



“Ujjivan Small Finance Bank Q3 FY2022 Earnings Conference Call”

February 07, 2022



ANALYST: MR. ALPESH MEHTA – IIFL SECURITIES LIMITED

**MANAGEMENT: MR. ITTIRA DAVIS – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER – UJJIVAN SMALL FINANCE BANK
MS. CAROL FURTADO – CHIEF BUSINESS OFFICER –
UJJIVAN SMALL FINANCE BANK
MR. MARTIN PAMPILLY – CHIEF OPERATING OFFICER
– UJJIVAN SMALL FINANCE BANK
MR. ASHISH GOEL – CHIEF CREDIT OFFICER – UJJIVAN
SMALL FINANCE BANK
MR. VIBHAS CHANDRA – BUSINESS HEAD – MICRO
BANKING – UJJIVAN SMALL FINANCE BANK
MR. DEEPAK KHETAN– HEAD FINANCIAL PLANNING
STRATEGY & INVESTOR RELATIONS – UJJIVAN SMALL
FINANCE BANK**

Moderator: Good morning ladies and gentlemen, welcome to Ujjivan Small Finance Bank Q3 FY2022 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alpesh Mehta from IIFL Securities Limited. Thank you and over to you Sir!

Alpesh Mehta: Thank you Lizaan. Good morning everyone and welcome to Ujjivan Small Finance Bank 3Q FY2022 earnings conference call. From the management, we have Mr. Ittira Davis, MD and CEO, Ms. Carol Furtado, Chief Business Officer, Mr. Martin, Chief Operating Officer, Mr. Ashish Goel, Chief Credit Officer, Mr. Vibhas Chandra, Business Head, Micro Banking and Mr. Deepak Khetan is the Head Financial Planning Strategy and Investor Relations. Now without much ado, I hand it over to Mr. Davis for the opening comments post which we will have Q&A session. Thanks and over to you Sir!

Ittira Davis: Thank you. Good morning and welcome to our Q3 financial year FY2022 earnings call. As you aware we had drawn a 100-day plan in August with focus on three areas that we had was rebuilding business volumes, improving asset quality and retaining attracting good talent. In early December 2021, we rolled over till March 2022, extending this plan.

Also looking during August 2021, we had shared the financial year FY22 credit cost guidance after a detailed audit was conducted on asset book quality and ground reality. With five months of performance under the plan, we believe that currently we are in a good state in comparison to the first half of 2022.

Before I go into the details of the business and financials, I wanted to highlight certain important aspects. After extending the vaccination drive to cover 99% of our employees and families, we launched an initiative to help our customers and families get vaccinated. Over the last five months, we have been able to help over 60,000 beneficiaries under Sanjeevani Kavach, which is a unique and a very necessary initiative to cover the pandemic and reduce the impact on our society.

We have been progressing well on attracting good talent at all levels. At senior level, we have strengthened our board in August 2021 and over the last five months we have hired some very good and experienced leaders to lead different parts of the bank. Our CIO and Head Digital Banking have already joined us. They come with strong and relevant experience across large banks. Our CFO and Head Internal Audit would join us in mid March and early April respectively.

Also Ujjivan is known to promote internal talent. Continuing with the tradition, we have identified deserving candidates who have performed well with the bank and especially during the challenging times to fill up some of the critical business roles. As a matter of fact, today all positions reporting to the CEO have been filled or either offers have been accepted so there are no vacant positions at this moment.

Now moving to the reverse merger, we have applied to RBI, SEBI and the exchanges in early November. SEBI asked us to comply with the minimum public shareholding requirement before the reverse merger. As separately intimated, our board has approved a QIP of up to Rs.600 Crores through the issuance of equity shares subject to the approval of the shareholders. This will help us to achieve minimum public shareholding of 25%. Soon hereafter, we will initiate the reverse merger process which is likely to take about 12 to 15 months from today.

Now let us move to the business and take a look at how things have progressed. As I mentioned, rebuilding business volumes is one of our primary focus areas. Q3 disbursement at Rs.4809 Crores was highest ever quarterly disbursements in Ujjivan's history. The growth was gradual built up month on month with December 2021 delivering Rs.1900 plus Crores disbursements. This was led by secular growth across all verticals.

