



“CanFin Homes Limited Q3 FY2021
Earnings Conference Call”

January 27, 2021



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*CanFin Homes Limited
January 27, 2021*

Moderator: Ladies and gentlemen, good day, and welcome to the Can Fin Homes Limited Q3 FY2021 Earnings Conference Call hosted by Investec Capital Services. 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 would now like to hand the conference over to Mr. Utsav Gogirwar from Investec Capital Services. Thank you, and over to you, Sir.

Utsav Gogirwar: Thank you Janis. Good afternoon all. Welcome to the quarter three FY2021 earnings conference call of CanFin Homes Limited. To discuss the financial performance of CanFin Homes and to address your queries, we have with us today Mr. Girish Kousgi - MD & CEO of Canfin Homes, MR. Shreekant Bhandiwad – Deputy MD, Ms. Shamila – Business Head and Prashanth Joishy - CFO of Canfin Homes Limited. I would now like to hand over the call to Mr. Girish Kousgi for his opening comments. Over to you Sir.

Girish Kousgi: Good afternoon to all the investors, welcome to the earnings call. I would quickly give you a brief as to what has happened in last two quarters and also Q3.

So after COVID as you are aware that we could not do business during COVID time, we started doing business from last week of May and quarter one we did disbursement of 400 Crores, quarter two was better than quarter one we did about 825 Crores and quarter three we did about 1100 plus Crores. So if you look at sequentially Q3 disbursements over Q2 it is about 33%, 34%. In terms of book we grew by 4% that is because of many reasons. If you look at quarter three in Telangana which contributes to 20% of our incremental business they had closed registration. So for almost two and a half month out of three month in quarter three we could not do much business this is not only for us this is for the entire industry so it opened up in mid of December and we were able to do only 15 days business in Telangana in Q3 and therefore you will see about 1100 Crores otherwise we would have been on par with last year Q3 as far as disbursement is concerned. With respect to demand, demand is completely backed in the affordable space both in builder and non-builder segment. So in affordable space builder segment is small builder so it is completely back and we are up on that front but for this blip in Telangana which was beyond company’s control, otherwise in terms of disbursements if we have taken into account one quarter business of Telangana we would have been on par with last year Q3.

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Now we had mentioned last quarter about our NPA, now talking about Q3 we are at 0.68% and as you are aware there is Supreme Court differentiation on tagging of NPA. If we take that in to account as you speak we are less than 1% so that is the overall position on NPA. As a strategy we focused on asset quality because we knew that if we take care of the book now then getting back business is only a question of a quarter, but if asset quality deteriorates then it is a question of two and a half to three years time to get book back to ship and therefore our focus was initially apart from profitability and liquidity it was on asset quality and now since last quarter onwards we focused on business and therefore you will see sequentially there has been significant growth in business and Q3 discounting what happened in Telangana, we are on par with last year Q3. So Q4 so far is pretty good from this quarter onwards I think will be back to no growth which was in pre-COVID level because now even Telangana is back.

On the restructuring front, we have restructured accounts totaling to about 87 Crores on a book of about 21000 Crores so this is about less than 0.5%. So I had mentioned this a couple of quarters back also saying that our restructuring pool would not be large because we have done lot of hard work on the delinquency and collections immediately after morat and during morat period and so this is the number, 87 Crores.

Now time and again we have been working on I am not talk about numbers because I am sure you would have gone through the presentation and also the financials so any specific query we will be happy to take on that. Let me now try and focus on strategy and the outlook. So from this quarter onwards, we are back in terms of managing collections we are back to normal with respect to business, we are back to normal and we will see growth happening from this quarter onwards. All this assuming that there is no second wave or third wave I do not know what wave it is, if it recurs as of now India is immuned because across the globe everywhere we hear threat of COVID either second or third wave, but India as of now there are no signs so assuming this continues I think we are back on track completely from this quarter onwards. There was slight change in our strategy. Now what happened was immediately after COVID since business was not completely back and there was no opportunity in corporate and SME space, so lot of banks, especially PSU banks started focusing on retail so that put lot of pressure on NBFCs and HFCs which were holding book at a much higher yield. So that was the threat and therefore we changed our strategy, this was about I think three months back. If you have seen historically our pricing would have been 150 bps higher than the best HFC in the country or any best PSU or other private bank. So now we took this decision of trying to reprice the book which we would have other ways lost to competition a), b) and also from on-boarding point of view we thought we should try and be competitive and therefore now since last three months our

starting rate is 6.95 which is on par with the best PSU, best HFC and the private bank in the country. So today we are competing, we are operating in most of the segments so there is no segment where we are not there as far as retail is concerned. For example a few quarters back we were not focusing to that extent within the city. For example Mumbai, Pune, Delhi, Hyderabad so now since our rates are very, very competitive so we are able to cater to builder segment so that would also help us as a company in terms of increase in demand so that is the advantage what we have because yields are coming down, because interest rate scenario is down so since last few quarters rates have been going down and therefore even the yields on the portfolio is coming down because we are repricing and we are acquiring at a much lower rate vis-à-vis compared to couple of quarters back.

So in terms of revenue and in terms of revenue growth because the yield on the portfolio is coming down revenue is going to be less and therefore we should not read too much into revenue we should look at the margin because yield also is coming down, cost also is coming down. As long as we are able to maintain the margin we are home. So if we compare revenue growth for example Q3 FY2020 if I compare year-on-year Q3 revenue growth it will be flat or maybe negative but if you look at the cost decrease also and if you look at the margins we are pretty comfortable. Now as we speak our incremental NIM is about 4.12 and YTD is 3.97, our spread is 2.9 so we have maintained both NIM and spread so we should not really look into whether the revenue has grown by what percentage or has gone down because the interest rates are coming down. When the interest rates start going up, we will see increase in revenue so I think we should more look at the margins and I think we are pretty much there on that. So because of increased and heightened competition from PSU and private banks because corporate sector has not kicked off, corporate banking has not kicked off and SME banking also is not still up to curve and therefore there is lot of focus on retail and one good product to grow the book for the banks is mortgage because of the sheer ticket size and therefore there is lot of competition in the market in this space and therefore all the banks are pretty aggressive. Now this would continue till such time now corporate and SME market improve and especially in the non-affordable space and the complete demand is back then again it will be back to normal then the company can think of increasing yield while maintaining the margins.

Now we wanted to also retain the book and therefore we had this aggressive pricing it has definitely helped us. So if you see our book retention percentage prior to and during the rate change we see significant improvement there and we would want to continue this and this strategy might be there for next few quarters then we will change depending on the market situation.

Now this has also helped us to takeover more cases from good quality banks and HFCs which means the profile is going to be far better than what it used to be earlier and also the ticket is slightly higher so given the current context there could be slight increase in ticket size so it may not be drastic, but there could be a slight increase as long as the mix is maintained between salaried and self employed, we are not really worried so by design what has happened last quarter is that nothing to do with the change in policy of the company, but the salaried proportion has slightly increased, but this we feel is only temporary I think going forward I think two quarters down the line the mix will again be back to 70 and 30, we want to maintain that mix not agnostic but yes given the current situation at least for next year, year and a half we feel I think that is very important.

On the NPA front we are pretty comfortable I think there are lot of questions on 660 Crores I think that 660 Crores was total number of customers and those who have availed morat and that outstanding today. I think now after morat after restructuring and after Q3 I think that number it is not that relevant now because now we have actual NPA and cumulative that is deemed NPA and NPA which is less than 1%, so that 660 Crores today if you look at that will be about some 405 or 406 Crores, that is only the outstanding so I think nothing much to read into that but just to have this number for record it is around 405, 406 Crores.

