“Indiabulls Housing Finance Limited Investor Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Indiabulls Housing Finance Limited Investor Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prakhar Sharma from Jefferies India Private Limited. Thank you. And over to you, sir.

Prakhar Sharma: Hi. Good morning, good afternoon and good evening, everyone. Thank you for being on this call. I have the pleasure of welcoming the management team of Indiabulls Housing Finance Limited, led by Mr. Gagan Banga, Vice Chairman, M.D. and CEO as well as Mr. Ashwini Hooda, Sachin Chaudhary and other senior members of the team to help us understand the developments at Indiabulls Housing Finance Limited and the way forward.

Without much ado, I will hand it over to Gagan to take us through it. Thank you, Gagan. And over to you.

Gagan Banga: Thanks, Prakhar. A very good day to all of you and welcome to this investor update call. I hope all of you and your families are doing well and safe.

We began the institutionalization process of Indiabulls Housing nearly two years ago and took concrete steps towards achieving best-in-class corporate governance standards. As financial institutions, which ultimately handle public money, as they mature, they have to go through a process to both upgrade and create the right perception around corporate governance and transparency. We have been doing this in a step-by-step manner. And we believe now Indiabulls is ready for what we internally call "Indiabulls 3.0."

To implement on Indiabulls 3.0 as step one, Mr. Sameer Gehlaut, the Founder and Promoter of Indiabulls Housing Finance relinquished Chairmanship of the Board in August 2020. And Mr. S S Mundra, ex-Deputy Governor of the RBI assumed the position as the Non-Executive Chairman of the company. The company since then has also appointed Mr. A Siddharth, who was a senior partner with Deloitte, Haskins and Sells for over 30-years to the board. He now chairs the audit committee. Other independent directors like Mr. Dinabandhu Mohapatra – ex-M.D. and CEO of Bank of India; Justice Gyan Sudha Misra -- Retd. Supreme Court Judge and Mr. Satish Mathur – ex-Director General of Police, Maharashtra have also been inducted into the board to serve as independent directors.

As step two, we then rationalised all of our board committees to tighten the board oversight. All key committees are now chaired by independent directors with relevant experience. The board has regular and direct oversight on all key areas of executive operations.

Step three, towards implementing Indiabulls 3.0 was yesterday's stake sale by Sameer. This was necessary step in drawing a firm line between ownership and management. Sameer sold 11.9% of his holding in Indiabulls Housing, thereby reducing his stake to 9.8%.

We got several marquee investors, including Blackstone to come in into the transaction yesterday. As is common knowledge, Blackstone has partnered with other Indiabulls group companies in the past, and we have a longstanding relationship, which gives us both hope and confidence that we will continue to deepen this relationship.

And towards this end, we are hopeful of doing the following two things. In Q1 of fiscal '23, we will begin the operationalization of two alternate investment funds with global majors, such as Blackstone and others, undertaking co-lending in the real estate space. We are talking to several global funds and we are quite hopeful that at least two of them which may include Blackstone, we should be able to start a credit fund, which creates credit flow opportunity to the real estate sector, which is a sector which is in requirement of very good capital, but that capital flow has completely stalled. The platforms will do new incremental wholesale real estate developer loans in a 10:90 or a 20:80 co-lending structure. We will not be exclusive to any one fund, neither will any fund be exclusive to us, it will be a classic co-lending structure.

Our endeavor is to create two platforms. One platform will extend residential development finance and the other will cater to near complete commercial developments, which then converts to rent generating assets. We are quite confident that both of these platforms will begin contributing to the bottom line from the next year itself.

The other strategic extension of the stake sale from yesterday is to shortly convene an EGM and take an enabling approval from shareholders to offer board seats to significant shareholders including the strategic investors who have come in the round yesterday. This EGM should get convened as soon as the board meets next week and proposes this to the shareholders.

As step four, Sameer will step down from the board by the end of the fiscal. His communication in this regard has been filed with the stock exchanges. Subsequent to which we will begin the process of depromoterization once all the requisite approvals are in place.

At step five, in the next fiscal, we will do a strategic transaction with certain investors to ensure that the capital buffers of the company continue to improve and we have a continuous flow of capital to support our credit rating as well as our long term growth.