Micro banking being the leader to steer growth as new customer acquisition is increasing. 16% fresh loans in Q3 as against 9% in Q2 with focus on productivity and process improvements, our other two large verticals MSE and affordable housing also did highest ever quarterly disbursements.

FIG, vehicle and personal loans also made meaningful contribution to overall growth. With strong disbursement growth, gross advances book stood at Rs.16463 Crores as on December 31, 2021. This is registering a healthy growth of 21% year-on-year and 13% quarter-on-quarter.

We look to continue to build momentum in the Q4 as well and January this year has been strong actually. Deposits continue its growth momentum closing at Rs.15563 Crores up by 34% year-on-year and 10% quarter-on-quarter. We continue to generate sticky deposit base as evident from our improved retail deposit ratio, which now is at 53% on December 2021, against 48% last quarter. Deposits from retail branch banking grew 50% year-on-year driven by customer acquisition and rising average ticket sizes. For example, retail branch banking savings account average balances have moved to 24,000 in December 2021 against 21,000 in September 2021. Our cost of deposits continues to decline. It was 6.1% for Q3 versus 6.2% in Q2. Overall, the cost of funds also declined to 6.2% from 6.3% in Q2.

Moving to collections, collections have improved consistently under our focussed strategy laid down by the 100 day plan. We strengthened the collection team further and had a detailed approach towards different buckets and stress pools. The results are visible and heartening. January 2022 collection efficiency now stands at 97%. Restructured book collection efficiency at around 80% is in line with our estimates. NPA collections have also been rising given the alleviated ground efforts. Collection ex GNPA is already at 99%.

With improvements in collection, PAR book has declined substantially from a high of 30.8% in June 2021 to 14.9% in December 2021. Healthy collection and improving business also improved our asset quality with GNPA declining to 9.8%, NNPA is almost half to 1.7% from 3.3% in September 2021. SMA book is now at 5% against 7% in September 2021. Most of the SMA book is in the zero to 30 day category.

While the overall picture looks good on the improvement in collections and asset quality, we believe some bit of scope is still left especially in the segments like MSE and housing. A decent portion of the book was restructured under RF1 as well as RF2 where in collection for both the set of the restructured book started from October 2021. This has restricted the improvement in overall collections here as restructured book collection is below the overall collection.

Also we have made some changes in the credit policy and expect benefits to accrue in the coming quarters. We have cut down on high risk segments, which had contributed to higher slippages. These include identified segments in the housing LAP and MSE LAP.

Another area of improvement is from the legal actions in the secured book. Last quarter, we had mentioned that we would have started the process. In Q3, we have seen recoveries and upgrades improving. We expect the momentum to build up further in Q4 and the effect would be visible.

In addition to this, we have not used our floating provision of Rs.250 Crores despite improving portfolio quality. We are maintaining a high PCR of 84%, which builds in adequate buffer to support growth. With growing book and reducing NPAs, yields and NIM have started to improve across segments. Q3 NIM was 9.1% a healthy increase of 100 basis points from 8.1% in Q2. Business profitability is back on track as we recorded a pre-provision operating profit of Rs.141 Crores double that of Q2.

I just want to touch very briefly because we have taken some time, but I would like to touch upon the building blocks of Ujjivan strategy of mass market banking, which is technology and digital. Now since the inception of Ujjivan we have focused on this part of the business and I am pleased to say that if you look at the UPI statistics, Ujjivan is the top among all SFBs in UPI usage as well as compared to other banks.

I think it goes without saying that our focus here will continue and to this extent we have this month brought on board one of our new persons in the committee, which is Mr. Sriram Srinivasan as Head of Digital Banking. He has come with 25 years of digital banking experience and has worked extensively in Citibank, HSBC, Standard Chartered and Digital14. He along with Ashwin Khorana who is our Chief Information Officer will spearhead our digital and technology initiatives with the bank and I think this emphasis will continue and you will see results as we go forward.

Now I just want to quickly touch upon the outlook for the rest of the year and beyond. As you aware, India is going through COVID 3.0. We have been very cautious during January 2022 in terms of growth and focused on collection efforts. As mentioned earlier, the January 2022 collections were better than December 2021.

