

JM Financial Limited
Q2 & H1 FY'17 Earnings Conference Call
October 28, 2016 @ 16:30 Hrs IST

Moderator: Good day, ladies and gentlemen and welcome to the Q2 and H1 FY'17 Earnings Conference Call of JM Financial Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I would now like to hand the conference over to Mr. Vishal Kampani – Managing Director of JM Financial Limited. Thank you and over to you sir.

Vishal Kampani: Thank you. On behalf of JM Financial, we extend a very warm welcome to all of you to the conference call of JM Financial to discuss the financial results of the second quarter and the first half of financial year 2016-2017. I have with me today Manish Sheth - our Group CFO, Mr. Bhatia - our CEO of the ARC, Mr. Shinkar who is the CEO of our Financing and Wealth Management business and Gitanjali Mirchandani who works very closely with us in the Real Estate Finance business.

I shall begin with providing an update on the performance of the businesses, post which Manish will take you through the financial numbers and then we can open the floor for question and answers.

Our consolidated revenue for the first half was at Rs. 1,040 crores, up 33% compared to Rs 784 crores for the comparable half in FY16 and profit after tax was at 201 crores, up by 18% compared to Rs. 170 crores for the comparable half one FY16. Before we share the half one FY17 group financials with you, I would quickly present a brief update on the performance of each of these various verticals.

I will start with the Investment Banking, Wealth Management and Securities business. For the first half in FY17, we had revenue of Rs 268 crores in this business with a PBT of Rs 47 crores. The business contributed 12% to our group's first half PBT. The Investment Banking business continues to grow with a robust deal pipeline and several mandated transactions under execution. During the quarter, we completed six capital market and five M&A transactions and continue to grow with a robust deal pipeline under execution. The AUM of our Wealth Management business stands at Rs 21,895 crores excluding custody assets as on September 30th 2016. The equity AUM in this quarter has increased to Rs 6,867 crores as of September 2016, which is an increase from Rs 5,779 crores as of March 2016. The overall AUM has declined from Rs. 27,000 crores as of March 2016, primarily due to redemption of liquid and

debt mutual funds by corporate clients and switching to direct plan of mutual fund investments by corporate clients.

Our Securities business saw increased client interaction. India continues to attract significant equity flows from both foreign and domestic investors and we are well geared for this opportunity. Our international offices in Singapore and our investments in the USA have also helped us to establish new relationships with the investors focused on the Indian equity markets.

With this, I will move onto the second group vertical which is our Fund Based businesses. This business contributed 84% to the group's PBT for the first half which is approximately Rs 335 crores on the revenue base of Rs 722 crores. Within the funding businesses, we have two categories. One is the Financing business, second is the Distressed Asset business. I will first talk about the Financing business. The overall lending book of the NBFC stood at Rs 8,479 crores as on September 30th 2016. Of the said lending book, 73% comprises of real estate lending which is Rs 6,190 crores and 27% which is Rs 2,289 crores represents our corporate book and our capital market book. We continued our efforts of diversifying our sources and maturities of our borrowing profile. Our long term borrowing as a proportion of total borrowing stood at approximately 40% on September 30th 2016.

Our Commercial Real Estate Funding business is focused on tier 1 cities which are Mumbai, Thane, Pune, Bangalore, Chennai and Hyderabad. We plan to selectively enter into new geographies to expand our business and in the light of the prevailing stress in the economy in the real estate sector specifically, we have been extremely selective and continue to remain focused on asset quality. The capital adequacy of the business is at almost 27% which is well above the minimum regulatory requirement and also reflects the low leverage of the group. The gross NPA ratio of the Financing business continued to be at 0.2% and our cost-to-income ratio is at 14%. This again highlights the quality of the assets on our book.

Further, we propose to enter the Housing Finance business. We have been working on this segment for the last 2 or 3 quarters. We will be leveraging our experience in the real estate lending space in our foray into the Housing Finance business and our focus within the Housing Finance business will be largely on affordable housing.

