

REFINITIV STREETEVENTS

PRELIMINARY TRANSCRIPT

IIFL.NS - Q2 2021 IIFL Finance Ltd Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2020 / 8:30AM GMT

CORPORATE PARTICIPANTS**Monu Ratra** *IIFL Home Finance Limited - CEO & Executive Director***Narayanaswamy Venkatesh** *Samasta Microfinance Limited - MD & Director***Nirmal Bhanwarlal Jain** *India Infoline Finance Limited - Whole Time Director***Rajesh Rajak** *IIFL Finance Limited - CFO***CONFERENCE CALL PARTICIPANTS****Abhiram Iyer****Chetan Cholera****Deepak Poddar** *Sapphire Capital Management LLC - Portfolio Manager***Kush Sonigara****Love Sharma****PRESENTATION****Operator**

Ladies and gentlemen, good day, and welcome to IIFL Finance Limited Q2 FY '21 Earnings Conference Call. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to the management. Thank you, and over to you, sir.

Rajesh Rajak - IIFL Finance Limited - CFO

Good afternoon, everyone. On behalf of team, I thank all of you for joining us on this call. I am Rajesh Rajak, Chief Financial Officer; accompanied by Mr. Nirmal Jain, Chairman; Mr. Monu Ratra, IIFL Home Finance, CEO; and Mr. Venkatesh N., Managing Director of Samasta Microfinance.

I'll hand over to the Chairman, Mr. Jain, to comment on the group's broad strategy and plans, post which I shall give a brief update on the business. Yes. Mr. Jain can give a brief overview on the business.

Okay. So let me continue by giving a broad overview of the business. In the quarter gone by, IIFL finance net profit was INR 205.1 crore in quarter 1, up 582% quarter-on-quarter and 178% year-on-year after impact of COVID-related general provision. We recorded our highest ever pre-provision operating profit of INR 463 crores during the quarter, which was up 42% up on a quarter-on-quarter basis and 103% up on a year-on-year basis, driven by higher off-balance sheet asset income, volume growth as well as higher NIM.

The loan AUM grew up 7% quarter-on-quarter and 17% year-on-year to INR 40,843 crores. Our core segments grew faster at 19% year-on-year to INR 35,636 crores. Our retail loans, including consumer loans and small business finance, constitute about 89% of our total loan book.

Our Tier 1 capital adequacy stands at 15%, and total capital adequacy stands at 18.7%. A strong characteristic of our loan book is a large proportion of loans that are compliant with RBI's priority sector lending norms. About 65% of our home loans, 47% of business loans and 89% of our micro finance loans are PSL compliant. In aggregate, nearly 42% of our loans are PSL compliant. The large chunk of retail and PSL compliant loans are of significant value in the current environment, where we can sell down these loans to raise long-term resources.

Our average cost of borrowing declined 23 -- by 23 basis points quarter-on-quarter to 9.05%. Consolidated gross net NPA stood at 1.81% and 0.77% of loans, respectively, as against 1.95% and 0.86%, respectively, in the previous quarter, which including standard assets provision under INDS norms on Stage 3 assets for 240%. Even if you were to exclude COVID-related general provisions, the provision coverage stands at 114%.

Our return on assets for the quarter on an annualized basis was 2.4%, and return on equity was 17.1%. During the quarter, we partnered with CSB Bank for gold loan origination for managing retail gold loan assets.

A brief update on liquidity. During the quarter, we raised INR 1,402 crores through term loans and refinance from banks. In addition to this, we assigned or securitized loans worth INR 2,702 crores. A cash-on-cash equivalents and committed lines of credit from banks and institutions stood a INR 4,927 crores as of September 30, 2020. We continue to have nil exposure to commercial paper. We have a positive ALM, thereby in close cover or exceed expected outflows across all buckets.

From digitization and analytics and other key initiatives, we continue to focus on digitization and analytics to improve customer experience and enable a convenient one-stop shop for customers' credit and investment needs. In addition to digital gold loan launched during last quarter, for home loans, we have integrated our sales mobile app -- application with real-time ITR validation, document e signing, et cetera, as a part of customer onboarding process for faster.

