"CanFin Homes Limited Q4 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the CanFin Homes Limited Q4 FY2020 Earnings Conference Call hosted by Investec Capital Services. As a reminder, all participants' line 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, Janice. Good morning, all. Welcome to the Q4 and full year FY 2020 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 and CEO of CanFin Homes; Mr. Shreekant Bhandiwad, Deputy MD; Mr. 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 morning to all the investors. Welcome to earnings call of Q4 and for the whole year. With me I have Mr. Shreekant Bhandiwad, Deputy Managing Director, we have Shamila, Business Head; we have Mr. Prashanth Joishy, CFO and we have Veena Kamath, Company Secretary. We have a Collections Head and Credit Head with us Prakash and Sudhakar.

Welcome to this call. I will be broadly covering financial performance for the company for Q4 and for the whole year then talk little bit about liquidity and talk little bit about moratorium, what is the strategy as a company, what is the outlook and way forward and then we will open the forum for Q&A and then we can take up questions as and when it comes to us.

Let us start. First I will be talking about Q4 for this year YoY compared to last year Q4. On the revenue, we have shown a growth of 14%. We had a very good quarter, but four few days in March. Our book has grown by 13%. It was a very, very good growth in operating profit at Rs.160 Crores against Rs.117 Crores thereby showing a growth of 37%.

PBT, there was growth of 3%, we will come it later why. In terms of provisioning we have provided 41 times more last year Q4 was Rs.1 Crores and this year Q4 is Rs.41 Crores so it is about 41 times. There is a growth of PAT by 37%. On the disbursement, if you remember for the first time, we had shown a very growth, in Q3 the growth was 12% and we were to continue in Q4 as well since we last about eight crucial days there was lockdown from

March 24, 2020 announced nationwide and therefore we had to suspend operations and business from March 24, 2020 so we lost about eight days so if we had done business till March 31, 2020 we would have ideally shown a growth of about 17%-18% on disbursements compared to last year Q4. Now it is negative 10% because we had to suspend business from March 24, 2020.

Certain ratios and numbers on a cumulative basis; yield had improved to 10.23% which was 10.06%, spread has improved to 2.46% against 2.16%, NIM has improved to 3.52% against 3.3%, debt equity ratio is at 8.64% which is quite comfortable, CAR is 22.28%, ROA is 1.93%, ROE is 19.1%.

Some annual numbers to share on revenue we have shown growth of 17% at Rs.2030 Crores for this year, last year was Rs.1731 Crores, operating profit growth of 23%, PBT growth of 10% and PAT growth of 27%. Overall, it was a good quarter and good year.

To talk little bit about liquidity we were very, very comfortable on liquidity especially after IL&FS and Dewan we were quite conscious to be high on liquidity at all points of time and therefore we managed it very, very well and not just liquidity but also tried to keep the costs low, most competitive in the market.

Just to give you a number as of now we have close to about Rs.4000 Crores which is approved but not availed so we have open limits of Rs.4000 Crores which will take care very easily till about December and January. Now we have not borrowed anything in Q4 because there was no need so Q3 we did borrow some from the banks so we are pretty comfortable on liquidity.

On the morat, both, part one and part two number of customers opting for morat is 29%. I have also mentioned this in public forum and in media so when we talk about morat, when we have to project about delinquency or NPAs we should always look at what is the delinquent pool, we believe our delinquent pool is best in the industry so the propensity of customers moving to NPA is higher in delinquent vis-à-vis compared to regular pool.

Even though we are shut all our offices from March 24, 2020 we were working from home, the entire team was focusing on moratorium, collection and recovery so every single day from March 24, 2020 we have been focusing on collections and recovery and mining the entire moratorium piece.

In terms of strategy we stay put to our defined strategy of focusing liquidity, asset quality, growth and profitability while we talk about liquidity as I told we also try to see what is the funding mix, which would help us to be competitive in the market also our costs being quite low.

Asset quality we have always spoken about CanFin known for asset quality, our focus is on home loans, we do not focus much on LAP, in our entire portfolio LAP is 5% and 95% is home loans/top up loan. I am saying top up is part of home because top up loan is a loan which is given to regular home loan customers and this was the risk associated is similar to home loans. So our LAP is only 5% in the entire portfolio.

We have no exposure to developers which should be hardly less than about Rs.6 Crores, our exposure to developers is about Rs.6 Crores now so that is hardly negligible, our focus is on affordable, ticket size is Rs.18 lakhs, we largely focus on tier II, III, VI kind of cities, most of our customers would avail loan for self occupation and therefore the emotional connect is better and when it comes to priority in terms of servicing we are always at the top in customer's mind for serviceability and therefore we have a better shape of customer wallet in terms of servicing our EMIs. So we largely focus on asset quality.

In terms of profile 71% is salaried, 29% is self employed this mix would not change even in future, we want to stay focused. There could be a slight change in terms of 3, 74% here and there but we want to stay focused. We want to definitely grow, we will grow, we will look for opportunities and markets so where we can try and gain market share which has to come with profitability so there is no compromise on profitability whether it is spread, whether it is NIM, we will try to maintain plus or minus few bits here and there but our focus is clearly on these four pillars that is liquidity, asset quality, growth and profitability.

In terms of outlook we started business from fourth week of May. We opened office on April 20, 2020, from April 20, 2020 till about third week of May we were largely focusing on collections and recovery and managing entire moratorium. From last week of May we started doing business in a small way and if I have to talk about June the pickup is quite good but this is more attributable to the stock what we had so these are early trends not really prevailing to extrapolate depending on the demand what we have seen now, but I feel that for demand to come back it will take at least another two to three quarters.

In terms of NPA there will be a surge in NPA definitely in the SME space we are seeing stress in SME space that is because the loss of income in SME is actual loss. We have funded to small traders and businessmen. They had shut shops for 2.5 to 3, 3.5 months so for those three months there is actual loss of income even when they resume to come back to a level where they can start servicing it will take time and therefore there will be surge in NPAs in the SME pool since our profile mix is favorable towards salaried and we are also present mostly in good geography, the impact is going to be less compared to may be other peers in the market and therefore we expect there will be slight increase in NPA in coming quarters maybe in next four quarters or so we will be able to bring back four to five quarters bring back NPA to the current level.

In terms of business as I told last year was industry did not grow much because there were lot of liquidity challenge in the industry as a whole not for CanFin and therefore demand was quite low. There were so many issues which were bothering this industry; however, this year showing growth over last year would be a challenge because Q1 literally not there but for some business in June so Q2 would be quite ordinary I think for the entire industry as such so after December-January is when we expect business to come back to the level where one can talk about decent business.

So this is our sense in terms of outlook. I would now open the entire form for Q&A.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We take the first question from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Dhagash Shah: Good morning. Sir what is the single most important priority for the management this year?

Girish Kousgi: I cannot say single I would say top two, I would say liquidity and asset quality. So we need to very closely manage delinquency this year along with liquidity so these two are very important. For CanFin liquidity may not be a challenge because we have been always quite comfortable so for CanFin it is going to be we have to manage delinquency this year.

Dhagash Shah: Sir since you mentioned asset quality what different plan are you undertaking because circumstances are very different than normal at this point?

