"Ujjivan Small Finance Bank
Q3 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ujjivan Small Finance Bank Q3 FY2021 earnings conference call hosted by IIFL Securities Limited. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Murarka from IIFL Securities Limited. Thank you and over to you Sir!

Abhishek Murarka: Thanks Steve. Good evening everyone and welcome to the Conference Call to discuss Q3 results for Ujjivan Small Finance Bank. From the management team of the bank, we have Mr. Nitin Chugh - Managing Director and CEO, Mrs. Upma Goel - Chief Financial Officer, Mr. J. Srinivas Murthy – Head Liabilities, Mr. Rajat Singh - Head – Micro Banking and Rural Banking, Mrs. Sneh Thakur - Head of Credit and Collections Micro Banking and Rural Banking, Mr. Murli Manohar, Financial Planning and Analysis, and Mr. Deepak Khetan - Head of Investor Relation. We will start with opening remarks and then open up the call for Q&A. I thank the management for giving us the opportunity to host the call. I will now hand over the call to Mr. Nitin Chugh. Over to you Nitin!

Nitin Chugh: Thank you Abhishek. Good evening everybody and welcome to earnings call for this quarter for Q3. First of all I hope all of you and your family is safe and healthy and you have been keeping well.

The way the New Year has started strongly with a lot of hope, we believe that the worse is indeed behind us and we really have only optimism taking this forward in the next financial year. Of course, the steady decline in the active cases and the massive vaccination drive going on in the country, I do believe that the pandemic would be thing of a past for us and hope we believe that we would necessarily trying to forget. I think it is also prudent and important to account for the damage that the pandemic has inflicted on us, both economically and health wise but at the same time we have to move forward with courage and optimism. Most importantly with a lot of determination. So our results as you would have seen reflect a very bold and yet a very calibrated position that we have decided to take.

It is our firm conviction that we are back on our growth trajectory. We will talk a lot about that in detail but having taken kind of provisions as we have I think they are completely positioned to move forward from here and look at growing the book and business. I do not want to spend time on the macro outlook, I am sure you have heard enough versions from various agencies but in general we are looking at a very positive FY2022 and also continuing into the next few financial years but I do want to share with you that we have seen a similar kind of bounce back in our customers segment and I break it up by different customers categories also, now this is giving us a lot of confidence to grow the business, yes we had taken a cautious approach like we have mentioned in the previous earnings calls but now as things have started to return to normal and in most parts I think we have given ourselves the confidence to move forward in a way determinant manner.

We were talking about preparing ourselves for the post-COVID environment. We mentioned that in lots of earnings call or the last three earnings call rather and we have also spoke about that in lot of investors conferences that we were using this time to prepare ourselves to be able to work more effectively and in a better manner after COVID gets over and all the things as we had worked on all the initiatives or digital thrust and several other things that we tried to do to open other efficiencies and cost efficiencies most importantly, they are all starting to bear fruit for us and that gives us even more confidence to move forward in this quarter and the next year.

So coming to the customer segment, let us start with the MSME which was probably badly impacted in general. They faced liquidity issues and all kinds of other issues of cash flows etc., but the government backed schemes have obviously helped them and they have been able to revive and they are slowly coming back on their feet and we are seeing those signs which are translating into a good demand for credit which is in our case very clearly evidenced for the rise in the new logins which we have reported even the last time that our logins are back to pre-COVID levels.

In micro banking, there is increased level of economic activity, we have shared with you earlier also that a lot of our customers are into the so-called essential services business or groceries etc., they were rather quick to come back but because of some lag in some parts because of various reasons either lack of transportation or otherwise or because of specific occupation led nuances, there are some segments in pockets which are lagging and that is reflection posturing in terms of provisions that we have taken in, in this quarter. We also believe that the massive vaccination drive is really going to help our customers especially in the segment of micro banking because they are all ones who are most exposed to any kind of health risk.

In affordable housing, the demand actually came back towards the middle of Q2 and we saw that building up in Q3 and we do believe that the demand for affordable housing is going to sustain itself over the next few years. The recent announcement in the union budget also are reinforcing the government stand to support affordable housing and their agenda of housing for everyone by 2025 or whatever but from our point of view, we are extremely well prepared to handle that demand and we will ride that day for sure. This whole commentary from my side and I am sorry, I will take a little more time because these results have to be explained a lot more in detail so we will keep a lot of time for question and answer also which we will be very happy to provide you.

Now, we will talk about business, our approach to restructuring and collections, philosophy behind taking the provisions or liabilities business, our digital strategy and finally also we will spend a minute on the IWG recommendation which got opened for public feedback to January 15.

Coming to disbursements and new business, while in the initial months of the year because of the uncertainty we were very cautious with our disbursements and we did not book too much of new business; however, with improving on-ground situation we felt very confident to scale up and we have brought the focus back on growth. So while our loan book has seen a way marginal change over December 2019, 13,638 Crores probably 0.4% higher than what it was in December 2019 but a month-on-month disbursals have picked up really well and we have in setting up on the business from December onwards. So in December we actually grow almost 8% over December 2019 in terms of our disbursals and in January, we are now equal to pre-COVID levels what we were on January 2020.

Just to give you a sense, we did 1285 Crores of disbursals in January 2021 and in January 2020 we were at 1299 Crores, so, it is almost there. Importantly enough a lot of our businesses are also delivering the highest ever numbers which also improves a lot of other ratios for us in terms of productivity in efficiency which I will talk about. I think this whole momentum that we have picked up now with the business picking up in December and now carrying on into Q4, we strongly believe this momentum will continue for the rest of Q4 and well into the next financial year for which we are extremely well prepared.

Our collections on the loans that we have disbursed during this financial year April onwards is at a very high of 99.5 probably a shade better than what it was pre-COVID. Now that also indicates the robust quality of a new book we are building in this financial year. On the last call, I mentioned about logins that had reached a pre-COVID levels in MSME and housing now I can tell you that for all business verticals that is pretty much the same thing. In January, we did have a ever high disbursals in both MSME and housing loans in fact we also delivered with the highest ever productivity in MSME housing loans for the month of January 2021 and microfinance is completely back on track as far as pre-COVID levels are concerned. In fact in December we did more than December 2019 even in microfinance.

So, for every asset business our disbursements are now showing Y-o-Y growth overall. December 2020 disbursements were up 8% like I mentioned earlier year-on-year and in January we were back to January 2020 levels. In micro banking we were taking a cautious view so we gradually opened up the new customer acquisition as you would remember one-third of our on boarded customers every month pre-COVID were new acquisition and two-third were repeat customers. However that number was only 5% till Q2 because we were very cautious with new acquisition. That number is now changed to 10% for Q3 and we are now gradually opening ourselves up to acquiring new customers also as things improves.