Having said that I believe the improvement could have been better if the third wave was not there. What we believe is that the daily fresh cases have already begun to reduce and we have remained confident on delivering a Q4 which is strong in terms of business growth, collections and profitability.

We do not change our growth and credit cost guidance and we keep the same intact. On the OSP growth guidance of 15% to 20% we might end financial year FY2022 towards the higher end.

Our credit cost guidance was made assuming that we would utilize the floating provision; however, we are hopeful to contain financial year FY2022 credit cost within Rs.1200 Crores without using the floating provision as we carry it forward on our balance sheet to provide a buffer.

We look to close this fiscal and start financial year FY2023 we are witnessing increasing confidence from our team members and expect the momentum created in the last five months to continue driving a strong next fiscal.

That is all from my side. We will now open for question and answers. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Darpin Shah from Haitong Securities. Please go ahead.

Darpin Shah:

Good morning all. Thanks for the opportunity. Sir my first question is on the COVID related provisions of floating provisions, which you mentioned of around Rs.250 odd Crores, Sir this is already part of our calculated PCR right of 85%?

- Ittira Davis:** Yes it is part of the PCR of 85%.
- Darpin Shah:** Fair. The second is if you can provide some color on the movement of NPAs? In the last quarter we had mentioned Rs.600 Crores of slippages so how much will it be this quarter recoveries if you can throw some light there?
- Ashish Goel:** In terms of slippages we had about Rs.290 Crores as against Rs.660 Crores and Rs.629 Crores in the previous two quarters and in terms of recoveries in micro banking as well as in retail banking we have had a substantial increase. Micro banking has gone up by about Rs.242 Crores for the quarter.
- Darpin Shah:** Sir one last question is on the ticket size? If I look at the ticket sizes for group loan there are significantly increased about sequential basis so what explains that Sir?
- Vibhas Chandra:** Actually our ticket size was lower side before the pandemic and we are seeing a good demand in our customers for higher thicket size loan also higher tenure because business requirement at this point of time the ticket size requirement was on a higher side so what we have done is we have tried to increase ticket size for the customers who have larger business and had been able to pay throughout the pandemic period and at the same time we have also increased the tenure so the EMI for particular customers remain the same but it is largely because of the customer demand and the market demand.
- Darpin Shah:** But Sir the income levels would not have gone up this significantly for these borrowers right?
- Vibhas Chandra:** Income levels if you see our customer acquisition pattern in the last quarter also 86% of our existing customers who are repeat customers who are two or three cycles old and 15% to 16% customers are new customer acquisition so these customers who we are trying to lend in the recent past to the customers who are with us a for a long period of time and with very good track record even during the pandemic period and hence the ticket size for these customers will be on the higher side naturally as their ticket size progresses with the number of cycles.
- Darpin Shah:** Fair enough. I will come in the queue again Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Rohan Advant from Multi-Act. Please go ahead.
- Rohan Advant:** Thanks for the opportunity. Sir my first question is on the operating expenses to average assets, which is at 7.9% in Q3 FY2022, I understand that we have beefed up our collection teams and that has yielded good results, but going forward on this line item what is your

outlook? Should that start coming down going forward as income increases or the opex intensity reduces as collections normalize if you could throw some light on that? Thank you.

Deepak Khetan: Rohan, this increased elevated efforts on the collections will continue for a quarter or two may be at least for the next two quarters or depending upon how the collections and how our PAR levels move but definitely next year second half onwards it will come down significantly.

Rohan Advant: My second question was in your opening remarks you mentioned that the collection efficiency in the NPA bucket is improving? Like you have stated for restructured it is 80%? Can you state what is the collection efficiency within the NPA bucket?

Ashish Goel: I will answer this with two metrics. One of them is the cash collection and the second is the percentage efficiency. In terms of cash collection micro banking we have done about Rs.215 Crores during the quarter as against Rs.136 Crores in the previous quarter and in terms of retail assets, we have done about Rs.25 Crores of cash as against Rs.16 Crores so both of them I think has improved by more than 50%. In terms of efficiency, it is about 40% for both micro banking as well as retail.

Rohan Advant: Within the NPA bucket right?