Girish Kousgi: One is course managing now and second is what we need to manage so I will get into more of what we need to manage because our core strength, because our policies are quite stringent, our asset are low in terms of ticket size it is only Rs.18 lakhs so we have funded properties in the range of Rs.24 to Rs.30 lakhs, Rs.35 lakhs and it is in Tier II, III, IV cities largely for self occupation, we do not fund for surrogate income so these are all the strength we focus largely on salaried so inherent health of portfolio is very good because inherent health of portfolio is very good whether it is profile mix, whether it is product mix, whether it is age, on any parameter we are in a much, much comfortable position and therefore for us to manage delinquency this year is going to be less of a challenge.

Dhagash Shah: But per se Sir nothing different than what is usually being done?

Girish Kousgi: For CanFin yes nothing different but yes if you are comparing with industry I think that defense comes in the inherent strength of the portfolio.

Dhagash Shah: Sir my question is that what would be your peak gross NPA this year and what sort of clients will be expected to default?

Girish Kousgi: I would not be able to comment on what will be the peak NPA this year but yes I can say there will be a surge in NPA that would be largely in SME space that is self employed space and since our proportion in the total portfolio is only 29% in the SME piece so that is where we see a bit of stress and therefore I said we need to manage that, we are in constant touch with all the customers, we are trying to educate customers, tracking, how soon they can get back to business and start servicing. So there were will be a surge in NPAs but I think as a company we will be able to manage that in next two, three quarter's time and so the flow would be higher from delinquent pool vis-à-vis compared to be regular pool, because regular pool customers they have been regular till February and they have taken morat only because there was an option available to them and so once morat gets over they will start paying so there will be flow from regular pool as well but that will be hardly nothing.

Dhagash Shah: Sir what has been the loan book growth in metros and non-metros this year?

Girish Kousgi: You are asking this year what will be the growth?

Dhagash Shah: No what has been in FY2020?

Girish Kousgi: FY2020 I will just give you the actual numbers but the growth would be in fact to talk about top 10 cities and next set of cities the growth would be slightly higher in next 10 cities, not in top 10 cities.

Dhagash Shah: Because still Q3 Sir in the presentation there was a breakup of non-metro and metro loan book growth, so this year you will have discontinued?

Prashanth Joishy: Trend is almost similar.

Girish Kousgi: Metro is about 10-11% and non-metros. See always we have been growing higher in non-metro and therefore the focus would continue, for Q4 we have not given specifically but growth rate would be on same, it will be on same lines.

Moderator: Thank you. We take the next question from the line of Lakshmi Narayanan from ICCI Mutual Fund. Please go ahead.

Lakshmi Narayanan: Thank you. There are two questions. First is in terms of your top up loans what are the standard procedure we actually follow in terms of what should on behalf of the home loans as well as the repayment schedule because top loan kicks in and what is an LTV at the time of top up loan that is first question? Second question is that in terms of your liabilities and assets what percentage of your liabilities is below three years and what percentage of liabilities is below five years?

Girish Kousgi: What we do is when we give loan to all the customers we see the repayment track record of the customers for one year. If the repayment track record is satisfactory after one year if top up justifies depending on the income level and LTV then we would go and give top up so whether it is income norm, whether it is LTV norm both will have to fit in and if customer is eligible that is when we go and give top up and the tenure of top up would not be beyond the primary loan tenure. It can be lesser but it cannot be more than the primary which means both the primary loan and top up loan would end at the same tenure or it could be little earlier depending on customer convenience.

Lakshmi Narayanan: If a customer takes home loan and within one-and-a-half years he can actually avail a top up loan?

Girish Kousgi: Not really. Customer can avail. See why I am saying not really is that suppose if customer when taking the primary loan if he has taken what is the maximum LTV available then the cushion would not be there because all of us know that in last four to five years property prices are not increasing so if customer had taken a lower LTV while availing the loan and if customer feels up to one year he needs some more money then he would qualify other ways on LTV front customer rarely gets qualified in one year's time.

Lakshmi Narayanan: Okay and the objective of this loan is would it be available as a same home loan rate or it will be a different shapes rate and what purpose it actually serves?

Girish Kousgi: The purpose would be but for, it will be normally for improvement or it could be extension or it could be any other purpose like education or consumption apart from speculative purposes.

Lakshmi Narayanan: The interest rate differential would be?

Girish Kousgi: We do not fund for speculative purpose other than that we fund for any other purpose as long as customer income justifies and LTV supports.

Lakshmi Narayanan: And what will be the rate differentials?

Girish Kousgi: Rate, there will be a differential in terms of pricing which varies from 0.25% to 0.5%.

Lakshmi Narayanan: Okay and the asset liability question please?

Girish Kousgi: We cannot get your question, if you could please repeat?

Lakshmi Narayanan: Second question is that what percentage of your liabilities, are within the three yeas tenure and what percentage of liabilities are within five years tenure?

Girish Kousgi: Most of that, in fact almost all the terminals are long term it will be as of seven or ten years we do not have anything less than three only OD which is one year. CP obviously would be in months, maximum one year and NCD would be long term which is slightly over 36 months.

Moderator: Thank you. We take the next question from the line of Anirban Sarkar from Principal AMC. Please go ahead.

Anirban Sarkar: Good morning Sir. Thank you for the opportunity. Couple of questions so we have clarified that our extra provisions for COVID is based on the standstill book and some buffer on top of it so if I calculate the standstill book it comes to around Rs.210 Crores because we are having a minimum required based on 10% was Rs.21 Crores and if we just I mean that basically 10% to Rs.210 Crores so that would have been as of the end of February now is there any improvement in that book as time have passed so do you still see that book as something that should comfortably slip once the moratorium is over?

Girish Kousgi: There is significant improvement from that base.

Anirban Sarkar: Okay so those customers are now coming back to repay the loans?

Girish Kousgi: Not repay the loans. They are paying the EMIs. So what I mean to say is that you calculated we have provided Rs.21 Crores so the SME base as of February end is Rs.210 Crores so as that base come down now that is the question, so the answer is every day we are seeing improvement in that and lot of customers are coming forward and paying. See today if you look at but for few pockets in Delhi and Maharashtra like Mumbai, Nasik and Nagpur most of the other cities in other states, they are back so even the business is back, they were closed for about 2.5, 3 months and now they are back, so we are seeing a lot of improvement in this segment as well that is SME II so this base is coming down every day.

Anirban Sarkar: Got it, so Sir one more question regarding the moratorium book is there a trend that you with respect to this improvement that you said is there a trend that most of the improvement is from salaried customers whereas the self-employed class remains more or less the same at the end of February and has that worsened because you mentioned that most of the incremental slippages we should expect from SMEs so should we assume that most of the improvement is from the salaried base?

Girish Kousgi: No, improvement is there from both salaried and SELP or the flow would be hardly anything from salaried and whatever incremental flow would be there that will be from SMEs so but there is significant improvement from both.

Anirban Sarkar: Sir one last question. We have guided that our liquidity is enough to support us till January at least even the bank lines that we have opened so does that build in the moratorium or are we assuming that once the moratorium is lifted customers, I mean does it build in any moratorium after August or we assume that after August is go back to normal?

Girish Kousgi: We have taken all our commitments till January so when I say we are proactive on liquidity is basically we have taken all the commitments till January and when I say this we have assumed even if 100% of our customers opt from moratorium, we are pretty comfortable. We did not raise any finance in Q4 because there was no need, so have we got more limits in Q4 probably this number would have been another Rs.1000 Crores, Rs.2000 Crores higher so we have not because we have no avenues to deploy at this point and time, so we are pretty comfortable on liquidity and 100% for a calculation purpose we have considered even if 100% of customers up from morat we are pretty comfortable.

Anirban Sarkar: Got it very helpful Sir. Thank you so much and all the best.