We have also added 165+ money mitra outlets which is expanding our reach beyond 575 branches. Also our tie up with Airtel Payment banks, we have got additional 7000+ touch points for our customers and in addition to Airtel we have now also tied with up PayNearby which you would know as almost 800-1000 outlets, now with all of this we believe our customers will have more access points and that is already reflecting in the amount of cash that we are handling now which is substantially lower because these points have been used for either to depositing repayments by customers themselves or by our own staff who collect from customers and then they go to the nearest point and deposit the cash there and we do not have to bring them back to our branches.

In affordable housing, we continue to do well with disbursals as par with Q3 of FY2020 180% higher than Q2 of FY2021, new case logins are now significantly higher than pre-COVID. We have improved our internal processes by way of digitization and the focus on productivity is already at all time highest in affordable housing which also resulted into ever highest disbursement in this month of January and it continues to be a clear focus area for us into the next financial year and we are extremely bullish about the full business for the next year.

In MSE though it was impacted, our disbursements grew about 145% over Q2 of FY2021, new case logins were already at pre-COVID levels but we have tightened our policies for which has affected our cautious posturing and the approval date for loan however January 2021 disbursements have been highest ever like I mentioned earlier. Here again in MSE we have tied up for the Fintech for supply chain finance, the first set of loans we were able to sanction and disburse in the month of January and we do believe that partnerships like these are going to strongly supplement our growth which will come through these alternate channels.

Now with also low cost of funds you might have noticed that in the investor deck the cost of funds have been coming down every quarter and again which is very well established now. We are keen to also deal with more formal segment rather than only the informal and the semiformal, so we are slightly shifting the product mix to bring in a slightly better quality on the book. These formal segment of customers are largely on the basis of balance sheet or its financial, GST details etc., and these could be customers like FMCG, stockiest, pharmacies, distributors, consignment or commission agents, etc. We have made a start there and we are also looking at expanding that segment on meaningful basis.

We also disbursed 55 Crores under ECLGS scheme it is not much in our case we are doing that very carefully, we are not sure how it is going to play out after a year, so we were extremely cautious with that. However, this little bit of 55 Crores that we have done has also had an impact on our NIMs because this is at a fairly low yield as was described by the scheme itself.

The other thing which has come out very strongly for us is that now we are digitally on boarding all our customers in MSE and housing. We are scaling it up gradually, now this is going to help us in reducing our turnaround time to customers and we do aspire to be the best in the industry and is obviously going to free up a lot of bandwidth for us which will help us in growing our disbursements. We have seen a very good base for affordable housing and MSE business and I think it would continue to perform strongly and contribute even more meaningfully with an overall growth into coming years. This is also in line with our strategy of diversifying and that is the reason I am elaborating a lot more on affordable housing and MSE because these two businesses have now reached a level where we can now start scaling up with all the things that has already shared with you.

On the institutional lending side, our FIG business it has been performing well in terms of portfolio quality with no overdue accounts during the pandemic. We are now focusing on better rated industries and it is expanding our range of products. Currently we do only term loans. We disburse 105 Crores during the quarter which is significantly higher than the 88 Crores of Q3 FY2020. However, the book is holding at same level. We have cautiously decided to grow the book. However, we have also taken a call that we would start dealing with better entities even if it is at slightly lower margins.

The other two verticals which we have on the assets side - vehicle financial and personal loans, still in the early stages of their business lifecycle and we do expect them to be meaningful contributors in the next two years to three years. Nevertheless business traction continues to be strong. Personal loan disbursement during the quarter was at par with Q3 FY2020, vehicle loan disbursement on a very small base was 7 times compared to Q3 FY2020 both of these will start showing higher traction from Q4 and for both these businesses we are using our own channels rather than depending on any high cost channel. Also trying to partner with whole lot of Fintech for alternate distribution but most importantly we are distributing this product across all our branches which is another thing that we did including the last six months to eight months by enabling all our branches to cross sell vehicle loan and personal loans.

Here again like I mentioned, we have tightened with lot of Fintech for work flow digitization also which is already showing an impact in the reduction of turnaround time and freeing up of bandwidth at the back office for handling more volumes which has been made possible through very systematic and targeted ties for Fintech for workflow improvement for these little integration. We had also started a pilot in gold loan which is doing well, though it is very small set of numbers to share I mean not even probably not worth sharing but in any case we want to test it for some more time but we do see this as a potential growth area as we are learning this business scenario to people who will run this business. For the next financial year, this is going to be a meaningful product for us.

In summary, our growth areas would be affordable housing, MSE loans and the new businesses in addition to going back to our microfinance which is our core and the other businesses such as personal loans, vehicle loans and gold loans. We are also likely to be dealing with more A rated entities in our institutional lending business and a fair share of this growth would be made possible through our digital workflows, our processes, which we are automating systematically and are Fintech partnerships which will result in to far better efficiencies, low cost and increased levels of productivity across all our businesses.

Just to highlight to you our productivity levels in both MSE and housing, for example, went up by 30% just over a period of two months that is the level of productivity and this is the highest ever that we looked over the lifecycle of this product. Our growth will also come from expanded distribution through new branches which we do plan to add next year and we have extended Fintech partnerships that we are now opening up rapidly.

Now coming to collections and provisions - collections continue to trend upwards for us with overall collections efficiency at 94% in December 2020 and stabilizing at 92% in January 2021 taken into account the collections efficiency of 73% from the restructured set of accounts. I will talk about restructuring lot more in detail little later but it is also important to highlight there our collections lagged in Tamil Nadu because of the extended festival holidays in January and in Assam for the reasons we all are aware of and the collection efficiency in Assam has dropped by nearly 9% in January itself.

As of December 2020, 94% of our customers are paying and 95% of the customers are paying EMI for the month of January 2021, so collection efficiency has really improved. The non-delinquent accounts showing from collection trends are moving towards to pre-COVID levels or already at pre-COVID levels for most lines of businesses. The new book for this year like I mentioned earlier which is now 45% of our OSP in micro banking is already behaving at 99.5% for us collections efficiencies which implies that there is no incremental stress which is building up. We have shown a significant improvement in West Bengal which is one of the places that we were concerned about. The last time we discussed West Bengal, it has gone up to 92%. Maharashtra and Punjab are also now going towards 90% mark. Assam obviously will continue to be bit of a wait and watch and we just hope that things do not deteriorate any further. When we are taking a lot of steps on the ground, trying to communicate and engage with our customers and wherever we have a chance to engage with a local authorities. The loan waiver announcement have derailed all kinds of possibilities there but it is also too important to once again highlight that Assam is only 3% of our portfolio. We have 364 Crores of an outstanding book as of December in Assam and we are not planning to growth that book at all right now till things improve.