Now, coming on to the Asset Reconstruction business which is our Distressed Assets business. First good news is that, we have now made JM Financial Asset Reconstruction Company, our subsidiary by acquiring an additional 0.01%. Pursuant to this acquisition, we also have an upgrade in our rating and our rating now stands at AA-. We actively participated in several auction processes and also pursued corporate accounts and bids were submitted for several accounts in the last two quarters. In the last quarter, we closed four deals with two fresh acquisitions and two deals as part of our debt aggregation process. Fresh acquisition included a portfolio of 11 accounts. We have made continuous effort for resolution of accounts by way

of restructuring, settlement with borrowers as well as sale of assets. Majority of the recovery during the quarter came from settlement of accounts. Our AUM has grown from Rs 8,493 crores in half one FY16 to Rs 10,351 crores growing at over 22% half-over-half.

Moving to our third vertical, our Asset Management business. This business contributed 5% of the group's PBT for H1 FY17 which was approximately Rs 21 crores on a revenue base of Rs 45 crores. On the mutual fund side, the average quarterly AUM of the mutual fund stood at Rs 13,612 crores, split almost equally between equity and debt schemes. In our Alternative Asset Management business, our combined AUM for our private equity and real estate funds stands at Rs 708 crores. We are also happy to report that we have hired a new CEO in the group and he is in charge and in the process of launching a new private equity fund. Our approximate target size for the fund is at 1,000 crores and we hope to achieve closure on that fund over the next 12 months.

With this brief update, I would now request Manish Sheth, our Group CFO to present the Group 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 today and are also available on our website. In Q2 FY17, our revenue grew by 41% Y-o-Y to 564 crores from Rs 401 crores. The Q2 FY17, PBT is at Rs 229 crores which is increase of 37% Y-o-Y. Our overall PAT grew by 18% from Rs 97 crores to Rs 115 crores. Coming to the half yearly numbers, for H1 FY17 gross revenue is Rs 1,040 crores and net consolidated profit for the first half is Rs 201 crores. This represents EPS of Rs 2.54 versus Rs 2.15 for the same period last year. As H1 FY17, group's net worth is now around Rs 3,000 crores with a leverage of 2.8 times and net leverage of 2.5 times. Our group rating by all the three rating agencies namely CRISIL, ICRA and Fitch is AA stable.

Some More details on the financials; H1 FY17 revenue increased 33% Y-o-Y to Rs 1,040 crores primarily due to growth in the Fund based businesses. Revenue from Fund based business has grown to Rs 722 crores from Rs 494 crores during the previous year. Our loan book AUM has grown from Rs 6,118 crores to Rs 8,479 crores which is an increase of 39% Y-o-Y. Revenue from fee business has also increased by 16% to Rs 161 crores. Our expenses excluding finance cost has increased little bit and it is now at Rs 271 crores versus Rs 232 crores primarily due to increase in the employee cost.

Group's finance cost has increased to Rs 369 crores as against Rs 239 crores during the previous year primarily on account of high leverage that was used to support the growth in

the loan book. We have now maintained a healthy borrowing mix with long-term borrowing constituting 40% of our entire borrowing versus 25% for the similar period last year. Our cost of funds has come down from 9.2% to 9.0%. Profit before tax increased by 28% to Rs 400 crores as against Rs 313 crores and consolidated profit for the half year is increased by 18% to Rs 201 crores vis-à-vis Rs 170 crores comparable period last year.

With this, I would like to conclude and we will be happy to take any questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: My question is about India Home loans Limited, we have taken some 24.5% stake in that, so just wanted to understand whether this is a strategic stake that we have taken or this will be just an investment because you also mentioned about your interest in Housing Finance business. So whether this business will be done through India Home loans Limited or it will be done through JM Finance? Thank you sir.

Vishal Kampani: Let me just clarify that. So India Home Finance is an investment that we are holding in our books for our private equity fund, as I had mentioned earlier that we have hired a new CEO and we are on our way to how to raise private equity fund 2. So this is one of the investments as part of our private equity fund 2. It is not a strategic investment for us, but having said that, it is just coincidental that both the private equity fund business finds the affordable housing space a very attractive space and so do we and our NBFC group find that space a very attractive space. So our affordable housing finance plan will be a ground up fresh build which we will be doing in our NBFC and has no connection to India Home. Once the private equity fund is raised in the next two quarters, we will be transferring this investment of India Home into the private equity fund.

Dixit Doshi: Sir, because India Home Loans Limited, right now the book is very small because we have purchased some stock from the old promoters and we have infused some capital into the company but will that company need more capital to grow now?

Vishal Kampani: Yes, that is right. The company will need more capital but after 18 months or so and that investment anyway is quite small for the private equity fund, so the investment has been made in anticipation of further rounds of capitalization which our private equity fund will be very willing and happy to commit to.