Moderator: Thank you. We take the next question from the line of Amit Ganatra from HDFC AMC. Please go ahead.

Amit Ganatra: Two questions, one is that you mentioned the moratorium as a 28%. 29% moratorium in terms of customer account is it saying in terms of AUM also?

Girish Kousgi: In terms of AUM not much difference it would be slightly lesser, 29% is on account and on value it will be slightly lesser more or less both are same.

Amit Ganatra: That was one, second thing is that, see last year, because your growth was low and your profitability was strong, you ended up adding to your Tier I capital now what is your current thought process on the capital adequacy and adequacy of the overall capital base because there is a lot of NBFCs are in the capital raising more some of them although they are well capitalized they are in capital raising mode what is your standing on capital positioning of your entity?

Girish Kousgi: Our CAR is 22% so we are pretty comfortable; our DR is 8.64 pretty comfortable. So we had plans of raising capital we still have the plans we only deferred it because of COVID so may be this year we will plan to raise some capital, quantum and timing will be decided at the appropriate time, there is no, we are not in hurry to raise capital but we will raise this year.

Amit Ganatra: Thank you.

Moderator: Thank you. We take the next question from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: My first question was on your cost of funds. Would I be right in assuming that in a general declining interest rate scenario your cost of funds will reduce in this year? Secondly, I noticed that your contribution from NHB the source of funding has increased from 12% to 19% which also would have decreased your cost of fund, is there any such other move in terms of your funding sources that may lead to us to believe that cost of funds would go further down apart from the general reduction in rate?

Girish Kousgi: If you look at last few quarters the cost of funds have been coming down whether it is bank or NHB, CP or whatever any form of raising funds has been coming at a very, very low cost so even in this year we feel that the rates should come because there is a downward trend of interest rates and we got some funding from NHB on special refinanced scheme so there the cost is quite very, very low so to answer your question yes this year we see a trend of rates coming down and therefore costs also would come down.

Andrey Purushottam: How about from the source of funds for example just like your NHB proportion has gone up can we also expect that some of your lower cost funding sources per se will also go up in terms of proportion to your funding?

Girish Kousgi: In fact, today if you look at our mix that mix is only because we are quite conscious on at what cost we raise and therefore funding from bank is little over 50% that is only because we are getting at a very, very competitive rate. Now NHB rates are just competitive so we would try and increase the percentage to the extent possible. It also depends on what is the allocation NHB makes to each company. Currently our cost of raising deposits is quite high and therefore the growth there would be normal it would not be abnormal even that the base is quite small. On market borrowings we would also focus on NCD only if we are getting at the right cost and CP of course, CP will be a back up so we will try and fix that with OD limits and then if you can get the benefit of cost which we do always so we keep that percentage under 15% even though currently it is about less than 10%. So the idea is to try and raise from all sources but it largely depends on what cost we will be able to raise.

Andrey Purushottam: Right and instead of declining cost to income trend like to continue on this year and what would be your principle areas of cost saving?

Girish Kousgi: To answer your question, there would not be much difference in cost to income but we feel that cost to income would slightly surge because we are investing in technology. We are investing in IT infrastructure and a lot of other things at the same time there is lot of cost control measures introduced in the company so for example we are reworking on all the lease rentals, we are working on every line item to try and contain cost so it would be both but yes there will be slight increase not majorly. To answer your question, there will be slight increase but that would be offset by increase in revenue and growth?

Sangeeta Purushottam: I had a question on your collections basically you said that 28% of the loan book is under moratorium. Now this does mean that of the balance 72% which is not in moratorium we have seen regular collections?

Girish Kousgi: Today what we know is only delinquent pool. What we do not know is regular pool so actually we will know only after August. What we have done is we are now educating all the customers, delinquent customers from March 27, 2020 or March 28, 2020 that day we got the RBI guidelines and regular customers I think from time to time we have been advising them because regular customers have opted for moratorium they would start resuming to pay from September onwards so what would happen is that one is how many customers have opted for morat. Number two, customers who have not opted for morat suppose if they bounce the instrument so even that would get added to the collection list so we have from both the pools and therefore I said it is very, very pertinent to note that from delinquent pool the flow would be slightly higher compare to regular because some regular is going to be hardly in it.

Sangeeta Purushottam: Right so actually I am a little confused as to how do we define the percentage of people who have opted for a moratorium, so let us say on April 1, 2020 if my outstanding book was 100 are we saying that out of 100, 28 is the pool who has actually opted for a moratorium and then there is 72 and that 72 will be split into delinquent and regular?

Girish Kousgi: It is like this. Yes, your understanding is right. When I say 28%, 28% of total number of customers has opted for morat. now this 28% would be from both regular as well as delinquent but it would more from delinquent, as a percentage. Now when we say we will have delinquency both from delinquent pool and also regular pool, we will have delinquency both from morat pool so it is a combination of four. It is quite complicated if we could have analyzed all the permutation and combination, we have also done a whole internal run, we have our own team which does sit and process customer data and behavior so taking all these things into account, I made a statement that the flow is going to be higher from delinquency especially from SME segment and it is going to be low from regular pool that there is a dimension but it is too early for us to comment on.

Moderator: Thank you. We take the next question from the line of Pranav Gupta from Aditya Birla Sun Life Insurance. Please go ahead.

Pranav Gupta: Thank you for the opportunity. Couple of questions so firstly I just wanted to get a sense on when you interact with the customers who have availed moratorium what is the reason they provide typically like whether it is due to loss of salary, just some sense on what are the interactions we are having with our moratorium customers what are they saying, when do they feel they can start paying off once the moratorium is lifted some sense on that if you could give a break up of how many of these 29% of moratorium customers are salaried and self employed?

Girish Kousgi: When we talk to our customers the pitch is very clear, we say that on the salaried pool we say that if they are getting salary regularly and if there is no concern in servicing the EMI they should because if they do not then what happens is the interest gets added to the principal and that they have to service which means the cost will go up to the customer and therefore we try and educate customer, we still give an option to the customer to either opt in or opt out but we tell the customer if customer opts for morat what is the implication, the customer does not what is the implication, we leave that decision to the customers and this is for both salaried customer and SEMP so suppose let us say salaried customer has got a pay cut and in spite of pay cut if he or she is able to service the loan we would advice customer to pay but still give the option to the customer, if it is SEMP if customer had shut sure because of lockdown then obviously we will tell them to look for appropriate time to resume his business and then start paying so this is the pitch both for salaried and self employed depending on the situation and it is too early for us to give you a breakup because we have taken the entire morat as one piece because of which, our communication is on entire six months moratorium so it will be too early but just to give you a number in terms of 28% see our mix is 71 and 29% now out of this 28% morat with respect to the base of SEMP the percentage is slightly compared to salaried and which is quite true of the industry, the only advantage what we have is that, SEMP proportion is quite low it is only 29% and therefore now we see that we will able to manage that.

Pranav Gupta: Actually what I was trying to understand was say if I look at only the salaried segment who has taken the moratorium what are the reasons they give you in terms of whether cash, whether they have seen salary cuts, whether some of them have seen job losses, especially with agri segment what are the reasons they give you for availing the moratorium that is what I was trying to understand?

Girish Kousgi: There are basically three seasons, one would be job loss which in our case is very, very less, two, would be cut and paste which again is quite less, they would be it is more conserving cash because they want to see what is going to happen in next few months because they may anticipate take a rent on them anticipate some kind of issue in terms of job, so there are all the three categories but overall salaried as a percentage is quite low so these are the only things.