So, while we are closely monitoring all the stressed pockets / profession / customer segment based on our assessment of potential stress which again is based on our on ground interaction with our customers and a lot of mathematical modeling of expected stress - we have taken additional provision of 547 Crores in Q3. With this our book coverage is enhanced to 8% as on December 2020 from 3.4% as of September 2020. On the micro banking book the coverage would be 9.3%. We believe that we have taken this bold call by one acknowledging for the fact that it could take longer to resolve the impact on the portfolio and two, also to protect the P&L from any seen and unseen future damage and from here on now that you have taken these provisions upfront, we can focus on building back the business and the book without having to worry about the credit cost of course there is a lot that we will improve collections but our numbers in December and January do evident of fact that and all resolved that we are moving ahead and we are going to be growing the business back stating to the demand.

I do again want to emphasize there our focus in FY2022 would be clearly on growth, we may not have to take of course we would have taken provision now we do not see the reason to take any more provisions though we endeavor in covering for our cost with efficient savings also, I think they have also been able to deliver strong PPOP of 4.3% which is 0.5% growth over Q3 of FY2020 and we do hope that this can continue now that we have taken the provisions.

Now coming to the restructuring, starting October we initiated identification of customers and we engaged in extensive discussions followed by assessment of their repayment behavior and their cash flow at that point in time and now based on this exercise, we identified accounts which had to be restructured in our micro banking book. We took two approaches to the restructuring, one that we elongated the tenure and reduced the EMI for some borrowers and for some we gave them a moratorium or a repayment holiday for a month or two months. So under tenor elongation we reduced borrower EMIs after assessing the cash flows and elongated the tenure by maximum of 24 months from the original date of maturity. The interest for unpaid period has been capitalized. Customers who have availed the moratorium for one or more months were restructured by way of tenure extension by the number of EMIs unpaid. There is no change in the EMIs in that case.

852 Crores or 8.5% of the micro banking book has been restructured. We really wanted to follow the policies that RBI came out with letter and spirit and we thought that it was a good way of also assisting our customers who we were in touch with and giving them more time, so it is also good thing to share with you know that we are seeing 73% collection efficiency from the restructured book already in January 2021 and we expect it to improve in the coming months, so we are happy that we took that decision, we are happy that we were able to assist our borrowers and we are also happy that we have done things exactly in line with what the RBI had described in both letter and spirit. So, what has been heartening for us is that there were a lot of customers who had not paid a single EMI since the moratorium starting in April and they did not pay till December and we did get a chance to

examine that and restructure some of those customers and the balance obviously we continue to go through our collections effort but the ones the restructured 29% of those customers have also paid us in the month of January. Now this is very, very heartening for us because it does really bring out the whole hypothesis in a very clear manner that yes, these customers needed assistance, we have done that in a meaningful manner for them under the framework that RBI expect us to.

For all the other retail assets we have identified the accounts again based on a conversations with customers, our data science and the repayment behavior during the moratorium and now we are in the process of communicating with the customers on the process implications, benefit, etc., and we do have time till March 31, to complete the activity which we will. I can also tell you now that the focus on collections would be stepped up further as much as focus on growing the book and customer base which I spoke a lot in my previous section and we will continue accelerating this well into the next financial year, I am sure you will have a lot of questions on this whole subject of restructuring and we will be again very happy to answer this.

Now coming to liabilities, our overall deposits grew by 9% year-on-year, retail deposit which is where we have been focusing for the last one year have grown by 20% and CASA grew by 66% Y-o-Y which got us to a CASA ratio of nearly 18% for Q3. Now this is despite the rate cuts that we had done on the deposit rates in H1. We did not feel the need to reduce any further because our CASA mix has been improving. So on an overall basis the cost of funds have been coming down but I do want to highlight that we were able to replace a lot of high cost deposits at a significantly lower rate, now this is also in line with us strategy of building a granular and a stable retail franchise which is long term in nature and gives us the ability to cross sell and for that reason alone, we have enabled all our branches to cross sell all our asset products.

Our customer acquisition remains strong. We mobilized 7.3 lakhs new deposit accounts approximately half of which were new-to-bank and we are witnessing a fair, a large improvement in our staff productivity and new customer acquisition. Our cost of deposits at 7% declined 80 BPS from December 2019 and the cost of funds has therefore reduced to about 7.1. In fact for the month of January, it has dropped even below 7% for the first time. I am also happy to share with you that the whole ability that our reduced cost of funds gives us is helping us in making sure that we are able to price our assets appropriately and it is also been give us a lot of impetus in moving to more formal segments like the way we discussed on the asset side.

So, we are confident about keeping of cost of funds under control and I think we will continue to benefit from improving retail and CASA base. You would remember that we had plans to take CASA ratio to 25% in three years' time, I think we are not just on track, we are well ahead of our own milestones by getting to 18% in Q3 of this financial year. Again like I spoke about productivity in the assets businesses, we have put a lot of focussed effort in improving the same for liabilities businesses also. We have seen a significant improvement in lead generation, in participation of staff and lead generation even the non-sales people generating a lot of leads and interact with customers, the quality of leads, the quality of accounts that we are opening and the kind of balances that we building and all of this is visible in our overall performance of branches also.

We also witnessed improved assets cross sell from branches since we enabled them for all the assets during the year and this is going to continue and keep improving as the share of branches into the assets businesses adds to more cross sell. We are also focusing on higher variants in our liability side of the business.

Now this gives us the ability to serve probably the higher end of the lower middle class or let us say the lower end of the middle class whichever you want to look at it but largely it is a senior citizens or customers who can maintain balances, so we are offering them the higher variants and that mix is also helping us in improving the average balances which came at 11,600 in December 2020 up from 10,600 in December 2019.

Our salary accounts are showing very good traction. We are opening more than double the number of accounts like we were opening on an average last financial year and in December we have opened 9,000+ accounts, in January we did a lot better than that. Though currently small, the book is growing well with almost 3x increase Y-o-Y, both in terms of balance and salary uploads`. So we are also building a fairly good quality book on the salary side. We are also available on all form of digital payment platform and I am happy to share and this is as per NPCI data that we are in big industry dealer within SFBs in terms of usage of various platforms like e-commerce, PoS, UPI, IMPS, Off-us ATM transaction etc., by a wide margin and this is again inline with our strategy of building multiple touch points and making sure that the customers are transacting, you would have noticed that in our overall change in transactions on a year-on-year basis where we have also reported our digital transactions having moved from 56% to 59%.

So, we are happy that we have more transacting customers, this is going to give us a lot of help in our analytics practice and therefore in our cross sell abilities of retail assets from our balance sheet and our digital transactions like I said just now at 59% for Q3 up from 56% in Q2 and this were 33% in Q3 of FY2020, so that is a good 26% jump that we have seen and it is a balance across all kinds of customers in our portfolio.