Thereafter, as a final step, we will go in for name change of the company, and thereby complete the process of institutionalization of the company by September 2022.

While we were stitching up this transaction, there were several options in front of us. We have been working on this process of institutionalization and getting in strategic investors for the last 20-months. Initially due to COVID and subsequently due to challenges faced by our peers on the regulatory side, we've had to go back to the drawing board repeatedly. It was thus a very, very hard decision for Sameer to take. But in the best interest of the company thought it is best to get something done rather than continuing to taking forward the institutionalization process, which is why a transaction which could be fructified in good time was executed where strategic investors could start participating in the functioning of the company and eventually get board seats. And as I said, move on to step five, where we also can perhaps expand the capital base of the company at an appropriate time. All of that gets in motion. So while it was a tough call, it was a call where there was bias for action versus just doing discussions and trying to make models on paper.

I will now cover the operational aspects and the strategy going ahead. Our focus through our asset light model is to regain our position as a large originator of loans and drive total loan assets under management rather than balance sheet growth.

With the macro having changed for the real estate sector and mortgage-to-GDP ratio still being at about 11%, we feel that there is a large opportunity in the mortgage industry and there should be a very sustainable macro for housing for the next eight to nine years.

To elaborate on our strategy, I will first give you an update on our co-lending experience and what we're doing specifically as we speak. On co-lending, the company has spent the last two years in realigning its business model to the changed realities for NBFCs and now clearly has a head start on its asset light business model. This collaborative model with banks is the way ahead for non-banks in India and is very much in line with how mortgage loan distribution happens in developed countries.

With all our intended co-lending tie-ups operational, we will exceed our targeted 1,000 crores of disbursals through co-lending in Q3 fiscal '22 which is the current quarter ending in about 15-days and for Q4 fiscal '22 as has been guided earlier, we have clear visibility of extending this Rs.1,000 crores per quarter number to Rs.1,500 crores per quarter.

Our targeted split between co-lending and assets that we are originating to subsequently securitize has been a target of 66% for assets that we originate to subsequently securitize and 33% for co-lending. I am happy to inform that for the last four months, every month we are steadily achieving this target.

In all we will be disbursing over Rs.3,000 crores of retail loans this quarter, going up to close to around 5,000 to 6,000 crores next quarter with a third of it through co-lending. The rest will be on our balance sheet to be sold down once we achieve the regulatory Minimum Holding Period or MHP. This will be our sweet spot mix going ahead and is being hugely facilitated by the regulatory clarifications and circulars which have been coming in since September this year.

On AUM growth and profitability, we are focused on resuming our profit compounding. We compounded profits steadily for shareholders for over 10-years and paid over 11,000 crores in dividends through the course of the 10-years. We want to make profitability and shareholder return more predictable going ahead. AUM growth will resume from fiscal '23 as has been articulated earlier, from which point on AUM should grow between 15% to 20%. Thus from the end of fiscal '22 where we estimate the AUM to end at about Rs.75,000 crores we should end fiscal '23 at about Rs.90,000 crores on the back of roughly Rs.30,000 crores of retail disbursals on a gross basis and we should comfortably go past a lakh crore by the end of fiscal '24. On the back of the ROE accretive nature of the asset light model, by the end of fiscal '24, ROE should go past 15% and then stay steady in the high teens.

While we focus on co-lending, and AUM growth, in order to ensure that our focus on a longer term basis can be what is operationally crucial, we shall continue with the following two areas of focus as well. One being the reduction in our on-balance sheet developer loan book. We've guided that by the end of this year, a third of the book will be reducing over last year and by the end of calendar '22 there should be a 50% reduction from where it was at the end of March '21. We are well on track. And I'm happy to inform that Q3, which is the current quarter is seeing very, very robust net reduction in the wholesale book. I'm particularly happy with the way that progress has already happened till the 15th of December as far as the reduction in the developer loan book is concerned.

