



**“CSL Finance Limited
Q4 FY2019 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, Good day and warm welcome to the CSL Finance Limited Q4 FY2019 Earnings Conference Call, hosted by Antique Stock Broking.

We have us today from the management of CSL Finance, represented by Mr. Rohit Gupta – Managing Director, Mr. Akash Gupta – Legal Head and Company Secretary; and Mr. Gaurav Sud – Advisor.

As a remainder, all participant lines will be in the listen-only mode. 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. Digant Haria from Antique Stock Broking. Thank you and over to you Sir!

Digant Haria: Hi! Good afternoon to everyone. Thanks for taking out time for joining this call. It has been a very eventful last six months especially for NBFCs where funding lines had become reasonably tight. In that backdrop CSL Finance could report strong numbers. So without spending much time myself I will hand over to Rohit who can take us through the business performance to the macro environment and to the steps that the company is taking. So over to you Rohit ji!

Rohit Gupta: Thanks, Digant, thanks very much. Welcome everybody. A very warm welcome to the CSL Finance Q4 FY2019 investor call. To start with our overall performance in this FY2019 has been satisfactory in spite of the liquidity challenges faced by NBFC during the year. Our revenue was up by 44% to Rs.59.7 Crores in the FY2019. Profit after tax was up by 39% to Rs.25.15 Crores in FY2019.

On quarterly basis in Q4 FY2019 our revenue has increased by 18% year-on-year to Rs.15.6 Crores and net profit has increased by 29% year-on-year to Rs.6.48 Crores. Our AUM growth was limited to 15% only to Rs.324 Crores during this financial year. This is the direct outcome of lack of liquidity in the market raising funds at competitive prices has become little challenging for us in the second half of the year after default by the IL&FS Group. The banks have become more cautious in lending to the NBFC industry.

Our fund raising operations were also impacted by this even though we held in principle sanctions from the likes of HDFC Bank, Muthoot Capital, Sundaram Finance, the disbursements were either held up or delayed. This has significantly impacted our ability to grow our AUM.

Growth in our wholesale lending book was muted during the year. AUM of the wholesale lending book has increased from Rs.265 to Rs.268 Crores; however small ticket loans in wholesale segment grew substantially from Rs.45 Crores in FY2018 to Rs.80 Crores in FY2019.

Cash flows from our wholesale segment remain robust which were partly utilized towards funding the growth of our SME retail segment. Even then the healthy capital adequacy ratio of 66% which gives us significant room for further debt rising.

Our SME segment continues to perform well and our AUM increased to Rs.55 Crores in March 2019 from 16 Crores in March 2018 a growth of 243%. AUM growth in SME segment on quarter-on-quarter basis was 36%. Our net NPA in the SME segment is 0.58% during FY2019. We have extended our presence to Delhi, NCR, Haryana, Punjab, Uttarakhand and Gujarat and Rajasthan and our branch network has increased to 18 at the end of the FY2019.

We remain committed to our strategy of focusing on profitable growth and working towards making our branches profitable by consolidating current geographical positions. Our loan origination package FinnOne Neo has been successfully implemented and we are using its analytical to fine-tune our operational performance. This has also helped us in establishing better control and processes within the company.

We aim to continue the growth momentum of the SME book and use the cash flows from the wholesale book to grow the SME segment. Going forward our primary focus is to grow the SME retail business in the case of any short-term market disruptions, our strong cash flows from the wholesale segment will continue to help fund the growth in our SME segment.

Our ALM position has been very comfortable with the minimum leverage on our books, our net operational cash flows are more than sufficient to meet our monthly repayment obligations. CSL Finance has always believed in building a strong quality book and in spite of the challenging environment our wholesale book had negligible NPAs. While the NPA in the SME segment stood at minimal 0.58%. With the current liquidity challenges, we are aiming for a moderate growth in the coming year. We will take this opportunity to fine tune our processes, improve our operational metrics and launch new products in the SME space.

That brings me to the end of our update and now I open the floor for question and answer session.

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity. Just wanted to check with you about change in strategy to focus more on SME business. If you look at the past few years we have done exceedingly well in the wholesale book also and we have seen very negligible NPAs on that side. So why is it that we are trying to now focus on it much and grow more of our SME business?