Why this 405, 406 is that I think lot of cases have now moved back to current. So people who had opted for morat so a lot of customers have now become current and therefore that is a difference between 660 and this a), b) would be the now whenever they pay EMI pause will come down and therefore now because of natural payment so there will be pause reduction. So in terms of all the ratios I think we are pretty comfortable, NIM is 4.12, yield is 2.91 I have said this before we will not be able to maintain NIM and spread at these levels because now we are in the process of repricing our old loans as a customer retention strategy and also market is down so if we do not do obviously customers will find many other banks and which are still doing and therefore you want to retail our existing customers and therefore you will see eventually it may not happen immediately, but at least in next few quarters maybe 4 to 5, 6 quarters you will see spread inching down from 4.12 to about 3 plus so we will maintain spread of 3 and spread today which is 2.91 the NIM of 3 plus and the spread today is 2.91, I think eventually in next few quarters it is also would come down and we will maintain 2.4 plus.

We are able to manage cost very well so we have been constantly engaging with all the banker to try and reprice the term loans and also OD and whatever the fresh sourcing we are doing even that is coming at a very, very less cost so Q3 cost was 6.87 this is YTD, if I have to talk about incremental cost of fund it is less than about 5.5, 5.6 so we are pretty well

placed on cost so even though we have reduced our yields we will be able to maintain margins. With every passing quarter our DER is improving. I think there has been lot of discussion about new discussion paper on NBFCs so today our DER is 7.3 times after Q3 so with every passing quarter, I think this ratio is improving and we have plans to raise capital, so we will raise capital because today our DER is 7.3 which is low and CAR is 24 so at this point in time I do not think there is a need, but whenever there is a need definitely we will raise capital and keep this under check well within whatever gets prescribed by the RBI once the discussion gets over.

So this is broadly on the outlook and figures where we are and just to give you a small, this is not a guidance, but some kind of outlook. So from this quarter onwards we will be able to grow at the normal growth rate so I think in next six to eight quarters time you would see the growth of about 17%, 18% on both book and loan disbursements.

I would request for any specific queries from investors.

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 Piran Engineer from Motilal Oswal. Please go ahead.

Piran Engineer: Congrats on the quarter. I just have a couple of questions one on margins and one on asset policy. Sir you mentioned that now you got home loan starting at 6.95 prior to this cut what were they starting at?

Girish Kousgi: No we have been reducing rates periodically prior to the 6.95 it was 7.25 and because of the 12.75, 7.98 so you can say average so we were generally about 150 bps higher than the best HFC or the best bank in the country. So now that gap is not there.

Piran Engineer: Let me put it this way a year back just pre-COVID what was the level roughly?

Girish Kousgi: So the difference was 150 bps so then I think our rate was 8.25 when so 8.25 starting and average was about 8.5 so others were offering about 7, 7.25.

Piran Engineer: And have you also repriced the exiting back book remember only or...

Girish Kousgi: Yes, we have repriced the existing book also and also lot of customers have come for conversion and we also retained customer who want to move to other banks or institution because of pricing. So today our yield is 9.78 on portfolio.

- Piran Engineer:** Fair enough and Sir what is your incremental cost of funds.
- Girish Kousgi:** Incremental cost of funds is about 5.5, 5.6.
- Piran Engineer:** Sir but how are we able to get that such lower rate from banks?
- Girish Kousgi:** I think based on company's performance and no pedigree, we command AAA rates and today lot of banks come forward to try and offer us new products which would bring down cost.
- Piran Engineer:** Sir just last thing one clarification what is this 405 Crores number that you mentioned.
- Girish Kousgi:** In Q2 as a part of disclosure we were suppose to mention what is the outstanding of all such accounts who had opted for moratorium. So that number as of Q3 is approximately about 405, 406 Crores that is it.
- Piran Engineer:** But outstanding has been 1 DPD plus.
- Girish Kousgi:** No, outstanding this is not delinquent.
- Piran Engineer:** So Sir if you can just explain what is excluding the Supreme Court dispensation what would our GNPL ratio be?
- Girish Kousgi:** Less than 1% so that it is 0.68 if I add that it will be still less than 1%.
- Piran Engineer:** I will get back in the queue for any further questions. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.
- Gaurav Kochar:** I have two questions firstly on Opex I mean there was a sharp jump in Opex any one off's is here or...
- Girish Kousgi:** Yes actually it is one off because salary revision is due and therefore we had made provision of 6 Crores so that is a one off so I think that is the only one off so if the base is small I think because of that the percentage increase is high. But for that we had spend some money on CSR and gratuity to the extent of 1 Crore, and rest all is normal only this is one off.

Gaurav Kochar: And the second question is on margins I know the reported margins is closer to 4 and even you earlier in your call alluded to steady state margins of 3.4, I am just wondering given the funding cost is 5.5, 5.6 and incrementally we are still making 150 basis point spread and maybe more in if I come I mean on the balance book we have been making more spreads. So I mean what exactly will take the margins down if the back book is also repriced just wondering that 70 basis point of margin compression would it come from yield suppressing further or will it be a function of some sort of catch up on the back book which is spending?

Girish Kousgi: So basically there are two three things, one is going forward cost would not be at this level so definitely there might be a slight increase in cost so while there is increase in cost banks probably may not drop yields or they are not increase because they have CASA so which is a big plus for them so NBFC and HFCs they do not have CASA. So then margin might come down and therefore I am saying this 4.12 might come down and even 2.11 might come down because we want to play this for next at least six to eight quarters because now we want to equally focus on both growth profitability and asset quality with risk. So all the four parameters we want to focus and therefore we feel that margins would shrink.

Gaurav Kochar: And on the incremental cost of funds you mentioned if I look at the share of borrowings CP LCD which is basically the capital market is only 20%?

Girish Kousgi: See I can only say this much our market borrowing is quite low as a percentage and we have an internal threshold of 15% for CP in the overall mix and the rest is from banks so to that extent we have a large proportion in the mix, which is nonmarket. Suppose if I have to talk only about bank then the cost of raising funds would be around 6% so as a mix you get about 5.5, 5.6 so this could slightly change by 10, 15 bps going forward but I think by and large it will be in the range of 5.5 to 6.

Gaurav Kochar: But given that even some of the larger HFCs are getting cheaper money through bond market will it not be fair to switch some of our bank borrowings to the bond market?

Girish Kousgi: We have, so whatever I mentioned now that also includes bonds.

Gaurav Kochar: And lastly Sir more structural question on the branch expansion given that our disbursement is kind of stagnant for many quarters even pre-COVID if I were to look at 2018, 2019 levels do you see that the growth has peaked on a per branch basis and the branches have matured and incremental growth will be a function of branch addition going ahead?

Girish Kousgi: Not at all while I say that we will open about 12 to 15 branches every year now this year we could not open because of COVID otherwise coming year we will open at least 12 branches our plan is 12 to 15 every year while we keep expanding a branch network the potential from existing number of branches is immense so we can grow our book at least by another 50%, 60% with existing number of branches so I think for growth opening more branches is not required, but to be future ready now after let us say two years also we would not open branches today and therefore we will continue opening branches from coming year onwards.

Gaurav Kochar: Sir last question if I may squeeze in I mean what has held back the growth in this quarter I mean is it the state of Karnataka that has not seen any sharp uptick like Maharashtra has seen a very good pickup so is it more geography specific or you see this is a broad-based real estate recovery just your thoughts on this?

Girish Kousgi: So actually demand is back and we do not see any challenge the only challenge what we have faced in Q3 was in the state of Telangana, government wanted to change the system and therefore they had stopped registration for two and a half months actually they had anticipated about a month or so it got delayed so last quarter out of 90 days we lost 75 days mid of December it opened up so we did only 15 days business in Telangana have we done full quarter business in Telangana our disbursements in Q3 this year would have matched up with disbursement last year Q3 so I do not see any issue because there was an issue in Telangana which is region specific and something beyond control of CanFin which got resolved mid of December I think now there is no issue.