The other big area of focus for long-term competitive advantage is our continuing emphasis on CAPEX towards technology which continues to help us drive reduction in our cost-income ratio and also to, in a viable manner, scale up our distribution. Our pioneering comprehensive “eHome Loans” platform, which we launched back in fiscal 2016, well ahead of our peers, had helped us drive our cost-to-income ratios down to below 13% levels. As we invest in both people and distribution in fiscal '22, and '23, the cost-income may marginally go up to more like 15% level. But with the technology implementation in play, we are very, very confident that by fiscal '25, we should be able to bring this back down to the current low teen levels and then over the course of the next two years, get it down to some 10% level. That is where we see cost-income ratio landing up. So the journey for the next five years is from the current mid teen levels, the cost-income ratio will go down to 10%.

Through our Lean Tech-enabled branches, we are already expanding our branch network, adding cost efficient loan sourcing offices across urban and rural geographies, which is riding on our co-lending relationships. And today, be it in a tier-one location or in a tier-five location, not only do we have the widest ever geographical distribution, but as has been highlighted in the past, the product portfolio in terms of our ability of being able to price a loan, and yet make a reasonable spread at 7.25, thanks to co-lending, and to go all the way up to 11%. This kind of a wide product suite we've never had in our operating history, which we have, which is flowing through to the disbursal numbers which we are achieving, which is how co-lending is already trending at past Rs.1,000 crores a quarter.

As we scale up the business, we will hold on to the following tangible parameters of consolidation that we have been focusing on the last three years.

We cannot take our eye off liquidity. We will continue to maintain an equivalent of at least 15% of our loan book as cash and investments such that it covers our repayments very, very comfortably, ensuring a fully matched ALM with comfortable liquidity in the near, mid and long term.

The other area of focus has been to continue to build on a fortress balance sheet. Our capital adequacy levels at around 30%, high provision, very low gearing of only three times and our direction that gearing would remain restricted between 3 times to 3.5 times is a commitment that we have given to all stakeholders. And this is something that we will continue to maintain as we grow our AUM.

Our provision cover which stands at about 5% of the loan book, and is nearly 1.5 times of gross NPAs will continue to be an area of strength for us, and we believe our higher provision covers will help us maintain our asset quality. Our asset quality has also marginally improved over the last few quarters. Now with all the well-known forbearance provided by the Supreme Court, as well as the less known forbearance provided by local courts, thanks to COVID, is over, we expect recoveries to hasten up which we are again witnessing in a very robust manner in the current quarter, which is Q3.

With the strong provision and a reasonably high quality pre-provisioning operating profit, we believe after having done a thorough scrub of our book, daily marking of NPA or the new upgradation process that the RBI guidelines have described, we do not expect any significant earning volatility to come in for the company over the medium term.

Our credit rating trajectory has also stabilized. Soon after our first FCCB, CRISIL has changed our outlook to stable. Soon after the second FCCB, ICRA also did so and Brickwork has also given a stable outlook for our AA-Plus rating there. All of this has helped us in normalization of our liabilities program whereby we have been able to raise money through banks, as well as NCDs. And we are strategically using the public issue route to continue to tap and widen the resource base available to the company. In our last public issue, we raised around Rs.800 crores and we have another public issue ongoing as we speak. Our next target is to make a strong case for an upgrade to AA-Plus wherein we believe most of what is necessary has already been done from a perspective of capital infusion, board governance, etc.,

The company is also investing meaningful management time in building up a robust ESG program. We already articulated our goals for fiscal '22 onwards. Much like India is speaking about a net zero program, we are also running a net zero program here as far as emissions is concerned. We are working with our employees to make sure that we're taking training as well as employee benefits to the next level. All in all, we believe with ESG we will have a much more sustainable business covering all aspects and the co-lending franchise will make us collaborate with banks and ensure that there is no earning volatility, which is typically attached to how most NBFCs in India tend to perform.

On the whole, we are very excited for the future and look forward to getting the company back on the path of growth from fiscal '23 onwards. And as we get back to the growth phase, we shall be operating as a professionally run board governed financial institution to emerge as one of the largest mortgage originators in the country. That is Indiabulls 3.0 for you.

I, along with my team now, are happy to take questions. Thank you.

Moderator: We will now begin the question and answer session. First question is from the line of Prakhar Sharma from Jefferies. Please go ahead.