IIFL loans app has been increasingly used for various transactions by customers and has especially beneficial since a lockdown, giving customer ease and convenience of access. We have about 175,000 average active users on this app for the month of September.

That brings an end to the update. And let's open the floor for any question and answers.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

I'll just make a few comments before we open the floor -- can everybody hear me?

Rajesh Rajak - IIFL Finance Limited - CFO

Yes. We can hear you.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Moderator?

Operator

Yes, sir. Your voice is...

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So thanks, and welcome, everybody on this earnings call. on the macro and COVID as participants are well-informed investors and analysts. But from a finance point of view, as you would have seen in our presentation, the 2 key matrices -- matrices, which are collection efficiency and development for all core products that indicate a robust recovery in our business. And collections efficiency is based on billing for the month and does not include collection of overdues. Therefore, the metro environment relevant for us is good. It may not be representative of the whole economy due to interplay of secular trends, competition in terms and liquidity.

I'll take a few minutes before we take questions on significant, if not, complete transformation of our business model. As we discussed in the previous earnings call (technical difficulty)

Operator

Hello? Sorry to interrupt. Sir, we're not able to hear you. Hello? Sir, we're not able to hear you.

Rajesh Rajak - IIFL Finance Limited - CFO

Mr. Niranjana is dropping. We're waiting for him to connect. We'll wait for a while until Mr. Jain reconnects. Participants, please stay connected as we have Mr. Jain rejoin back again.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

I'm sorry for this, I got disconnected. But can everybody hear me now? Rajesh, now can you hear me?

Rajesh Rajak - IIFL Finance Limited - CFO

Yes, we can hear your. Operator, can everyone else hear, Mr. Jain?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Yes, apologies for this. So maybe I don't know where I got disconnected, start from. So I was just giving a heads-up on our strategic transformation of the business model, and I discussed that in my earlier earnings call as well. So this is, again, giving back COVID. And it's just a coincidence that the abbreviation is also COVID, where we say capital to optimize value innovation-driven business model. And where our goal is transition the company from a lending institution to -- from a lending institution to lending.. If everybody will hear me, I will continue here. So when we look at banks today, they have ample risk capital. And we have access to customers and strict underwrite and scale that we can achieve with our branches in our network. So it's -- I think for banks enough to a partner where we can acquire profitability. For banks profitable acquisition of retail and priority aspects, and we can leverage our capital more effectively. uniquely placed in the industry today business model. Not only due to sales that we have, but also due to a few disadvantages we have which are the other player.

So first our strength. So more than 2,000, 5,000 trained and skilled people, time-tested propriety technology, very well established processes for back-end operations, great collection recovery, legal servicing and and for region customers. Also, we have a picture of value innovation, which is not there's some any radical invention, but seemingly you small our initiatives that parts and give customers a great experience.

Now the disadvantages that I referred to. So if you look at industrial backed NBFCs like Bajaj, Mahindra or Tata or L&T, they can less than 6%. And for the same, we have raised something like 8% to 9% or closer to 9% in cost. And therefore, for us, it's easier to assign a partner with the bank where bank expect 9% to 10% returns than somebody whose cost of is much lower.

Also, when we look at start-ups who are also trying to get into this model, but they don't have the infrastructure, they don't have the experience or the network of people to force and service the loan. I think now with this -- I come to a few more things that I want to talk about based on the previous call, while significantly. But everybody worries about one more incident and liquidity can be frozen again. But the new model that we are working on, liquidity can be taken care of.

I was talking about fintechs. We have partnered with a number of them, and we continue to expand the network to provide the platform with access to capital, debt capital in particular and better processes. And we are pricing our API stack so that we can onboard fintechs very quickly.

As the model develops and matures, we can extend our partner with proposition to mutual fund, insurance company and also to certain international funding institutions who are looking to support more businesses and affordable.

Based on our last quarter's business results that you would have seen, 1/3 of our total income is without use of risk capital or without actually use of our balance sheet. For want of better term, we can call it, say, non-fund-based income. And this in takes more than 90% of our operating cost.

Coming to CRE, the our portfolio. We have made great progress in -- with a few investors who are interested in of the portfolio. And as we had guided in our earlier, we expect by transaction by December 2020.