Ashish Goel: Yes in the NPA bucket that is right 40% for both.

Rohan Advant: My last question is you have taken a bold approval for Rs.600 Crores to meet with the RBI norms you would require a much lesser dilution so while we do the minimum public shareholding loan, will we also raise some growth capital now?

Deepak Khetan: Rohan, we have not decided on the quantum of the QIP. It is a board resolution that we have taken of Rs.600 odd Crores and accordingly we will go ahead when we decide on the size and all that we will decide later.

Rohan Advant: Got it. If I have more questions, I will join back in the queue. Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Renish Hareshbhai Bhuva from ICICI Securities. Please go ahead.

Renish H Bhuva: Thank you Sir. Sir two questions one is on the incremental growth especially in the MSE segment wherein our collection is still sort of lagging the overall portfolio collections and still we are witnessing like 10% for sequential growth so in this portfolio so Sir how we are

making sure that incrementally we are on-boarding quality customers and asset quality in this portfolio going ahead will sort of for better than what we have witnessed it in the pandemic? That is my question number one Sir?

Carol Furtado: The MSE segment is growing cautiously and we will be also looking at cleaning up our portfolio quality to a large extent and then introducing a lot more products in the higher ticket sizes.

Renish H Bhuv: Still we have grown like 10% sequentially? Is there any underwriting process or a credit process has gained let us say still we are cleaning up the book? I was just trying to sort of understand that point?

Ashish Goel: In terms of current 2x in the last three months we have seen our collections efficiency in the NDA buckets at between 98.5% and 99% so our incremental slippages into the delinquent portfolio has come down in MSE. Number two we had identified at September end we had identified certain high risk segments which had not shown resilience to COVID 2.0. Those segments we have cut down from our underwriting starting October 1, 2022 and these are largely segments which had got impacted in COVID. Point number three, we have seen some very good traction on the Fintech partnerships and this segment has shown very good resilience and these are all 30 day kind of build accounting products where the money gets floated within 30 days so this has given us some very good traction and very good customer quality in the last two quarters and this is gaining momentum in Q3.

Renish H Bhuv: Got it. Sir any color on the tenure of the loan if it is bill discounting then I am assuming that the run down will be pretty fast?

Ashish Goel: 30 days.

Renish H Bhuv: So our run rate is pretty similar to what we have seen in November December in MSE business?

Ashish Goel: Pardon me Sir.

Renish H Bhuv: I am saying since run down will pretty fast in this product the 10% sequential growth is sustainable going ahead or how do you see business panning out in MSE segment Sir?

Ashish Goel: We actually have seen some very good traction after COVID 2.0 starting in our last earning call we had mentioned this that starting August and September we are seeing some very good traction on our high ticket size loans and that traction continued in October to December so that segment has done well and that is where our focus area is going to be in

the next few quarters so while we have cut down on certain risky segments but gained momentum on the higher ticket sizes.

Renish H Bhuv: Sir secondly again this is sort of repetitive what earlier participant has asked for the ticket size so sort of with are seeing pretty sharp increase from almost Rs.36000 to Rs.45000 so would you be able to give some more color on the sort of a customer profile or a geography or let us say to which segment they are operating which are sort of witnessing such a high credit demand?

Vibhas Chandra: As I mentioned earlier that after the second wave we are focusing more on the existing customers whom we were not able to serve during the pandemic though these customers were paying regularly even during the pandemic and these are very good customers and mostly the customers are old customers who are getting loan from us for many cycles and that is really the ticket size here if you focus more on repeat loan with customers with multiple cycles your average ticket size will go up. Second is in the recent past we have also infield our focus towards our subsegment, which is in the individual lending where the average ticket size on higher price. In individual lending we provide loans of Rs.2 lakhs and there also we see a very good traction happening in the last three months as we have opened up business and as far as geography is concerned our average ticket size all across is going except some exceptions like Assam where we have industries facing issues but average ticket size have gone up across states.

Renish H Bhuv: Got it. This was very helpful. Thank you Sir.

Moderator: Thank you. The next question is from the line of Deepak Ajmera from KIFS Group. Please go ahead.