Dixit Doshi: And will be taking a board seat on the board in that company?

Vishal Kampani: Yes, they have 3 board seats.

- Moderator:** Thank you. The next question is from the line of Vishal Singhania who is an investor. Please go ahead.
- Vishal Singhania:** Sir, Bajaj Finance in its concall guided that in the consumer durable segment, they are facing some stiff competition and that the outlook is cautious.
- Vishal Kampani:** By which segment?
- Vishal Singhania:** Consumer durables, the retail financing.
- Vishal Kampani:** Yeah, we do not do consumer durable financing.
- Vishal Singhania:** We do have some part of portfolio as a retail portfolio, right?
- Vishal Kampani:** Yes, but that is retail loan against shares, we do not do consumer durable financing.
- Moderator:** Thank you. The next question is from the line of Aman Jain from Parasnath Securities. Please go ahead.
- Aman Jain:** I have couple of questions. I will start with the first one. Is it not too late to get into housing finance sector given number of players are there in the market and that doing reasonably well?
- Vishal Kampani:** Yeah, for the answer to that is yes. We could have entered this space a little earlier but we had chosen at that time to focus on the wholesale side of the real estate space. Even though lot of players are entering this space, we feel the market size is very large, the opportunity is very large and I think we would be able to make a very good place for ourselves over the longer term.
- Aman Jain:** What kind of book size would we target to build over next three years in the housing finance business?
- Vishal Kampani:** In the housing finance business?
- Aman Jain:** That is right.
- Vishal Kampani:** We are not sharing any particular targets, but I can tell you it will be a healthy growth over the next 3 to 4 years.
- Aman Jain:** Would you be targeting ourselves within the top 10 players in the industry?
- Vishal Kampani:** May be top 10 over 5 years, not over the next 2 to 3 years because the business requires stabilization in the first 12 to 18 months.

Aman Jain: So basically we can assume that over the next 24 months, it would be a reasonably small business but over a period of time may be 3 to 5 years, we can expect some scale up.

Vishal Kampani: That is correct. It is exactly the way we built our developer finance business. It was very sub-scale for the first four years and then it scaled a lot in the last four years.

Aman Jain: Next I was going through the presentation which you guys have shared on the website and it seems last quarter we did not have the conference call and the disbursements were just quite lumpy. In Q1, there was hardly any lending and then now this quarter again we have something. Is that something we should be expecting from now on?

Vishal Kampani: As you see our book today, a large part of our book actually is wholesale in nature, right. And so what happens is it is not steady, right. In many of the cases, we underwrite deals and then we they don't lead to closure because we may find issues indiligence or we find issues that we did not like after closing the term sheet. So also in the quarter two, the book would be higher because lots of the transactions were sanctioned by the credit committee in quarter one but the disbursements actually happened in quarter two. So there is a bit of lumpiness, at the same time I think you can very easily modulate quarter-on-quarter over a longer term trend.

Aman Jain: So FY16 we closed at Rs 7,214 crores as I can read from the slide, what should be a reasonable target for the end of the current year and next year?

Vishal Kampani: So as I said, we do not provide forward looking targets but we are aiming to grow the book anywhere between 15% to 20% year-on-year.

Aman Jain: 15-20% in the developer finance business?

Vishal Kampani: Yes.

Aman Jain: And since we have been growing reasonably fast, what kind of equity funding these we would be needing on the group level?

Vishal Kampani: As of now, none. As of now, we are very well capitalized. So over the next one year, we do not see the need for any capital raising.

Aman Jain: Can we envisage something happening in next 3 to 4 years on or not really?

Vishal Kampani: Yes, if we grow at the rates we are growing, at some point may be after 18 months to 2 years, there could be a need for capital. But you see we also have a significant fee based business which keeps giving us good amount of profits as long as we can redeploying that fee based business profit into building the balance sheet for the fund based business our requirements

for capital will not be very high. At the same time, we are not a very heavily levered company as you see. We have a lot of room for leverage, so capital raising is still sometime away for us.

Aman Jain: So, at 12%-13% leverage, can we expect fund raise for JM Financial as a Group Company, as a Group Level?

Vishal Kampani: What level, what is that?

Aman Jain: 12%-13%. So basically I am talking about 7 to 8-9 lever?