Third party products largely insurance business as we do not do any other third party products, we do have plans to introduce mutual funds in the next financial year as one of the products have to look at; our insurance income equation has largely been dependent on the credit live insurance product which is bundled along with the rules that we do. However, we started to focus a lot more on the retail insurance business who have branches and the other businesses and you will notice from the investor deck that we are seeing a large change in our retail fee income. We also renegotiated our commissions with an insurer partners which is also helping and retail fee income has actually doubled on a year-on-year basis. So, we are now focusing on health products and guarantee products with life insurance, we are expanding distribution by way of increased number of employees who are certified to sell insurance which is also at almost 4.5x the number that we had at the beginning of the year, so there are many more people who are marketing insurance for us.

In addition, we are also tying up with an Insurtech Rickcovry for digital distribution of insurance business through our API integration and the whole process of on boarding the insurance customers will also get digitized. We already use handheld devices a lot of this will go into the handheld devices and I think we should be amongst the very few people who would have digitized the whole end-to-end insurance workflow as an insurance distributor and not necessarily as a manufacturer. Our branches and the increased customer base is going to be really feeding into our third party cross sell and this is again the same place where we will start on mutual fund distribution form probably in Q1 next financial year.

I will talk about digital a little more. Like you know we have committed to become new age, mass market bank which is technology led, which caters to a large customer base. We use this technology to be efficient to be superior and to be on time and most importantly also deliver superior experiences to customers, so technology and digital for us are very, very big enablers so that we have that edge because we deal with smaller ticket both on the deposit side as well as on the lending side.

Now in that context, we had divided a digital strategy on three or four parts. The first one was our partnerships with Fintech through our API banking framework where again we have release almost 90 out of the 150 APIs across. We have digitized our business processes with the focus on improving turnaround time and employee productivity, this also has a combination of digital workflows and Robotic Process Automation and investing in digital solutions which are further improving and that makes experience including some that they are using for customer engagement through messaging and notifications etc., which again is something that we have gone live with, now this is going to drive a huge amount of value for our customers and certainly for the bank also.

Coming to API banking and Fintech partnerships, like I said 90+ APIs which is nearly two-thirds of the overall set of APIs that we are working on are ready and live. Our digital repayments and digital lending which I spoke about in the context of businesses are also live and they have lots of them which are in pipeline. These will certainly drive a lot of cost efficiencies for us. We have ongoing 19 Fintech partnerships on the lending side team from on boarding, new banking, we have also done a pilot for collections which has worked out very well and I think we have a pipeline of at least another 20-50 at the moment which are in pretty active discussion with us.

Now this is one of the things that I did speak about in our previous earnings call that we are talking to lot Fintech and I am happy to share with you that all of that work is now completed. We are live and we are taking and we are also bringing in lot of business. Our engagements are becoming deeper by extending the solutions across lots of other banking use cases and we will also have a roadmap to co-create products with our Fintech partners in future.

In terms of our internal processes which results into a lot of man-hour savings and cost efficiencies and improved productivity, so the first thing is that all our on boarding journeys are now digitized across all our business whether assets or liabilities, some are being scaled up, some are already in production and scaled up but nonetheless all that work has been completed against something that we were working on to prepare ourselves for post-COVID world. The turnaround time for various processes in the onboarding side through these Fintech engagements that we did on the work flow side had actually helped us in reducing the turnaround time for various activities by almost 70% to 90%. That is the amount of savings that we have seen. Now that has resulted into an increase in the processing capacity if effectively productivity by at least 30% to 70% of the minimum workflow that we are talking about, so this really helpful and this is something that we were confident about and now this has also given us confident on the back of all of this, we can surely scale up the business in cost efficient manner.

In Robotic Process Automation, we have identified about 100+ processes which are going to be automated. We have completed doing 13, we were given an award for the excellence in cognitive automation amongst I think we were probably the only SFB that incorporatse kind of an award which will be recognition for us because I think the acknowledgement that the work that we are doing in the cognitive automation space itself is a big statement coming from a small finance bank. The benefits for all of this is already visible across business verticals, productivity is significantly above pre-COVID levels like I spoke about earlier and while our headcount, you might have noticed from the investor presentation or you will now is lower by 1000 people over December 2019 yet our businesses are back to the same levels and our productivity levels across all businesses are higher than what they were with far less the people because we are doing the same much higher business right now. So, this is really what we were trying to achieve in the last nine months that improve our efficiency, improve our productivity, reduce our operating costs, make sure that we use digital workflows, make sure we bring in technology, make sure we bring partner, work on API so that we are completely ready and then we want to press the accelerator, there should be nothing ahead of us to stop us. Of course we will do it in a very, very risk calibrated manner, not to say that we will take chances.

Going into the future I think we also have a roadmap for Artificial Intelligence. We have made a beginning with a multilingual bot that we introduced on our website, this is going to be more and more intelligent and while right now it is assisting us in lead generation and some basic workflows, we do have a roadmap through bring in a full AI stack for which we are partnering with another AI company and we do hope to bring in AI to lot of our internal workflows also through those engagements and some of the other key investments that we have made in marketing automation which is also giving us good results in the limited campaigns that we have done and we have bought in some more implementation partners on the digital side for RPA implementations and this will help us in one completing this in a finite and a shorter period of time over the next six months to nine months but certainly enough we can start identifying many more processes in our internal workflows which will also get automated once we have a set of partners on board.

\ Now coming to the and this really the last part that I want to talk about, the IWG recommendations as you are aware, there is abundant intent that has been expected in terms of being able to reverse merge after completing five years, so we have sent our recommendations to RBI within the timelines that was there and we do hope that these recommendations are converted into guidelines and as soon as these guidelines come, we will start working on that basis to prepare ourselves.

The other things are that we have been strengthening our leadership team like we have spoken about in the past also, our most recent colleague who joined us on the February 1, Ashish Goel, who joined us as the Chief Credit Officer. He comes from ICICI Bank with a 16 years of experience in ICICI Bank and a lot of experience before that also, very, well-seasoned and well regarded credit professional in the banking industry.

Our investments in technology, digital capabilities and improving efficiencies are all delivering encouraging results as we have spoken at the same time, we would be finding the distribution through addition of branches in the next year, we are finalizing those plans also in this quarter. We do plan to scale up gold loans, we also want to introduce credit cards for our customers in the next financial year, we are already in discussion with credit card issuers or we can go down the path of the white labeled card and then effectively learn that business to see if we really want to do it ourselves or not. If it does not make sense we will be happy with the white label, but our customers would certainly get that product.

We are also evaluating the safe deposit lockers in a few branches. We are also looking at some of our premises from real estate optimization point of view. So, lot of these efforts is going towards making our customers interaction far richer and more meaningful for our customers both in branches and on the digital channels. Our customer acquisition through our own branches, our teams, our sales channels, and our partnerships continues to grow, and they are very confident of growing that further.

