple of years. Based on that we would negotiate the terms on every loan transaction on when we think the repayment would start. So it's not a fixed number. In some cases repayments can start as early as 18 months to 2 years, in some cases it can be 3 years. But the longer the repayment the better needs to be the credit in terms of collateral and visibility.

Aman Jain: As a company we are okay working with 18 to 24 months of start of a repayment cycle?

Vishal Kampani: Yes we are and even many of the transactions that have happened in the last year have been refinancing transactions purely because of a decline in sales. So even though there has been a sharp increase in the last three years in certain price points in certain areas but the volume in terms of the sales has slowed down and therefore that also led to a lot of refinancing that has happened.

Aman Jain: A loan which was probably given out in September-December 2014, it's only now we would get to know that if the developer is paying back or not, you have no way of checking the developer is paying or not?

Vishal Kampani: No, if you have a model build in place you would know that he is going to have a hard time to basically start repaying a loan because you model certain sales on a monthly, on a quarterly basis. We have our own credit risk and our own teams internally which track this on a quarterly basis with each and every loan. So we have a highly predictable model where we know which developer is going to run into some kind of refinancing issue and we developer is going to be able to pay us. So when we see absolutely zero sale happening on project obviously we get very concerned because that means the likelihood of him repaying us is low and likelihood of him getting refinance is also low which becomes a very difficult situation in. So you get to know quite early in the cycle, you can't wait for this till the very end.

Aman Jain: Are you seeing the markets players who are trying to play on pricing, so in order to win business they are trying to bring down on the pricing, we have the players in the market right now who are trying to lead on prices?

Vishal Kampani: In certain pockets yes for example if we look at the Worli Upper, Worli Lower Parel and Prabhadevi Pocket, yes there have been two large developers who have taken the price down and have achieved a lot of sales. But this is not necessarily true for every micro market. So for example in Bangalore it holds pretty steady. I don't think developers cut each other as aggressively as they do in maybe other markets. We have heard in Gurgaon price points have come down a lot to achieve sales but we haven't heard of those kind of price point discounts in the market we operate in.

Aman Jain: My question was actually more pertained towards the NBFC business, not a developer business, but thank you, so from NBFC point of view are other NBFCs trying to build on the pricing to build their book sizes in terms of…

Vishal Kampani: Yes we have seen competition from a few players on the sales. We were seeing that over the last 18 months, not just now.

Aman Jain: Yields would have depressed by 100 or 150 basis points or more?

Vishal Kampani: Yes approximately 100-150 basis points.

Moderator: Next question is from the line of Jayesh Poladia from MK Poladia. Please go ahead.

Jayesh Poladia: My question is that Result Bank of India has announced new bank licenses for the new players with a NBFC with past 10 years' experience, so what is our plan or any update on that front?

Vishal Kampani: As you would be aware that we had applied for the universal bank licenses in the last round which RBI gave licenses to two players. This is definitely of interest to us. But having said that we are in the midst of reevaluating, what we need to do with the new licenses and I think it will take us one or two quarters to come to a decision on what our strategy for the bank license will be.

Moderator: Next question is from the line of Shankar AVSB from Seven Avenues. Please go ahead.

Shankar AVSB: Can you just give an idea of the proprietary investment book of our company in terms of what is the approximate size of that and this propriety investment knowing the nature of our business--both listed equities as well as unlisted companies for real estate equity ownership, total investment book that we have as a company? What is your outlook on how we want to grow on that piece because my sense is that being in the market knowing the things that we know; we probably have one of the best returns available through that route as well over the next 3-4 years for us?

Vishal Kampani: Let me answer your second part of your question first. I think we tend to stay away from propriety trading as much as we can. You must appreciate that being an investment bank we are always in the possession of a lot of knowledge and information about our clients and therefore we choose not to prop-trading. Having said that we do make long-term investments but those are very few in nature and number. A large part of our propriety investments are into our own funds, our private equity fund as well as our real estate fund. And also we have a shareholding in the national stock exchange which we've strategically invested in 7 or 8 years ago. The total investment size would be in the range of 250 to 300 crores of which 200 crores would be private investment in our private equity fund, a real estate fund as well as national stock exchange.

Shankar AVSB: What's your view on growing this part of the propriety book? Is there a conscious plan that we want to grow this by X% per annum?

Vishal Kampani: There is no conscious plan in growing the propriety trading book at all.

Moderator: Thank you.

Vishal Kampani: I'd like to thank all the participants on this call and if there are any specific questions or any other concerns whatever information that you all need, please feel free to reach out to our Group CFO – Manish Sheth. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentleman, on behalf of JM Financial Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.