Our cost optimization above -- as far as fixed cost is concerned are flat, however, the volume growth, the variable cost may rise, but most with higher profit as well.

As -- further visibility on recovery was not a clear in the economy, we had indicated pause on branch expansion. But now we are reviewing our strategy for expansion as well as investment in branding.

Coming to provisions, we are carrying an aggregate provision for loan losses as well as COVID-related contingencies of close to INR 1,300 crores, which I think is more than adequate. Although in last quarter, we had -- we did not expect COVID provision to continue this quarter. But we have conservatively followed RBI guidelines for providing 10% for restructured cases. Although we don't have restructured cases, but 1/3 of our CRE book is what we call DCCO, where delayed commitment of commercial operations and you can reschedule the payment.

When you are pre-operating -- pre-provision operating profit is an all-time high, we can afford the luxury of more conservative and building cushion for all eventualities. Excluding COVID provisions, our loan losses over longer-term some 90 basis points, and we continue to -- continue that -- to continue longer term.

In the wake of COVID-19 crisis, I think our business will enjoy a tailwind for at least 3 to 4 years and here to get growth on track policies well as world over, we'll keep liquidity benign and interest rates low. The way it happened after global financial crises in 2008. This a boom for retail lenders operating in market, which is not very price sensitive. And at the same time, unprecedented liquidity trends in the last 2 years in India has the industry consolidation and thereby, reduced the competition intensity. So I cannot be more with what Albert Einstein said decades ago that in the midst of every crisis lies great opportunity, and we shall try our best to seize.

So thanks. With this, I hand it over to the operator for question and answer. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from the line of Abhiram Iyer from Deutsche CIB Center Private Limited.

Abhiram Iyer

Mr. Jain, first of all, congratulations for a good set of results. It's always nice to hear you and talk. My first query has to do with the liquidity buffer and the upcoming payments. So if you look at the last time we had a presentation in June, we said that our liquidity cash and undrawn lines would cover payments up till Feb '21, which was roughly around 8 months from that time. Now we are seeing it's pretty much -- it's pretty much state the same way, where an aggregate liquidity will cover only up till Feb '21. So there seems to be a shortage of 3 months of liquidities with respect to upcoming payments from last time around. So could you just throw some light on this on why this is the case? That's would my first question.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Okay. So actually, what we are saying is right, but I'll tell you why and how it has happened, and what we plan to do. So our liquidity is available from the banking system, and you don't want to keep extraordinary cushion because there is a huge negative carry. You borrowed 8%, 9% and put your surplus at 2% to 3%. And having said that, if you see our last quarter, we have -- our total loan AUM has gone up by 7%, which is almost like maybe to INR 250 crores, INR 1,000 crores. And obviously, that has taken a taken the opportunity, which was then the market to grow our book and profitably, of course. And that is why you see that cushion, which was there for this maybe now about 6 months. But as we speak and also in the month of October and going forward, we are -- I think this is building up. But the amount has increased too. Because if you look at last quarter, we had something like INR 3,445 crores, which is close to INR 5,000 crores now. And another thing that...

Abhiram Iyer

Sir, basically, the way to think about it would be the loans have increased, and therefore, the amount of shorter-term maturities coming up has sort of increase as well?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So -- yes. So shorter term, we raised money from -- in the liquidity window of Government of India through SBI. And, that's why you're seeing in next 3 months -- and that actually has been used partly to pay high-cost loans, also it helped us reduce our cost of funding and partly to meet the growth in our loan book also.

Abhiram Iyer

Got it. Got it. Sir, the second question that I had was on collection efficiency. So if I look at your numbers for September, especially on the business on microfinance levels. While they've obviously improved from the moratorium period, there's still sort of lower than your peers. So could you just highlight some parts ahead? And what was the -- what were these percentages in October so that we could just have a much better sense?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Yes, Venkatesh is CEO of our microfinance. Venkatesh, do you want to take this? I mean...