Deepak Ajmera: Good morning and thanks for the opportunity. Sir by when we are expected to resume like Rs.30 Crores to Rs.40 Crores of provisioning per quarter instead of higher provisioning due to COVID, etc., so by which quarter we are expecting to normalize provisioning? Thanks.

Ashish Goel: When we started the last two quarters we had a significant amount of portfolio in SMA and NPA portfolio. If you look at the PCR or micro banking which was the highest impact in the last two quarters in terms of delinquency our PCR has already touched 94% and therefore you will see that the trajectory of provisioning will come down shapely with 94% on the micro banking, the incremental provisions over the next two or three quarters will drop sharply because most of the book is provided. In terms of restructuring, our RF1 pool which was restructured in December 2020 that has now got 95% provided. The restructured two pool is almost carrying 23% to 24% provisions and therefore again in terms of additional provision requirement for restructured pool also we do not see too much of provisions happening so it will probably reach normalcy in the next couple of quarters.

- Deepak Ajmera:** Thanks and collection employees you are increasing that should reflect in employee cost any specific reason of increase in other operating cost? Is it outsourced employee or what is the reason there?
- Deepak Khetan:** Deepak it is outsourced employee. If you look at the slide where we have given the breakup of all the collection team has increased over the last couple of quarters that breakup simply says how the outsourced employees have increased in the collections seen.
- Deepak Ajmera:** Last question if I may ask is on reverse merger any timeline on after means when we are planning to apply any NCLT for shareholder in meeting?
- Deepak Khetan:** As Mr. Davis mentioned the entire process will take around 12 to 15 months. I cannot give a breakup of the timeline of when we will get RBI approval or when we will get the SEBI approval. Right now, the first step will be to meet the requirement of MPS minimum public shareholding so once we are done with that we will seek SEBI approval again and then we will see how we can move forward.
- Ittira Davis:** As we go through each process, we will update our investors and shareholders about the remaining timeframe, but we are trying to do it as soon as possible to comply with RBI requirements and RBI guidelines.
- Moderator:** Thank you. The next question is from the line of Abhinesh Vijayaraj from Spark Capital Advisors. Please go ahead.
- Abhinesh Vijayaraj:** Good morning. My question was in terms of the team build you have indicated that all positions reporting to the CEO are filled in? What about the second and third managing positions that is very close to closure of everything? Will it be fair to assume that beginning financial year FY2023 all positions required in the bank will be up and running?
- Ittira Davis:** Any organization has regular turnover. Our objective is to bring our turnover or attrition levels back to normal, which is industry normal and then once we get there which I think is almost going to happen in the next month or so. Once that is achieved then we make sure that we try to even push it below and happily so when I joined back to the organization, I am happy to say that Ujjivan is already among the Great Places to Work once more and that is an indication of the moral of the staff and I think sooner or later we will be able to get back to the levels that we were and normal attrition will be there. That nobody can stop. My objective is to fill the positions from both within and from outside and we will give opportunities to both possibly a 50:50 breakup but that is how we are going to take things forward. Good people in the organization will get a chance to move up and take up their positions as well.

- Abhinesh Vijayaraj:** Good thing to know. The second question I had was in terms of the floating provision we at Rs.250 Crores is that the bucket we are looking to maintain into FY2023 as well or are you looking at adding on a certain amount there?
- Ashish Goel:** If I understood your question correctly you were asking whether this Rs.250 Crores is going to stay or are we going to add more?
- Abhinesh Vijayaraj:** Add or utilize it fully in FY2023 yes?
- Ashish Goel:** No, we are not going to add any floating provisions. We believe that this is enough cover for any adverse event that may happen and therefore we are going to maintain this floating provision as we go ahead, and our PCR is quite high so we do not need to actually take any specific provisions.
- Abhinesh Vijayaraj:** Thank you. Those were my questions.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Good morning thank you. Sir the first question is if I look at the growth recovery clearly normal environment has helped, but can you talk in a little more detail what is the challenge inside the bank and what were the changes that were brought about for such a sharp turnaround that we have seen in this quarter?
- Carol Furtado:** In the last 100 days we really took a step back and looked at what needs to be done to build our business momentum so we had a good analysis of all the business verticals where we stand and we put in programs, few of the credit policy tweaking took place, some of the process, revisions took place and we also understood the need from the ground. Lot of our senior management team, the leadership team went across to branches and understood the needs there from the customer and the employee's side and put in programs in place that would help us in the growth. We also ensured that as Mr. Davis touched upon in his initial talk we also put in a program called the Sanjeevani Kavach through which we vaccinated more than 60,000 customers and also our branch staff and our employees across the organization were vaccinated so this helped us in bringing back the momentum. Also to help support the economy grew and this is even the third wave we see that there has been very minimum disturbance. We are able to grow in all the business verticals. We are taking a cautious approach, but we are growing across in all the business verticals.
- Abhijeet Sakhare:** Yes just a followup Madam. It is almost seems like a step change in terms of how we are now looking at the micro banking business so just wanted to kind of break it up in terms of how much is your view of the situation on the ground has changed and have you become