Gaurav Kochar: Thanks a lot.

Moderator: Thank you. The next question is from the line of Anirvan Sarkar from Principal AMC. Please go ahead.

Anirvan Sarkar: Congrats on a good quarter. Sir just one question what is the total borrowing number for the quarter?

Girish Kousgi: 18200 Crores.

Anirvan Sarkar: And what was this number in the previous quarter?

Girish Kousgi: Previous quarter yes it will be almost it will be 18000 and odd only there is not much of difference because we retired some loans, we have repriced some so we keep doing this month-on-month. It is about same 18100.

- Anirvan Sarkar:** Alright fair enough thank you Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Maheshwari from Ambit Capital. Please go ahead.
- Rahul Maheshwari:** Sir just one question on your broader strategy, which you highlighted earlier, the growth which you are witnessing and also in the interview in morning you had told the shift towards not to the rural, but to the tier I cities because in last four, five years we have witnessed that there was a shift from metros to rural now again to tier I can you explicitly in detail can you explain in which broader areas we would be growing and the branch expansion which we are planning 10 to 12 on an annual basis where it would be there and just on follow-up on continuing that Sir, are you sure with the kind of after reducing the margin or the yields which we have been reduced in order to maintain the retention strategy and you are confident that now whatever the customers are there that would not be going away to the other large HFC or to the banks and how you look in a risk on that basis?
- Girish Kousgi:** Nothing has changed in our strategy, our strategy what was there two quarters back, four quarters back remains because we are more competitive today we have an additional play in big cities where we can try and tap build a market that is going to be additional business with increased competition from banks, both private and PSU so we thought we should have a cushion and this is that cushion so nothing has changed in strategy. When we open branches we will open branches in tier II, III, IV kind of cities but strategy will not change because there we have the par to try so we would not let go of that par. Only thing is today since our rates are very competitive and there is opportunity available so we will also try to get a share in the pie which we were not getting earlier because of the pricing that is all, that is number one. Number two on the margins, we are pretty sure that we will be able to maintain our margins, so I also talked about that a little while ago since we have advantage of cost because of efficient management we will try and do that so in spite of reducing yields we will be able to maintain that margin and it will also help us in terms of growth going forward.
- Rahul Maheshwari:** And Sir just a follow-up, as you told there would be a slight increase into the average ticket size, so on an average basis your average ticket size use to be 1.8 million though on metros it use to be 3 million and non-metro 1.2 million how those structure is going and what is the ground level you are finding in terms of consumer behavior as you said that the affordable housing is back to the normalized level so can you give some rough color on the ground level activity in terms of housing trends?

Girish Kousgi:

I think market is very buoyant I think in all the small towns and cities and also in big cities wherever it is self construction or purchase of independent house or purchase of small builder units I think the demand is robust and we are witnessing that in all the markets where we are present. Now the NCR is quite low but I think that is for the reason otherwise rest all markets are really doing very well. So because of our focus on builders now because there is an opportunity due to our pricing, our ticket size might see a small change maybe from 18 lakhs to about let us say 19, 19.25 kind of lakhs that is a second part. Third one which you asked so we are very sure, we are seeing that now we are able to retain most of the customers so customer who would want to switch a) because of rates or because customer gets an additional funding. Now we have a very robust policy now if customer is eligible and if the LTV supports we can give more to the customer instead of getting customer go to any other institutions, today our rates are very competitive so customer would go only because of these two reasons either getting a higher limit or better pricing so we have both with us now so you may have still about 3%, 4% of customers who may still want to switch that is because they have a liability account with a particular bank and the bank insist to move all the loans to that bank so you may have some reasons beyond these two but I think about 90% to 95% of the customers who would want to switch to other institutions we will be able to retain.

Rahul Maheshwari:

That is very encouraging Sir and just two bookkeeping questions, one what is the prepayments we have received in the current quarter and second currently the developers book of 5 Crores then we are telling that there is not good opportunity selected one so how what is the internal cap as per the policy where the developer book can go up to currently it is very minuscule I agree to that point but what is the upper limit which we are planning.

Girish Kousgi:

As of now our strategy is not to focus on CRF so as of now there is no thought on that if at all there is opportunity in future and if we feel that we should take some exposure at that point in time we may, but as of now we do not have plan to grow that book at all and in terms of prepayment, it is quite normal so BP was slightly more in quarter two, quarter three it has come down because of our pricing strategy so otherwise now it is only normal prepayments.

Rahul Maheshwari:

But generally how much it is Sir just a follow-up prepayments other percentage...

Girish Kousgi:

See all put together monthly it is about 360 to 370 Crores depending on the collections.

Rahul Maheshwari:

Thank you so much Sir. Best wishes to you. Thank you.

- Moderator:** Thank you. The next question is from the line of Radika from Mirae Asset. Please go ahead.
- Radika L:** I have two, three questions from my end so first if you could just help me with the write-off number for this quarter?
- Girish Kousgi:** Write-off numbers?
- Radika L:** Yes.
- Girish Kousgi:** We have not written off anything, we have not sold portfolio, nothing zero.
- Radika L:** And could you give some highlight on your ALM profile like regarding the on balance sheet liquidity and unutilized limits which you have?
- Girish Kousgi:** So as of now we have about 4000 Crores where agreement is signed unavailed limits. So which will take care for next about eight months.
- Radika L:** And the last question is that like since there have been a growth in the loan book on a YoY basis and on a QoQ it is flat so reasons why the interest income has been down both YoY and QoQ.
- Girish Kousgi:** Because the yield has come down.
- Radika L:** That is the only reason because of the yield?
- Girish Kousgi:** Yes, the only reason why income has come down is only because of yield and therefore I said we should look at margin see even if you look at our PAT margin there is an improvement I think from 22% to about 28% there is both know what net and operating level margins have improved so if you look at revenue, revenue has come down that is because of the yield.
- Radika L:** And just on the last question like if you can give me the SMA split of SMA 0, 1, and 2?
- Girish Kousgi:** Generally we do not share that actually in public domain but all I can tell you is that we have the lowest delinquent pool in the country in the entire industry also if you look at the NPA I think, yes you can go backwards and figure out what is the total delinquency.
- Radika L:** That is very much useful. Thank you so much.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: I have two questions, so the first question is on the margins and your customer set. Did CanFin Homes have a unique customer set that is and the attack from competition at this point of time which is why your margins are under pressure in the sense that how do you see this long-term is it like a one off situation like you said because the corporate book is slow or do you feel that there is some kind of permanency effect with respect to competition?

Girish Kousgi: I have been saying this since last six quarters that the margins are not maintainable it will come down that is only because we wanted to grow so at a point in time it is also a question of how fast you want to grow and at what profitability. So I am talking about six quarters back which is before COVID so even then I had maintained at our NIM and spread will come down because that is a strategy we want to grow our book and we also showed growth of 12% in quarter three and quarter four would have been 18% growth so we have shown growth in Q3 and growth in Q4 till about 23rd of March because 24th of March there was a national lockdown, so very clearly we have demonstrated growth in both book as well as disbursements. Now what is happening now in the market is that for example if there is no COVID if there was no COVID our rate probably today would not have been 6.95 now why it is 6.95 it is 6.95 now because there is heightened activity in retail especially in mortgage why retail because corporate is not kicked off SME is still it to take off so both are really struggling this is a feedback from most of the PSU and private banks and we can also see in their segment wise growth or degrowth now because of this and HL is the only book in retail where the balance sheet can grow much faster all the banks are focusing on HL now couple of months back let us say three to four months back market was not completely back even today affordable is back but not nonaffordable in my sense in my opinion so BT is an opportunity so with all these banks think of BT because BT is low hanging fruit very easy to grow book and therefore now the easiest thing is to try and do a shift from HFCs and NBFCs because the portfolio will get a higher yield and therefore we wanted to protect our book and also grow and therefore we have the strategy of aggressive pricing now this could be there for next few quarters we will take stuff after few quarters whether we should go with a strategy or get back to the earlier strategy of have maintaining a differential in pricing and then grow the book so this is the strategy at least for next at least four to six quarters the reason is because corporate and SME as much pickup there is too much of competition in this space especially on take over from HFC and NBFCs we want to protect our book and fortunately the company is doing very well high on liquidity

very good profitability and also CoF is very low for us and therefore we thought we should play this for next few quarters.