Narayanaswamy Venkatesh - Samasta Microfinance Limited - MD & Director

I mean, -- in terms of our collection percentage, we -- I mean, we are on par with any of the competitors in the operating geographies. In terms -- I mean, we don't count the net of figures. We have a -- we go about the actual collection. So I mean, our collections look a little bit thin, but we are on par with any of our competition in all the geographies, which we operate.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So the collection -- Okay. I just want I think one point to be understood. The way we have put our collection efficiency number is based on billing for the month. So supposing, you're taking September. Then whatever is due in September, out of which how much we have received that is our collection efficiency. And we have not taken into account in the numerator the money collected from earlier months billing. And that also probably might give you a little different perspective to the number.

Abhiram Iyer

Okay. Got it. So basically, you're seeing that there be some collections from, say, which were booked in June, but were actually taken in August or September?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

It was booked -- yes, it was counted as August collection. So in August, we are taking...

Abhiram Iyer

Got it, sir. Got it. Can you give me the numbers for October?

Rajesh Rajak - IIFL Finance Limited - CFO

Yes. The October numbers we are clocking in close to around 88%.

Abhiram Iyer

Got it. Got it. And just one last question before I probably jump back on the queue. Sir, your CAR has sort of come down. Is there any -- and sort of is roughly around 18.5% levels now. So is there any plans ensuring this up somehow through any equity infusion or any of that sort?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So I know it's a good question. So if you look at our CRR, then a significant of our business, almost 60% of our business in 2 subsidiary companies. And there, it's significantly higher, it's like 33% to 27%. So that basically takes care of growth that can happen in, say, a home loan, LAP or microfinance.

Now coming to NBFC, when the CRR has gone down, primarily because the gold loan has gone -- has grown significantly last quarter. And we can assign these assets only after, say, typically 4 months because is required. And by the time, we start negotiating audit and everything, it will be 4 to 5 months old assets get securitized. So the securitization has not kept pace with the new origination with gold loan, but I think that will be taken care of. So at this point in time, I think is sufficient, and we really don't expect any stress there. And also as they're trying to consummate the real estate transaction by December, that will also release the capital in the NBFC company, which is the holding company.

Operator

The next question is from the line of Anitha Rangan from HSBC Asset Management. As there is no response from the current participant, we'll move onto the next, that is from the line of Chetan Cholera from Pragma Equities.

Chetan Cholera

Congratulations for the good set of number.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Thank you.

Chetan Cholera

Looking at the stock price, what I feel market either not believing in your numbers or expecting some big heat from our portfolio. Any explanation from your side or -- on it? And what steps are we going to take to change the perception of our company?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So I think as far as perceptual is concerned, the analyst call is what we do. And in fact, we move investors, but maybe because of COVID meetings have been few and far home. At this point in time, we don't have plans, so we being. But what the market is like a, and we are seeing this happening to many companies. So it's something not which is really unique.

And coming to the second part of your hypothetical question. So I think we believe that we've been very conservative in providing for any width that can come from CRE or any other portfolio for that matter. So our provisions are more than adequate, and we don't expect any challenge there. Otherwise, will comment on how the market perceives.

Chetan Cholera

So any thought for buyback or something that way?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So in an NBFC company, if a debt is more than 2:1, I don't think buyback will be permissible under law. At least that's my understanding, but we can check that. So buyback is not allowed for companies that more than 2, I think. So buyback is unlikely.

Operator

We'll move on to the next question, that is from the line of Love Sharma from Lombard Investment Managers.

Love Sharma

A couple of questions from me. So first one, looking at the disbursement trends for this quarter. So apart from gold loan, I mean, your SME book has also picked up and home loans. So would you be able to share some more details about what are you seeing in the, let's say, the home loan and the SME book? From last time, what we discussed, you did feel, I think, SME is a sector where you do see some pressure. So just to understand the -- how are you looking at fresh disbursement in this sector?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Monu, you want talk about home loan?

Monu Ratra - IIFL Home Finance Limited - CEO & Executive Director

Sure, Mr. sharma. So if you see -- yes, you've seen that there's been an uptick in the home loan disbursements, as we see the market out there is very much responsive to it as we have seen other finance companies. So that we will continue to take it forward in a robust manner. As far as SME loans is concerned, we are very -- we'll be very cautious and these numbers of some growth in should also be a bit of a of the GCL home loan that

got booked in this. So we can continue to be watchful of the SME loans. But at the same time, we will be in immediate times also, which we'll be surely be doing from this quarter.

