

**USFB/CS/SE/2023-24/22**

**Date:** May 15, 2023

**To,**

**National Stock Exchange of India Limited**  
Listing Department  
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,  
Bandra (E)  
Mumbai – 400 051

**BSE Limited**  
Listing Compliance  
P.J. Tower,  
Dalal Street, Fort,  
Mumbai – 400 001

**Symbol:** UJJIVANSFB

**Scrip Code:** 542904

Dear Sir/Madam,

**Sub: Transcript of Earnings Call held on May 11, 2023**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the Transcript of the earnings/quarterly conference call held on May 11, 2023 for the quarter and year ended March 31, 2023 is enclosed herewith.

The same shall be available on the Bank's website at [www.ujjivansfb.in](http://www.ujjivansfb.in).

We request you to take note of the above.

Thanking You,

Yours faithfully,

**For UJJIVAN SMALL FINANCE BANK LIMITED**

**SANJEEV**

**BARNWAL**

**Sanjeev Barnwal**

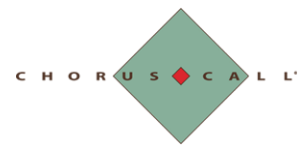
**Company Secretary & Head of Regulatory Framework**

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**“Ujjivan Small Finance Bank Limited  
Q4 FY '23 Earnings Conference Call”  
May 11, 2023**



**MANAGEMENT: MR. ITTIRA DAVIS – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – UJJIVAN SMALL  
FINANCE BANK LIMITED  
MS. CAROL FURTADO – CHIEF BUSINESS OFFICER –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. MARTIN P S – CHIEF OPERATING OFFICER –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. VIBHAS CHANDRA – HEAD OF MICRO BANKING –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. DEEPAK KHETAN – HEAD FINANCIAL PLANNING,  
STRATEGY & INVESTOR RELATIONS – UJJIVAN SMALL  
FINANCE BANK LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q4 FY '23 Earnings Conference Call of Ujjivan Small Finance Bank Limited hosted by IIFL Securities. We have with us today Ittira Davis, MD and Chief Executive Officer; Carol Furtado, Chief Business Officer; Martin P.S., Chief Operating Officer; Vibhas Chandra, Head of Micro Banking; Deepak Khetan, Head, Financial Planning, Strategy and Investor Relations.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ittira Davis, MD and Chief Executive Officer from Ujjivan Small Finance Bank. Thank you, and over to you.

**Ittira Davis:** Okay. Thank you. Good evening, everyone and welcome to our fourth quarter FY '23 earnings call. Hope all of you are keeping well. Fourth quarter not only was a successful quarter by itself, but also marks Ujjivan crossing several milestones along its journey of becoming a leading mass market bank and setting new benchmarks.

Some of the milestones we crossed are quarterly disbursements of INR6,001 crores, up 23% year-on-year and 24% quarter-on-quarter. So, this is a crossing of the INR6,000 mark. Yearly disbursement of INR20,037 crores, up 42% year-on-year. This is the first time we have crossed the INR20,000 mark for the year. Total deposits at INR25,538 crores, up 40% year-on-year and 10% quarter-on-quarter. And again, another landmark or another milestone crossing the INR25,000 mark.

New benchmarks on profitability side. Our quarterly profits crossed the INR300 crores mark at INR310 crores for the fourth quarter and INR1,100 crores mark for the full year at INR1,100 crores. This makes us the second most profitable small finance bank, as well as the second most profitable player in the MFI business. We launched our visual voice vernacular-based mobile banking app, which aims to increase digital penetration among semi-tech savvy customers.

I'll take some time here. The app is a result of a futuristic thought process and makes it very convenient for our -- for this category of customers to access mobile banking and transact without much assistance. Currently, the transactions include like EMI payment, balance check, money transfer, etcetera. However, we are working towards transactions like loan application as well on this app.

It is the first application of its kind and will go a long way. We have already received a lot of accolades here, including the Aegis Graham Bell Award for 2022 for innovation in customer tech. Total downloads of this app have crossed 1,30,000 within a few months of launch, and we are already seeing customers using the app to repay.

Another first thing that we have this year is the payment of equity dividends. Given the strong performance, the Board has suggested to share a portion of -- with our shareholders. We have

already paid INR0.75 as interim dividend and the Board has recommended an additional final dividend of INR0.50. I would mention here that this is one of a kind high payment because of the special case as well as the bank crossing so many milestones in fiscal '23.

During the quarter, we picked up branch expansion with 31 new branches, taking the total to 629 for the financial year ending March '23. Total number of branches during FY '23 was 54. We marked our presence with 5 new branches -- or 5 branches into the state of Telangana this year. These branches have already garnered a good number of deposits in excess of INR175 crores. And now we expect to open 100 branches in financial year '24. And that includes entering the state of Andhra, which will be our 26th state.