Pranav Gupta: Just one clarification or just one thing if you could give your views on today is the hearing in terms of the interest to be charged whether it is supposed to be charge of the interest or not in the Supreme Court so interest on interest that is the debate right? In your case given the monetization and given that no principal of the interest component at the beginning of the loan is much lesser the interest and interest component becomes very high on a six month moratorium how are you viewing this and how will you tackle this if the Supreme Court gives the hearing that you are not allowed to charge interest on interest?

Girish Kousgi: I think I do not want to comment on that but as of now what we have prepared is that interest get added to principal and customer as to services, how would customer manage that piece that we are very clear and we have made customers also understand that the implications of this. At this point in time I do not want to give a contrary review because it is still pending in the court.

Pranav Gupta: Thank you so much.

Moderator: Thank you. We take the next question from the line of Rohit Shimpi from SBI Mutual Fund. Please go ahead.

Rohit Shimpi: Thanks for taking my question. Sir I just wanted to ask was there a change in the moratorium percentage if we look at May versus currently morat 1 and morat 2?

Girish Kousgi: It is too early but still let me attempt to answer, so the whole month of May because we got the regulation, we got the guideline end of March so if I look at April, March is normal collection because we got the guidance quite late, normal collection at any other earlier months so April now the collection was quite low because even customers are trying to understand the implication and stuff like that and from May, May better than April significantly higher compared to April and June is half a better than May so that is the trend.

Rohit Shimpi: Okay but at that point, see actual customers were taken morat was they have been much higher is it or was it?

Girish Kousgi: It is like this the minute let us say the customer the minute I know that there is an option I would opt for morat then after 15 to 20 days I would change my option to no morat because I would know the implications so there are changes which happens therefore even if ratios keep out this percentage keeps changing.

Rohit Shimpi: Sir second question is are we, one is when we talk little bit about the collection infrastructure because for the delinquent numbers are low but eventually when makes you prepared in case let us say first moratorium to a lot more effort there and second is are we able to track customers who have taken moratorium from CanFin and let us say not taken moratorium from other lenders for may be shorter term products like personal loans or others?

Girish Kousgi: No. We are able to track all our customers whoever has taken morat, who has not taken morat the coverage is 100%. So we are in confident touch with all the customers. Now customers who have taken morat from us, not taken morat from others see what happens is that lot of things depends on the size of loan and the quantum of EMI. For example somebody has taken a personal loan and EMI let us say is Rs.2000 and EMI for home loan let us say is Rs.28000 so as a customer, customer might feel that no I can take morat for home loan because the EMI is higher and it may not take for a personal loan because the amount is only Rs.3000 and the impact of taking morat on a personal loan or any other non-home loan product the impact is quite significant so we are not tracking that to be honest but we are tracking our customer behavior, our customers were able to track and we are in constant touch with them.

Rohit Shimpi: Sir from collection perspective we can talk here? Are you gearing up for let us say?

Girish Kousgi: Yes absolutely in fact last year we strengthened the collections. We have a hybrid model where we collect through branches we have a very strong branch team, which is just collections and for D2 buckets we have a centralized collection team which supports branches and directly collects so we have a hybrid model and for COVID we have a special task force which communicates, tracks and monitors repayment from all the customers so we have collection broken into three pieces so very, very robust and strong collection teams and process.

Rohit Shimpi: Sir is there any other agencies also involved over and about the internal staff?

Girish Kousgi: For us I would say largely it is because we have an in-house collection model so that is not outsourced but yes, but certain cases in certain locations we may engage agencies but as far as COVID is concerned the mining would be completely internal whether it is quite sensitive we do not want to give it to the agency at this point and time, but we have a model where we can also engage agency for specific areas, specific set of cases.

Rohit Shimpi: Thank you so much.

Moderator: Thank you. We take the next question from the line of Ashutosh Garud from Ocean Dial. Please go ahead.

Ashutosh Garud: My question was that going ahead when you mentioned that the recovery might happen, you might see a concrete recovery indications only in December-January so what different processes do we wish to follow when we are going to incrementally disburse loans as compared to let us say before until February so anything incremental filters you are going to look out for because of the lockdown may be the pay scale uncertainty is going to linger around for a longer period than just this three, four months right so on that aspect what are your thoughts? The second one is even though especially on a home loan basis, even though the average ticket size might be lower for you compared to anyone else but for the borrower it is a big ticket item, it is like a big percentage from his monthly income so what kind of change behavior do you expect and any indications on the level of recovery you see in the demand for your products especially in housing finance?

Girish Kousgi: We have tweaked a policy to a certain extent to try and have more filters so this would enable that our customer profile would be better, our assessment will be quite sharper and therefore we may have to view at some customers that we will try and build in demand from other locations so definitely there is some tweaking in the policy and also in the process. Now if you talk about customer's priority, for customer home loan is a big item definitely is, here there is a differentiation of secured and unsecured and I think there is a report from TransUnion if I am not wrong which says that the default in especially mortgage is going to be much slower than default in unsecured like personal loan and BIL of course this something which is known to all but they have come out to the detailed report and where we say within unsecured what is the priority for customer to opt for morat and not to pay if situation warrants so in that list in unsecured and they have a similar list in secured as well, depending on type of property, depending on what is the end use, when I say end use it is LAP, it is for investment purpose, it is for rental purpose, it is for occupation but here I would like to say few things most of our customers are first time borrowers when I say first time, first time home loan borrowers then I have a credit card, then I have a personal loan but it will be the first home loan which means that is for self occupation and therefore there is emotional connect and whether the value of property goes up or goes down temporarily does not really matter and since there is emotional connect and it is a secured loan the propensity of default would be quite low so in that sense we are in the safe quadrant. Adding to this is that our ticket size is quite low and also because ticket size is quite low even the property value would be quite low and therefore whether increase or decrease in property price would be least impacted, there will be an impact but it will be least impact in the segment up to Rs.30 lakhs, Rs.35 lakhs property value.

Moderator: Thank you. The next question is from the line of **(inaudible) 49:09** from BOB Capital Market. Please go ahead.

Unknown Speaker: Thank you for the opportunity. Just wanted to understand your salaried customer base on a little more, of the salaried base Sir probably are employed in government sectors and if they are not what kind of private sector jobs are they doing? Are they teachers, are they deployed in IT companies so if you can elaborate on that on a percentage basis it will be great Sir? Second question is that how do you compete with the banks like SBI or any other banks which are also present in the Tier-2, Tier-3 markets and the salaried guys would have their salary accounts with the bank so why should they pay for higher yield or a higher pricing versus the banks which have offered them cheaper way so these are the first two questions?

Girish Kousgi: The first question is the split between private and government within salaried about 50%-50% so we have 50% from both government and private. Now the second see our specialization is in identifying markets, identifying pockets within large cities where you see an opportunity that is where we gain market share and we do not compete with banks whether it is SBI, HDFC, any other Indian bank, they all compete with the banks, because we cannot compete bank. Our product is different, our customer profile is different and therefore we do not complete. There could be an overlap, there is overlap with some of the big HFIs and also some of the banks but that we try to know manage by choosing geographies carefully and that is why we are able to grow our book year-on-year.

Moderator: Thank you. The next question is from the line of Nitin Jain from Venture Capital. Please go ahead.

Nitin Jain: I have just one question. Sir your debt to equity although it has been improving the last two years when you compare with the other stable housing finance company which is still to be high for about so is there any plan on bringing it down in the next two to three years?