Love Sharma

Understood. So would you -- for the SME book, would you be able to share how much of this INR 515 crore is actually from the government guarantee scheme?

Monu Ratra - IIFL Home Finance Limited - CEO & Executive Director

Out of this INR 515 crores, the government guarantee would be around INR 200 crores.

Love Sharma

Understood. Okay. All right. Okay. And just, I think, 1 more question. In terms of the trends of securitization going forward, any specific sectors which you are looking to focus on versus others?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, all our core products will securitize and also look for any partnerships. So home loans or business loans or gold loan and even microfinance. So -- and as a strategy, we focus on products which are -- which keen to buy or where we market for securitization.

Love Sharma

Understood, sir. So in case of, let's say, for this quarter, INR 2,700 crore of securitization which was conducted, would you be able to share the breakdown across segments?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

From breakdown across segment, one second again, we had a pager, I think it's a home loan and gold loan primarily, no business loan was securitized.

Love Sharma

Understood. Okay. Got it. And just one last question for me. You touched upon the topic of the sale of the real estate construction loans, et cetera. Is the plan to fully divest this book? And if so, could you share some details as to what kind of structure are you looking? Some of your peers, for example, have been doing kind of AIF kind of a structure where this has been parked outside the NBFC as such. So any color there would be very useful?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, I will similar structure of AIF, and you normally sponsor or, which can be 30%, 40% of the book and the remaining book is transferred. So on this 2, I mean, I really -- unless we finalize it, very difficult to talk about it. The structure will be similar to transactions that happened in the industry.

NOVEMBER 04, 2020 / 8:30AM, IIFL.NS - Q2 2021 IIFL Finance Ltd Earnings Call

Love Sharma

Understood. And you are looking to fully divest this boo?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So, no, not exactly because -- in our book, about -- maybe INR 1,000 crores will be very small ticket loans, INR 10 crores, INR 20 crores, INR 15 crores that we are not going to divest. And that doing well. There's no stress part of our. So we'll divest only the larger loans.

Love Sharma

Understood. And can I get how much would that be amount to in terms of the AUM?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So I think out of INR 4,000-odd crores, INR 3,000 crores would be the largest.

Operator

The next question is from the line of Kush Sonigara from Mahindra Mutual Fund.

Kush Sonigara

Could you just give some sense over -- so how is business loan assets performed? So if you can give some numbers as well, maybe cumulative collection efficiencies to have a better sense on that?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, I think numbers are there in our presentation. So we have given monthly collection efficiency, and we also given this Stage 1, Stage 2, Stage 3 in each segment. So business loan is also given. And this time, we also said the secured and unsecured split also. So I would say looking our presentation and all the data is there in that.

Kush Sonigara

Yes. But what I understand is your calculation of collection efficiency is only -- doesn't takes into account arrears of last month. So I would like to -- so am I right on that part?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Yes, I. And -- but any arrears for 3 months because GNPA. So when you look at the GNPA number, that will tell you what is due for 90 days and not collected.

Kush Sonigara

Okay. Okay. Okay. And sir, generally, how is the segment doing now? I mean how is the delinquency levels or how is obviously on-ground situation now?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

It's improved a lot because if you see business loan collection efficiency in September was 10.5%. So contradicting it to popular perception that business loans are in very bad step for MSME, I think at least 90% of them will start, which is not bad at all. So there has been some help from the government guarantee scheme also where 30% of top-up loan was with the guarantee of government. But on the whole it's looking good and maybe this quarter or next quarter, I think we think that even the new momentum. So people are cautious. All the members are cautious about extending about new loans, but whatever trend we are seeing is not bad. I mean things are bouncing back very quickly.

Kush Sonigara

Okay. Okay. And second is on -- so with regard to your CRE book. So I think, as you mentioned, December time line is what we are adhering to. So I'm assuming we would have a fair sense of what valuation we are getting or -- so any incremental write-down on that INR 3,000-odd crores of book, which we are looking to sell? Anything odd, which is likely to come up in the next quarter or any substantial write-downs do we see over there?