An update on the merger with our promoted, UFSL, Ujjivan Financial Services Limited. We have submitted our application to the Bengaluru NCLT after receiving all requisite approvals, and now await the NCLT guidance on dates to hold meetings to get the various regulatory clearances like shareholder approval. As you are aware, my tenure as MD and CEO has been approved until January '25. The Board has been working on identifying my successor. Among other aspects, the candidate should be having a strong business orientation, connect with ground, and dedication towards building a mass market bank. The Board will identify the potential candidates, internal or external, much before the due date to ensure a smooth transition.

On the disbursement side, not only did the bank cross milestones this quarter, but also individual businesses made their own milestones. The housing disbursements were INR439 crores, up 44% year-on-year and 27% for the quarter, crossing the 400 quarterly disbursement. Similarly, FIG disbursed INR318 crores, up 165% year-on-year and 23% quarter-on-quarter, crossing the INR300 crore quarterly disbursement.

Our micro loan disbursements, group and individual, were also at the highest ever with INR4,929 crores, up 25% year-on-year and 30% quarter-on-quarter. Our group loan gross customer acquisition during FY '23 stands at 9.1 lakh, constituting more than half of the growth during the year.

Our gross loan book grew 10% quarter-on-quarter to INR24,085 crores after a total write-off of INR67 crores, of which INR55 crores is technical write-off.

We are quite pleased to share our performance on the deposit side as well. Total deposits grew 10% quarter-on-quarter. CASA grew 11% versus December. This is despite the industry trend of flattening CASA trend. Our collections and asset quality continued to improve, putting us among the industry best on this regard. Our NDA collections are back to pre-COVID days with overall collection efficiency continuing to track the 100% mark. Our GNPA is down to 2.6% from 7.1% at the beginning of the year, while NNPA are at remarkably low levels, currently in the range of 0.04% to 0.05% for the last 3 consecutive quarters.

Restructured book continues to show healthy collections. The book now constitutes less than 1% of our total gross loan book with a very high provision cover. We had slippages of fresh

GNPA of around INR19 crores this quarter, while upgrades and recoveries were INR59 crores for the fiscal. Slippages were INR335 crores with upgrades and recoveries of INR506 crores.

The collection and asset quality improvement during FY '23 highlights the success of a dynamic collection strategy, which encompasses balanced usage of on-road and off-road collection team, along with multiple agencies and data analytics. While slippages have started to normalize towards the end of FY '23, we believe bad debt recoveries would continue during FY '24.

On the financials, our NIM for the year stands at 9.5%, in line with our previous guidance. This is a blend of rising cost of funds, which is partly -- which has been partially set off by yield expansion. The cost of fund rise is being driven by rising repo rates and aggressive pricing in the wholesale deposits. While we believe rate curve may start to plateau, the rise in cost of funds may take time to flatten as our old funding slowly gets replaced at current rates. The yield expansion is due to reducing NPA driving higher income generating loan book and some rate hikes taken in the asset businesses. Last change in micro banking rates was on 1st of March '23 when we had a 50 basis point hike.

The pre-provision operating profit for fiscal year was INR1,485 crores. With a negligible credit provisioning, PAT stands at INR1,100 crores. For the quarter, the provision operating profit and PAT stands at INR411 crores and INR310 crores, respectively.

Now I'd like to just give you a brief outlook of -- for the financial year '24. Fiscal '23 has made a strong foundation for the next financial year '24 and we are committed to build on this base further, while we would like to continue to invest in technology and digital platform to increase productivity and also improve customer experience. And as business grows, we also plan to increase our investments towards branding and marketing in order to enhance brand visibility and consolidate on the good work that has been done during the past 6 quarters post-COVID.

Our gross loan book growth to be 25% or more during FY '24. Our focus remains on driving sustainable growth through customer acquisition in micro banking and growth in our secured book. While housing has been growing strong, our MSME and vehicle portfolio will see a pickup during the current fiscal year. The MSME book has not seen a growth in FY '23 as there has been some strategy transition towards a more balanced portfolio mix.

Here, I'd like to also say that in line with the Reserve Bank of India guidelines with fintechs, we have had to move out of one of the relationships, and that has reduced our exposure in the MSME business. But we are working on 2 or 3 new partnerships, which would get going in the second half of this year.

Deposit growth for this year is going to be 30% or more with further focus on CASA and granular book growth. Also, we are focusing on digital deposits, which will see a commercial launch early during the current fiscal year. We have been focusing on making alternate service channels like phone banking, video banking, and we have been more relevant and productive. These investments would start bearing fruit in the current financial year.

We expect to keep credit costs sub 100 basis points and an ROE around 22% for financial year '24. Other details are now available with our investor release.

Fiscal 2023 was an extraordinary year in terms of business performance and profitability and has laid down a strong foundation for our coming years. We are on track to create a leading mass market bank serving fast-growing aspiring middle class of the Indian society.

I'd like to stop here and request the Moderator: to begin the Q&A. Thank you.