Vivek Ramakrishnan: The second question that I had and I am sorry if I missed it I joined a little late is on collection efficiency again the demand as the collection efficiency reached robust levels and all the moratorium customers are starting to pay up and so on.

Girish Kousgi: See to be very honest if you immediately have the morat collection efficiency is bound to be high. I also mentioned this in couple of my earlier engagements it is bound to be high because customer had operate for morat while the morat was for six months customers loss of income would have been for maybe two or three months will be max four months so customer would be left with excess cash and therefore immediately after morat the collection efficiency would be actually higher than pre-COVID level then therefore we had discounted that and I had also mentioned that our collection efficiency would drop by 2%, 2.5% in the steady state so I have mentioned this now if you talk about I think for us the collection efficiency has rationalized so our collection efficiency is about 93% this is which it use to be very high earlier and that is because immediately after morat event like morat because of excess cash flow the collection efficiency would look higher actually that is not the case it would moderate in next two to three months time we feel that now it is moderating I think for us Jan would be the month where it would have completely moderated and we are now slightly better than pre-COVID levels so that is the big comfort for us because our NPA is low our deemed NPA is quite less our restructured pole is just 87 Crores which is less than 0.5% of the portfolio and collection efficiency has moderated and it has come back to the original level which is slightly higher than pre-COVID levels.

Vivek Ramakrishnan: Thank you Sir. That is very encouraging and good luck Sir.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Congratulations for good set of numbers. Sir firstly the question was with respect to our competitive pricing strategy, so the broader thought process as I understand was to retain book but incrementally do we expect that the growth I mean do we see that when you are changing the strategy from let me say after two, three quarters we might relook at it but do you think that you will also want to change this stance because you are getting growth of better customer profile because there is a competitive pricing so would you want to change this stance also.

Girish Kousgi:

So now we had no option but to change and we had comfort of cost. Now it is not just growth we will be growing at slightly higher because now we will not only try to retain the book we will try to acquire customers from the likes of State Bank of India or maybe ICICI or HDFC Bank so now we have an opportunity of doing a takeover from now big PSU or private banks so that will give us additional lift in our disbursement and therefore the good growth. Now we will be continue with this strategy after few quarters I think that all depends and all the investors on this line how comfortable you are so if you would like to see a growth of 8%, 10% with decent margins or you would like to see a much higher growth let us say 16% to 18% with slightly lower margins so it all depends on a) margin condition, b) how comfortable we are and also what investors now obviously would like.

Shreepal Doshi:

But Sir just one follow-up question with that was that since I mean if you look at two quarters back we were saying that we wanted to get into the semi urban and rural areas incrementally by also expanding branches there but then with this strategy we are growing in all the directions is what would be the thought process right.

Girish Kousgi:

No, I mentioned this is the short-term strategy the short-term for us is 6 to 8 quarters so after six quarters we will review whether we should continue with this strategy of aggressive pricing or we should resume back to our earlier strategy so at this point in time it is difficult to say because we should see what is the recovery time for the corporate segment and SME segment see because see today there is too much of competition if I am not at 6.95 I will degrow in both book as well as loan disbursements, I will degrow since I have advantage of cost then why not utilize that by dropping is suppose if corporate and SME picks up then what will happen focus of all these banks will now tilt from retail especially mortgage SME and corporates because growing a corporate book or SME book is now much faster and better for a bank compared to mortgage then you would not have that kind of competition which you have seen today. So once they reach that position then we will play accordingly on pricing so our strategy of focusing on small towns nothing has changed I have portfolio mix, regional mix, profile mix, our pricing strategy nothing has changed this is only for short-term.

Shreepal Doshi:

Thank you Sir. Sir second question was like just wanted to confirm that I mean because earlier in your comment you said that level of, if you take the pricing side we have the pricing competitiveness are we explaining opportunity on the construction finance side or we are not looking at that aspect at all.

Girish Kousgi:

Correct as of now there is no plan to look at construction finance.

- Shreepal Doshi:** And the last question was a data keeping question. So has we done any interest reversal during the quarter.
- Girish Kousgi:** Interest reversal for what.
- Shreepal Doshi:** On a prudent basis for the NPA that will come up.
- Girish Kousgi:** No, what we have done is for the deemed NPA on that we have provided additional provision which covers both interest as well as overall provisioning for that additional increase in NPA that we are fully covered see our total COVID provisioning is 73 Crores which is more than adequate and also for the deemed portion deemed NPA portion we have adequately provided not only as a provisioning but also for interest part the excess interest part hardly anything it is very small amount but still we have provided.
- Shreepal Doshi:** Sure Sir, thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Antariksha Banerjee from ICICI Prudential AMC. Please go ahead.
- Antariksha Banerjee:** Sir first one is on growth can you tell us what is the sanction number for the nine month.
- Girish Kousgi:** About 2400 Crores.
- Antariksha Banerjee:** So this Telangana impact of two and a half months Sir was it only on disbursement or sanction will also close during this period.
- Girish Kousgi:** No to a large extend disbursements got impacted and to some extent sanction.
- Antariksha Banerjee:** What I am trying to understand is whatever the impact was is that going to come up in the form of a pent up extra for Q4 or is that not going to happen.
- Girish Kousgi:** there will be some pent-up yes definitely yes because this is not true for CanFin this is true for entire industry so the pent up demand would be there so it will show up in Q4.
- Antariksha Banerjee:** I would actually trying to look at your trend of sanction so for the last two, two and a half years it has been there roughly at about 6000 Crores and this year obviously half of the year has gone because of COVID but structurally speaking when you have to grow 17%, 18% when do you see the sanction profile picking up from this 6000 Crores mark per year.

- Girish Kousgi:** So as I mentioned I think this year because of COVID definitely we cannot compare this year with last year, definitely we cannot. So we feel that coming year we will be same as last year or maybe slightly better than last year.
- Antariksha Banerjee:** And the second is on the collection efficiency this 93% number that you mentioned what is that exactly how do you define it.
- Girish Kousgi:** Out of 100 customers 93 customers pay up and the balance 7 customer they will default and subsequently pay up some will pay up some will move buckets.
- Antariksha Banerjee:** So 93 is basically about on time selection.
- Girish Kousgi:** No 93 is basically, 93% of customers they end up paying balance will move.
- Antariksha Banerjee:** No I mean with that they end up paying on the due day and he has the rest of the month to recover from the balance 7 also is it similar to farm credit or is it...
- Girish Kousgi:** For example out of 100 customers we rank 100 customers out of 100, 93 pay up in a month and 7 would remain unpaid. This is the gross number the net number would be much lower because somebody who had not paid also will pay up and become regular so this is the first number I am saying 90 when we talk about collection efficiency against demand what gets collected in terms of amount is 93% and if you see this in terms of numbers it will be plus or minus 0.2%, 0.3%.
- Antariksha Banerjee:** And the last one is Sir how much of repayments of the liabilities is due for the second half of the year and how much would be from term loans and how much is profit.
- Company Speaker:** No the overall liquidity what we have about 4000 Crores so it is more than sufficient to take care of all the repayment commitments.
- Girish Kousgi:** Just to answer your question interest and principal now repayment is going to be about 1600 Crores.
- Antariksha Banerjee:** In the second half, right.
- Girish Kousgi:** Yes.
- Antariksha Banerjee:** Would it be fair to say this 1600 Crores would reprice at about 200 basis points lower.