Rajesh Rajak - IIFL Finance Limited - CFO

No.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, I don't think there's a write-downs. This quarter also want to explain this, the would have become clear only after the moratorium is over. know that how many payments that we deferred because of delayed commercial operations because in the first 3 forward of the financial year, everything was sort of lockdown. But if you really look at it, then we are carrying almost about INR 600 crores of provision for this CRE book loan, which was maybe about INR 100 crores or INR 200 crores we were written-off, but we still have. So all these things are put together. I do not expect -- and also based on whatever negotiations we are doing till now, we don't expect any further write-down or even the retirement for additional provision on this book, I think at this point in time. And even if it is there, when we finally close out completely maybe nominal. So we are on track in terms of what the valuation of book and actually recovers much more than that.

Operator

The next question is from the line of Vikash Agarwalla from Bank of America Merrill Lynch.

Unidentified Analyst

Congratulations for a good set of results. Just a couple of questions from my side. One is on the GNPA. You mentioned that the current GNPA is 1.8%. How different would it be if taking into account the Supreme Court ruling off nonrecognition of NPA, if we can share some color on that?

And the second question is on the funding raise during the quarter. Why don't you go ahead, I'll complete my question later on.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, I think this 1.8% on would have been 2.77% without -- if you are not taken into account Supreme Court. So some of the construction loans, CRE loans that we had sort of given a deferment probably would have come to that. So the 1.81% number would it be 2.77% if Supreme Court ruling.

Unidentified Analyst

Got it. Got it. And my second question is on the funding based INR 1,400 crore during the quarter. Can you give some breakup in terms of what are the sources? And what portion of that is through the government guarantee scheme or other schemes?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So I think sources are primarily banks. On the government guarantee scheme, the would not be significant. So I think you're referring to TLTRO or anything else? Or may be about INR 500 crores or less than that. So even the government -- there was a partial scheme for assignment of loans. But the conditions were said that we always found it better to do it without dispute with as we.

Operator

Mr., are you done with your question?

Unidentified Analyst

yes, I'm done.

Operator

We move on to the next question, that is from the line of...

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Sorry. I just -- so the borrowing and the government guarantee scheme is one thing different. But what we are lending to our SME businesses under government guarantee scheme that I think Monu has give an estimated number of around INR 200 crores. So that's a different thing that we lend a 20% pop up at 14% or less to our SME customers, then that also guaranteed by government. So that's a proposals. Yes. Please go the next question.

Operator

The next question is from the line of Deepak from Sapphire Capital.

Deepak Poddar - Sapphire Capital Management LLC - Portfolio Manager

Yes. Sir, just wanted to understand, now you did mention that we have been quite conservative and our provisions are more than expected. And in the last 3 quarters, I think, overall, we have provided close to about INR 800 crores of COVID provision. So in the second half, what sort of COVID provision do we expect?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

In the second?

Deepak Poddar - Sapphire Capital Management LLC - Portfolio Manager

Second half.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

That's why I'm saying that -- so again, nobody knows how the COVID situation will now pan out. But hopefully, when you are get into a major lockdown or a problem in terms of when the project gets stalled or businesses again get stalled. So unlike that's a lot of more COVID provision going forward. Even this quarter, provision that we are seeing is primarily 10% on the cases, which is like we have followed the restructuring norm, although these cases are not technically restructured. So again, I would say that we should not expect much of COVID provision going forward.

Deepak Poddar - Sapphire Capital Management LLC - Portfolio Manager

So that means that your credit costs should normalize in the, right?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

That's right. So I said that credit costs our provisions for longer term should not be more than 80 to 90 basis points of our loan in the year.

Deepak Poddar - Sapphire Capital Management LLC - Portfolio Manager

Right, less than 1%?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Yes. So the quarter 20, 25 basis points -- on profit. Yes. Yes, you're right.

Operator

We'll move on to the next question, that is from the line of Chirag Sureka for DSP Mutual Fund.