Prakhar Sharma: Gagan, you mentioned on the retail co-lending is scaling up, also on the wholesale side you have tied up with some global partners. Can you share some numbers around what's the current scale, what are the timelines that we are looking at and maybe any economics that you can share?

Gagan Banga: We are in the process of doing the tie-ups as far as the wholesale lending is concerned. The broad construct is ready with two global funds, but we have yet to ink the pack and get the whole thing in motion. What I'd indicated was that with one or two or three of the global funds for sure, we will have this in full implementation mode within Q1 of fiscal '23. So we have matured in terms of asset selection, etc., I will hand over the phone to Ashwini to talk more about the wholesale co-lending platform and subsequently, Sachin, our Chief Operating Officer who oversees the retail business, will talk about the retail co-lending platform. Ashwini is the Deputy Managing Director and the entire wholesale business works under his supervision. So they are the guys who are best placed to talk about unit economics and everything else.

Ashwini Hooda: We have spent tremendous time building up this co-lending franchise which is now up and running. We also parallely have been working on this wholesale platform where we've tied up with two large global funds, one residential platform and one commercial platform. So, the way that works is we bring in 10% of the funds, whereas 90% of the fund would be lent by the fund in AIF structure. And on our piece, we would earn a 5% spread and on the entire asset, we will earn 1.5% fee. So, we hope to write next year loans of around 15,000 crores to 20,000 crores. So, that should result in us earning on our portion around Rs.100 crores a year and the entire fund another Rs.300 crores, 400 crores annualized income in tier one and it continues every year, and as AUM grows, that income will only compound and multiply further. So, it's a very value accretive platform just like in retail co-lending, where, as the volumes pick up, the AUM grows, translates to an exponential income growth. And while we are only participating to a very small extent of 10%, which allows us to grow in a very asset light model, so we don't run huge liquidity risk on our liability side, while the AUM is very lucrative. So, that's how we are looking at it. Sachin can take you through how the retail portion is scaling up.

Sachin Chaudhary: On retail co-lending side, we already have got around seven partners. And we proudly say that we are the pioneers of this model, because the numbers and the scale and the associations we have been able to establish is equal to the market as a whole being able to achieve it. So, today we have got four public sector banks, two private sector banks and a leading housing finance company as an origination partner. And this is going on for us for almost two years now wherein we have discovered, we have arrived at the common working program, the policy, process. And on the technology front, we have integrated ourselves to all our co-lending associates. And we are working on a platform which is going to be even more effective and efficient and we can scale it up to further more partnerships or scale up our numbers to 10x from where we are standing today. So the work is going on. Today, our numbers somewhere close to around 1,000 crores for this quarter. And this is while we are working on our new associations and relationships on the banking side and the product program we are expanding. And as the process happens in the market especially on the lending side, the initial phase that everybody wants to come up with a test program and want to explain so much. What we have seen that we have been able to establish that kind of a scale and size, where our partners are in a phase too of extending their policies, geographies and the product programs where we can scale up. So, today, we are very confident of reaching a number of around 1,500 crores in Q4, and from the next year onwards, our average rate will be somewhere close to around Rs.2,000 crores to start in the first quarter, and the whole year we are aiming to do around if not more will be around 10,000 to 12,000 crores. So that's what we are scaling up. This model works like 80% get sold off, 20% remains with us and we have got a skin in the game. Our economies of scale has started catching up. Our margins have improved from where we were standing, doing it standalone on our balance sheet basis. And in terms of technologies, the solutions which are available in the market and the mutual solutions that we have arrived at, it is bringing in more efficiencies and cost reduction at our end. So net-net, the scale is now visible and the model is tried and tested, and now we'll be looking for a next level of growth in next three to six months.

Moderator: The next question is from the line of Dhimant Kothari from Invesco India Mutual Fund. Please go ahead.

Dhimant Kothari: So firstly, I wanted a couple of clarifications as to the wholesale co-lending. So first, whether Indiabulls will provide any credit enhancement to the AIF or it would just be a 10% skin in the game?