Vishal Kampani: So I do not think we will ever reach 7 to 8-9 leverage. As a NBFC, I think we will be much more conservative. I think if we get 5 times leverage, than we will go for a fund raise.

Aman Jain: Next is the question relating to the real estate finance company which is jointly owned by Vikram Pandit, so would he be a long-term investor in the company, is he a financial investor, strategic investor and do we have any put, calls or any those fancy structures with him that something could happen with his equity over a period of time.

Vishal Kampani: Yeah, so first of all he is very involved strategic investor, he is the Chairman of the company. He also has a board seat in terms of very senior person who sits on the board is also on a credit committee and he has of course longer-term outlook. He has got a 5-to-7 year outlook on the business and your last point, we have no contingent liability in terms of any put option or any form of exit that is guaranteed to them.

Aman Jain: To them or to us?

Vishal Kampani: To us, yes nothing. It is a very clean equity deal.

Aman Jain: So not what we used to have earlier in all those insurance companies, nothing like that.

Vishal Kampani: No, nothing like that.

Aman Jain: And what about our banking aspirations, do we still hold them?

Vishal Kampani: Yes, we do have banking aspirations, but we will first build more assets in our NBFC and we will review this every year and take a decision may be 2 or 3 years down the line on what exactly we want to do and at what point of time we want to approach RBI for our bank license.

Aman Jain: So in 2 years, is it?

Vishal Kampani: 2 to 3 years, at the minimum.

- Aman Jain:** And next question is on the ARC, Edelweiss recently had a stake sale in the ARC company, are we planning something, I think we are the second largest, is it right?
- Vishal Kampani:** Yes. Second largest in terms of AUMs, largest in terms of profitability.
- Aman Jain:** That holds good for us. I think they sold at a billion dollar valuation, right, if I am not wrong.
- Vishal Kampani:** They have not disclosed the valuation, they have not released the number at which they have sold their stake.
- Aman Jain:** So that can be like a big value unlocking for us? Do we plan something?
- Vishal Kampani:** No. As of now, no. I think the business still has a lot of growth potential and the value unlocking can always happen in terms of people buying JM Financial shares. I do not think at this point, we will be bringing new investors at the ARC level. I think we are well capitalized and we again have low leverage in the ARC. So we have enough growth opportunity on balance sheet itself.
- Aman Jain:** And how are you seeing the market opportunities these days in the ARC business?
- Vishal Kampani:** So as I said earlier on the call also, the ARC business is more like a private equity business. It is kind of cyclical in nature, sometimes you get good deals, sometimes you do not get good deals. The opportunity is very large. There is no doubt you are seeing that in the press everyday, but having said that, the deals have to make sense. It is no use doing deals for the sake of doing deals with banks. So the deals are profitable if we feel resolution is possible and if we feel we can make 25% IRR on the transactions, then we go and close the deals.
- Aman Jain:** And anything happening with Faircentas of now since we last spoke, you had taken.
- Vishal Kampani:** Faircent is growing very well. It is doing almost 1 crore a month business.
- Aman Jain:** Disbursement, is it?
- Vishal Kampani:** Yes, that is right.
- Aman Jain:** That is decent and last is on the real estate lending side, I had skepticism regarding our NIMs holding up and all those things, what is the status right now in the market?
- Vishal Kampani:** No, there is a challenge on NIMs. There are two or three new aggressive players who have been lending quite aggressively in the real estate space and as I said in my call last time also that sequentially year-on-year, we will see a slight decline in NIMs.

Aman Jain: So versus Q4 FY16 to now Q2 FY17, what kind of change we have seen in terms of whatever lending.

Vishal Kampani: Almost 50 to 75 bps in NIMs going down.

Aman Jain: Already?

Vishal Kampani: Already.

Aman Jain: What is the sort of base rate which we are doing right now, 15 or 18, what is it?

Vishal Kampani: We are lending at around 14%-15% and our cost of borrowings around 9-9.5. So the NIMs are coming down because lot of the construction finance loans are happening at 13-13.5-14. But at the same time, we are actually expanding our client base, we are trying to add new accounts and in places where we think the risk is worth underwriting, we will be comparative on the NIM, but not everywhere else.

Aman Jain: But not many new cities you guys have added as of now? You are still like mainly Bombay region, Maharashtra focused company for.