Unidentified Analyst

This is Vivek, actually. I have 3 questions. So I just -- and 1 account-related question. I just ask in sequence. The first question is to Mr. Venkatesh. In terms of microfinance on the ground, how do you see it? I mean, there's always this theme of rural being very good. This has been spoken about. And the collection efficiencies were up 88% in October. What will be the next thing that will take back to the 98% Kind of levels? So that's question #1 for Venkatesh.

The second question is for Nirmal. As -- you said that you are keeping a slightly lower liquidity, though you've kept a fair amount of liquidity still. Is it because of our confidence in assignment transactions and collection efficiency that's driving a decision? And do you see that assets go government schemes and that banks are more receptive to giving to NBCs on a stand-alone basis, their confidence? So that's the second question.

And so in relation to that, what is the margin of safety that you will continue to keep latest March?

Then the last question is this other income of INR 96 crores, which was there. Could you just summary from the finance team explain what this other income is?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Sure. So Venkatesh take first and then I'll focus on other question.

Narayanaswamy Venkatesh - Samasta Microfinance Limited - MD & Director

Yes. In terms of the rural economy is almost we can say it's back to pre-COVID levels, and things are improving rapidly. And with all this festival season coming up, we see more activity happening in all these sectors across. I mean, where we have issues would be very close the places where we are closer to urban markets. But we are hardly present in those markets. But we are going about -- I mean, if you look at this month also, we'll be activating a lot more customers from what we activated last month. So I think so -- I mean, by December, we could see almost getting back to very close to what we were pre-COVID, that's where we are expecting ourselves to be.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Thanks. Okay. So, we have much better than we were expected to disburse last quarter. And that is what EBITDA. So can everybody hear me properly? There's no marginal safety, 6 to 9 months. So it month or 2 which make it up very quickly in this project it self. Because again, as I said, that this is slightly lower because of the higher-than-expected loan because gross last quarter. But we keep for that purpose only. I'll keep the opportunity to do more loan and. And secondly also, the bank deposit rates or liquid fund rates come as a negative carry has also gone up. But to answer your question in 1 line, our endeavor will be to build it up again the 9 months level as quickly as possible.

Secondly, other income of INR 96 crores, INR 41 crore is -- so we had SBI cards share s, which had got an IPO. And I think last quarter, the loss provision on that. And this quarter we sold and there was some profit. That was about INR 41 crores. And other than that, as businesses picked up, even the cross-sell income. So about INR 50-odd -- INR 56 crores will be the fee income. And the remaining part is that gain that I told you. So INR 54.69 crores is the fee income?

Rajesh Rajak - IIFL Finance Limited - CFO

Yes.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

INR 7.94 crores is the.

Operator

The next question is from the line of Murli Kandilwal, an individual investor.

Unidentified Participant

Sir, my question is regarding home loan. I just want to know, out of total home loan we have disbursed, what are the number of home loans for which developer of funded?

Rajesh Rajak - IIFL Finance Limited - CFO

Yes. So the amount of home loan because we've not been doing much of. So this could be hardly about 5% to 7% of the total home loans, which we would have disbursed, which have gone towards developers.

Unidentified Participant

Okay. So my second question is our cost of funding is around 9.1%, and home loan portfolio seems around 10.3%. So how are you managing such low margin for home loan?

Rajesh Rajak - IIFL Finance Limited - CFO

This is at a group level. Whereas as far as home loan is concerned, you have opportunities to have cost to fund relatively much lower, especially from institutional things like that national or even when we do direct assignment of the pricing is different. So you can clearly say that as far as home loan is concerned, the average cost of fund is at least 70 to 80 bps lower than the -- at the group level, cost of funding. This is a consolidating.

Operator

The next question is from the line of SB, an individual investor.

Unidentified Participant

Yes, sir, my question actually has been partially by one of the investor, but my question -- I like to add, again, with such nice performance by the company and with the goodwill of Mr. Jain and the, I think you need to do something about the investors who are actually wayside. Since March also, I think the return is hardly 10% when the markets were at the peak low. And last 1 year, the return has been less than 50%. I don't think that is the case in case of other financial companies. So something needs to be done. I understand that buyback is not possible. But by way of dividend or -- you have to find a way here. This is what I'll say.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, I understand. I think -- but equity investing is obvious for long term. So you have to patiently hold on for long term. So -- and performance recognized. So that's much gene. You shouldn't worry about, month to month, quarter to quarter stock price performance.