**Moderator:** We have our first question from the line of Lavanya Sisodia from ICIC Securities. She kept the call on hold. We'll go on to the next question from the line of Manoj Oberoi from Yes Securities.

**Rajiv:** This is Rajiv here. Congratulations on a very strong set of numbers. So sir, I've got a few questions. Sir, firstly, what is the implied view on NIM -- when you give a 22% ROE guidance for FY '24, what is the implied view on NIM? Because in the last quarter, we saw the NIM declined despite the fact that spreads had actually improved on the portfolio, and that was because of increasing balance sheet liquidity and coming off of LDR. So how do you see these 2 things play out? And how -- then eventually how would you see the NIM behave in the coming quarters?

**Deepak Khetan:** Manoj, we expect that the NIM in the coming year will be 9% or plus. In the current quarter, given it was the last quarter of the year, the liquidity inflow on our deposit side was quite high, which increased the proportion of our treasury book also, where generally the yields are on a lower side, which is why there was an impact on the yield. That is something that can be corrected in the first quarter itself. And we should see for the full year next year NIM should be 9% or more.

**Rajiv:** Got that. Got that. And see, on the collection efficiency, while you've given the collection efficiency on the restructured portfolio in the month of March was 111%, can you also give us the collection efficiency on the NPL portfolio for Q4? How much was it?

**Deepak Khetan:** On the NPL portfolio?

**Rajiv:** Yes.

**Deepak Khetan:** NPL has been tracking around 40% or more for us.

**Rajiv:** Okay. Okay. So I mean, just broadly, if you're collecting 40%, 50% of the NPLs on a regular basis, the restructured asset collection efficiency is also pretty high. Then what is the thought about provisions going ahead because we're carrying about 98% provisions on NPLs? So when you give this 1% trade cost guidance, are we taking in some benefit of rollbacks and write-backs of the current provisions that we are holding?

**Deepak Khetan:** Some bit of rollback might happen, because, like you mentioned, that the restructured book, where we have a very high provision, the collection efficiency is very high. Even on the NPA

book, there is a collection efficiency which is 40% plus. So some bit of that might happen. So all blended in, we are giving a guidance of sub-100 basis points.

**Moderator:** We have our next question from the line of Renish from ICICI.

**Renish:** Congrats on a good set of numbers. So just 2 questions from my side. One, again, on the NIM side. So this quarter, we have seen asset yield expanding by 50 basis points with this cost of fund increasing by only 30 basis points. And despite that, NIM contracted. So if you can just help us through the reconciliation. I mean, is there a bit of this IBPC securitization angle?

**Deepak Khetan:** No, no. So like I mentioned in my earlier remarks also, the treasury book size increased because there was a good amount of inflow on the liability side. So there was so much -- too much of deposits that came in, and our LCR were very high. So there was almost 500 basis point higher treasury book size that we had this quarter compared to last quarter. So that impacted the overall NIM rather than anything else.

**Renish:** So margin expansion was basically driven by the investment yield rather than the asset yield, which was -- you are talking...

**Deepak Khetan:** You're talking about the yield expansion?

**Renish:** Yes, yes, yes.

**Deepak Khetan:** So yield expansion was driven by, one, we took a rate hike in our MFI portfolio in September, so a full quarter impact of that. Then another rate hike we took in March, another 50 basis point rate hike was taken. So put together these 2 things, plus the NPAs are continuously coming down. So that is why the yields are expanding, and the same thing will continue in the coming year as well.