So, we are more definitely into a growth phase having accounted for the expected slippages and the damage for the portfolio through the accelerated provisions that we have taken and from now on we believe there would be growing our business in a methodical responsible manner and growing the value for customer relationships and may be also set foot into some new territories, either new businesses like I mentioned or may be some new territories as such. I think we have set up a very strong base both on the assets and liabilities and the other lines of businesses and we are very well prepared to scale up and grow further from here. I stop here and we can now take your questions from here on. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amanjeet Singh from Excalibur Advisors. Please go ahead.

Amanjeet Singh: Thank you. So, Sir the lockdown lifted in August and we had a last call in November so, you have made a provision of Rs.100 Crores and now made like a substantial provision of Rs.583 Crores which is kind of taken away our nine months profit. So, my question is what changed between November and now. So, has the macroeconomic environment changed or is it like that our earlier estimates were lower or is this in anticipation of some other Q3 stress that you are expecting and in some other states like Assam, West Bengal, or something?

Nitin Chugh: Things have been changing it is not like we had a complete clear picture when we last spoke in November when we were discussing in October – November numbers and at that point in time the only matrix which was of interest to everybody was clearly collection efficiency and how it has improved from July – August onwards, right and we have reported that on a fairly transparently disclosed basis as so how it was the first half business line. Now, that did not mean that the set had gone away, it just meant that because people had come out of the moratorium it was the second month that we had just completed from re-payments point of view. I had very clearly also mentioned that we will get to know in Q3, and we will have to get the time in Q3 to really estimate what kind of set we will have on the book. So, while we did take provision of Rs.100 Crores in Q2 and we had also taken Rs.140 Crores in Q1 and we had also taken Rs.70 Crores in Q4 of last year because we announced our results in May. I think the appetite for more provisions has come only because of the changing scenario on the ground it is nothing to do with our estimates then our estimates now and things are lot clearer now, I would say absolutely clear now because we have been able to complete a full cycle of 90 days with our customers and therefore it gives us a very good idea as to what is going on. The second thing like you said, West Bengal as I mentioned has improved but we the impact at any of these territories have because of the lag whether it is

Maharashtra or Punjab or West Bengal or any localized market even if it is set back of four days because of Pongal holidays in Tamil Nadu, that continues and you have to make a quick recovery out of that otherwise that whole stress can stay and build up which we saw happening in some of these other places and most importantly in the market of Assam where things were actually improving till October and they had actually started to improve even in Q4 but then it came to a halt in the lock down period but after everything started going back to normal after the lock down went away we were seeing improvement in Assam even though it was lagging behind but now again it has gone back into a bit of a tail spin. So, we have to obviously provide for that, we have to take cognizance of that and say that yes, it is a recent development as recent as January. So, I think it is only prudent for us to estimate and then that is what we have done and have taken the provisions.

Amanjeet Singh: What kind of provisions you are expecting in Q4 onwards?

Nitin Chugh: Nothing that is the reason we have front ended everything.

Amanjeet Singh: Okay, thank you. That is, it from my side.

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

Shreepal Doshi: Good evening. Thank you for giving me an opportunity. My first question was more to do with re-structuring for the MFI segment. This used to probably here in we are seeing re-structuring being done at a strategy level. So, how do you see this impacting the credit discipline of this segment of customers?

Nitin Chugh: The credit discipline has nothing to do with restructuring, restructuring you will see through that the intent of re-structuring as a policy. What was the whole idea of re-structuring that till our borrowers who have stress and they require more time, banks have given a frame work of re-structuring those loans in a permissible allowed frame work with higher provisions which RBI allowed us to do but that was to be done on the basis of some banks have taken obviously somebody will come and ask me I will give it or not give it like the way they also took calls on moratorium. In our case we were in touch with our customers and we were continuously evaluating and estimating the levels of stress that we had and there was enough and more data by that time which was good enough for us to take any kind of a view. So, when we do this and that is the reason, I very clearly mentioned the numbers that 73% efficiency of collections from the restructured set of accounts is very hard thing because this is not really a problematic pool but just to be on the safe side we have also estimated some slippages from the restructured pool and that is again gone back into the estimation that we have taken as provisions. So, we are not saying that 100% will come out of restructuring and neither are we saying that the ones which have got restructured are going to stop repaying in fact what you should notice is that the customers who had not paid a single EMI till December 25% of those have also paid because we restructured their accounts and these are people who generally needed help and that was permissible and that is exactly what we have done.

Shreepal Doshi: Okay, sir second question was that like, in the state Assam how is the collection efficiency during the second half of January, probably when it was introduced in the first half, how is the collection efficiency in the second half?

Nitin Chug: See first half and second half I would say there is not too much of a difference because the announcement of loan wavers from the opposition party came in the month of December, okay the bill was cleared in the month of December it was just that the draft and the bill was not available for any public viewing, but the word had spread. You would also recall that there is one publication in Assam which was every day giving one little bit about bill on a daily basis. Now, all of that was resulting into a lot of noise that what is this happening, what is this finally led to. Now, when the announcement of loan wavers happened by an opposition party and then quickly followed by the ruling party effectively that changed the whole narrative with the customers, and they stopped turning up for center meetings or they would say now that is happened what is the point of paying you. So, I would not even say it first half and second half it was a systematic deterioration in collections efficiency which started to happen from December itself, end of December I would say. But really speaking if we compare January with December our efficiency dropped by 9%. Now, earlier if you remember the problem was restricted to upper Assam till at least Q2 of this year because the problem was started in upper Assam and lower Assam was performing reasonably well. But with these kinds of announcement obviously the entire state is discussing the same thing there is no more of a distinction between upper and lower.

Shreepal Doshi: Right! Okay Sir, thank you so much for answering my questions.

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

Gaurav Jani: Thank you for taking my question, Sir. Some clarity on GNPA numbers, so last quarter our pro-forma GNPA was about Rs.116 Crores odd which has increased to ballpark numbers say just about Rs.655 Crores – Rs. 670 Crores odd if you could just break up this entire increase into Assam so just the entire Rs.360 Crores would have set to change. Is that a correct thing to look at or how much was earlier change and now having this type?

Nitin Chug: Sorry, if I have heard you correctly your voice is very muffled Gaurav, but I think you are asking that how much of this old and how much of this is new right?

Gaurav Jani: Yes, you are right.

Sneh Thakur: If your question is towards the pro-forma GNPA our pro-forma GNPA/ Rs.658 Crores and is recognized as of December end and in the previous quarter we would not have that kind of number because the moratorium period just ended on August 30th and the repayment started from September. So, only after 90 days we recognized and hence it has got recognized during December.

Gaurav Jani: No, my question was how much would be attributable to Assam in Q3?

