"IndoStar Capital Finance Limited Q4 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the IndoStar Capital Finance Earnings Conference Call, hosted by Motilal Oswal Financial Services 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 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. Piran Engineer from Motilal Oswal. Thank you and over to you Sir!

Piran Engineer: Thank you all for joining this call with us. We have the entire management team of IndoStar on the call. I request them to take us through the highlights of the quarter post which we can open the floor for Q&A. Over to you Sir!

R. Sridhar: Good afternoon. I am Sridhar. We had a strong quarter Q4 FY19 following a very difficult Q3. Overall, we had a good financial year starting with our IPO and listing in the beginning of the financial year and ending with an acquisition of CV financing business of India Infoline (IIFL).

Despite difficult liquidity conditions, we have been able to grow our full year disbursements by 20%. We were initially planning for Rs 500-600 Crores of disbursement on an average per month and we are happy to note that at the end of the financial year, we have been able to disburse around Rs 6500 Crores as against Rs 5400 Crores in FY2018. Out of this ¬Rs 3400 crores is on account of corporate lending and around Rs 3100 Crores on account of retail loans. AUM has grown around 33% and with the acquisition of IIFL portfolio, which is around 3500 Crores, our AUM has grown around 90% over FY18. Total AUM (including on and off-balance sheet) stood at Rs. 11700 crore.

The liquidity continues to be okay for us. We have been able to raise resources even during a difficult quarter Q3 and Q4. We have raised around Rs 1200 Crores and Rs 1500 Crores respectively. We have also had large pre-payments from our corporate borrowers, so all these have helped us maintain our disbursements during this tough period.

The asset quality continues to remain strong. We have gross NPLs of 0.7%, net NPL of 0.5% and with the inclusion of IIFL, ratios have moved up. That said, we have credit protection for the acquired portfolio.

Growth potential for IndoStar is good and with the acquisition of the IIFL business, our branch network has increased from 161 to 322, covering about 18 states. We have predominantly been present in south and now we have a pan-India network. We have about 139 branches in South, around 86 in West, 93 in North and 4 in East. We think a network of 322 branches is a good base and will help take our vehicle finance business to the next level. We have been lending on an average around Rs 150 Crores and hope to move this to Rs 400 crores per month with the addition of these branches and the team from IIFL of 1079 people. We believe with this platform we can now compete with the giants in the industry. We are hopeful that our disbursements per month will catch up quickly to 400 Crores per month as we are predicting.

I am also happy to announce that during Q4, our vehicle finance and affordable home finance business turned profitable. They have absorbed all the upfront investments and have turned profitable in quick time. We had committed that it could take about 15 months for us to break-even and we have done so in the committed time period. Today all our businesses are profit accretive and the business which we have acquired from IIFL is also profit accretive.

We believe FY20 should be a great year for us. With the acquisition consummated, we are hoping to grow disbursements by around 25% to 30%. On the resources front, we are executing a strategy of mixing both traditional funding lines from the banks as well as organizing off-balance sheet funding to meet the disbursement targets that we have envisaged.

With these preliminary words, I now open the forum for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Subhranshu Mishra from BOB Capital Markets. Please go ahead.

Subhranshu Mishra: Thank you for the opportunity and congratulations on the good set of numbers. Sir, the first thing I wanted to understand is what are the factors that you think will lead to the used CV demand being strong across the industry and then in specific for you, if you could explain me both the things? That is my first question.