**Renish:** So September '22, how much rate hike we have done in MFI?

**Deepak Khetan:** 50 basis points. Both were hiked for 50 each.

**Renish:** 1-5?

**Deepak Khetan:** 5-0.

**Renish:** Okay. And another 50 basis points in March?

**Deepak Khetan:** Yes.

**Renish:** So what is the blend -- I mean, the lending rate now in MFI?

**Deepak Khetan:** 23 and 25. 23 for GL, 25 for IL.

**Renish:** Okay, 23...

- Deepak Khetan:** And also one more thing is that the IL is going faster and IL has a higher rate. So that also is helping on the yield side.
- Renish:** Got it. Got it. And secondly, just to repeat the question, I missed that part. So if you can just give us the slippage recovery number for this quarter?
- Deepak Khetan:** So this quarter slippage is INR19 crores, fresh -- the gross NPA addition was INR19 crores. And upgrade and recoveries were around INR59 crores.
- Renish:** Okay. So okay. So slippages were only INR19 crores?
- Deepak Khetan:** Yes.
- Moderator:** We have our next question from the line of Gautam C Jain from GCJ Financial Advisors LLP.
- Gautam Jain:** Many congratulations. It was a very good set of numbers. My question pertains to your cost-to-income ratio. This year, we are closing around 55%. So what we want to guide for the next 1 year or 2 years. How much our absolute cost will go up considering we are opening 100 branches next year?
- Deepak Khetan:** Gautam, we are not giving a guidance right now on cost-to-income ratio or any other aspect. Overall, profit side we have given a guidance that ROE will maintain 22% or more. So cost-to-income ratio, specifically, we can say that there is going to be a lot of investment which is coming in on the branch side, on the IT side, on the human resource side. So it would not be something -- the kind of drop that you saw this year, that kind of a drop would not rise, because this year you saw significant drop from 64% in Q4 last year to 55% this quarter. So that kind number drop would not coming.
- Gautam Jain:** Okay. And any comment on cost of fund? Has it stabilized or it's going down? Can you comment on it?
- Deepak Khetan:** Cost of funds, we do not expect to come down while -- even if the interest rates in the system plateau out, the full year impact of the TVs and all the funds that were raised last year during the course of the year, that will impact the overall cost of funds. So cost of funds at least for the time being we'll see keep moving up until maybe towards the second half of the year when the fresh rate -- or fresh funding is coming at a lower rate if the interest rates start coming down.
- Ittira Davis:** Broadly, interest rates, I want to just mention that our strategy on the deposit mobilization such is that once the interest rates start showing a decline, we'll be able to take advantage of that.
- Moderator:** We have our next question from the line of Shreepal Doshi from Equirus.
- Shreepal Doshi:** Congrats on a good quarter. So I wanted to understand -- wanted to understand what is your branch expansion strategy for the next couple of years? And in which geographies will we be targeting?



- Ittira Davis:** Yes, I think -- we had the 54 branches which we added during the financial year '23. We plan to add about 100 more branches during FY '24. These will be spread across the country, and different types of branches. Some of them will be purely branch banking. Some of them will be composite. Some of them will be micro banking branches. But rest assured that we are looking not just at branch banking to grow the business, we are also looking at digital business to be able to grow our way forward.
- So that is the dual strategy which we have. And in terms of new states, we are entering Andhra during this financial year. Last year, the new state we added, 25th state, was Telangana. And our 26th state this time will be Andhra. So that's the way we are looking at this year. But going forward, the digital strategy will begin to play a greater role as we are looking to manage the costs and also look at other ways to expand our business. So a lot of technology on the ground, video calls, video banking, phone banking, all of those will play a bigger role as we go forward.
- Shreepal Doshi:** Sorry, sir. Sir, just a second question within -- on the same lines. So do we expect any material improvement in the opex upon asset metrics going ahead in FY '24 and in FY '25?
- Deepak Khetan:** We might see some improvement, but we'll not be able to quantify anything right now.
- Shreepal Doshi:** Okay. Okay. And sir, last question is on -- you had given guidance for deposit growth. So sir, if you could please repeat it. I wasn't...
- Ittira Davis:** The deposit growth we are looking at 30% for this year. 30% plus.
- Moderator:** We have our next question from the line of Yash Dantewadia from Dante Equity Research.
- Yash Dantewadia:** So my first question is regarding the write-offs. During the last 3 financial years, your write-offs has been close to INR1,345 crores, out of which, we've recovered approximately 12% of the write-offs. Your peer company with a similar sized loan book has written off close to INR600 crores to INR650 crores. So what I would like to understand is the reasoning behind this? And ideally what percentage of the write-off should we look to recover back?
- Deepak Khetan:** Yash, I can say that more than INR1,000 crore of active technical write-off book is there with us right now from which we can expect recoveries in this year or coming years.
- Yash Dantewadia:** So you basically are telling me that you'll recover close to 60%, 65% of the...
- Deepak Khetan:** I'm not giving a percentage. All I'm saying is from whatever we have written off last year and during this year, around INR1,000-plus crores is pending or it is still in the active technical write-off book. And from that, we are continuing the recovery effort. And whatever recovery will come this year will come from that.
- Yash Dantewadia:** Also, 2 concalls -- I think in the last concall you said that the recovery should slow down from here, but we still haven't seen that happening. The recoveries are still at previous pace. So what do you think about that now?