- Girish Kousgi:** This is in the quarter this is for Q4 and if you take Q1 you would have let us say another 1000 odd Crores.
- Antariksha Banerjee:** I was still trying to arrive at how much lower this amount of quantum of borrowing would reprice at, because your incremental cost is much lower than on-book cost right.
- Girish Kousgi:** No, no but that is where we are repricing the existing loans also. We are repricing existing loans also I think so that is not well we are retiring all the high cost borrowings so that we keep doing regularly month-on-month. Only thing is going forward further improvement in cost is not expected so it will be between 5.5 to 6.
- Antariksha Banerjee:** And in terms of leverage where you are, you are comfortable is it.
- Girish Kousgi:** We are at 7.3.
- Antariksha Banerjee:** Yes, so about 7 is fine or are there plans to bring it down below 7 because you will be growing from hereon is what I am saying.
- Girish Kousgi:** If you are less than 8 we are comfortable up to 8 we are comfortable.
- Antariksha Banerjee:** Thank you that is all.
- Moderator:** Thank you. The next question is from the line of Bhavit from Nippon India AMC. Please go ahead.
- Bhavit:** Sir I have only one question just wanted to understand the average age of your customers on the book and incremental customer that we are adding what is the profile of these customers just wanted to understand the few data points.
- Girish Kousgi:** See the average age will be in the range of it will be at about 35 to 37 years that is the average age and see profile earlier I use to say not just a customer but now it is across all spectrum the entire spectrum but the percentage of high profile customers would be lift for us that is all. So majority would be see just to give you a sense our salaried customer average income would be about 40000 per month.
- Bhavit:** And Sir you mentioned that competition is hitting up any specific player or segment of players like a PSU bank or a private bank or is it across the spectrum that even NBFC were trying to compete hard even though it is not profitable for them that they are coming and

competing hard in the market any sense on that or is it PSU Bank specifically you are getting more aggressive because of the advantage of cost of fund.

Girish Kousgi: No set of banks are rating up in to our book because we have changed our pricing so I think that risk is not there for us while I say that there will be some amount of business which will go at the same time we also have BT in opportunity but generally for the industry or the high yield book to shift from HFC, NBFC to banks and when we talk about banks it is State Bank of India, ICICI and HDFC.

Bhavit: And Sir last question is what number of your branch manager would retire maybe this year like how does that equation look like on the branch manager front.

Girish Kousgi: I mean first of all the number is very less.

Company Speaker: It is very well less and also it is not going to impact.

Company Speaker: No, there will hardly be any number and anyway we will have a backup even before the person could retire six months in advance so that is a very small. Anyways we have just about 200 odd branches so I think that will not kept at all.

Bhavit: Sure Sir alright that is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.

Sanket Chheda: My question was on disbursement so as you highlighted because of the Telangana issue we probably has been start of about 2.5 to 3 billion of disbursement this quarter so against 1100 it would have been 1400 in Q4 since we will get the full quarter benefit after we cut down the yields do we expect disbursements to be to the tune of 20 billion, 18 to 20 billion in Q4.

Girish Kousgi: No, we will better our last year Q4 numbers.

Sanket Chheda: So basically higher than 1300, 1400 Crores but maybe in-between 15 to 20 billion is what you are guiding.

Girish Kousgi: I am talking about loan disbursements last year Q4 we will do better than that.

Sanket Chheda: Okay, Sir, that was the only question and rest all questions were answered.

- Girish Kousgi:** So that will be over I think 1600 Crores.
- Sanket Chheda:** That is what I was referring to.
- Girish Kousgi:** See last year Q4 we did 1554 Crores so this quarter we will improve on that.
- Sanket Chheda:** Yes so roughly 17, 18 billion or 20 billion it would be in that range.
- Girish Kousgi:** The percentage will be more than 50/50.
- Sanket Chheda:** Yes Sir I got it beyond thanks.
- Moderator:** Thank you. The next question is from the line of Rahul Maheshwari from Ambit Capital. Please go ahead.
- Rahul Maheshwari:** Sir just wanted that as you said that the cost is now bottoming up at 5.5% to 6% the bottom that you are witnessing and the range you are also at near to the banks and the large HFCs. The growth level which you are telling for next four to six quarters you are targeting 15%, 17% is it the conservative number Sir or just I want to get that sense and the second thing Sir that the cost which you mentioned incremental cost of fund so it has happened 5% but tomorrow down the line any divestment takes place from the Canara Bank how what is the cost to increase and takes place because in the current juncture you told you have a well rated company and you are getting across the banks you are getting funding but in case if that is not takes place so how your cost can move up.
- Girish Kousgi:** First of all I mentioned that in next six to eight quarters time we will reach to a growth level so it is not that good happen from next quarter for example next quarter the growth is not going to be 16% I said in next six quarters or so you will reach to a level of 16% to 18% growth number one. Number two just in case divestment happens there could be increase in cost of funds by 25 bps that we can easily manage in our pricing.
- Rahul Maheshwari:** Can you pardon.
- Girish Kousgi:** Sorry come again.
- Rahul Maheshwari:** Can you repeat how much bps increase 25 bps or how much.
- Girish Kousgi:** Max 25 bps.

- Rahul Maheshwari:** Okay Sir thank you so much.
- Moderator:** Thank you. The next question is from the line of Priti R from UTI Mutual Fund. Please go ahead.
- Priti R:** Sir I want to understand the competition in our core business core segment where you talk about that you continue to enjoy pricing power so who are the HFCs that you encountered usually in those areas if it is not the typical HFC for banks.
- Girish Kousgi:** I do not name the company but yes today you have two set of institutions could be a bank, could be NBFC , could be HFC now typically HFCs barring one more to would be having high cost and therefore the yields are going to be high and on the other side we have all the banks they have advantage of CA and SA and therefore the cost is going to be much lower and therefore they can compete on pricing now we are in a sweet spot we may not have the advantage what bank would enjoy but you also do not have the disadvantage of what many HFCs would have on the cost and so we are in a sweet spot we are able to be available in places in geographies where banks are not there and now there since our yields are going to be much lower than the average HFC yield so we are in a better position to do business in those pockets at a yield much higher than bank yield so to be very honest if you today we do not see too many competitions because our pricing has come down even in big cities so as long as enable to be there right at the door step of the customer will be able to grow our business.
- Priti R:** And secondly let us say if there was a customer before you took this pricing strategy change of pricing strategy if the yields or the rate was probably 11% just for example so that would go down by what percentage.
- Girish Kousgi:** The customer wants to switch then his rate would be 6.95 now partly 6.95 it depends so 80% of our portfolio will, if at all everything get converted which really happens that will be at the starting price.
- Priti R:** Thank you and good luck.
- Moderator:** Thank you. The next question is from the line of Sayantan Bhowmick from PineBridge Investment. Please go ahead.
- Sayantan Bhowmick:** I wanted to understand one thing as mentioned that there was a one off on employee cost this quarter if you could just explain what is this and how should you read the employee cost going ahead that is first question second while we will be competing with some of the

better or some of the most competitive HFCs and banks is there any room for us to reduce our operating cost and last question is if you can give if you can spell out what is our total provision we sold including both NPA provision as well as the standard asset or profit provision.