R. Sridhar: The commercial vehicle industry, is a fragmented industry dominated by small road transport operators. We have strategically focused on lending to small operators who have about few vehicles, two or three. In this segment, we compete directly with Cholamandalam Finance and our focus is on lending for used vehicles. The used vehicle financing business is very critical to the fortunes of new vehicle purchases and the associated financing for the same, a fact that unfortunately vehicle manufacturers have not been able to understand. Vehicle manufacturers (OEMs) have focused only on new vehicles without creating an ecosystem for pre-owned or used vehicles. While such an ecosystem exists for all other products eg. consumer durables or car , same is absent in the commercial vehicles industry. Shriram Transport Finance realized this gap and took initiative and over the last few years has created an ecosystem. My personal experience of having addressed the need for financing pre-owned vehicles and also creating an ecosystem for used vehicles has helped me develop expertise in this domain. The used vehicle financing business is a specialized business which none of the big companies have been able to build with the exception of Shriram. At IndoStar, I am leveraging my experience and we are making a foray into the domain of financing used vehicles. There is an estimated population of seven-eight million vehicles with an age vintage of between five and twelve years. In this segment organized finance penetration is under 50% creating a large gap for organized players that understand the domain. Further, I don't foresee see any new entrants that are planning a foray in a big way to fund these small operators. We have carefully strategized and built a good management team with strong domain expertise in lending, collections and customer service. All these factors give me confidence to state that IndoStar has the potential to leverage the opportunities in the CV financing business in a big way over the next three to five years.

Subhranshu Mishra: Right Sir and my second question is with respect to your yield Sir. Your yields have come off sequentially, so just want to understand one is the outlook and also any kind of extensions that you are giving in the loan tenure or any kind of IRR cuts you have taken or any kind of LTV changes you have done in this particular quarter and if these things are going to extend into fiscal 2020?

R. Sridhar: If you exclude IIFL, margins are around 7.5-7.6%. There is no dilution in the yield.

Subhranshu Mishra: So how do we look at yields going forward Sir, will they sustain?

R. Sridhar: Our lending mix is tilted towards used vehicles at around 70%. Blended yield (including used and new vehicles) is between 16-17%. IIFL's historical portfolio mix has a slightly higher tilt towards new vehicles which reduces their blended yields. Going forward, Incremental portfolio will be aligned to our credit policy and processes, and yields consequently would move towards 16-17%.

Subhranshu Mishra: So you think that going forward in fiscal 2020, you will have blended yields of 16-17%% for CV?

R. Sridhar: Vehicle finance yields should be around that range

Subhranshu Mishra: Right Sir, and what about the other businesses Sir?

R. Sridhar: The SME as well as the affordable home finance have margins around the 5% range which we expect to sustain.

Subhranshu Mishra: My last question is with regards to your outlook or your guidance one is on your leverage, your consolidated leverage and your cost to income going forward Sir?

R. Sridhar: Our consolidated leverage is three times now. We have enough head room for growth.

Subhranshu Mishra: So how do we look at it Sir, if we have to model for it in fiscal 2020, how do we look at your leverage?

R. Sridhar: At present, our Tier 1 capital comprises networth. We do not have any borrowings as Tier 2 capital either. Further, in light of constrained liquidity at present, our focus on leveraging off-balance sheet opportunities will keep capital consumption low and help postpone any incremental requirements for equity capital. At present, we don't anticipate any equity requirements until FY21.

Subhranshu Mishra: My last question is not answered, the outlook on cost to income?

R. Sridhar: Cost to income has been coming down. It has now reached 37%. With improving operating leverage, we see it coming down further and settling in a range of 25-30% over the next few years.

Subhranshu Mishra: In FY2020?

R. Sridhar: FY21.

Subhranshu Mishra: Thank you.

Moderator: Thank you. The next question is from the line of Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: Good afternoon Sir. Thanks for the opportunity. Sir I wanted to ask you that based on your experience does the used CV market grow faster when the new CV is in a downturn or do they move in line, because as of now it seems that we may have some pre-buy in the new CV market this year, but FY2021 looks like to be a year of decline, so in your opinion does the used do better in such years or is it completely in line with new?