- Deepak Khetan:** Well, last quarter, yes, we did caution that the recoveries may slow down, and we are happy that it hasn't slowed down yet.
- Yash Dantewadia:** So you're expecting the momentum to continue?
- Deepak Khetan:** We expect that the momentum will continue, but definitely next year's recoveries will be lower than this year.
- Yash Dantewadia:** Okay. My second question is regarding the floating provision. What's the latest update, since your net NPA is the lowest in the industry? When will you reverse this?
- Deepak Khetan:** We are not looking to reverse it. It's there on the book as a cushion to the balance sheet. And in case of any emergency or extraordinary circumstances, with prior approval to RBI -- at only such circumstances we'll look to add it as a specific NPA provision. Out of that 250, right now 120 is in NPA provision, 100 is in other provision and 30 is being used as -- towards Tier 2 capital.
- Yash Dantewadia:** Also regarding gold loan, what's the latest update? Have you seen any traction in this space here?
- Carol Furtado:** Gold loans is something that we hope to do much better this year. We've already started the process. We've got people on board, and we have identified the branches in which we will be doing our gold loans. It is mostly in the South region. And this year, we should see better growth in the gold loan portfolio.
- Yash Dantewadia:** So how will it affect your NIMs, ma'am, the gold loan portfolio, growing the gold loan portfolio?
- Deepak Khetan:** Gold loan that we are looking at is slightly lower than the overall bank level yield as of now. So definitely on the NIM side, they are on a lower side. But given there are shorter tenure and renewals are quite frequent and it is in line with whatever 9% guidance that -- it's already baked into the 9% guidance that we have given.
- Yash Dantewadia:** Okay. Ideally, would you like to give any guidance for the gold loan portfolio at what pace would you like to grow it?
- Deepak Khetan:** No, we are not giving any specific guidance.
- Moderator:** We have our next question from the line of Harsh Shah from Dimensional Securities.
- Harsh Shah:** Congratulations on great numbers. My first question is on the growth. So last year, FY '23, we saw much quicker growth in the MFI, both group and individual MFI segment. And a couple of years back, we had guided that we will be looking to grow the non-MFI book at a much faster rate. So when we guide 25% kind of growth, what is the growth that you are expecting in MFI and non-MFI segment going ahead?
- Ittira Davis:** See, one of the things that you have to keep in mind is that coming out of a COVID situation, our micro banking book was much better positioned since that is a business that we know very

well to recover. So that is why between FY '22 and FY '23, we have seen an increase in the unsecured book in proportion to the rest of the book. But going forward, we are also -- we have also brought our housing portfolio and our housing business in line in terms of being able to now grow at a much faster pace. So that will happen during the current year. And slowly, our other businesses will also be put in similar position to grow at a faster pace because we are getting some of the technology and other things sorted out.

So eventually, we'll see a more balanced portfolio. But for the next financial year, we are looking at about 68% unsecured/micro banking and the rest of it will be secured with a multiple number of products.

**Harsh Shah:** All right. And over next 3 to 5 years where do you expect to take this MFI book at?

**Ittira Davis:** No, we are moving slowly towards the 50% mark. Whether that comes in 3 or 5 years, we'll have to wait and see. But that is the trend and that is the direction that we are moving towards.

**Harsh Shah:** Okay. And on the disbursement side, if I look at the segment-wise annual disbursement number which you have given, and when I juxtapose it against the closing AUM, I believe that the rundown has increased a bit in the individual MFI and affordable housing MFI. So is it because the tenure has decreased? Or how has it impacted? What led to this higher rundown in both these books?

**Deepak Khetan:** In affordable housing, actually, there was a subsidy repayment of around INR160 crores that came in this year, which impacted the book.

**Harsh Shah:** Okay. And in case of individual MFI, I believe that it has come down from 19 to 13 months. It's a rough calculation for individual MFI. But what led to this sharp increase in rundown?

**Deepak Khetan:** Actually, the repayment period or the month that we call repayment month, internally how we call, has increased in individual loan. It has not come down.

**Harsh Shah:** So you mean to say that the monthly EMI has gone up?

**Deepak Khetan:** If you are looking at only, for example, the OSP or the gross loan book, it would also be a factor of what was written off during the year and not just the disbursement movement and the OSP movement.

**Harsh Shah:** Okay. And on a macro basis, in micro finance side, the EMI remains same? Or has it gone down or gone up? Just trying to elicit whether the tenure has remained same or has increased.

**Deepak Khetan:** And one more thing, the percentage has actually gone up Y-o-Y.

**Harsh Shah:** Sorry, I didn't catch that.

**Deepak Khetan:** The individual loan percentage has gone up Y-o-Y, and that is the trend that we believe and it will continue as the industry is slowly moving towards more of individual loan from group loans.