little more aggressive or more willing to participate on the recovery that is happening and to that extent do you really see the borrower situation actually turning around to that extent?

Carol Furtado: Our long-term strategy remains the same of our portfolio, the composition of our portfolio but on the ground situation, the customers in the microfinance segment are very resilient and they are able to bounce back quickly so that is helping us in the growth and a lot of our customers are repeat customers the ones who have stood by us and ones who are able to repay their installments timely we are giving them repeat loan. Also our new customer acquisition in a lot of our branches have restarted and like it was said earlier we have around 16% of our growth coming in from the new customer acquisition across branches. Just like to add to that our collection efficiency in the NDA bucket is around 99.5% so that is also giving us the confidence to improve.

Abhijeet Sakhare: The second is that given that on a relative basis the non micro banking business is looking a little bit softer so would we kind of be willing to let the microfinance share in the overall AUM increase over the next 12 months or so?

Carol Furtado: So the non-micro banking segment is also growing. With the improvements in collections and PAR book we will be able to relook at our growth in the non-micro banking segment and grow there. It was said earlier also in Mr. Davis' speech that we would also be growing our other segments through productivity, process improvement, and relooking at the strategy there. Mostly we are getting a lot more into the secured lending of a higher loan size and Fintech tie ups, the Fintech partnership is going to help us in that.

Ittira Davis: I just want to add to what Carol has said. Part of the exercise that I am undertaking after joining and my timely joining in January, middle of January gives me the opportunity to look at things as we go forward and plan for the new financial year so we are in the budgeting period and we are looking very carefully at how to balance this growth and our long term objective is to be able to grow other businesses in a slightly faster way so that the proportion between micro banking and others is in the direction that we have projected a couple of years ago so we will be moving closer to that balanced proportion as we move forward.

Abhijeet Sakhare: Just finally one data question if you can tell us the amount of interest reversal that has happened in the last financial year and the current financial year?

Deepak Khetan: Abhijeet, in the current year nine months it is around Rs.63 Crores. For the last financial year, I will check and come back on the number. Even the GNPA's were not recognized till December should not be a very high number but I will still check and come back.

Abhijeet Sakhare: Sure. Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Good morning Davis. Are you now quit comfortable with the team you have with the results that you have been able to deliver your 100 days program and does that give you the comfort that the next 60 odd days would be even better than what we have seen?

Ittira Davis: Thank you for the question. I have spent about a month with the team right now. I am quite confident and understanding of the team is very good. I think the very fact that somebody once asked me how the last quarter operated without a CEO and I think that tells you the board and the team, were able to communicate with each other and delivered a stunning performance, so I think the team is a very good team and I have no doubt about it. My guidance will be to help them to tweak the model a little bit here and there, but I think I am confident that the Q4 and into the new financial year we should be all well set to deliver good results.

Arun Kejriwal: One other question while I am not seeking from you any guidance for the year ahead but do you think the banking sector particularly the SFBs are now getting over COVID one, COVID two and whatever little of COVID three we are having and you can say with reasonable surety that we should be back on the growth path? I am not talking of Ujjivan per se alone but the sector and particularly when I ask this question the fact that there has been a huge demand for growth does that all go really well for this sector going forward?