Sachin Chaudhary: There won't be any credit enhancement. We would be only contributing 10% pro rata in funding and we'll have pari-passu charge on that funding along with the fund. So, there is neither a credit enhancement nor first loss or any kind of guarantee that is given. So, the entire funds money is at risk and we are only providing asset management while contributing our bit to demonstrate our skin in the game.

Dhimant Kothari: This would be very much similar in the retail origination that it would be sold off without any recourse?

Sachin Chaudhary: Yes, identical.

Gagan Banga: So, there is no credit enhancement, this is not a platform where we are trying to do any sort of structured transaction, this is the future, much like in the retail world. If you look at the developed markets, mortgage lending happens outside of the banks, where there is originator and then there is a warehouse. In the Indian context, a lot of franchise value has historically been attached to balance sheet side. We've taken a brave, bold step to say that franchise value for individuals should be associated with the sort of disbursements that we have been able to do where the per unit economics result into profitability from day one. And as that scales up, I'm very, very sure the potential of growing this business practically infinitely will be appreciated. There are obviously, even for the best-in-class, restrictions as far as the growth of balance sheet is concerned. In our case, there is no restriction whatsoever. The other thing that I would hope everybody appreciate is from any long-term stakeholder's perspective, and I am a long term stakeholder of the company, in the last 15 years since we started the lending operation every five years, for one reason or the other, there is a phase of volatility, which NBFCs go through. And why that happens is because a large component of the NBFCs liability franchise is wholesale financed, and the wholesale markets tend to get jittery for one reason or the other. We had crisis in 2018, we had crisis in 2013 when the taper tantrum happened, we had a mini crisis in 2016, when GST and demonetization came very close to each other, but 2018, minus five 2013, minus five 2008 and so on, every five years, you will see for one reason or the other, there is volatility in the wholesale market, which results in volatility on the business on an overall basis. What cannot change is the fact that the wholesale nature of the liabilities cannot change. So in that context, we feel that we should move on and start valuing ourselves internally on the quality of our disbursals, on our net interest margins, on our return on asset, on AUM, focus on credit quality, and make the whole business infinitely scalable, sustainable basis on our credit quality and no dependence on one significant partner, thereby we're doing business with seven different partners, and focusing on technology and making sure that the data interaction that we have with all of our banks is so superior that a lot of their workload, which the executives in the branch otherwise need to do is sort of outsourced to us. That is the value proposition on the retail side. Similarly, on the wholesale side, the idea is not to give credit enhancement or first loss guarantee. Any construction finance proposition today is hugely required. We have a macro tailwind as far as residential real estate is concerned. But as I've been speaking often on these calls, the nature of consumer behavior has completely migrated from trying to earn a pop by booking early to now strongly preferring only homes which are fully completed and not worrying about the pop, which one would get typically between booking at an early launch stage and then getting a completed apartment, which would have probably appreciated 1.5 to 2 times, nobody's interested in that, everybody wants the certainty of a house. Thus the working capital requirement has gone up, the project finance requirement has gone up and the players doing that financing have gone down to practically zero. So it's a multi-billion dollar opportunity. And in the first year itself, we believe that this can contribute to almost like 20% extra profit before tax for us and then keep adding as a contributor. And the kind of funds that we are talking to about creating this sort of a setup have an ability of being able to pump in at least $2 billion to $2.5 billion a year into the segment. So overall, our firepower will be in the ballpark of $5 billion a year. Given that one is very hopeful of the scalability of that. What we bring to the table is clearly a lending experience around the residential space and around the wider real estate space of the last 15-years, a portfolio which has performed stupendously well through a down cycle over the last 15-years, for the first four years the residential cycle was up, for the next eight it was down, for the last one it is up and yet the asset classes delivered for us annualized 5% return on asset. These strategic investors, some of whom have also come in, have gone loan-by-loan into the book, they know exactly the quality of loans that we have done, and therefore, are aware of the quality of assets that we have been able to create, which have certainly been impacted, there has been certain significant dilution of equity in the loans. But even today, they are such that with the provisions, etc., that we have taken, we are in a very, very good position for this asset class to continue to perform for us and thereby the confidence that the stock should do well, and therefore they come in as shareholders and subsequently help us set up a platform. So, all in all, I think the set up for us is extremely good from a co-lending piece and we are very confident that with the sort of a scrub that we've gone through for one reason or the other by multiple stakeholders, each time we go through a scrub, we get more confident ourselves that what we have done is right, which is why we are getting the backing, be it of our regulators or of our lenders or now strategic investors. And with each step, the management team's confidence continues to increase. One thing which is very crucial at this stage to highlight, while I'm sort of digressing from your question, is that as professionals despite the headwinds that the sector faced, despite the specific headwinds that the company faced, it was very easy for professionals to run away to safer pastures, to less volatile pastures, to pastures with less stress. But given the fact that we had done these loans with our own two hands, we had built the franchise with our own two hands, the entire senior management team has stuck together. In the top 30 people in the organization, in the last three years, I have not seen even one exit. And at this point in time, it is these 30 people together, who are actually bringing on more talent to make sure that as the regulatory framework changes for the company, we are in a position to manage risk, manage compliance. As we intend to spend even more on technology, we bring in the latest technology architects as against just going along with a team which has perhaps now more dated experience. This team has worked very, very well together. And that is the confidence which came to me when the promoter indicated that this is potentially a good step to take, at least we will move forward rather than in theory talking about doing a prep, doing this, doing that, all of which is good for the company, but has some or the other challenge in the near term, we have moved forward and move forward distinctly. What distinguishes Indiabulls Housing to others is our bias for action. In the past, in our bias for action, we have made certain mistakes. At this point in time despite our bias for action, we are governed and counseled by a very, very wise set of directors who have a well-rounded experience across all dimensions and aspects of business which impact the business on a day-to-day basis. And now with strategic investors also coming on to the board, shareholders need to have this additional comfort that their specific interests as far as shareholders are concerned, are going to be protected by common sort of interests and representations on the board. So I think with this wide and wise counsel, with the flexibility that the team has, the maturity that the team has, and the loyalty that the team has, I believe we are well set to take care and full advantage of the very favorable macro.