- Harsh Shah:** And post-COVID, how has the EMI repayment and tenure behaved for MFI book?
- Vibhas Chandra:** Yes. As far as tenure is concerned, in micro finance in both GL and IL, we witnessed that the average tenure has increased a bit as -- we have also started offering IL more to the graduate tech customer who have shown good repayment history in the past. So as your loan amount increases, some also tend to take loans with higher tenure. And that is what we have seen. Our average tenure has increased by, say, close to 10% to 15% in the last financial year.
- Moderator:** We have our next question from the line of Darpin Shah from Haitong India.
- Darpin Shah:** Congratulations for a good set of numbers. So I just have one question. We are seeing that loan loss provisions will reach up 100 basis points for the next financial year. But if you look at the number in terms of PAR, SMA or GNPA, even the additional provisions which we have on the restructured book. So why seen as 100 basis point kind of a number? Are we thinking of creating additional standard asset provisions here?
- Deepak Khetan:** No, Darpin, we are not looking at any change in provisioning policy as of now. That is the guidance that we can give right now. And we'll see how we perform during the year.
- Darpin Shah:** So just purely on the book basis, where we might see some surprise in -- or some deterioration in asset quality after what's a full benign number in '23. Is it still a priority in...
- Deepak Khetan:** No, no, we are not expecting any negative surprise in the asset quality. It's just the guidance or blended guidance that we are giving right now. And hopefully, we'll keep performing well on the guidance.
- Moderator:** We have our next question from the line of Rashmik Oza from 9 Rays Equity Research.
- Rashmik Oza:** Yes. I had 2 questions, sir. The first is, do you have any targets of CASA set for end of FY '24 because right now we are at 26%? So does there -- is there any internal benchmark at what rate you want to reach in the next 1 year? And second is, you shared some inputs on the reverse merger. If you can give us some time lines by when do you expect this entire process to get over and when we can expect the holding company to get merged into the SFB?
- Ittira Davis:** Yes. On the CASA, we are targeting to end FY '24 at around 30%. On the reverse merger, right now, the reverse merger is with the NCLT. We are waiting for them to come back to us with whatever requirements they have. We are -- at the best, we are looking at September as the conclusion. It may extend a little further depending upon what workload the NCLT has because that tends to constrain the time. But our best effort -- or best number that we are looking at or best date we're looking at is September.
- Moderator:** We have our next question from the line of Ca Kanwaljit Singh from Balaji Finvestment.
- Kanwaljit Singh:** Congratulations for the good set of numbers. Most of the questions were already answered, on CASA, on merger. So what will be the next step forward to becoming a full-fledged bank?

- Ittira Davis:** You're talking about a universal bank?
- Kanwaljit Singh:** Yes, sir.
- Ittira Davis:** Yes, we -- I mean, some of the conditions which are there for a universal bank, we have met, the 5 years, etcetera. So now what we are doing is we are waiting for the reverse merger to be completed and then the Board will take a decision on whether to apply for a universal bank or not.
- But that is eventually the direction we are going. And balancing of the portfolio between secured, unsecured is all in that direction.
- Kanwaljit Singh:** As an investor, we are very happy with the services that you have provided to this organization. And you have stated that you will be moving on in January '25. Is there any chance that you may continue?
- Ittira Davis:** No -- I mean, as you know, the RBI has a rule that CEOs cannot stay beyond the age of 70. And you have seen that in other banks as well. So that will apply to Ujjivan. To that extent, the outer limit for me is January '25. But rest assured that we are in the process of finding a successor. And well before that date, we will have the successor in place. So we are very focused on that.
- But the other thing that you have to keep in mind is the depth of the management and the depth of the talent that we have in Ujjivan, which has been very much responsible for the swift turnaround that we have achieved. I mean, in 1 year we have gone from a loss-making situation to the most profitable year. And that shows you the depth of the institution. And that is something all investors should keep in mind. And that makes a difference between one institution and another.
- Kanwaljit Singh:** So looking at your capital adequacy, we didn't find that you will be requiring capital lines...
- Deepak Khetan:** Sorry? Come again?
- Kanwaljit Singh:** Looking at your capital adequacy ratio of -- will there any requirement for any fund raise?
- Ittira Davis:** At this stage, we are well capitalized. We are at about 25%. And I don't see -- 25.8% to be precise. We don't expect a need in the next couple of years. Based on the profitability that we have and the target -- we always look at a target of not going below 20%, which is why we replenished the capital when we reached that last year. But for the next 2 years, I don't see any need for additional capital.
- Deepak Khetan:** A couple of things that you need to keep in mind there is, one, with the reverse merger, capital adequacy would be having a little up given that the additional network that will be added to the book. And also that this year, as we are guiding for a high ROE, the consumption of capital would not be very high.
- Moderator:** We have our next question from the line of Priyesh Jain from HSBC.

- Priyesh Jain:** Sir, I wanted to know what is the movement of GNPA for FY '24. If you could give me the expected number of slippages, recoveries and upgrades for the same?
- Deepak Khetan:** We have not given a GNPA guidance for the next year, but we believe the slippages have more or less normalized. And given the collection trend that we have seen, we do not envisage any major negative surprise there. And all that is baked into the 100 bps -- or some sub-100 bps credit cost that we have given, the guidance that we have given there.
- Priyesh Jain:** Okay. Sir, also I missed this earlier. What are the slippage numbers for FY '23?
- Deepak Khetan:** So for the FY -- for the fiscal '23, the total gross NPA addition was INR335 crores and upgrades and recovery were INR506 crores.
- Moderator:** We have our next question from the line of Prit Nagersheth from Wealth Finvisor.
- Prit Nagersheth:** One of the questions I wanted to understand is that on the profitability side, you've given a guidance of 22% on the ROE. So should we expect on the -- overall profitable number to degrow from the current year, for the last financial year that is?
- Deepak Khetan:** No, we are not looking profit degrowth.
- Prit Nagersheth:** So what kind of growth should we pencil in?
- Deepak Khetan:** You can do your math. There will be growth on the PAT number. The PPoP growth would be much higher. But even at the PAT number, we'll have a decent growth there.
- Prit Nagersheth:** Okay. The other question I wanted to understand is that do you have a sense of how much additional book value would increase because of the merger, the reverse merger?
- Deepak Khetan:** Right now, I don't have a final number because we have -- Board has today announced a final dividend of around INR0.50, which will also go to the UFSL book. And depending upon how the time lines work out and all, we get to know how much of final cash would be there. As of now, if I exclude this INR0.50, I think roughly around 1.8 -- or plus/minus INR0.10 there should be added to our book.
- Moderator:** We have our next question from the line of Vivek Gautam from GS Investments.
- Vivek Gautam:** Congratulations on consistently giving good numbers. Sir, one question is about the risk of our -- political risk of investing with MFI. One fine day we see very shocking development, for example, in Assam, which has led to the leader still suffering. So what are we doing to negate the political risk of MFI investing in India? This being an election year, any impact on us, sir? That's the first one. And second one was, what is our plans of moving towards secured lending, sir?
- Vibhas Chandra:** So answering your first question. You're right that political risk is something which is -- very, very prominently we have seen in the past also in the last 10, 12 years, starting with Andhra