Vishal Kampani: It is Bombay, Pune, Thane, we have added Hyderabad and of course Bangalore and Chennai are on, but there is enough growth in these markets. I do not think we reached any meaningful market share in these cities also, there is enough room for growth, but we do plan to add 2 cities and those cities if we do add them will be Kolkata and NCR which are very large markets, very high growth markets, but at the moment we have to be very careful in those markets because sales have been extremely slow.

Aman Jain: And no problem on the repayment side?

Vishal Kampani: As of now, no.

Aman Jain: Whatever developers are taking, we are still maintaining the 90 days or 120 days, what is it?

Vishal Kampani: We are right now 120 days, from 1st April we will be at 90 days.

Aman Jain: Any stress we see from that?

Vishal Kampani: No, as of now no.

Aman Jain: Last is I will go after this one, India Home Loans. They are very small company, hardly any book, what is the strategy behind that? I understand that it is PE investment, but still why they are very small.

- Vishal Kampani:** No, because they have certain expertise in the business which they built over the last 6-7 years and they have certain identified pockets of growth and areas of growth which can actually help double or triple their book over the next 18 months .That is the reason why we find the investment very attractive.
- Aman Jain:** They are basically Gujarat focused, is it right or what?
- Vishal Kampani:** Gujarat and Maharashtra.
- Moderator:** Thank you. The next question is from the line of Jignesh Shial from Quant Capital. Please go ahead.
- Jignesh Shial:** Just wanted to check this JM ARC, you increased some stake recently to make it a subsidiary. Who are other owners of this ARC business?
- Mr Bhatia:** See, apart from JM Financial, we have 4 nationalized banks holding about 21.5%, we have Valiant for about 8.5% and two HNIs between them holding 20%.
- Jignesh Shial:** Can I get the name of the banks that holds this 21.5%?
- Management:** Indian Overseas Bank, Central Bank of India, Union Bank and UCO Bank.
- Jignesh Shial:** And the two individuals, HNIs, can you disclose the names or not possible?
- Management:** Mr. Narotam Sekhsaria 15% and Mr. Harsh Neotia, the Neotia family from Calcutta 5%.
- Vishal Kampani:** And Valiant is a fund based in San Francisco.
- Jignesh Shial:** Okay and your real estate funding happens through Credit Solutions Limited, right?
- Vishal Kampani:** Yes, our lending.
- Jignesh Shial:** And loan against shares is through your JM Financial products?
- Vishal Kampani:** That is right.
- Jignesh Shial:** And what is your general outlook on the growth part? I do not want the specific numbers, but how you see because you already doubled your book in almost a years' time. So just wanted to understand how do you see markets happening on the real estate funding per se?
- Vishal Kampani:** So there is a lot of competition that has increased in the last 18 months to 2 years in the real estate funding side and sometimes it is a puzzle because the real estate markets are not as strong or robust as they were couple of years ago. There is a definite slowdown in sales, so

we are very cautious in terms of what micro markets we pick to choose to lend in, but having said that there is a lot of money from few NBFCs and few funds internationally who are providing a lot of capital to the sector and therefore there is some compression that we are seeing in our NIMs. But having said that, you take a longer term growth trajectory, I think the real estate lending business is a superb business. It is a very important business for us long term and as you all know there is a paucity of homes in India and that is going to continue over the next 7-8 years. So we feel that the markets will come back, they will take some time on the residential side, but I think we will hang in there and I think there is a lot more growth over the next 4-5 years.

Jignesh Shial: And your low ticket housing finance business that you planned to enter into, they are actually again part of this Credit Solutions only?

Vishal Kampani: No, it will be part of JM Financial products.

Jignesh Shial: Okay, so that will go to.

Vishal Kampani: So Credit Solutions is a very specific joint venture which does developer finance.

Jignesh Shial: Where you hold 50 plus and Mr. Pandit holds 49.99?

Vishal Kampani: That is right.

Jignesh Shial: So that is purely going to remain into real estate funding only?

Vishal Kampani: That is right.

Jignesh Shial: And just one, little cyclicity, you have mentioned that ROA has dipped during this quarter and the reason is because of the ARC sales. Can you just explain what exactly is the reason?

Manish Sheth: This ROA has come down because the JM Financial ARC, the acquisition of 0.01% was on 30th September 2016 and hence technically as per accounting standards, we have consolidated the balance sheet and not the P&L. The entire balance sheet including liabilities and assets come up on a consolidated basis without the P&L actually.