Dhimant Kothari: That was pretty detailed. So yes, part of it you already touched upon in terms of the top talent, but any particular changes what we should foresee in terms of the managerial changes or any particular operational changes for Indiabulls 3.0 also?

Gagan Banga: As Indiabulls 3.0 plays out, in the top 30 people which today cut across the senior management which is myself, the team which manages the retail function under Sachin, the team which manages the wholesale function which will migrate to AIF structure under Ashwini, Rajiv, Vijay and Ambar, all these people are going to continue to do in a more evolved format. The most important thing for any NBFC to minimize volatility is the liabilities function where I believe we have a brilliant team, which has actually really done well through the crisis even when our name was under a cloud, we kept raising monies, when the cloud got cleared, we raised more money, our costs started declining, the analytics team worked with the rating agencies to get the rating outlook in line, that team led by Ashwin, I think that's very well staffed and supported under his watch. We certainly need to react to all the regulatory changes that RBI has bought about. So, there we are doing two things; we are setting up an external advisory group, which would comprise of ex-senior banker who was also one of the independent directors with State Bank of India, prior to which he retired as the chairman of a bank. We have another person who also retired as the CEO of a bank and a technology expert. This advisory group will guide the compliance function. We are splitting our risk and compliance function in order to be able to get this done. And we are doing significant additions to our technology function, splitting our information security function and a compliance function within information security, and for new developments getting in new talent, which incidentally has already joined. So from a new talent acquisition, it is more around technology and compliance. And we would also seek external advice in a timely manner to implement all the regulatory overhaul, which otherwise comes into play from 1st October 2022.

Moderator: The next question is from the line of Subhradeep Mitra from UTI Asset Management. Please go ahead.

Subhradeep Mitra: Sort of a data keeping question from my side. So there are certain number of NCDs in the market where there are covenants for Mr. Gehlaut's shareholding. And so that sort of covenant obviously gets breached now. So just wanted to understand I mean, what's the total quantum of such NCDs outstanding, and what's the liquidity position so that can be taken care of?