crisis. And you are right that in Assam also the industry is at this point of time facing a lot of issues. But at the same time, in Ujjivan microfinance, we have always believed in diversifying your risk and -- as far as geographies are concerned. And we are present in the majority of states in the country.

At the same time, we also have ensured that we are not beyond 15% of the Ujjivan portfolio in any of the states. So that we can -- we negate this risk. At the same time, we have very strong EWS in place, where we are able to understand things in advance and take corrective steps. But at the same time when you have portfolio -- a limited portfolio in a particular state, to a large extent, you already negate the political and the risk related to the particular state.

**Vivek Gautam:** The Telangana High Court judgment was also there, which was helpful for the MFI sector or companies in this regard?

**Vibhas Chandra:** Which judgment?

**Vivek Gautam:** Telangana High Court recent judgment was also there which allowed the microfinance lending operations in Andhra and Telangana, which after that SKS microfinance problem was sort of banned. And the sort of political interference and the risk have been reduced post this judgment, sir? Is my impression correct, sir?

**Vibhas Chandra:** I would say that we have come a long way from the instance of Andhra crisis. If you take example of Assam crisis also, even Assam government and central government has given a lot of support to microfinance companies and borrowers in the state, and that has led to a lot of politics in the state. So things are changing. Things are improving also. Though there will be some risk related to political or geography. But at the same time, even the entire ecosystem is also slowly maturing. So with time, you will see these instances going down or a little improvement in the scenario.

**Ittira Davis:** Yes, I think the Telangana High Court decision is very good because it puts an end to -- that state governments cannot get involved in an institution which is governed by RBI. So I think that is a good decision. So I think in the long run, that will be beneficial as well, because it provides clarity and it allows people to operate in a more secure environment.

**Vivek Gautam:** And sir, the second question was about the foray into the secured lending. What portion do we -- at present is secured lending? And what is the future plan, sir?

**Carol Furtado:** So at present, our secured lending book is -- I mean, our unsecured lending book is around 73%. But however, we are on our way to reduce the percentage in the unsecured lending. As I said, microfinance has done really well for us and it is growing well, and our position is very strong in the market compared to the industry and the peers. But on the secured side, housing has done really well for us. We have crossed INR400 crores disbursement milestone in the last quarter, and it is a very profitable business for us.

Even the asset quality has shown a remarkable improvement. And also in the last quarter, our 0 to 12-month MOB is 100% collection and we have seen a very improved asset quality there.

Also, if we have to segregate it region-wise, West is well on its way to increase the secured portion and it is close to around 45%. And the strategy that we have put in place for housing has been executed well. We did a lot of changes and we made it very granular local, geography, segment-wise. So all this has yielded results for us.

In fact, we have classified our business lines into stable, emerging and new legs of growth. The other businesses that would contribute this year to the secured portion would be the MSME, where we have done -- put in a lot of efforts to revise the strategy. Gold loans, vehicle finance, the secured agribusiness and also our MSE -- I mean, the FIG business, which is into NBFC funding, that has started well. And if I have to say, the NBFC funding business did its highest-ever quarterly disbursement for this quarter.

So as what Mr. Davis said in his initial speech, we should be able to arrive at around 68% of the unsecured book from the 73%, which we are at now. So the journey has already begun.

**Vivek Gautam:**

And the last question is about the -- our presence in the northern states, UP, Bihar and Haryana, etcetera, wherein the collections at time becomes difficult for other NBFCs due to the sort of law and order problem at times. So how has been our experience and how are we performing?

**Vibhas Chandra:**

Yes, yes. So you're right, UP, Bihar and -- it's election time also for this financial year. And I earlier mentioned that our portfolio in a particular state is limited, and that we have ensured from day one as we started the microfinance company. And so in these states, our portfolio is less than 15 definitely. And UP, Bihar you're talking about, there it is much lesser than that.