Nitin Chugh: The basic standard and whatever you are saying right, out of that how much is Assam. Because the book is Rs.364 Crores for us and I do not think there is too much in absolute terms from Assam but on a stand-alone basis if you look at it know it is the on a stand-alone basis there is stress in the book but on an overall portfolio basis it is not very material.

Sneh Thakur: So, we come back to you with the exact number later on.

Gaurav Jain: Sure, so if I am to look at the entire sort of stress on the book as of now which is about 4.8% plus 6% of restructured and about 75% coverage. So, historically and in your assessment, how much of this could be actually recovered. Could we see reversal going forward that is one and then how do we look at FY2022 in terms of provisions also since we have already up fronted all the provisions?

Nitin Chugh: We do not see the need to take provisions on this present portfolio in the next financial year and that is the reason we have up fronted everything every single rupee that we could account for okay, so we do not believe that we will need to take any more provisions in Q4 and any more provisions in Q1. So, this book is completely covered for to the extent of 8%. Is that what you asked?

Gaurav Jani: Yes, no, and just an extension of that is what is your outlook in terms of the recovery since you have already upfronted about Rs.1000 Crores odd of provisions?

Nitin Chugh: That I mentioned in my commentary also Gaurav, collections are the key focus area for us we have obviously estimated from flow rates come up with the expected credit costs and therefore the provisions. But the collections effort is going to be an ongoing thing that is why I am sharing numbers with you for the month of January to be very transparent and as we go through the quarter, we can keep sharing those kinds of numbers, but we do believe that from our past experience a lot of this book actually rolls back to the extent of 50% or even more. Now, this time around because we are putting a very systematic effort. We have an extended team and that is again something I would want to highlight that we have also on boarded over 1400 people only for collections. These people have been assigned on the basis of different buckets, and they are in place and they are actively collecting for us. We do believe that we should be able to at least repeat the experience or do even better than that which all the learning's that we have had from the past and the new cities that we have.

Gaurav Jani: Sure, thank you for that. Just probably last if I may, the interest income this quarter was lower so have booked any reversals if you could quantify that?

Nitin Chugh: No, I think that is the capitalized interest, right. I think we capitalized some 575 Crores and that is because we do not charge interest on interest and after the moratorium period this book has been kind of on standstill if I can say that. So, this has been a non-earning book for us and that is the reason it is reflecting both in NIMs as well as in the overall other ratios, interest income or even the PPoP for that matter to some extent.

Gaurav Jani: So, it would have been reversed from the interest income and then probably added to the loan book is what is?

Upma Goel: I just want to add to that when we have capitalized this interest it has become a capital what we are trying to highlight is on this capital we are again not charging any interest that is what we are saying there is no interest on interest. So, this amount is added to total loan book, but we will not earn any income on it – that is the reason for slight drop in our interest income. With the Rs.575 Crores, monthly impact is close to around Rs.11 Crores so in the four months period that we are seeing is roughly Rs.42 Crores of the interest income impact.

Gaurav Jani: So, appreciate that, just last bit if I may squeeze, any sort of guidance for credit count for FY2022 if you have budgeted? Thanks.

Nitin Chugh: I think we have provided for everything for next year. We are growing our business and that is the reason I mentioned that the collection efficiency in new book is 99.5%. So, I would think that the provisions that we have taken is to the account for the stress that is visible to us right now and what we anticipate. The new book that we have accredited this year which already is 45% of the OSP for Micro-banking is expected to be at a much larger share in the next few months itself at the rate that we are growing is already being very well at 99.5% collection efficiency. So, I do not think there is any need to worry about credit cost for the next financial year.

Gaurav Jani: No, sir where I was coming from is, probably we were seeing some push over of stress to FY2022 now that we have upfronted this I guess then probably provisions could come low?

Nitin Chugh: That is what, that is why we have upfronted what is visible to us, what we have anticipated, rather than going into the next financial year, we decided to make this call of taking everything upfront and then move ahead with no worries and just focus on building the book and collecting and improving our collection efficiency.

Gaurav Jani: Sure, got it Sir. Thank you so much. All the best.

Sneh Thakur: Just to answer your previous question out of Rs. 658 Crores pro-forma GNPA, Assam has Rs.64 Crores.

Gaurav Jani: Okay, so the balance would be spread across probably the troubled states of Punjab, Maharashtra, and West Bengal.

Sneh Thakur: Yes and others.

Gaurav Jani: Okay, got it. Thank you so much, all the best.

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

Saurabh Dhole: Sir, good evening and thank you. Just have two questions, the first is when I look at your PAR numbers those are very high and continue to be sticky. So, at provisions of about 9% do not you think that there is a fair amount of ground that you have to cover in terms of providing more and would not that spill into Q4 of this year as well?

Nitin Chugh: No, we do not think so because the PAR we see is largely in the 0 to 30 and that is the reason we want to continue reporting that transparently and almost 70% or there about collections efficiency is also coming through from restructured book therefore we do not have a reason why that should be a worry in any case. The simulations that we have done to estimate slippages from the past it has exactly taken into account for us the provisions that we have taken. So, we do not really think the need will need any more.

Sneh Thakur: Although we try to add recoveries are upwards trending in the last few weeks. So, a lot of it is going to stabilize in the SMA bucket itself and not slip forward and we have taken that into account while making for the provisions during Q3.

Saurabh Dhole: Right, because I was just looking at your numbers from demonetization because that was the only time, we can look at for a reference point and then the par there at that point in time the par was around 4% and eventual credit cost for the entire industry and I think given for you came to be about 4% - 5% so I am just thinking as to why our total credit cost should not mirror your par?

Sneh Thakur: Okay, look I just want to also clarify during demonetization our peak portfolio risk over 10% and finally we ended up taking our cost of about 3% to 4% and this pandemic is very different from what we have faced in the past considering that the stress across all the states of the country and a lot of these customers are still in the recovery phase. Having said so, we believe that recoveries this time around are going to be significantly better because we have strengthened our collection capacity right now and we are also seeing the results up front in terms of recovery from the overdue accounts. Also, the re-structuring that we have undertaken is going to reflect positively in the performance during Q4 and the next financial year as well. Because a lot of the customers who needed support in terms of reduced EMI's all of those customers will also paying us now because they were in significant stress and because of this support we do expect a positive deflection on the bank performance.

Saurabh Dhole: Right, and one other question I had been on your non-MFI book so, what I understood or the implied provisions on the non-MFI book come out to be around 3%. So, I am just curious to know as to why the provisions are so high in the non-MFI book when largely the book is secured one?

Nitin Chugh: how did you arrive at 3%.

Saurabh Dhole: Yes, the total cover on the book is about Rs.1000 Crores of which about 9.3% cover is on the MFI book which means the total provisions on MFI is Rs.911 Crores approximately so the remaining would-be non-MFI, right?

Nitin Chugh: Yes.