R. Sridhar: Used vehicles are always in demand. Demand tends to pick up when new vehicle sales are higher. Having said this, even if new vehicle sales drop or plateau, transactions in the used vehicles keep happening. Unless you have a big recession, or if GDP is affected by natural calamities, we are unlikely to witness a recession in sales of used vehicles. During my career, I have not witnessed a big recession in the CV industry. The industry is cyclical. When the going is good, large amounts of trucks are bought, which creates larger tonnage capacity and which in turn hits freight rates giving rise to a lull. Every three, four or five years this cycle keeps playing out, but in this down and up cycles, the used vehicle demand has consistently remained the same because used vehicles change hands from one to another and it does not create capacity. So it does not create any pressure on freight rates. Used vehicles is one of the best businesses which has good yields and the only thing is you should understand the business and should have the courage to withstand the cyclical challenges. The business is very tough for new players as it is more relationship based and that is why there are not many companies in this industry. So, we feel we have a great opportunity to fill the vacuum. We started our business about a year back and in 15 months we have 322 branches, Rs 5000 Crores of portfolio and 2000 people, which is a record. So, with this kind of a platform, we can become a sizeable player in the next few years.

Amyn Pirani: That is quite impressive. Sir, secondly, on a related note, you know with the BS6 coming in, the other worry is that you know the price of new CVs will go up significantly, so again you know from the point of view of used CV, does it mean that the prices of used CVs could also firm up or it is completely unrelated?

R. Sridhar: Prices of used vehicles are indexed to new vehicles. If new vehicle prices rise it will have an impact on used vehicles as well.

Amyn Pirani: Sir, lastly obviously you know your numbers continue to be quite impressive, but going forward into this year, the economic indicators do not seem to suggest a very strong outlook, so are you seeing any pressure from your customers, or you feel that as of now things are continuing to be very smooth on the ground?

R. Sridhar: We have not seen any pressure on the ground and the last two quarters for us and for the industry had been very tough. Given these circumstances, we have been able to perform well. We are confident and with lot of changes happening we are very positive about the future and believe we are well placed to take advantage of this situation.

Amyn Pirani: Thanks for the opportunity Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Dipen Sheth from HDFC Securities. Please go ahead.

Dipen Sheth: Thanks for the opportunity. Sir, I have two questions; You acquired 160 odd branches from IIFL vehicle finance business, I remember at the time of acquiring these branches, if my memory serves me right, the deal was that while you will acquire the portfolio, but on the branches, you have an option to retain and not retain, right. So is there any clarity on how many you are likely to retain?

R. Sridhar: Yes. The acquisition came with 161 branches and we need to maintain presence in these locations as there are live portfolios and we need to service the customers there. We have collection responsibilities too. In the branch network, there are shared branches. Until we upgrade to our own branches, we have a transition services agreement which gives us right to use their offices for 12 months. However, we are confident that in the next three months, we will have our own offices and we will shift in due course. This is not likely to cause any impact on our locational presence.

Dipen Sheth: Yes, the count is not going to come down, but you might shift out of a particular address and shift to within the same town or city nearby somewhere?

R. Sridhar: Yes office addresses and locations might change.

Dipen Sheth: The footprint does not change, as simple as that. I would gather that barring a few exceptions, you are likely to also retain all employees?

R. Sridhar: We are not asking anyone to go. We have retained all the employees from IIFL. Having said this, normal attrition will take place over time.

Dipen Sheth: I am just looking for potential sources of unplanned trouble, which is why you know, I am a little bit of a devil's advocate here. Second question Sir, we have charged or capitalized about Rs.3 odd billion as goodwill on the acquisition of the vehicles and portfolio from IIFL, so I do not know how the Indian Accounting Standards work here? I guess this would come under 38 or something, I am not a chartered accountant, but this is just an accountant friend who is guiding me here, so are you going to test this for impairment or are you going to write it off over a period of time or how does this work now. Are you just going to carry this asset as it is on your balance sheet for all time to come?

Pankaj Thapar: This is Pankaj Thapar. Under Ind AS rules, which are now applicable to NBFCs, goodwill is a permanent presence on our balance sheet once it is created. The concept of write-off which was something that would be done under I-GAAP is no longer appropriate. So, therefore on an annual basis, this will be tested for impairment and if there are no indicators of impairment, the goodwill continues then.

Dipen Sheth: Then you will not charge it or charge anything to P&L unless you find that there is reason to look at some material impairment. Obviously right now there is absolutely no indication that any such impairment is visible. In fact if there is anything this business is adding to our longer term prospects?