Girish Kousgi:

In terms of provisioning it is one off because we generally we do salary revision once in three years so this time it took five years because of COVID it got delayed so this is one time and we have provided 6 Crores for that so that is one time item and second in terms of cost to income we will be in the range of about 15 to 16 and we have also planned for some investments in IT which is very, very critical so that could see our cost to income going up by 1.5% to 2% not now going forward I think periodically so while we have taken many measures to rationalize cost there are certain good cost to incur and that we would always explore to increase and improve efficiency and on total provisioning see for COVID we are holding about 73 Crores and we are holding additional 13 Crores for the deemed NPA including interest part and this apart for NPA we are holding 55 and standard asset provisioning is 74 totally about 216 Crores we are holding. So our provisioning that is 73 plus 13 86 Crores is more than sufficient for any shock because of COVID.

Sayantana Bhowmick:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Miti Gupta from IIFL. Please go ahead.

Miti Gupta:

I have couple of questions so first is on the borrowing mix like what type of borrowing that currently the company having and second is if we go through the product wise split which is there on the slide #8 of the presentation so what does this top up personal loan defines at third question would be what would be the absolute GNPA number if we exclude the supreme court order like the total GNPA excluding the supreme court order what would have been the issue would have taken into account all the accounts and the last question is on the collection efficiency like you said that it is 93% so it is on the billing versus collection or is it on the billion plus like what all we have collected including the overdue amount as a percentage of the billing.

Girish Kousgi:

So if you look at the funding mix, now bank is about 57 market which is CP and NCD is about 20% deposit 2% and NHP regulator is about 21% this is the funding mix. So on the GNPA our NPA is 0.68% and if I include deemed it will be less than 1%.

Miti Gupta:

No I just wanted to know what would be the absolute number like you have return...

- Girish Kousgi:** Yes so book is about 21004 Crores so you can calculate the NPA is about 141 Crores.
- Miti Gupta:** So this is excluding this will help the Supreme Court provision right if I do not take it for...
- Girish Kousgi:** It has given in slide #6 actually.
- Miti Gupta:** Yes, I am listening to that only so 141 is taking into account of supreme court ruling so if I do not take that into account what would be the number be the EMI number be.
- Girish Kousgi:** That is excluding so we are talking about 142 Crores correct that is...
- Company Speaker:** The overall NPA is less than 1% including deemed NPA so it is 142 Crores...
- Miti Gupta:** What would be the former number in this?
- Girish Kousgi:** 142 Crores what you are seeing in slide #6 that is gross NPA that is equal to 0.68% now I am just giving some kind of data including deemed it will be less than 1% so the book is about 21000 Crores so you can calculate it and on the collection efficiency this is against demand what gets collected in that money.
- Miti Gupta:** So demand includes your overdue.
- Girish Kousgi:** No demand will not include overdue.
- Miti Gupta:** So it is currently the billing efficiency which is 93% as of now.
- Girish Kousgi:** Yes.
- Miti Gupta:** And what about the top up personal loan like you have mentioned in the quarter.
- Girish Kousgi:** Actually both are same we have some product differentiation that is all otherwise both are same so these two loans are secondary loans based on the primary collateral depending on customers eligibility largely endues being for load purposes.
- Miti Gupta:** Sorry it is made for which purpose.
- Girish Kousgi:** Both are same personal and top up both are same.

- Miti Gupta:** So is it scenario for the home loan or for the lab purpose like what would be the nature of the loans for.
- Girish Kousgi:** These were both this could be see there can be top up on lap loans there could be top up on home loan also. It is available on both.
- Miti Gupta:** And what does the other comprises of like I think this is a 38 Crores book.
- Girish Kousgi:** Others so basically if you look at the product mix home loan is 95% and the balance 5% would include loan against property then lease rental discounting then loan for commercial properties and a very small extent of staff loans.
- Miti Gupta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Sharma from SK Capital. Please go ahead.
- Abhishek Sharma:** Congratulations on a good quarter. I was just trying to understand or reconcile your commentary you have mentioned that the market is quite buoyant and that now you also know that COVID has fairly stabilized but at the same time you are saying that the growth will take at least 6 to 8 quarters to come back to 17%, 18% that you are mentioning so why is the slow pickup in growth.
- Girish Kousgi:** So this quarter that is Q3 we would have matched up with last year Q3 but for the issue what we faced in Telangana so which means no growth. So Q4 we will do slightly more than last year Q4 that means marginal growth.
- Abhishek Sharma:** Sir just to make a point there last year's Q4 is already on a low base right because of the last week shutdown.
- Girish Kousgi:** Yes, that is okay that is hardly anything that is fine I am still safe because see we are talking about 7 days, 8 days loss in March is really what happened during COVID period and therefore I am saying to reach to the level of 16% to 18% growth in a steady state it will take about 6 to 8 quarters that is what I mentioned this is the outer limit and also see when I talk about 16% to 18% growth so for example next year, next year Q1 I cannot compare with this year Q1 because this year Q1 is almost a wash out so next year will be compared with previous year not this year so there is a skip of one year this year is skipped.
- Abhishek Sharma:** So you are saying FY2022 Q1 will be compared to FY2020 Q1?

- Girish Kousgi:** Exactly, correct.
- Abhishek Sharma:** So the growth will be on that quarter not Q1 of FY2021?
- Girish Kousgi:** Not this year because this year it will be almost wash out Q2 also was not that good Q3 is good Q4 will be good so we cannot compare the next year with this year we have to compare next year with previous year.
- Abhishek Sharma:** Sir my next question is on the trend of NIM so in the last five to six quarters the management has been saying that it expects the NIMs to come down like they are not sustainable, but the next quarter the NIM comes up even higher so is there some inconsistency like in the operation front?
- Girish Kousgi:** We are very happy with that.
- Abhishek Sharma:** No I just want to reconcile the two Sir?
- Girish Kousgi:** No see the problem is the drop in yield if it is lesser than the drop in cost, the NIM will be higher and the spread will be higher so, so far it is happening like that so it is good if it happens for another few quarters but I think eventually it will come down so we as a company we should always ensure that the drop in yield is much lesser than the drop in cost.
- Abhishek Sharma:** No so I am asking actually from a modeling perspective like...
- Girish Kousgi:** Sorry we lost you we cannot hear.
- Moderator:** Sir we have lost the line for the current participant. We will move on to the next question from the line of Hatim Broachwala from Union Mutual Fund. Please go ahead.
- Hatim Broachwala:** Sorry Sir I have joined little late. Sir my question is after the reduction in lending rates which you have talked about, what is our targeted spreads going ahead.
- Girish Kousgi:** Eventually it will be 2.4 plus today it is 2.91.
- Hatim Broachwala:** So 2.4 would be a long-term spread or only for next four, five quarters.
- Girish Kousgi:** No as of now we have an aggressive pricing strategy so if we continue with this strategy our spread will come down to 2.4 from 2.91 so it may take another four to five quarters.

- Hatim Broachwala:** And Sir Telangana how much that forms part of our AUM.
- Girish Kousgi:** Not AUM incrementally about 20% and AUM also will be it would not be 20% about 17%, 18%.
- Hatim Broachwala:** Okay understood okay thank you Sir that is it from my side.
- Moderator:** Thank you. The next question is from the line of Ashwin from HSBC. Please go ahead.
- Ashwin:** My question was related to the difference in the incremental yield which you said you are offering at like 6.95% for the new customers was this the current yield from the book which is more in the range of 9.7% so just wanted to understand like what would be the, I mean would there be a substantial difference in terms of the customer profile it has between these two groups because otherwise like why would the...
- Girish Kousgi:** So there could be two, three reasons one there could be slightly differential profile or it could be a different product so it is a combination of profile, product and to a very small extent geography.
- Ashwin:** But like in terms of the segment wise will there be a hit between salaried and self employed.
- Girish Kousgi:** No for example self employed our rates are higher compared to salaried at a portfolio level so I think that differential will be there so it is the profile it is the product and therefore I told it is a combination of all.
- Ashwin:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from Systematix Shares. Please go ahead.
- Shubhranshu Mishra:** I just had this question about the customer retention there so generally what happen is that a lot of HFCs could they get aggressive on the top up personal loans in order to maintain the yield so are we thinking of that and just a data keeping question what is the FOIR on our salaried loans and the FOIR on self employed loan side.
- Girish Kousgi:** So in terms of pricing our top ups are 10 bps higher in terms of FOIR for salaried it varies we have a step-up. So the higher the income higher the FOIR lower the income lower the FOIR it starts from 50 it goes up to 65 and similarly on self employed they have step-up FOIR based model.