Girish Kousgi: As I told we are pretty comfortable debt equity ratio around this level 8% to 8.5%, but having said that we have planned to raise capital in this year.

Nitin Jain: Thank you Sir.

Moderator: Thank you. The next question is from the line of Praveen Kumar from Unify Capital. Please go ahead.

Praveen Kumar: Just I am revisiting the previous question can you give the breakup of the morat loans of 28% between salaried and self-employed?

Girish Kousgi: My suggestion is, as I told you even now things are changing and if you ask me it will keep changing for another two, three months' time so it is too early in order for us to look at the breakup at this point in time because morat is there till August which is quite some time from now. Since our SEMP proportion is quite low, I would definitely say the share of SEMP would be higher in morat percentage vis-à-vis compared to salaried compared to their base.

Praveen Kumar: Right. Thank you Sir. That is it my side.

Moderator: Thank you. The next question is from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.

Saurabh Dhole: Thank you. Good morning. Thank you very much for the very comprehensive listening commentary. I have just two questions one is in your opening commentary you mentioned that SEMP is high-risk group and it comprises to business which have suffered sizeable losses but at the same time you have mentioned that you plan to not alter the current mix between salaries and SEMP so could you just help us reconcile the statements because ideally you would want to reduce high-risk proportion of the book, right?

Girish Kousgi: Yes, so when I said that the mix would not change much today salaried 71% and SEMP 29% incrementally. What will happen is when we expand so we are present in south so we will be opening branches in south, we are opening branches in regions other than south so when you open branches know there are certain states where the proportion of self-employed is high compared to salaries. When I say that this mix would not undergo too many changes is the next two to three years' time, not just one year. For next one year we are little cautious on a SEMP and therefore we have tweaked our policy and the process so that measures already take it, but this mix would not really change because you have the mix is quite skewed towards salaried in South whereas in other regions of mix is quite skewed toward SEMP so when we have to expand now today what we talk about 71 and 29, maybe three years from now, it could be 65 and 35 so while we will eventually increase the proportion of its SEMP not in next one year, but let us say after one year in next 2-3 years time we will put all controls in place to filter profiles which do not suit our policy norms to that extent we will ensure that we only source good customer and when we also expanded in markets other than south we will expand in safe geographies, which are predominantly a SEMP skewed but with good repayment culture.

Saurabh Dhole: What is the yield difference between what you offer to salaried versus what you offer to SEMP?

Girish Kousgi: See it will be point 0.75% to 1% so this is differential what we had between salaried and SEMP.

Saurabh Dhole: Sir I simply just one question car. What is the kind of changes in the provisioning policy that you have brought about in this financial year vis-à-vis the previous one because if I look at the credit costs that you had for the previous year which substantially lower than what you had in this year even if I take away the COVID provision?

Prashanth Joshi: Provisioning whatever we maintained is that is for IRAC norms of the NHB assets which is tune with the NPAs whatever we have. Apart from that as per RBI guidelines we have made provision of 10% of delinquency account that is SMA2 assets, RBI says 5% is required but as a prudent measure we provided 10% itself. Over and above we have provided Rs.15 Crores for unseen contingencies because of that there is addition provision of Rs.36 Crores in the books because of this what you will get the total provision what is appearing in the books around Rs.154 Crores which compared to the previous year it appears to be on the higher side.

Moderator: Thank you. The next question is from the line of **(inaudible) 56:42**. Please go ahead.

Unknown Speaker: Thanks for taking my question. My first question is what are we doing on the digital front to capture leads now considering that people would be hesitant to walk into our branches and all in the near-term? That is my first question. I have other questions as well?

Girish Kousgi: Let me answer this. On the digital front what we are trying to do is we are trying to split digital into what is relevant for home as an industry and what is the relevant for other products, which are largely unsecured because for a product like home 100% digitization is not required and if we do that, there are a lot of risk associated with it but have a legal tech technical tech and the assessment.

Unknown Speaker: Should I repeat my question? The question was that what are we doing to digitally capture leads for new customers?

Girish Kousgi: I think I answered this question maybe I think there was some issue. No problem. I will repeat. I am saying for a product like home loan 100% digitization is not required and therefore we do not plan to digitally source, approve, monitor and then manage, what we do know definitely we will automate. We will automate sourcing, we will automate lead management, we will automate certain processes, we will integrate various APIs, which will assist us in decisioning the case so will do all those things so we will be up there on 100% automation, but we will not completely digitize.

Unknown Speaker: I was talking about only the sourcing part of it?

Girish Kousgi: Yes sourcing we will automate.

Unknown Speaker: The second question is on loan takeovers and buyouts I know it is quite early like it has been only 20 days since opening up but now are interest rate differential between what we are offering at the lowest rate and what the banks are offering like SBI is offering at 7.25% versus ours is 9% so that is a significant difference and due to that do we anticipate a much higher prepayment rates this year?

Girish Kousgi: If you look at data for the last 10, 15, 20 years, there was always differential between the rate what we offer and banks offer. We do not compete with banks because we cannot compete for the simple reason their catchment is different. Our catchment is different their cost is different our cost is different and therefore we are in lease segment, our profiles are different and we do not compete with some of the bigger HFCs or banks. There could be overlapped to the extent of 10%-20% so that we manage no other strategy within the city or the within the pocket in the city, but we do not compete with them, but this difference has always been there.

Unknown Speaker: The third question was on the CLSS scheme do we have had quite a lot of beneficiaries of CLSS scheme from our customer base so given the fiscal situation and all do we see that impacting anyways, the sales would be low but do we see that as an additional impact coming on the loan disbursement process or real estate sales?

Prashanth Joshi: That will not have any impact CLSS is to the beneficiary who are eligible and fulfilling certainly parameters. After the disbursements they will be eligible to extent out up to 2.7 lakhs so in no way it is affecting the business growth or one way incentive to the borrowers to go for housing loans and especially in the affordable segment where most of our sourcing is from affordable source, so in one way to going to now help us be a CLSS scheme rather than coming in the way.

Moderator Thank you. The next question is from the line of **(inaudible) 01:01:47**. Please go ahead.

Unknown Speaker: I have few questions that on your moratorium which you said 29% you seeing that is likely to increase because technically people can opt for moratorium even in July or it stable here or it gets lower?

Girish Kousgi: Because we had given timeline and I do not think there will be much variance from the number what we mentioned.

Unknown Speaker: This is as of early June?

Girish Kousgi: No. This is for the total morat from March to August. There could be some exception where we accept some genuine cases but otherwise this number would largely not change.

Unknown Speaker: Do you think people will pay off a little low and it will broadly remain like this only?

Girish Kousgi: I mentioned earlier there are various permutations and combination. I have also given you how to outlook is in terms of NPA for next few quarters so definitely there will be a change so you will have certain cases flowing from delinquent pool, non-delinquent pool, morat or non-morat tool so you will have some all the four.

Moderator: Thank you. The next question is from the line Pankaj Naik from India Ratings. Please go ahead.

Pankaj Naik: Thanks for the opportunity. Sir sorry if someone's line actually. I just wanted to understand Sir COVID related provisioning that has been made and how much it is and whether it is adequate now, there will be no further requirements of provisioning especially for COVID purpose?

Girish Kousgi: I think we all know how much we have provided now for COVID that is what is assessment at this point in time whether it is required in future or not would be difficult to predict at this point in time so we will take appropriate decision in the appropriate time.

Moderator: Thank you. The next question is from the line of **(inaudible) 01:04:07**. Please go ahead.