Unidentified Participant

Right. It's more than a year, right? Whatever, right, I think we shall do what the investor needs to do, right? We are seeing values. This is what we are taking a stand on. But then from management side, also, I think there is some management responsibility, also the investors are, in some way, actually if they are not rewarded, they're not penalized. So something -- some responsibility comes on the part of the management also, this is what we think.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

No, the stock price is not in management's control. So this...

Unidentified Participant

rewarding through dividend or right, so some way some ways or maybe actually putting some to the investor -- interest also in the company. I don't -- I totally understand stock price is not a -- it should not be. But then at the investment should be rewarding way or not?

NOVEMBER 04, 2020 / 8:30AM, IIFL.NS - Q2 2021 IIFL Finance Ltd Earnings Call

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

I take a note of this. Let think about it.

Operator

The next question is from the line of Garav from DK Partners.

Unidentified Analyst

And congratulations on the good set of results. I just wanted to check your plans for the balance of the year in terms of fundraising and if you have any -- on balance sheet and quarterly AUM growth target? And how much fundraising are you expecting? And then if you can give some sense of how much fundraising you're planning to do from bonds and loans? And how much you're planning to do from securitization or sell around that would be very helpful?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

So actually, we have generally not guide on our loan AUM growth will have. But in our earlier calls, we had said that in a year or which has an earlier call that we'll have a total fundraising plans for about maybe INR 5,000 crores over 6 months, we should meet our requirement. So -- but the thing is the derived number based on how much loan growth we have, what are our utility we want to keep and what are the repayments. So it's a very dynamic work on it. So I think from investors' point of view, what is relevant and important is that we keep adequate liquidity, and we make sure that if there are opportunities in the market, then we are able to take that.

Unidentified Analyst

Okay. Got it. And I think in the earlier call, you had also commented on the wide disparity that is there between AA borrowing cost and the borrowing costs for some of the larger NBFCs, and that is still -- even though our borrowing costs have declined 23 basis points Q-on-Q, there's still a very big gap. I think you alluded to it earlier in this call as well. So just wanted to hear your thoughts on what actions we can do as a company to close that borrowing cost, which makes us obviously more competitive?

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

yes. I think as people see the track record and they get more confidence. So there's always like a pendulum when any crisis or anything happens, then there's 1-way movement, maybe what you call risk or just getting consent. AAA, if you see the bank deposits also significantly, many people have just put money in the bank, even HNI investors we service or wealth management on. But these are the phases that happen. And I think it's already happening. So the gap is narrowing or there's interest coming, people are looking at in your papers beyond AAA, where they can get slightly higher yield than they perceive that there won't be any -- any risk there. So that's already there. It might before it gets back to normal levels. When I say normal means -- yes.

Unidentified Analyst

Got it. And just one last question, which is not the gold loan a very big part our consolidated asset side. What's the impact it has had on our ALM? What's the kind of maturity? And is that also something we can consider as a source of liquidity in some sense because I'm never short...

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

short asset. And that basically helps liquidity because from an asset aspect point of view, our assets, every channel is reducing. And so technically, you can fund with the lower cost short term funding. But as a matter of our internal policy, we want to keep our -- we think that, okay, the gold loan will be short-term asset, but it's a continuous business, going concern. And therefore, we don't want to reduce the average tenure of our liability over medium and long term. So we keep funding long-term liabilities.

Unidentified Analyst

What's the LTV of our gold loan book? Do you might have because in a competitive business right now? I think every bank...

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

close to INR 68 crores on paper book. But if it is more because you happen when you take jewelery, you valuating the gold content. But for the borrower or for the customer whose or jewelry, the value is much more because of the making charges and many other things that go with. But based on our evaluation...

Operator

Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.

Nirmal Bhanwarlal Jain - India Infoline Finance Limited - Whole Time Director

Thank you so much. Really appreciate your time and interest. And if you have any more questions or queries, please do feel in touch with -- please do feel free to get in touch.

Operator

conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.