Gagan Banga: The liquidity position of the company is fairly comfortable. We are extremely well provided. As far as covenants are concerned, we are working with each of our lenders, I've actually gone ahead and met with most of our lenders and updated them and gotten their verbal consent. So I do not see any covenant breach triggering even one rupee. I think it's a transaction, which is being welcomed by all of our lenders. To my positive surprise, I've actually gotten feelers from some of these NCD holders who were otherwise holding back on fresh investments of NCDs to start looking at our NCDs again, and making sure that they start the investment with this institutionalization process which is giving them a lot of comfort. So I would state to the contrary I think that you are going to see the NCD program on the longer end of the curve to start expanding as early as before the end of this month.

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

Nischint Chawathe: Which all investors would be classified as promoters now?

Gagan Banga: So, at this point in time, there is no change in promoter or control as we speak. There is a process of depromoterisation as prescribed by SEBI which requires the board to approve, shareholders to approve, lenders to approve, in our case regulators to approve and lastly, SEBI to approve. Nothing knee jerk needs to happen. The ball has been set in motion. There has to be communication with strategic investors. The board has to get strengthened by the presence of more independent directors coming in as representatives of the strategic investors, that is step number one. As Sameer Gehlaut has indicated in his notification to the Stock Exchanges, post the board getting strengthened further, subject to requisite approvals only, he will look at stepping down from the board and then starting the depromoterisation process. So, as we speak, Sameer Gehlaut is the promoter of the company and is in control and there is no change. The idea is to get the ball rolling for which technically he could have only initiated the process, as per SEBI guidelines, once he goes below 10% and the guidelines prescribed by SEBI also say that this is a process which has to happen over a period of time, you can't just be a promoter and tomorrow morning leave the organization as an orphan, there is a process where the engagement with strategic investors has to become and transform itself from being one of financial investors to strategic investors which takes time and the proof of that pudding is in having people on the board for which shareholder approval is also required. We've taken the first step and as I articulated during my comments, there is a step 2, 3, 4, and 5, which we will keep implementing over a period of time and hopefully by September next year the entire transformation in terms of depromoterisation, having strategic investors and moving on to being a company with no identifiable promoter would be achieved.

Nischint Chawathe: So, that was very comprehensive. Just one thing, was it something which has been discussed with rating agencies or would the discussion now sort of happen on this?

Gagan Banga: So with stakeholders who have guidelines as far as whether they can trade in the stock or not and require disclosures with all such stakeholders, this communication and dialogue has happened more as also seeking their advice and feedback and reaffirmation that they would welcome such a move. I have personally shared this with all the relevant domestic rating agencies, updated them and kept them in loop at every stage, including a day prior to doing this transaction. So they are well in loop, they will appreciate any rational stakeholder should appreciate the institutionalization of a financial institution. That is the natural progression in any financial institution's life cycle. You can't have the individual bigger than the institution, you can't have ownership overshadow management. We all know that a very large portion of our financial industry actually suffers despite doing a lot of very, very good work and having excellent talent on the ground, actually suffers for the overhang of ownership sort of controlling management, you cannot have that in a financial institution. And as we migrate on having done fairly well despite all the challenges of the last three years, the management team has raised its hand together to say we are ready to take on this challenge of having no identifiable promoter, we are ready to work with strategic investors, we are ready to work under the directions of our board and make sure that we create a world-class financial institution focused on distribution.

Thank you so much. I hope most of people's doubts would have been clarified and we will continue to get your support. It is with mixed feelings, Sameer and I have worked very closely together for the last 21 years, we started working together in an office, which was even smaller than the size of the room that I sit in currently as we speak, in which 100 people used to work together. So from those humble beginnings, we believe we've created a reasonably good, valuable franchise which has given a CAGR of returns of over 25%, has distributed dividends of over Rs.11,000 crores, has had its shares of ups and downs, as we nimble footed in changing product mix, in changing overall strategy, has focused on asset quality, and that focus along with the focus on technology and people management, I believe are our biggest moats that we have created. We've embraced things early, such as co-lending and securitization, we have never allowed our ego to come in place and we are putting it out there, please value us on the basis of how we create a very high quality distribution franchise and scale that up. On that note, and with a very optimistic thought around Indiabulls 3.0, I thank all of you again and look forward to seeing you or interacting with you at the end of Q3 when we declare our results. Happy New Year and Best Wishes for the Season. Thank you.

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