Pankaj Thapar: We see zero possibility of that happening.

Dipen Sheth: Absolutely, I am completely with you on that. Okay, thanks Pankaj that will be all.

Moderator: Thank you. The next question is from the line of Rajit Aggarwal, an individual investor. Please go ahead.

Rajit Aggarwal: Good afternoon Sir. A couple of news items that came up and I would like you to throw some light on those. One was related to the acquisition, the acquisition of stressed assets by the name of BMM Ispat. One is the specific detail as to the amount, the tenure etc., and the other is the strategy behind doing this, is this going to be a something which IndoStar is going to take up often going forward as investing in stressed assets?

Shailesh Shirali: BMM was the first of hopefully many deals to come in this space, but we will go for stressed assets or high yield deals like these only if we have a strategic partner with us. So in this case there is a strategic partner, there is a backstop from the strategic partner and it is a pretty highly rated company and so we are not taking standalone risk of the stressed asset. Our disbursement was pretty high in the last quarter almost Rs 600 odd Crores but we have sold out around Rs300 odd, so we kept the balance on our books.

Rajit Aggarwal: The buyer is, it is Edelweiss only or is some other buyer is there?

Shailesh Shirali: Only Edelweiss.

Rajit Aggarwal: Only Edelweiss and their total transaction size was 900 Crores if I am right?

Shailesh Shirali: Yes around that range

Rajit Aggarwal: Okay and this is five years, seven years kind of asset?

Shailesh Shirali: The door to door maturity of the loans is what it is, but we will be out in 18 months.

Rajit Aggarwal: So that is an exit assured by Edelweiss?

Shailesh Shirali: Yes.

Rajit Aggarwal: Okay, the next news item which came up recently was there was a piece which said Everstone cannot exit IndoStar for the next 2.5 years or something like that, I could not read up the whole article because it was a paid one, so what was the genesis of this and if there is any repercussion on IndoStar’s operations going forward?

Pankaj Thapar: The article you referred to, it came in the last two weeks or so. It relates to the offer for sale that was done as part of the IPO last year. IndoStar holding company, IndoStar Capital Mauritius, which is where Everstone has invested from, was to receive proceeds from the offer for sale. Even though it is a Mauritius Company the tax department required a TDS deduction to be made by us before we paid the sale proceeds. Everstone went to court against this judgment of the tax office that as a Mauritius company there should have been zero TDS. That case was decided in favor of Everstone, but the judge said pending the final assessment of this which may take whatever time it will Everstone should provide equity shares to the value of Rs.200 Crores till the matter is disposed off. So that company has offered an undertaking to the High Court against which they are expected to receive a release order from the tax department. There is separately from this as a promoter IndoStar Capital is obliged to lock in requirements in accordance with SEBI regulations where 20% of post issue capital has to be locked in for three years that 20% of post issue capital would be about 1.9 Crores shares which will need to be locked in for three years from May 2018 onwards.

Rajit Aggarwal: So going forward there should not be much of an impact on raising equity through offer for sale or whatever right issue or anything else?

Pankaj Thapar: Sridhar mentioned in relation to an earlier question, we do not see the need for raising any equity at least till FY2021, therefore at this stage, we do not see the need for anything to be raised by equity, but if there is a transfer restriction on them by voluntary agreement to the courts or anything, that should not affect our ability to issue more capital. That will be fresh money coming in if and when we need it, which is to our mind at least two years away.

Rajit Aggarwal: Alright, thank you Sir.

Moderator: Thank you. The next question is from the line of Vikas Garg from L&T Mutual Fund. Please go ahead.

Vikas Garg: Thanks for taking my question. My question is partly answered in the earlier response to your question when it was indicated that the corporate disbursement in the Q4 was way too high at Rs 1100 Crores plus kind of a number. So my question on that is that when you are saying that there could be some various opportunities to buy over the stressed assets and for that you would be looking for kind of a strategic partner already, so is it something which has been already worked with Edelweiss with whom you have done the first deal and many more to come along with the same partner?