At the same time, one thing that emerged very, very strongly in microfinance at Ujjivan is that we have opened various channels for business generation as well as collection as far as cash collection is concerned. Cash collection is something which is -- with time, we have seen that a lot of improvement as far as customer initiated digital repayment is concerned. About close to 20%, 21% customers have started paying digitally in the last financial year itself, and this number is improving.

At the same time, we have also ensured that we have various infrastructure in place where the cash movement can be swifter as well as very, very safe. Today, about -- I would say that close to 70%, 75% cash which is collected in microfinance especially in these states don't go back to the branches, it is done somewhere else, and which reduces your risk. So we are -- I would say that especially looking at the risks that we have in these states, we have got every infrastructure in place which helps you and keeps yourself safe and your employees also safe as far as collection is really concerned.

**Moderator:**

We have our next question from the line of Himanshu Taluja from Aditya Birla Sun Life AMC.

**Himanshu Taluja:**

Congrats for a good set of numbers. Most of the questions have been answered. Just a couple of questions at my end, small. Firstly, when you mentioned that you wanted to -- deposit growth of around 30%. So what sort of -- you believe that the large proportion of this growth will be contributed by the retail deposits? And secondly, if you can just tell us what sort of new



initiatives have you taken -- in order to build the retail deposit franchise, what are some of the initiatives you have taken? So that's my first question.

**Ittira Davis:**

Yes. Firstly, deposits are concerned, we did say 30% is what our deposit target growth is. And there, again, the focus is on CASA. The CASA which is 26% now, we'd like to take it up to towards 30% by the end of the financial year '24. And we have put in place different ways of trying to raise the deposits. Of course, our branch network. We are also looking at the digital franchise for the deposit growth. And we have divided our customer base into different segments. So all of these will be contributing towards the increase in deposit base.

And our marketing teams are also working both digitally as well as through other channels to be able to improve the brand and focus people on what we are able to offer. So I think we have something good going and we will continue with that -- in that mode. And what is your second question?

**Himanshu Taluja:**

Yes. Sir, last question is on the -- since you're still awaiting the NCLT approval, any update which you can share, any communications? And secondly, once you receive the final NCLT approval, I believe the final set of approval will be the shareholders' approval. And do we expect after this NCLT approval once achieved, probably the reverse merger process will get completed within 30 to 60 days?

**Ittira Davis:**

No, the NCLT right now has gone on vacations. So we'll have to wait till they return in early June. But yes, they will have a set of things that we have to do. The shareholders have to meet when there is the majority of the minority shareholders. All of those things have to be done. And once all of those have been submitted to the NCLT, they will deliberate and give us the go ahead.

Once the go ahead is given, whatever is the shortest timeline, which is available, we'll put that in place. But right now, I can't give you any specifics, but we'll work on it and try to close it in the fastest possible time.

**Himanshu Taluja:**

Yes. Sure, sir. Sir, just one final data point. What is your average lending yield on the housing portfolio?

**Deepak Khetan:**

The blended yield on the portfolio is around 12.8% or 12.9%. On the disbursement side, the disbursement, the blended yield would be around 13.2%, 13.3%, housing.

**Moderator:**

We'll take our last question from the line of Shailesh Kanani from Centrum Broking.

**Shailesh Kanani:**

Just one question from my side. In the MFI book, if you can just give the breakup of client profile between formal, informal, salaried, business, if you can just share that breakup?

**Management:**

So in microfinance largely we lend to customers who are self-employed. But at the same time, we have a specific product for customers who are salaried as well. But largely it is self-employed. I would say that about close to 10% customers who are into salaries category. Rest all are self-employed.

- Shailesh Kanani:** Self-employed. And does -- just a follow up on that. The El Nino pattern, has there been experienced in the past where the asset quality or the collection has deteriorated during that phase, if you can share with respect to MFI book?
- Vibhas Chandra:** Yes. Can you please repeat your question?
- Shailesh Kanani:** Yes. So I was asking -- I was trying to ask does the El Nino impact in past has impacted the quality of the book from our customer side given the profile of the customers? Does that have an impact on the collection of that book?
- Vibhas Chandra:** Yes, yes. So in the past also we have seen that our prepayments, etcetera, is not that affected by -- and one of the reasons why for Ujjivan also because we are not that -- we are -- we have started as an urban microfinance company. We are now present in rural as well. But large part of our portfolio still is in urban, metro and semi-urban locations. At the same time, in rural location also we have seen that our customers are not into one kind of occupation. They have multiple occupations in their household. It is agriculture with some kind of other occupation also happening in the same family, like livestock or shops, etcetera, that kind of customer recover faster.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Ittira Davis for closing comments. Over to you, sir.
- Ittira Davis:** Well, thank you very much to the IIFL team for conducting this session. We appreciate your support. And I'm sure that we have taken care of answering as many questions as we can. And we look forward to hearing from you in the near future, either one-on-one or in the next quarterly session. Thank you.
- Moderator:** Thank you, sir. On behalf of IIFL Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.