Unknown Speaker: Sir I was asking that you have mentioned that we have Rs.4000 Crores of undrawn bank lines which is positioned till December 2020 so wanted to understand does this include for the expected disbursement also?

Girish Kousgi: Everything we have considered disbursement, we have considered all the interest and principal payment what we need to make two banks, so it covers everything.

Unknown Speaker: Derivative of this would like we expect disbursement between June and December be very less than Rs.4000 Crores?

Girish Kousgi: No that is net of figures because we have considered the collection we are going to make from our customers. We have considered all the repayment which you have to make to banks and institutions so there is no linkage between Rs.4000 Crores and what we are going to disburse so there is a linkage so we have seen a good pick up in June. I cannot comment on that because this is more to do with the stock so 4000 and how much you are going to disburse till December these two are not linked at all because this is net of figure.

Unknown Speaker: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Pawan Kumar from Rathimeena Capital. Please go ahead.

Pawan Kumar: Sir what is the sense has been wash out of may be two quarters do we expect any kind of growth during this year on the loan book side and number two what is your view on the NIMs going forward this year do we expect to maintain it at the current quarter level or they will be see downward or upward trend?

Girish Kousgi: If the question is will they growth in book? Yes they will be growth in book. Will there be growth in disbursements over the last year it is too early to comment but this year it is going to be a little challenging. It all depends on when we will completely come out of COVID so that that question it is difficult to answer at this point in time, but growth seems difficult it may be flat, it may be no less than what we have done in the last year.

Pawan Kumar: Second question was on the NIM side?

Girish Kousgi: For the housing finance company NIM above 3 is a very good. So we would definitely I am not very sure whether we be able to know better from the NIM of this quarter, but definitely throughout be much change plus or minus 10-12 bps that we should be able too many because our focus is clearly on spread and NIM.

Pawan Kumar: What would be our overall tenure average tenure of the loan book?

Prashanth Joshi: Average tenure of the loan book is about 7 to 8 years though loans are sanctioned for 15 to 20 years. Actually repayment will be about 7 to 8 months.

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

Amay Ujani: In fact I just had few data keeping questions first of all what was collection efficiency for Q4 and FY2020 and secondly what was the borrowing as of Q4 FY2020?

Girish Kousgi: Collection efficiency for Q4 was normal. It was like any quarter. As I mentioned because morat discussion happened maybe by end of March so by that time the collection efforts are over and connection for Q4 was normal.

Amay Ujani: Second which are borrowing at Q4 FY2020?

Girish Kousgi: Since we were very comfortable on liquidity Q4 we have not really borrowed because there was no need to borrow so whatever we mentioned as borrowing till December and what we borrowed in Q3 only that remains.

Amay Ujani: Thank you Sir.

Moderator: Thank you. The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: Thank you for giving the opportunity. Just the one data point question. If you can share any rate cut for the home loan that you announced in Q1 because there is a very much differential between two banks and ours rate cut and when it will be the impact in our yields?

Prashanth Joshi: Actually in Q4 we were running campaign for a limited period up to March 31, 2020. Now we have extended it for couple of months for another at least up to June end so offer it was below the card rate giving some discount over the card rate so that we are continuing so those card rates is 9% but actually what we are offering to the customers is below that so in view of that it is not very high compared to banks at the same time it is 50% to 75% basis points over the bank rates.

Girish Kousgi: Just to answer your question we will be very competitive on pricing and we will maintain our spread. If that is the question we will definitely maintain a spread. We are quite watchful on spread and NIM because of our cost is going down we will take, they will be some drop in yield but there would not be any drop in spread or NIM.

Bunty Chawla: Okay thank you very much.

Moderator: Thank you. We take the next question from the line of Ritika Dua from Elara. Please go ahead.

Ritika Dua: Thanks for the opportunity. Actually two are follow ups, just to the previous question Sir did you mention how much Sir we cut the rate but the schemes which we offered in the month of December?

Girish Kousgi: We keep doing that from time to time so it is very difficult to mention at what rate and how much we have dropped but I think what is more important is to see what is the spread and what is the NIM.

Ritika Dua: Absolutely spread is very impressive just wanted to know it would be good share that. Sir secondly is the second followup is also to another previous question we were sharing that to the question that how is the collection for the customers where who have not taken a moratorium Sir if you could again kindly share the views on that? I did not quite clearly get it that time?

Girish Kousgi: I mentioned this earlier also so I have given some early trends. I think I have nothing to say beyond it because it is moratorium is still August and as I told you every month the collection efficiency is improving and the percentage of moratorium was also changing till now going forward the percentage would not change and since morat is going to get over in August it will be difficult to predict beyond what I have told.

Ritika Dua: Sir just to clarify our way of moratorium was opt in or opt out?

Girish Kousgi: We have given the option to the customer so based on the customer options we have taken percentage.

Moderator: Thank you. We take the next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead.

Sonal Minhas: I have two questions first one was on your ECL model what operating assumptions actually go in the recent, if you could share some color that?

Girish Kousgi: ESL what we collected we have taken last four years Sir movement of the loan account each individual loan account 1.5 lakhs loan account what we have, we have taken the movement month-on-month, stage by stage the movement is taken according to that we derived the CG and LDG taken into consideration we derive the collection, what is the collection efficiency in this loan accounts and accordingly what we derive as per that ECL model even at the discounted rate also of the security value, the provision required to be maintained is far, far below the NHB requirements so that is why we provided as far as the NHB norms only in the books because NHB guidance is clear either the ECL model or the IRAC norms whichever is higher to be provided so that is why the higher is provided in the books as such.

Sonal Minhas: That answers my question. I have another question which is one follow on questions? Can I ask? Sir I have follow on question on deposits made in CanFin. I think I have asked this question two to three quarters back also? What are the attempts made by you guys to actually improve and accelerate the effort to ramp up the deposits and what is the rate we are offering right now on deposits and can it be substantial viable means of liability management, if not now may be two to three years down the line?

Girish Kousgi: At this point in time, we do not plan to grow the base drastically because the cost of raising deposit is quite high for us compared to other sources of raising.

Sonal Minhas: What could be the cost just curious?

Girish Kousgi: It will be about 15 to 18 BPS higher. So what drives the source is basically cost, since we have multiple sources, we are not quite gung-ho on at this point in time may be in future things might change if the cost comes down we will go gung-ho on the bullets as well and therefore now we will see the base not going.

Sonal Minhas: Is this higher than the short-term money that we borrow in terms of CPs also?

Girish Kousgi: Definitely and our higher deposit rates are generally 50 basis points more than banks.

Sonal Minhas: That is it from my side. Thank you.

Moderator: Thank you. We take the next question is from the line of Parth Shah from SBI General Insurance. Please go ahead.

Parth Shah: Good afternoon. Sir probably you may mentioned listen the opening commentary but I missed it due to some disturbance in the line so just wanted to understand the cumulative mismatches in ALM so earlier used to provide that in the investor presentation but not find that so at least in the next three to six months and up to one year and probably greater than the one year to all of them are positive or do you see some negative mismatches?

Prashanth Joishy: All the ALM mismatch as such because we have undrawn limits is considered for the ALM purpose so we are just positive only and within the dollar events prescribed by the NHB as told by Sir in the earlier comments also we have undrawn limit of Rs.4700 Crores so proportion of that one will take care of the commitment up to December so it has taken care of question of mismatch will never come in.

Parth Shah: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Abhijit Agarwal from ICICI Securities. Please go ahead.