Saurabh Dhole: Yes, and so that is Rs.118 Crores on a book of about Rs.3800 Crores that gives me about the 3% kind of number.

Nitin Chugh: You are right. It would come to approximately that much but that book if you break it up into different businesses like Affordable Housing; MSE if you break it up into unsecured and secured even though unsecured is a smaller book would have required higher bit of cover and likewise in personal loan, we have also taken a slightly higher cover because that is again a new book for us, and I mentioned that in my commentary also that we are treating that cautiously. So, from that point of view I think there is no harm in keeping a slightly extended cover even though MSE and Housing is largely secured but we have these ballpark portfolios of unsecured personal loan also which we need to account for.

Saurabh Dhole: Okay, and for the non-MFI portfolio is there any geographical color on the NPA on this non-MFI book that you can add at?

Nitin Chugh: No, nothing.

Saurabh Dhole: Right, okay thank you so much.

Moderator: Thank you. The next question is from the line of Ankit Choudhary from Networth Capital. Please go ahead.

Ankit Choudhary: Thank you Sir, thanks for this opportunity. Sir, my first question is on the base at which collection is calculated. So, we have proforma GNPA around 4.8% and then additionally there is close to 6% of restructure book. So, at what base the collection efficiency is exactly calculated, I mean are these numbers also considered by the calculating collection efficiency?

Nitin Chugh: Whatever is due by different categories, let us say the non-defaulter accounts and any other bucket, restructured account everything, is taken against the due for that month. So, that is how the collection efficiency has been computed and we have been maintaining the same thing right from the beginning there was confusion on this account due to multiple kinds of exposures by other lenders, but we have maintained that consistently.

Ankit Choudhary: Thanks Sir. Next question is on the write off. Is there any write off that has happened during this quarter and what is the total amount of write off that we have done in the nine months?

Nitin Chugh: This quarter we have not any write off and for the nine months I do not think it would significant.

Ankit Choudhary: And Sir, also on the ECLGS do we plan to do any ECLGS for the next quarter as well?

Nitin Chugh: No, we have just done some Rs.55 Crores and we do not see that anything significant even in Q4. Like I had mentioned earlier we are not very confident because earlier we were dealing with the informal and the semi-formal segments for most of these customers it is not even a meaningful extension of credit business, the loan ticket sizes were very small secondly because of the lower yield it does not come into our overall reprised pricing framework. So, we have not really done other than the Rs.55 Crores that I talked about and we do not expect this to be anything beyond a certain range closer to what we have already done.

Ankit Choudhary: Sir, lastly on the re-structuring book, what is the quantum of additional funding that we have done, and do we plan to do some more funding in the next quarter?

Nitin Chugh: What do you mean by funding?

Ankit Choudhary: Sir, have you funded any customers, have you given any pressed disbursement to the customer in the restructure book?

Nitin Chugh: No, absolutely not.

Ankit Choudhary: Okay Sir. That is helpful.

Nitin Chugh: That is different form I do not know who all you observed but we are very different that way and we have completely by the policy that RBI came out with and I think it is also equally important to acknowledge the fact that all the lenders went to RBI asking that is come up with the restructuring framework, alright RBI did that. Now, we chose to obviously do what we asked for and what they asked us to do or gave us the framework to do and therefore they were no reason for doing anything that we have never done in the past and we will never do. Why should we fund any customers?

Ankit Choudhary: Yes, thanks. Sir, lastly on the 73% of collection efficiency in the restructured book where do you see that number going forward say in the next quarter?

Nitin Chugh: I do not want to go to numbers but like I said our collection efficiencies are going to be improving across all kind of buckets and even this month we are working systematically to improve as we improve, we will obviously keep you all updated. I mean I just wanted to highlight the fact that 73% in the first month of having restructured is very encouraging sign for us.

Sneh Thakur: Additionally, I just want to add that we have seen customers who have not paid us anything so far even 25% to 30% of those customers have started paying us after the restructuring is done. So, that is a positive sign and I think this only going to better in the next few months.

Ankit Choudhary: Thank you Sir.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Thank you, good evening. First question is just clarification on the trying to reconcile the collection efficiency numbers with some to the other data. So, from September to December the collection efficiency improved from 84% to 94%. But during the same period the zero DPD has not moved at all do we assume that the CE data includes the pre-payments here or past payments?

Nitin Chugh: Past payments as in?

Abhijeet Sakhare: Does it include the arrears is that what is causing the difference?

Nitin Chugh: Yes, that is only 2% which is in the 94%.

Abhijeet Sakhare: No, September collection efficiency was 84%, December was 94% but during the same period the zero DPD is nearly flat at 16%. So, the movement or the improvement in collection efficiency is that only because of the arrears or how do we reconcile the truth?

Rajat Singh: Collection efficiency is calculated against the due for the month and par is something even if you have one or more EMI pending it will continue to reflect in the past so to be addressed even if it is one day. Even though par remains flat your collection efficiency can improve, and this collection efficiency also includes some of the arrear collection.

Abhijeet Sakhare: Understood, second one was now that the restructuring window is essentially closed how would we deal with any incremental stress, is the collections are yet to normalize or reach anywhere close to the pre-COVID levels, right?

Nitin Chugh: You mean the restructuring window is closed now is that what you said?

Abhijeet Sakhare: Yes, the restructuring window is not closed whatever news states that close over 90% plus how do we then deal with that or the sticky part of the book let us see now from some of the other states?

Nitin Chugh: Yes, one is closed only for the personal loans category, the MSME loans we have time till 31st of March, Micro-Finance portfolio also which qualifies this MSME okay, so we do have time for that but we do not intend to do too much of that because we are seeing improvement in collections efficiency and that portfolio also, if we have to any more of that we will take those calls during the quarter and in any case we have estimated those kind of stress position and accounted for that in our provisions. So, we do not expect anything more than what we have already estimated and forecasting the stress even from the one is which have been restructured, and we do not a chance to restructure any more or other wise and out of that is exactly what we have upfront. So, we have taken that into account for a modeling I mean we are not leaving anything to imagination anymore.

Abhijeet Sakhare: Yes, and just a clarification on the restructuring do we restructure the entire group because we are not sure how the other members will behave?

Nitin Chugh: No, it just by borrowers, individual borrower.

Sneh Thakur: It is by borrower and by individual based customer assessment done on their current cash flow capacity.

Abhijeet Sakhare: Okay, and the other one was that because of the whole moratorium thing the normal repayment cycle or the borrowing cycle for lot of borrowers has been disturbed in some ways. So, how are our customers reacting to it are we allowing early retirement of older loans in exchange of fresh loans or any such thing?