Ittira Davis: I think in the first two waves the economy of people and government where a bit unsure of how to react. Now that we have seen what the reaction is in the third wave and this is not just in India. It is a global phenomenon. Now everybody is trying to build and work within the COVID wave as business as usual and it can be done. It has to be managed and I think that is what we are seeing that the COVID is under control in its own way. People are managing with it and then the customer base that we operate with is very resilient and I think that resilience is an important factor. In the first two waves, we were unsure of how to react and how to respond, but now one and a half to two years down the road we have adjusted and we are seeing this across the country and I think it is quite an eye opener that people will come back and overcome their difficulties and I think that is the important factors that we are seeing across the country and it will help all SFBs help the banking sector across not just individuals but I think some will benefit better if they have got their information and able to use it proactively.

Arun Kejriwal: Right. One last question, there are SSBs and SFBs would one differentiating factor as we move forward be the fact that you are highly digitalized and is a great user of Fintech so could we call Ujjivan a highly digital based bank with a lot of Fintech in it?

- Martin P:** Mr. Kejriwal for that question. I think Mr. Davis touched during his speech. I think Ujjivan got the highest mobile banking transaction during the month of November. It is highest among the small finance banks. In terms of share it is a 49% share among the small finance bank. I am also happy to let you know that we have been ranked 31 among the 451 banks, which participates on this platform and our UPI transaction, touched 1 million during Q3. It is an increase of 14% and in terms of value it has increased by about 28%. We have also enhanced our security features on our mobile banking so that our customers can transact freely on this platform. We already have tied up with two large payment gateway operators, and are in contracts with three more payment gateway operators so that our wallet of transactions increases multifold. On the terms of robotic process automation, we have committed in the last quarter that we will be adding some more. We have added three more in this quarter and 10 more are in our pipeline so our robotic process transactions have gone up to Rs.4.85 Crores and in terms of Fintech partnerships are live and two more are in the conversation stage, at a very advanced stage and in terms of our API, the 169 APIs are live and we see a good traction in the number of transactions happening through the API banking, it is about 36% and we are on track in digital banking and with the joining of Mr. Shriram we feel to propel further.
- Arun Kejriwal:** Right. Thank you very much and look forward to a much superior number when we report for the year ended FY2022. Thanks everybody.
- Moderator:** Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.
- Vijay Karpe:** A very good morning. Thank you for this opportunity. I had just one question and this was on the state wide collection efficiency so you had told the collection efficiency improving from October to December for Tamil Nadu from 94% to 96%? What has that number been for January 2022 and what has been the billing efficiency for October, November, December and January for Tamil Nadu and also for Maharashtra if it is possible?
- Ashish Goel:** We will just give it to you. TN is at 94%. Maharashtra is at 98%.
- Vijay Karpe:** For January?
- Ashish Goel:** For the month of January.
- Vijay Karpe:** What has been the billing efficiency for October, November, December and January?
- Ashish Goel:** So for Tamil Nadu, the efficiency has moved from 94 in October to 93 November and 96 in December. For Maharashtra, it has moved from 92 to 93 to 98 in October, November and December.

- Vijay Karpe:** This will be the collection efficiency right? What would have been the billing efficiency?
- Ashish Goel:** Sorry your voice was not clear.
- Vijay Karpe:** The numbers, which are shared in the presentation this would be collection efficiency? What would have been the billing efficiency?
- Deepak Khetan:** Vijay we have not given billing efficiency for any of the state or overall. In general the billing efficiency is around 3% to 4% lower than the overall collection efficiency.
- Vijay Karpe:** Got it and how much of this improvement in collection efficiency is attributed to the write off that we have done?
- Deepak Khetan:** So we have the total write off of about Rs.150 Crores during the quarter and therefore the difference would be very marginal. The impact would be very marginal. Collection in the write off account would not be very high and the overall write off is also less than 1% of the book so like Ashish said the impact would be very marginal.
- Vijay Karpe:** Got it. Thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Nikhil Vaishnav from Haitong Securities. Please go ahead.
- Nikhil Vaishnav:** Thanks for the opportunity. I just have two questions from my side. Can I get CASA breakup for this quarter? My second question is like also segment wise GNPA breakup for this quarter?
- Deepak Khetan:** CA of the December period is around Rs.440 Crores, rest is SA
- Nikhil Vaishnav:** What is the GNPA breakup for this quarter?
- Ashish Goel:** On microfinancing it is 11.4%, housing it is 5.6%, MSE 11.4%, personal loans 8.4% and vehicle loans 6.7%.
- Nikhil Vaishnav:** That is it from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh an individual investor. Please go ahead.
- Rishabh:** Good morning. Sir my first question is what about branch expansion? You have not opened any branch from last many quarters so what is the way forward?