Abhijit Agarwal: Thanks for taking my question. I just wanted to understand what proportion of collection will be through digital means?

Prashanth Joishy: More than that almost 70%-75% is through ECS and actual cash collection will be hardly about 4% to 5%.

Abhijit Agarwal: Okay 70% to 75% is through ECS and NACH, rest 20% which you projected is digital?

Prashanth Joishy: It also includes.

Abhijit Agarwal: Okay and you suggested about 5% in true cash?

Girish Kousgi: I will put it this way if we take the fully disbursed food collection through electronic mode is about 98%-99% because since our focus is in largely on self construction and composite loan lot of customers will be in pre-EMI mode so the pre-EMI collection and once the EMI starts from then we move to either ECS or NACH so on the fully disbursed mode the collection is about 98% and 99% and only 1% is by the way of PDC so on the part disbursed pool which is not very relevant to measure this metric, PDC mode is high because we have lot of inquiries with customers, we have to multiple visits to customer and therefore it will be PDC route.

Abhijit Agarwal: Sir you suggested that April you were opening your branches and you being concentrating a lot of collection and recoveries and despite I mean more than 95% of collections to digital still the collection is in April were not very good is it?

Girish Kousgi: No. It is not that. There was directions from ministry of Home Affair to open offices since April 20, 2020 and therefore we opened from April 20, 2020 since we were quite conscious about our employee's safety and therefore we did not let her employee go out to meet customers and even customers we are not walking it because of COVID and therefore all the branches they were focused on customer education and collections so the mode is electronic only but customer engagement and helping customer to decide on what to choose, how to choose the customer, offs to pay then I think that trigger point was through engagement and therefore as I said the entire team was focusing on collections and recovery.

Abhijit Agarwal: Can we share and I mean how have collections improved from April to May and to June now?

Girish Kousgi: I mentioned I think April was lull month because all the customers they were debating deliberating whether to opt for morat or not and therefore April was quite low but May was significantly higher and June is much better than May and so every month as the awareness is improving I think customers who cannot afford to pay their coming forward changing their operation and paying and therefore every month we are seeing a huge increase in number of customers actually paying.

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

Rohan Mandora: Thank you for the opportunity. Sir if you share what percentage of our portfolio currently carry and execution risk in terms of the property not completely completed that would be one and second in case there is any new sanction that we have done in May and June? What is the customer profile and what is the nature of the demand that is coming up in terms of customer profile and third in terms of the rate there was some benefits we have given to the customer in April, May and June so what is the incremental cost of fund and incremental yields that we are made in the last three months?

Girish Kousgi: In terms of completion risk literally is not there because the fund apartments only when it is wearing completion therefore the completion risk as soon as independent houses are concerned the risk is not really there because we have therefore the comfort of land value kicking in and we disburse based on progress of construction so definitely there is no completion risk towards as the company. The incremental cost is coming down, but we are maintaining spread. I think that would answer your yield spread and our incremental cost of fund is about 7.5% and if you see for the whole of last year 7.77% so I think that is the level where we are today.

Rohan Mandora: Any new sanction rate we have done in say after April?

Girish Kousgi: April obviously we had to shut even though we opened from April 20, 2020 we did not do any business per se till May third week there was no incremental sanction or disbursement so May fourth week we resumed business.

Rohan Mandora: What is the nature of the customers who are coming up for the new loans, it is salaried, it is self employed, and within that what is the income source of this people, which sector they are from? Some colour on that just to understand what is the nature of the demand that is coming up is it actually the investor profile or is it genuine customers who are getting better deals 20% to 30% lower than the market wise purchasing the house right now?

Girish Kousgi: To answer your question the profile is individual for self occupation, not investor, number one. Number two the profile is same whether it is salaried or SEMP because we are now tweaked our policy and we have more filters now so number of people who are qualify has come down to certain extent and we are trying to bridge that gap by going to the other markets where we can see more comfortable profiles so there is no change in profile. There is no change in mix, in terms of end use of property purchase there is no change, which means it is largely for self-occupation but however on the demand it is too early to comment because we have just seen may be only four weeks till now it could be there that pent of demand in terms of stock and therefore it is too early to comment on demand. As I mentioned earlier for demand to come back I think it will take another at least 8 to 10 months.

Moderator: Thank you. The next question is from the line of Neeraj Mehra from Enam Holdings. Please go ahead.

Neeraj Mehra: Just needed some clarifications on the moratorium just 29% for the number of customers?

Girish Kousgi: It is for number of customers even if you look at if I see on value basis there is no much change.

Neeraj Mehra: Okay so value of the similar number you are saying around 28%?

Girish Kousgi: Value will be slightly lesser than 29% but there is no change. We go by number of customers but value would be little lesser than 29%.

Neeraj Mehra: This you are saying this basically includes even for moratorium, May to June transition?

Girish Kousgi: This is for the entire period from March till August.

Neeraj Mehra: On the collection efficiency like how is the trend from in the moratorium from May to June what is the kind of trends so obviously you mentioned that it is improving but is there some rough ballpark number that you can share? Secondly on the collection efficiency if changes like mentioned whether this collection efficiency people who actual collected by the demand rate so basically is there that the denominator is 72% or is it 100%?

Girish Kousgi: Basically when we talked about collection it is largely from the delinquent pool because from regular customer there is no demand. Regular customers opting for moratorium there is no demand so regular customers not opting for moratorium anywhere there is paying so there is no issues. Regular customers opting for moratorium because it is moratorium, there is no demand, there is no dues so all the collection what we spoke about it is only from delinquent pool and these are installments pending prior to March and there we see the trend being very, very encouraging.

Neeraj Mehra: Is there a rough number that you can share or something?

Girish Kousgi: I think at this point in time because it is stock so the stock is coming down so basically the stock as of March end or let us say February 29 whatever is delinquent pool stock because whatever EMIs are pending it is pending for the earlier month and customers who are comfortable paying they are paying and therefore the stock is coming down since there is no demand for set of cases where customers have opt from moratorium and basically the stock is coming down so as I told you April collection was pretty low because everyone was trying to deliberate and there were in the process of decision making May was significantly higher and June is far better than May so every month it has changed and it is very encouraging.

Neeraj Mehra: Understood and just finally of this amount share on Rs.210 Crores amount so is that the amount that would have slipped had that been no moratorium announced or could you clarify on that?

Girish Kousgi: Rs.210 Crores base here right because that was SMA2 base obviously Rs.210 Crores that is not the amount which should have slipped because the suspended business from March 24, 2020 and though I cannot comment on the number what would have flown because for us Q4 is always better than any other quarters. Our Q3 NPA was 0.8 I can only say that assuming that there was no moratorium scheme. Our NPA would have been much lower than Q3 NPA level. We lost about 8 days in March so 8 days would have collected from SMA2 base as well.

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

Anirban Sarkar: My questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Amit Ganatra from HDFC AMC. Please go ahead. There is no response from the current participants. We take next question is from the line of Aditya Singhania from Enam Holdings. Please go ahead.

Aditya Singhania: Sir my questions have mostly been answered. I just wanted to sorry to stress on this again but Rs.210 Crores question that was asked previously you are saying this will be SMA2 in its entirety on which you have taken to provision more than required out of this you would have already collected in the month of March or this is the part which have not been collected upon?

Girish Kousgi: On the date we have taken the number and we have provided so there will be collection from this pool as well.

Aditya Singhania: Has the pool that was not collected upon let us say out of Rs.210 Crores you have collected on Rs.100 Crores and you did not collect on Rs.110 Crores is that Rs.110 Crores part of stage 3 or NPA or is it not part of state NPA?