Shailesh Shirali: Sorry, first of all Edelweiss was not the strategic partner here. We sold down a part of the exposure to Edelweiss, so strategic partner will be case to case. When I mentioned strategic partner, I meant if we are investing in a steel company, we would be representing a firm that has interests in the same industry.

Vikas Garg: Yes, you were responding to my question Sir, which kind of opportunities and who would be the strategic partner of if something else has already been worked with Edelweiss as a strategic partner going forward?

Shailesh Shirali: Edelweiss is not a strategic partner; in this case we worked with Edelweiss on the deal and we sold down part of the debt to them. Strategic partner will be the manufacturing company major with whom we are working on acquiring the company. So, for each case, the strategic partner will be different.

Vikas Garg: So will it be right to assume that some of the companies where they do the same business in their ARC kind of a setup you know, where they would buy their stressed assets and keep it there and house for quite sometime, is it the same kind of an activity that would be done over here going forward to some extent?

Shailesh Shirali: It will not be identical to ARC. As I said we will work on such deals only if we have a strategic partner with us from whom we have an assured take out.

Vikas Garg: These would be the NPAs to begin with. There would be the stressed assets where no cash flows may be coming in the beginning itself and they could be a moratorium possibly short or long depending upon the asset class and all, but there could be a moratorium given then your upside would be completely linked to whether you are able to resolve the stressed asset or not?

Shailesh Shirali: Yes, but as I said, we will have an assured takeout at an assured IRR, so we are not bothered about the cash flow of this stressed assets, but in case of BMM Ispat itself, it is generating cash flow and the EBITDA is enough to take us out.

Vikas Garg: Also Sir, what is the kind of scale that we are possibly talking about in this line of business, let us say over next one year, what kind of a scale are we going to buildup?

Shailesh Shirali: It is opportunistic and you know we are very conservative, we are not even focused, so if we get good deals and good yield, we will do it, otherwise there are no hard and fast rules that we have to allocate a certain amount.

Vikas Garg: Just one last more observation in the question related to that, looking at the breakup of corporate loan book between real estate and non-real estate, it looks like the real estate has gone up by almost Rs 300-350 Crores during the last quarter. Any opportunity that we are looking in terms of acquiring their stressed assets on the real estate front as well?

Shailesh Shirali: No.

Vikas Garg: It is a part of our normal lending that we have been doing mostly to the residential projects?

Shailesh Shirali: Yes.

Vikas Garg: Any insight that you can share going forward as you focus more and more on the retail side, what would be the proportion of the real estate oriented corporate loan book, lets say over next one year and two years also?

R. Sridhar: We are now 31:69 (Corporate: Retail); Within the corporate piece, real estate loans would make up around 20%. I foresee that in the next one or two years share of real estate loans would go below 10%.

Moderator: Thank you Mr. Garg. May I request you to join the question queue for any followups as there are several participants waiting for their turn? Thank you. The next question is from the line of Rajnesh Mehan, an individual investor. Please go ahead.

Rajnesh Mehan: Actually I had a question regarding the acquisition and the IIFL book, Your overall NPAs, your gross as well as net has gone up because of this acquisition, so what do you see going forward, you know in 2020 and 2021?

R. Sridhar: With regards to the acquisition, we have some protection. We have structured the transaction in such a way that, we have given a value (i.e. a goodwill) to the seller and we have netted off the estimated credit loss ascertained by CRISIL. CRISIL has valued this business, and estimated likely credit loss on the portfolio which has been netted off. To that extent, we do not have to provide anything or write off anything. We are confident that looking into the credit track record of this portfolio, this protection which has been given in the form of cash is sufficient to meet any negative eventuality. Hence, we think there will be no need for any provisions. Having acquired the assets on our balance sheet, we have to reflect the NPA numbers as well, which in turn has pushed up aggregate NPAs to 2.6%.

Rajnesh Mehan: So what are your expectations for FY20-21?

R. Sridhar: We have just acquired the business. It is too early for us to comment on that, but the broader point that I can offer relates to the loss protection which IIFL has provided is sufficient for us till the acquired portfolio runs down.