- Ittira Davis:** During this COVID crisis, it did not make sense for us to open branches when business had slowed down or come to a standstill in some parts of the country so as part of the plan for the next financial year, we are looking at opening branches and once we make a decision in the next concall, we will let you know how many branches we are doing.
- Rishabh:** Sir many of the banks that I know the Neo banks and what about Ujjivan in this regard?
- Martin P:** It is part of our roadmap. The discussions have started and we will be letting you know once we make significant progress on that.
- Rishabh:** Sir in Q1 investor presentation you mentioned about credit card business what is the update on that?
- Ittira Davis:** The credit card business is something that we have been checking with our customers whether they need it or not and I think going forward we will launch it in some form or the other, but it will be again something for the next financial year.
- Rishabh:** Thank you so much. That is all from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Rajakumar V an individual investor. Please go ahead.
- Rajakumar V:** Good morning. Thanks for the opportunity. Sir just two questions, I just want to know when do you expect to place the QIP and also just wanted to know whether you will be able to price the QIP at a good price given that you have share prices are subdued because of the losses?
- Deepak Khetan:** We will not be able to comment on market outlook right now. We are confident on the business and the performance and all those things and basis that we will test the market when we go and meet investors. Based on our interactions after we have released Q3 business numbers and after the quarterly results we see a good amount of traction coming back so we remain confident on it.
- Rajakumar V:** Sir great. Sir the next question is what is the credit guidance for FY2022-FY2023 and also would you be able to maintain or improve the NIMs for the upcoming years?
- Ashish Goel:** We see the credit cost to be significantly lower in the upcoming year as compared to the year gone by because of obviously the COVID and this was an external event on which no one had a control so we see the credit cost normalizing over the next two or three quarters. We already have a very, very healthy PCR so the incremental costs as I said earlier will be nothing in comparison to what we had seen in the last two quarters and we see that it will be

somewhere in the range of 1%. We also carry a floating provision of about Rs.250 Crores which is yet to be utilized so that can be used as and when we require in case of an adverse event.

Rajakumar V: Sorry Sir so you said 1% is the credit cost guidance for next year is that correct?

Deepak Khetan: We are not really giving any guidance. What Ashish gave was an indicative assumption that aspiration that we want to have in FY2023.

Rajakumar V: Great Sir. Any colour on the NIM.

Deepak Khetan: NIM is something that depends also on how your GNPA book moves. There is no pressure on the yields as such because the interest rates that we are charging on the various products are where they were so as the GNPA reduces on the book, NIMs should improve so that actually gives us some scope of relooking at the product portfolio also and given that the micro banking book is also performing well so there is absolutely no reason for us to believe that there will be any kind of a pressure in the NIMs going forward.

Rajakumar V: We will be able to guide at least for the upcoming years?

Deepak Khetan: Again like I said we are not giving any guidance, but directionally there would not be any pressure on the NIMs.

Rajakumar V: Great Sir. Thank you Sir. All the very best.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Centrum. Please go ahead.

Gaurav Jani: Thanks for the opportunity. Just one question from a regulatory standpoint as per SEBI when would we have to comply with the minimum shareholding guidance?

Ittira Davis: We had our IPO in December 2019 so the SEBI guideline requires us to be 25% public shareholding within three years of that IPO. By December 2022 is the outer limit as far as SEBI is concerned.

Gaurav Jani: Thanks. That is it.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Davis for his closing comments.

Ittira Davis: We appreciate the time that all of you have taken to participate in this call and the questions were very useful and I hope our answers have benefitted you and we look forward to continuing our dialogue with you on a quarterly basis and thanks to IIFL for hosting this call.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Securities Limited that concludes this conference call. We thank you for joining us. You may now disconnect your lines. Thank you.