- Shubhranshu Mishra:** What is the range for self employed Sir?
- Girish Kousgi:** Self employed also it will be in the range of about 50 to 65, 70.
- Shubhranshu Mishra:** And why are we not being a bit more aggressive in the top up personal loans and both the categories wherein we will be able to maintain our margins and we will be...
- Girish Kousgi:** We do not want to fore sell top up if a customer has a need customer will approach us so trigger for us is when customer comes to us for a top up or customer wants to switch so depending on the need then we offer top up.
- Shubhranshu Mishra:** And what is the attachment rate on our loan Sir.
- Girish Kousgi:** What attachment.
- Shubhranshu Mishra:** Insurance attachments.
- Girish Kousgi:** Insurance is about, blended will be about 70 because we have both life and property so blend would be about 70.
- Shubhranshu Mishra:** Sure Sir thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.
- Gaurav Jani:** Congrats on the quarter. Just two questions. One is Sir on the provisioning front last quarter we had about 86 Crores of provision I think that number is maintained further so could you please explain the movement of provision so I think are we provided anything on the pro forma numbers on the restructuring numbers and what is the effect please if you can explain.
- Girish Kousgi:** No all this is ad hoc only so therefore I mentioned that our provisioning is more than adequate in fact next quarter because March is a cut off we will be writing it back. I have shared with you my provisional NPA which is actual NPA plus deemed I have shared with you those numbers you know what is the book and you know what is the provisioning and you know the breakup of standard asset NPA for COVID and contingent so we have provided more than enough and therefore this quarter we did not find the need to provide anything more.

Gaurav Jani: Sir secondly on this overdue pool, which is about last quarter you had mentioned about 660 or 8% was out of the book right now which is bound to about 400 Crores so what is the outlook I mean how would the recovery shape up in this book and is it 14%.

Girish Kousgi: That is not overdue that is outstanding that is all, it maybe overdue, it may not be overdue because now morat would be from both regular and nonregular, the regular and delinquent pools that is only outstanding not the overdue pool and once we have deemed NPA, NPA and restructured numbers the 660 does not become that relevant for discussion because now that has passed.

Gaurav Jani: No Sir what I am really trying to understand is, is this due not the overdue but the due pool so how would the recovery will shapeup and are we do assume that going forward our GNPA numbers given a pro forma basis now it not crossed 1%.

Girish Kousgi: No it may cross 1%, all I am saying is that I think Q3 was a reasonable time for the morat pool and also if you know what are the pools of restructuring that will give a broad sense on what the direction is for NPA so next quarter I am not saying it will be less than 1% I am only saying what it stands today it is less than 1% so next quarter it maybe more than 1% it may be less than 1% I do not know I am not commenting on that but yes it gives a broad direction saying that what happened to morat what happened to restructuring pool and what is the collection efforts that the company has put in, in last few months because today if you look at collection efficiency it is 93% and this 93% is after moderation so our NPA could be more than 1% I am not saying that because I have always maintained that in next four to I said this last quarter so in about next four to five quarters we will be able to bring that NPA to the current level which is about 0.8 I mentioned because our NPA was 0.78, 0.8 and then we have brought it down to 0.68 more to do with supreme court dispensation so we will be able to bring it down to about 0.8 in next four quarters now since that one quarter has passed so in next one year's time we will be able to bring it down so next quarter technically we might be more than 1% I am not saying that it will be less than 1% it can be more than 1% but looks like we have good hang on collections and NPA numbers.

Gaurav Jani: Just one data point Sir if you could sort of give that the 400 Crores number you have mentioned is that entirely self employed.

Girish Kousgi: No that 400 Crores also see that 400 Crores would subset of regular pool subset of SMA 0, 1, 2 everything so that number does not give because for example let us say 100 Crores was in SMA out of 100 Crores equal let us say equaling to 500 customers out of 500 customers only 300 was for morat based let us say which is 60 Crores so that 60 only is part of this

400 the balance 40 is not part and therefore I said this has a mix of both regular and delinquent some people have taken morat some people have not taken morat so it is a combination of all these things and therefore I said it is only a disclosure what we had to make otherwise this number does not really make sense discussing at this point in time because it does not lead to anything.

Gaurav Jani: Sir I just wanted to understand the customer profile but got your point thank you that is it from my side all the best.

Girish Kousgi: The customer profile on the self employed is we have catered to small traders and somebody who is into manufacturing or services there the income per month could be in the range of Rs.50000 to Rs.60000 on the salaried side average income is about Rs.40000 so the profile across portfolio is quite similar.

Gaurav Jani: Perfect Sir that is it thank you all the best.

Moderator: Thank you. The next question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.

Dhaval Gada: Congrats on good numbers. I just had two questions, one to an earlier response you mentioned that you have seen less pressure per se on loans category plus and therefore the margin is surprising your expectation just wanted to understand what percentage of loans historically come for repricing in, but where you pass on the benefit historically versus the base where it is eligible so is it like that number is lower than the historical trend as well or it is like business as usual from that perspective.

Girish Kousgi: So earlier we were doing now repricing based on the design so based on the initial terms we were doing that now immediately after COVID and because of competition and also pricing so the BT out had increased so what changed was the proportion of cases going out as BT but for that everything else was same so now because of that since we wanted to retain the customers we change the present strategy so if you see what is the outflow in terms of BT and also in terms of normal closure compared to pre-COVID levels and now, now it today increased and why it has increased because as I told you most of the banks are focusing now on retail especially mortgage.

Dhaval Gada: And therefore Sir I mean this sort of full impact should be visible in the next two, three quarters as you see one full year you will see more impact of this would that be correct.

Girish Kousgi: Yes, therefore I suppose if you continue with this present strategy you will see that our NIM will come down and also spread will come down.

Dhaval Gada: The second question is related to just clarification on NPA part so I mean approximately 200 Crores is the pro forma NPA assuming the Supreme Court dispensation was not there and against that I mean just wanted to reconcile the provisioning number so on the current NPA numbers which is including the Supreme Court dispensation about 55 Crores is the specific provisioning and what would have been the provisioning if you would have to assume the pro forma NPA so I am just trying to understand how much buffer you have which I would just like to say that there will be the write back so...

Girish Kousgi: So I am not saying anything I am just going by whatever you said because I have not quoted a number I said less than 1 going by you mentioned 200 Crores on 200 Crores even if you take 15% it is going to be about 30 Crores level one provisioning is 50 Crores and if you take differential now, so if you take let us say the number which you quoted and I am not saying 200 minus 142 is about 58 Crores so on 58 Crores if you take 15% it will be 8.7 Crores and if you take interest reversal add another 2 Crores so totally 10 Crores against 10 Crores we are holding 86 Crores.

Dhaval Gada: And Sir just I mean in terms of the thought process would you have only 16% cover or you would want to build cover when given that we have already provided and just future any perspective would you keep 15% odd thought process while you will keep much higher this year.