Rajnesh Mehan: Regarding these branches, are you planning to shut any branches from the acquisition, do you have branches at the same location or something like that?

R. Sridhar: No. We will maintain our presence in all locations. However, if a certain branch is not up to our standard, we will move to a different address. A lot of the erstwhile branches were shared offices and hence we would open new offices and shift our personnel there. We are hoping in the next 100 days, we should be able to complete this transition.

Rajnesh Mehan: So you said that you can use that office only for one year?

R. Sridhar: We have an arrangement with them for using their offices for 12 months, but we will move them within 100 days.

Rajnesh Mehan: So you will shift all the offices within 100 days?

R. Sridhar: Correct.

Rajnesh Mehan: Okay, that is it. Thank you.

Moderator: Thank you. The next question is from the line of Gopinath Reddy from PNR Advisors. Please go ahead.

Gopinath Reddy: Sir, my question is regarding the IIFL book. The branch setup usually when you were with Shriram, the way you have built the branch network is most of the branch people will be aware of the local area where they are working. They will know the customer well and that is how it was working. I am sure you might have built the same way in IndoStar as well. When it comes to

IIFL branch network, is that criteria fulfilled and are you happy with the human resources and their local area expertise?

R. Sridhar: Of course. All the people who we have taken over (from IIFL) have also worked in the same industry for a long time. For example, the business head was in GE Capital, Magma Finance, so he has worked for more than 25 years in the CV industry. So, similarly the other team members 1000 odd people, have spent a lot of time in this space and their respective locations. No player can execute a CV financing business without having customer relationships, understanding the geography and the asset. So, the team from IIFL is not in any way different from ours. Unfortunately, the promoters felt that they do not want to exist in that business and that is why the business was sold to us. Let me assure you, the quality of the team, branch footprint, and portfolio quality is good.

Gopinath Reddy: You mean to say even they have recruited people from the local areas where they are working as of now?

R. Sridhar: Correct.

Gopinath Reddy: Okay, the worry is a lot of companies tried and could not deal with Shriram, so just wanted to make sure that you are?

R. Sridhar: You are absolutely right, but the other players in the industry have also followed the leader and built similar businesses.

Gopinath Reddy: Okay, that is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Manjeet Buaria from Solidarity Investment Advisors. Please go ahead.

Manjeet Buaria: Thanks for taking my question. I just have two questions. One was specific to your real estate book. I just wanted to understand what is the underlying there I have never spoken to you before and second I just wanted your perspective on the overall real estate lending space as to how you are looking at it, because there has been quite some concerns around this over the last few months which has come up? These two are from my end, thank you.

Shailesh Shirali: Well to answer it in two parts. I will take your second question first. The way we go about our real estate lending is that we have identified 10 to 15 developers with whom we want to do business; most of them are Mumbai based. There are a couple in Bangalore, a couple in Chennai, but we are very selective on whom we work with. The portfolio you see now may be very close to the peak real estate portfolio we will have, because these are the relationships we would want to work with. We do not want to add to these names. So, Rs 2500-3000 Crores will be the size of the real estate book for us. Within that, we focus on residential projects and non-luxury segments.

So, when I am saying that 80% of our book is based in Mumbai, these projects are all residential and in in suburbs. The ticket size for the apartments are between Rs 60 lakhs - 3 crores. The underlying for our loans is the project assets and cash flow. We have an escrow mechanism working from day one, where all the cash flow from the project comes and fixed percentage comes to pay off the loan.

Manjeet Buaria: I just wanted to understand. So what you are telling is you are working with probably a select set of developers who have a good track record and you know you are getting in collateral all their cash flows, so given when the counterpart is relatively so good, how does the competition play out in this space, as in you know why would they want to borrow these yields and not try and go at some lower yields. I am just trying to understand from that perceptive?