Nitin Chug: No, that is why funding Ankit was also asking that are you funding these customers like almost are you doing that we are not and the reason why they are highlighting this whole set of customers who had not paid at all and have started to pay to the extent of 25% -30% of those after restructuring is encouraging enough for us to establish that these set increased for instance and they needed help in to go through the restructuring frame work. Now, of course you can argue that some customers might have lost the habit some customers might go into intentional but all those kinds of probabilities and possibilities we have accounted for in this whole simulation for which we estimated and took the provision forward.

Abhijeet Sakhare: Got it. Just last two clarifications, why have the MFI yields gone down almost 200 basis points and second data point question was could you give us the number of field officers in the MFI segment at the end of December and let us say at the end of September or March last year.? That is, it, thank you.

Nitin Chugh: You mean including collection officer?

Abhijeet Sakhare: Yes, so the MFI specific the field officers including collection.

Nitin Chugh: That number in September was noted to 7000 and right now that number including field officers who are dedicatedly doing collections will be closer to 8000.

Abhijeet Sakhare: And the yields on the MFI book? That is, it.

Upma Goel: As far as the yield on MFI book what I explained last time is Rs.575 Crores of the book is not earning any income and that is the major reason of drop in the yields.

Abhijeet Sakhare: Great. Thanks a lot.

Moderator: Thank you. The next question is from the line of Prashanth Sridhar from SBI Mutual Fund. Please go ahead.

Prashanth Sridhar: Hi! Good evening, very detailed presentation. Just two data points, more be the total disbursement under ECLGS in the nine months now and is there any restructuring apart from what is disclosed for the MFI?

Nitin Chugh: No, there is no restructuring other than what we have disclosed and the ECLGS is somewhere Rs.55 Crores for MFI.

Prashanth Sridhar: Okay, cumulative?

Nitin Chugh: Yes, cumulative.

Prashanth Sridhar: Great. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi! Nitin, so the first question is I wanted to understand some context beyond the data points. So, our total re-restructure book is at Rs. 852 Crores and provisioning towards that is Rs.69 Crores and we are saying that the collection efficiency in January has decided. So, does it mean that since we have only taken provision of Rs.69 Crores and we do not expect any more provisioning for the existing book that our collection efficiency from restructured book also will reach to 93% - 94% level is that what is the underlying assumption?

Nitin Chugh: No, we are not saying that the restructure efficiency will go to 93% - 94% we are just saying that the restructured efficiency would have been a lot lower and was indeed a lot lower. So, I can share that with you, that was actually at around 45% in the month of November, right. So, once you restructure these accounts given assistance to these customers, they have come up to 73%. Now, we do expect that this will continue to improve because we are putting extended focus on this through our dedicated collections effort and of course we have done the right things for the borrowers and they are also happy with the fact that we have indeed assisted them and helped them when needed it the most. Therefore, I am not commenting whether it will go to 94%, I am also not commenting whether it will stay at the same levels, but we do believe that it will improve and if it does not then obviously, we would have simulated those kinds of slippages in the overall modeling that we have done.

Sneh Thakur: So, while we underwent the entire restructuring exercise, we have considered that there may be slippages even from the restructured book; however, having said that we are confident that a good number of customers will be safe since we have supported them during their difficult times.

Dhwanil Desai: Yes, any more provisioning on the restructured book as it stands for the size?

Nitin Chugh: Yes, so this provisioning on restructured book is largely coming on the regulatory prescription requirement in addition to that while taking the modeling additional provision has also been taken. So, this number is only for regulatory reasons which are highlighted levels.

Dhwanil Desai: Okay, and second question Nitin, is that if you look at our business model last several years, it is quite prone to the various reasons including some national, some regional and that is the nature of the micro-financing business and we have been trying to diversify our business away from micro-banking. But at a strategy level how should we look at our banks, I mean will micro banking remain a core part of the business constituting 60% - 70% of business or will we transition to more secured book over a period of time and are these events something else to accelerate act of this?

Nitin Chugh: That is a well laid out plan much ahead of all of this happened and it is not like we are talking about this because the pandemic came in. We have been talking about this for a very long time that we do have plan to diversify to the extent of 50% micro finance and 50% non-micro finance in three year to five years' time. I think we are around track for that, okay if you do note in this quarter the share of micro finance in the overall book is now 73%, last quarter was I think about 76%. So, every quarter it is changing and like I mentioned the thrust areas for us in the next financial year Affordable Housing, MSE, some of the new business line will obviously go at a faster rate also which they also have in this financial year, I mean even in December on a year-on-year basis they have grown by anywhere between 25% to 28%. So, the diversification will happen but the event rate I do not think this kind of an event exposes only micro finance customers because we saw the same impact even though it is last lender, we saw the impact with HFC, we saw the same impact with people who deal with vehicle finance, we saw the same impact with people who deal with lenders themselves, NBFC's themselves. So, I do not think an event like this can be only seen from the lens of micro finance, yes micro finance is more probably vulnerable to events like this which could be domestic, national, localized whatever it is but that is where it helped us to build the book which is reasonably well diversified across the country which what we have done so, we do not have at least geographical risk and that is the reason Assam for us for example is not a very big worry, it is a worry but it is not a big worry and for the rest of the markets I think we are in control and wherever we do have any doubt we provide for that which is what we have done. But more importantly I think from our point of view we are building the retail portfolio on the liability side which is going to be feeding into our process of retail assets separately we are adding retail asset like I mentioned in my remarks also through multiple distribution channels including partnerships and we accelerated growth on the non-micro finance book is going to continue for the next few years till we achieve a balance which we are comfortable with which insulates us from these kind of event risks. The third thing is that we will also be in a position which we wanted in this year, but we could not because of the pandemic but we will also start keeping aside from countercyclical provisions which would not be good enough for us for events like these. But events side we have given whatever kind of provisions you keep aside you can never be sure. So, I think it is more long-term thing, it is more a calibrated thing but that is something that we had slowed, and we have been working on methodically for the last several quarters now and we are moving in the right direction.

Dhwanil Desai: Got it, just last question. Any interest income reversal this quarter?

Nitin Chugh: Sorry, can you repeat please?

Dhwanil Desai: Any reversal in interest income this quarter?

Upma Goel: Yes, so on the proforma GNPA's we have provided first Rs.25 Crores as interest income which is a growth there is a provision against that among this Rs. 25 Crores.

Nitin Chugh: So, as and when the hold on the NPA is lifted we will be able to write back that provision.

Dhwanil Desai: Okay, great. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Abhishek Murarka for closing comments.

Abhishek Murarka: Thanks Nitin, and thanks everybody in the team for the detailed explanations and thanks to all the participants for logging on to the call in the evening. Thanks, and have a great quarter Nitin and Team. Thank you.

Nitin Chugh: Thank you guys. Thank you, Abhishek, and please excuse me not been able to give you all the answers do reach out to us for otherwise we shall be very happy to provide any kind of clarifications that you would need. Thank you very much once again.

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