Vishal Kampani: See, RBI gave the permission only in the middle of September which basically allowed sponsors to take controlling stakes in the ARC and therefore we could only take the controlling stake in the last 10 days of September and therefore you are seeing a balance sheet consolidation, but you are still not seeing a P&L consolidation. So once the P&L consolidation happens towards the year end, that will reflect both the ARC balance sheet and P&L consolidation.

Jignesh Shial: Okay and this leverage you said is currently 2.5 times, right?

- Vishal Kampani:** Yes.
- Jignesh Shial:** You are comfortable up to 5 times and then probably will be raising money over?
- Vishal Kampani:** Yes. So we have enough of room, we do not need to raise any equity in the short term.
- Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please go ahead.
- Tushar Sarda:** I wanted to know on your fee based business, the return on equity which is shown in the presentation is approximately 10%. So how do you plan to increase this because on fee based, I thought the ROEs would have been substantially higher.
- Vishal Kampani:** You are absolutely right, but I think you should keep in mind that this is a traditionally networth inflated business. It is a very old business for us and therefore it has a high net worth, but we are not using all that net worth for the fee based business. So technically, we can do the same business in one-fourth the net worth which you see on that page. So, of course we put the numbers out for a straight comparison, but the net worth has a lot of investments, it has got liquid mutual funds, we also hold a stake in National Stock Exchange. So I think that is not really being utilized for the business. So if you ask me what the real ROE of the fee based business, it is clearly in excess of 20%.
- Moderator:** Thank you. The next question is from the line of Ankit Shah from Vallum Capital. Please go ahead.
- Ankit Shah:** In the lending business, what would be the breakup between residential and commercial properties lending?
- Vishal Kampani:** So our real estate book the Credit Solutions is roughly Rs 4,462 crores of which 77% which is Rs 3,432 crores is residential and Rs 1,030 crores, 23% is commercial.
- Ankit Shah:** And going forward, what would you focus on, is it any specific or you will focus on both?
- Vishal Kampani:** No, very similar mix. I think we like to keep almost 80% as residential. Though frankly if you ask me commercial, it is doing extremely well right now. What happens is commercial is doing very well right now, but commercial has a long cycle because you do not see cash flows for almost 4 or 5 years and then if things goes sour in the economy, you tend to build up more NPLs over the longer term in commercial as compared to residential assets. So I think consciously we would not increase at any point more than 30% of our portfolio in commercial assets.
- Ankit Shah:** You will just stick to 30% is what you are looking at?

- Vishal Kampani:** Yes, 30% would be a great number, not more than that.
- Vishal Kampani:** I think as a firm, we are more comfortable in residential and there is of course a slowdown which we see, but at the same time there are many developers who we lend money to and are doing very well and they are selling extremely well. So it is very micro market dependent. See unless you see your shake up in income growth, unless you see a shake up where there is a rise in unemployment across all these markets, then there is a problem in demand. Currently, the problem in demand is not about people not wanting a home, it is about a tussle on price between the buyer and the seller. Fundamentally there is no problem as such except for a few micro markets, for example, Worli in Bombay is obviously a huge inventory coming, but generally if you see Thane also for example is selling very well. There are micro markets in Chennai are selling very well. Bangalore is selling very well. Pune has slowed down a lot because Pune has a very high supply of expensive apartments, large apartments more than 2000-3000 square feet, Rs 4-5 crores per apartment size, so it all depends on those micro markets.
- Ankit Shah:** And as you mentioned NIM's going down with the competition, you still feel that it will still be attractive?
- Vishal Kampani:** Yes, the market is very large. There will be some compression in NIM, but I think we will live through it with the cycle. So I can say we probably had a good advantage of being an early entrant in the business and now I think the NIMs are becoming more normalized because we are seeing 2-3 more large players like us who are in this space.
- Ankit Shah:** So after a year or two, you would say it is normalized at around 13%-14%?
- Vishal Kampani:** It should be 14, yes.
- Ankit Shah:** You are currently at 15 if I am not mistaken.
- Vishal Kampani:** That is right.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Vishal Kampani from JM Financial Limited for closing comments.
- Vishal Kampani:** Thank you. I would like to thank all the participants on this call. In case you might have or if you have any further questions please feel free to reach out to our Group CFO, Mr. Manish Sheth and with that, I wish you all a very Happy Diwali and a Prosperous New Year. Thank you very much.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of JM Financial Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.