Shailesh Shirali: No problem. We have a strong real estate team and an in-house legal team. There are four people in the real estate team and three members in the legal team. We identify land owners who are sitting on land parcels and want to monetize land parcels, because they are not able to launch projects on their own. We help them tie up with the larger developers with whom we have relationships. So, we help them enter into joint development agreements with the larger developers and the way the joint development agreement gets structured is that the larger developer has to pay a deposit to the land owner and has to give a share of the project revenues. We fund the larger developer partly for the deposit that they pay to the land owner and we fund the land owner against his revenue share from the project. So, we are taking the whole package to the developer. So, if we were not in the picture, the established developer would not have got that project and that is why the fee and the coupon component is high. The flip side is that once the project is launched and once about 20% to 30% is sold, we see that we get refinanced very quickly. We do not mind doing that, because we like the portfolio churn to happen with us and we like to do repeat deals with these guys. So, for all the developers we are working within Mumbai, we have done may be 10 to 12 projects in the last three to four years. So, there is a very quick churn, within one and a half to two years, each project gets repaid though the door to door loan maturity will be four years.

Manjeet Buaria: Got it Sir, thank you, thanks a lot.

Moderator: Thank you. The next question is from the line of Bhaskar Chaudhary from Entrust Family. Please go ahead.

Bhaskar Chaudhary: First question on the acquisition, what was the effective date of the acquisition of the IIFL CV book?

R. Sridhar: March 31, 2019.

Bhaskar Chaudhary: Okay, so Sir in terms of the P&L for Q4, how much of that is a proportion coming from IIFL book in the vehicle finance business?

Pankaj Thapar: Nil contribution in the P&L because the asset came on the last day i.e. March 31, 2019.

Bhaskar Chaudhary: Zero in the P&L?

Pankaj Thapar: The contribution will come from April 1, 2019 onwards, employee cost, operating cost, interest earning etc., will get covered, but as we clarified in response to a previous question, we do not expect to see any ECL debit on account of this given the protection that we have built into the transaction. In the financials for Q4 and FY2019, the only impact is on the balance sheet.

Bhaskar Chaudhary: So the loans and advances of Rs 10,000 odd Crores, what would that number be, excluding the IIFL book, could you help me with the exact number there?

Pankaj Thapar: IIFL on-book (loan) contribution was about Rs 2000 Crores.

Bhaskar Chaudhary: You might have answered this previously, but was the exact cash consideration that was exchanged?

Shailesh Shirali: The total purchase consideration is Rs 2414 Crores.

Bhaskar Chaudhary: Thank you.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: Thank you Sir. Sir, this is the first time I am on this call and some of the questions in relation to the real estate book have been answered. What I wanted to understand was on the wholesale book? Are there any loans against shares for the promoters or anything else?

Shailesh Shirali: This also I mentioned last time, we have only one loan against shares; There is a Rs 200 Crores loan to the promoters of Essel group against collateral of shares of Zee Entertainment.

Ashish Kumar: Other than that there is nothing, so what will constitute the bulk of the corporate non-RE book?

Shailesh Shirali: Manufacturing companies.

Ashish Kumar: This would be basically subordinate debt, below the bank financing?

Shailesh Shirali: No, it is all senior secured term loans.

Ashish Kumar: What is the outlook going forward? Do you intent to continue disbursing or it will be kind of you run that book down over the next two to three years?

Shailesh Shirali: I think all business will show whatever natural growth based on available opportunities. All are profitable business. If there are good opportunities at good yields, we will continue to grow the business.

R. Sridhar: Corporate lending business will continue to grow the way the team wants it to grow; At IndoStar we have multiple engines and each one is growing. Each business head is empowered to drive their businesses, so the mix will likely undergo a change. Current mix (Retail : Corporate) is 61:39 which we see going to 70:30 in a year. Mix change is inevitable, but having said that, we are not restricting anyone's growth.

Ashish Kumar: Thanks a lot and wish you all the best Sir.

Moderator: Thank you. Ladies and gentlemen, as there are no questions from the participants, I now hand the conference over to Mr. Piran Engineer for closing comments. Thank you and over to you!

Piran Engineer: Thank you all for joining this call and thanks to the management team for giving us this opportunity to host them. Thank you and all the best.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services Limited, that concludes today conference. Thank you all for joining us and you may now disconnect your lines.