Girish Kousgi: But that is as per the RBI guidelines DPD does not move and therefore all the status with respect to DPD would not change.

Aditya Singhania: Basically that part is whatever that part who did not collect on whether it is Rs.50 Crores or Rs.100 Crores that is not part of the NPA.

Girish Kousgi: Definitely not because that is the guidelines?

Aditya Singhania: I am sorry to stress upon this collection efficiency again and again I know repeated questions have been asked? The way the collection efficiency has been defined by the most NBFCs and housing finance companies is what was the total that you were supposed to get some customers whether regular or delinquent and how much you actually received? So, if you could just talk about that in whatever way you can without giving actual numbers, rather than just on the delinquent customers as you have been highlighting?

Girish Kousgi: First of all, this collection efficiency, the way it is broken up into is X bucket, bucket I, bucket II and bucket III and bucket IV. So, basically bounce, SMA-0, SMA-1, SMA-2 and NPA. This is how it is broken up and when we talk about efficiencies, they talk about efficiency in all the buckets. For example, in the next bucket suppose if 100 customers bounce, and if 99 pay, one person flows and that will get added to SMA-0 similarly from SMA-0 to SMA-1, SMA-1 to SMA-2 and SMA-2 to NPA. That is how they do. If we are not able to regularize and if we collect one EMI let us say SMA-1 account we collect one EMI, then it stays in SMA-1 for that manner. If we collect two, it is rolled back to the previous that is SMA-0. So roll back, stab and roll forward and you have various buckets that is bucket I, bucket II, bucket III and bucket IV and of course X bucket, so this is how the collection strategy is worked upon. So, when I spoke efficiency in collection, I was talking about all the buckets starting from SMA-0, SMA-1, SMA-2.

Aditya Singhania: Let me just attempt to ask it one more time, if let us say on your total loan book, if you had a collection, all buckets put together of 100 Crores, let us say out of that how much did you collect roughly in let us say March, April and May?

Girish Kousgi: That would be difficult for us to answer. March is normal. I mentioned earlier also.

Aditya Singhania: That is like 98%, 99%?

Girish Kousgi: March was whatever the collection efficiency was in any other month or any other, March and Q4 was same. There was no change at all. Rather it was better than the earlier quarters. So Q4 or March there is no difference. So, from the pool April the collection was quite less. May was significantly higher, and June was much better than of course we are still in June, so June is much better.

Aditya Singhania: I know. We were just trying to I think most of the people on the call are trying to understand it a little differently, so if you can clarify of these 71 customers who are not in moratorium what percent of customers would be paying you in April or in May?

Girish Kousgi: That will be difficult to answer now because we are still, collection is still on, moratorium is still on and the people who opted for moratorium they are coming back and they are paying. So, this keeps changing.

Aditya Singhania: Of the people who have not opted for moratorium?

Girish Kousgi: It will be difficult to answer at this point of time because the effort is still on because for example, the way the customer would say that the customer has time till August for moratorium and from September the customer has to pay. Lot of work is happening. Whatever collection I spoke about it is only on delinquent because if it is regular pool customer can pay, customers who cannot pay have opted for morat. So, residual pool there is no change, whatever collection I spoke about I think that is a big comfort, whatever collection I spoke about that is from stuck and that is only in delinquency in all the buckets, starting from SMA-0 till SMA-2.

Aditya Singhania: Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhavin Shah from Esha Securities. Please go ahead.

Bhavin Shah: There are couple of moving variables here. One is the loan values are rising because of moratorium and the asset values, we do not know, I do not know whether you have any assessment as to what percentage of your loan book is now at a point where LTV is near 100%, 90% in a sort of a danger zone? That is my first question.

Girish Kousgi: Generally our LTVs are quite low and in most of the self construction we have the cushion of land value, so I do not see too much of a risk on LTV per se. When we talk about delinquency because of LTV, or because of any other reason what comes into play is most of the properties we fund are for self occupation, not for investment purpose and therefore we do not see much of a risk, though we are in the process of accessing this. We have done some back of the envelop calculation, but we are in the process of getting this done, but that we do be able to know a little later because after moratorium ends, we will see what is the actual position because till August we will not know. From the regular pool what will be the floor, we will not know that because nothing is due for them to pay. So, from September it starts, so by December we will get a complete sense of this. So, we are in the process of doing that.

Bhavin Shah: Would you be able to say that before COVID-19 what percentage of your loans had LTV greater than 80%?

Prashanth Joishy: 10% to 15% of our loan book would be having LTV of more than 80% otherwise usual range is about 60%.

Moderator: Thank you. The next question is from the line of Ajit Agarwal from Ambit Capital. Please go ahead.

Ajit Agarwal: Thank you for taking my question. It would be quite helpful if you can give some colour on the personal profile as in like in salaried, what percent of customers are government employees and self employed what percentage are into stressed assets like entertainment, travel, etc.? Overall, what percentage of our customers wherein overlap with CanFin Bank customers?

Girish Kousgi: Customer profile as I mentioned earlier 50%, the mix is 50%, government, 50%, private. The profile, I would quantify in terms of salaried levels, it will be in the range of 20000 to about 45000. There could be a share in this. So, this is the band which we operate. In terms of overlap generally overlap is with banks and some of the larger HFIs. So, there is no direct competition between Canara Bank and CanFin Homes. There is no synergy in terms of lead sharing or customer reference. There is no competition not only with Canara Bank, with any banks. We do not compete with any banks. They have a niche segment. We focus on niche market and we grow our book. So if it is affordable more than 50 lakhs loan is just 3% of the entire portfolio. So, this would give you some kind, some sense on the profile what we source.

Ajit Agarwal: That is helpful. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rishi Doshi from Whites Oak Financial Advisor from Ambit Capital. Please go ahead.

Rishi Doshi: Most of my questions have been answered. Just a couple of things. One clarification, you mentioned that disbursals for this year will be flat or may be lower, but the outstanding loan book will go up. Is that the sense?

Girish Kousgi: Yes, because if we can manage to grow much beyond the normal repayments and if we arrest balance transfers our book will growth. So, I said on AUM front we will grow. On disbursements it is too early to comment whether we will be able to grow over last year or not because Q1 obviously was not that good but for last week of May and June, so, it is too early to comment on the growth but on AUM there will be a growth.

Rishi Doshi: Second thing you mentioned that you spoke about the collection efforts in delinquent pool, and 28% of the morat loan book is mix of both, delinquent and the regular customers. So, does that mean that the 72% who have not opted for moratorium they are paying the regular EMIs even in the month of April, May and June? Is that the right understanding?

Girish Kousgi: No, April, May, June I would not be able to answer because since there is no demand, if customer pays even one EMI or two EMIs my stock comes down. So, customer who has not opted for moratorium is paying. Customers who have opted for moratorium and if the customer pays and then changes, I think that is a difference what you will see. It may not be month on month, but from the stock definitely customer is paying.

Moderator: Thank you. 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: Thank you so much. I think a lot of intelligent questions. I am sure we have addressed all the queries and questions appropriately. Thank you very much. This year it is going to be a little challenging, but we are geared up to manage both on business front as well as recovery and let us hope for the better, if COVID gets over fast, I think the recovery is going to be that much earlier, let us hope for the best. Thank you very much.

Moderator: Thank you very much. On behalf of Investec Capital Services we conclude today's conference. Thank you all for joining today. You may now disconnect your lines. Thank you.