Girish Kousgi: No, see because see every quarter we do business so ever quarter we will make profit so every quarter we will provide. So to be to answer your question I think quarterly profits is good enough to provide additionally because of stage movement but having said that today we are sitting on a buffer of 76 Crores I think which will take care of at the first level increase in NPA by at least 500 Crores today we are on the base of 142 Crores.

Dhaval Gada: Perfect Sir very useful. Thank you all the best.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir I just have two data keeping questions one is that what proportion of the existing book would have already avail the benefit of repricing and second is that on the incremental disbursement that we did in 3Q what would be at the competitive lower yields and what

would be at a business as usual is that we would have charged had we not change the strategy.

Girish Kousgi: So to answer the first question I reached with likely over 10% about three quarters back today it is 9.78 so I think that difference is reflective of the repricing actually have done either now because of BT or customer request. So that is the answer for the first one on I think both 9.78 I think talked about both.

Rohan Mandora: So Sir if you could share what is the incremental yields during the quarter 3Q.

Girish Kousgi: Incremental yield. So we do not calculate that but just to answer you see our starting is about 6.9 plus incremental yield should have been 7.3, 7.6 and it is only a guess I have not checked this.

Rohan Mandora: Sure Sir thanks a lot.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir most of my questions are answered I just have want two more questions Sir one is I wanted to know what typically would be our log in to sanction to disbursement ratio for nine month this year and nine month last year and if you could also share the loan which has been sanctioned but undisbursed as of now like as of 31st December.

Girish Kousgi: Now we log in to sanction I think the conversion is about 93%, 94% and sanction to disbursement is about 98% we take the first disbursement is disburse so it is about 98% because after sanctioning loan cancellations are very, very few. So if I have to compare this with last year and this year, this year the mix has slightly changed salaried has slightly increased because the rejections in self employed has slightly increased so not roughly but slightly so this 90 if I were talk about self employed there will be a slight change in reduction ratio it has increased and salary also would have approval would have increased so the difference is not much it will be about 1.5%, 2%.

Swechha Jain: So more or less is the same basically. And Sir sanction undisbursed amount if you can share.

Girish Kousgi: It will be about 1000 actually it is not disbursed sanctioned are not disbursed is one category sanctioned part disbursed is second category both put together it is about

- Swechha Jain:** 1300 Crores and could you get the split between the two Sir.
- Girish Kousgi:** It is very difficult so you can approximately take 30% of our portfolio is construction. So construction is we would disburse over a period of year or maybe 15 months time.
- Swechha Jain:** So that will be partially disbursed.
- Girish Kousgi:** Yes that will be partially disbursed and the rest would be one time disbursement.
- Swechha Jain:** And Sir you mentioned that we are moving to a pricing strategy where we reduced our pricing so with this Sir where do we see the NIM stabilizing I think you might have said it in the call and I think I just missed that number.
- Girish Kousgi:** I am saying over a period of time we will stabilize NIM of 3% plus percent and spread of 2.4.
- Swechha Jain:** And Sir how do you see the credit cost moving ahead Sir and what is the current credit cost.
- Girish Kousgi:** I think hardly there is any movement I think 0.2 to 2.3 so there will be about 2 to 3 bps maybe higher that is all.
- Swechha Jain:** And Sir just last question so if you look at the nine month FY2021 disbursement number it has significantly dropped as compared to previous year.
- Girish Kousgi:** Yes.
- Swechha Jain:** So what would be the reason I know one of the key reasons would be the lockdown in Telangana but do you see anything else...
- Girish Kousgi:** See the only reason is COVID for last quarter I think Telangana got added otherwise the only reason is COVID.
- Swechha Jain:** Sir so then just a follow-up so on a going ahead what kind of average quarterly run rate of disbursement should we assume like if any guidance you can give.
- Girish Kousgi:** We do not give guidance so I mentioned that from this quarter see demand is completely back so from this quarter onwards we are looking at growth on a YoY basis and when I talk about YoY I think going forward next year will not be compared with this year next year will be compared with previous year, but this year was bad at least first two quarters were

bad and therefore we do not want to compare because if I start comparing with this year then we should talk about growth of 50%, 60% which is not real estate and therefore next year we will compare with previous year.

Swechha Jain: And Sir you had mentioned in the commentary somewhere that the growth would come back to 17% to 18% from next quarter.'

Girish Kousgi: That is in next six to eight quarters.

Swechha Jain: Over next six to eight quarters.

Girish Kousgi: I think slowly it will start building up for example let us say from now let us say quarter one we may show a growth of about 4%, 5% then quarter two could be 7%, 8% and I think eventually it will reach at the level of 16% to 18% it might take about six quarters or so compared to the previous year.

Swechha Jain: And Sir if you could just give me the cash position as on 31st December and any guidance on dividend Sir going forward.

Girish Kousgi: I would not be able to comment on dividend because it is not, it is not one person decision and in terms of liquidity we are very high on liquidity we had covered for next eight to nine months time we as of now the position is about 4000 Crores.

Swechha Jain: Thank you Sir that is all from my side and good luck. Thank you so much.

Moderator: Thank you. Well ladies and gentlemen due to time constraint we take the last question from the line of Anirban Sarkar from Principle Mutual Fund. Please go ahead.

Anirban Sarkar: Most of my questions have been answered. Just one question drawing on one of the questions asked by one of the earlier participants, what percent of our book is priced that due to the lowest rate that we have achieved now so we are at 6.95% the lowest rate so what percent of the book is at that price at the movement.

Girish Kousgi: See basically we take this pricing just about three months back so last three months business 80% of the portfolio will be at 6.95% and some conversion. So maybe you can approximately assume that about 10% to 11% of the portfolio would be at this rate.

Anirban Sarkar: Sorry Sir I did not get that part so whatever disbursement has happened in a three months has obviously been at this 6.95%.

- Girish Kousgi:** 80% of what we disbursed in last three months.
- Anirban Sarkar:** Yes, 80% of the disbursement that we have made in the last three months.
- Girish Kousgi:** And also some conversion so it will be about roughly 10% to 11% of portfolio will be at the lowest rate.
- Anirban Sarkar:** Got it Sir okay thank you so much Sir.
- Moderator:** Thank you. Well ladies and gentlemen that was the last question for today I would now like to hand the conference back to the management for their closing comments.
- Girish Kousgi:** To sum up the focus on Q1 and Q2 was mainly on asset quality including managing moratorium Q3 we focused both on asset quality as well as growth and also which is reasonably well in growth but for Telangana I think we could have crossed last year's performance we sell little short what we achieved last quarter of Q3 this year Q4 we are sure that we will be able to perform better than what we achieved in Q4 of last year and as Girish told in the next six to eight quarters growth will be back to almost 16% to 18% so it will gradually improved so Q4 we will see reasonably good growth and it will go up to 16% to 18% in next six to eight quarters and our main focus as earlier use to be our growth asset quality liquidity and profitability we are realigning our rates depending upon the overall market situation and also scope available for growth so the present NIM as well as the spread may come down but because of the volumes what we are planning to increase there will not be much impact on the overall profit and profitability parameters so the asset quality being intact and all especially Q1 and Q2 we focused a lot on maintaining the asset quality and now the next quarters all the quarters available to us in the next four to six quarters we will be able to focus on only growing the book and also with focusing on the outskirts and tier II and tier III cities and also focusing on metros also for with little higher ticket size the rate being very, very competitive we are hopeful that we will be able to grow the book as we use to do earlier with that we will be able to show very good performance and also company has taken good number of initiatives in improving the credit underwriting and also building the teams for recovery strengthening IT infrastructure with all these initiatives definitely in the next four to six quarters not only growth but also all profitability parameters will be look quite attractive. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Investec Capital services we conclude today's conference. Thank you all for joining you may now disconnect your lines.