Rohit Gupta: Primarily for last three years our SME has been the focus area to grow our book and we were opened branches at every region if you can see. So our aim was to grow the SME. Now we have

reasonably built up our branch network. So our primary focus will be to build the SME. At the same time, we do not see any concern of the wholesale side, but now as off late there is a little skepticism about the wholesale business both from the lender side and with the limited, little tight liquidity position which we foresee in the coming six months, so we want to focus on the SME and we have been able to grow our SME. In terms of quality, our book has been very good and we have built sufficient domain knowledge in this segment which we are focusing. So the SME focus will be higher, but at the same time if we are able to raise and build our liquidity position, we will be focusing on the small wholesale small loans which we categorize under the wholesale segment.

Ankit Gupta: Is it more to do with consent from the lender side as you know they are more concern on the wholesale book comparable to SME book?

Rohit Gupta: Yes, you can say that because lenders are little more skeptical and even the rating agencies. So we cannot ignore their point and even our SME business has taken up very well and if we want to grow or build a book and want to increase our leverage, so definitely SME has to be the area where we have to focus along with our wholesale small business category and the surplus funds will always be deployed in wholesale. In the whole also we are not facing any challenges because the way we focus on that segment, which I will explain later on if anybody wants to understand that.

Ankit Gupta: My second question was on SME. In SME we have been pretty well even in this year based on very reasonable growth on the SME side but overall if you look at all the NBFCs and even any banks are trying to focus more on SME. So how is the competitive landscape there, is it more to do that the opportunity level on the SME is so huge, it is so untapped that even such competition all the banks will continue to do well on NBFC. Sir, if you can just throw some light on the SME segment?

Rohit Gupta: When we say SME, it is a wide space there where even from a ticket size from Rs.5 Lacs to Rs.2 Crores is categorized under this segment. We have an average ticket size of around Rs.5 to 7 lakhs we are focusing in Tier II, Tier III cities and primarily our target audience are those people who are in unorganized business, they are not having any banking and so not filing even GST returns or income tax returns. So that is the segment still not to many companies are focus on and when we say SME and the larger NBFCs they are more focused on those SME businesses where the ticket size is more than Rs.50 lakhs to 2 Crores and there those companies are filing GST return and are doing business mostly from through banking. So that is the difference with where we are in and where the larger or the bigger banks are.

Ankit Gupta: Where we will be competing with the small finance banks, who also lend in that ticket size.

Rohit Gupta: There are small finance banks and few other NBFCs like of HDB, Capri, they are into the segment which we are in.

- Ankit Gupta:** But you say huge variety of opportunity is available despite the policy.
- Rohit Gupta:** You see this is the segment which is still untapped nobody has looked it is only during last two, three years where the NBFCs have started focusing in these segments and these segments primarily lived out of informal borrowing and with the GST coming and with the demonetization so a lot of in the informal Lenders has I would say literally vanished and now they are falling back on raising their capital or their borrowings from the NBFCs. So it is still a very huge, large untapped segment and there is a huge scope to grow in the segment which we are focusing, we are primarily focus in Tier II, Tier III cities.
- Ankit Gupta:** Sir my third question was on the borrowing side on liability side. So if you look at our borrowings and I think after May 2018 we have not been able to at least as per the presentation, there has not been any disbursement from banks or NBFCs. How the situation now after initially from September to after the IL&FS crisis there was a lot of chaos on the large sanctions but the bank did not disburse funds to us. How is the station now and how do you see things going forward if you go over the next three to six months?
- Rohit Gupta:** In the first six months of this financial year, we were able to raise funds from Rs.25 to 30 Crores and we will sitting on a huge liquidity and we were not very eager to raise funds at that time where we thought as our requirement will come we will be able to raise because we never saw any challenge to raising on the debt side. It is only after IL&FS at that time we had a few of the sanctions and that term sheets were given to us which were to be disbursed at the last week of September in first week of October, their disbursements got held up by those institutions as a broad caution on the NBFC industry. So that prevailed during the last six months of the last financial year. And our cash flows were very strong from the wholesale segment and there was no challenge to fund our SME business and at that time we thought we were just wait out and just seeing that this the whole scenario pass out and the rates were higher and we became little cautious on in terms of the cost of funds also and the rates being offered at those during last year those five, six months was little on the higher side and there was no challenge for us and as the focus was on building the SME and the small wholesale loans. So there was no challenge on the cash flows. We were sitting on a very comfortable cash flows, we thought let us wait it out so that was the reason for not taking debt those six months. And now we have got term sheet from two or three institutions and hopefully they will get disbursed in this month of June.
- Ankit Gupta:** And how is the incremental cost of borrowing the new sanction that we have received how much increase have we seen in the interest rates?
- Rohit Gupta:** There has been increase of 100 to 150 bps during last six months and still we will be raising that the competitive prices as compared to our peers. Because still we have a lot of advantage as compared to others, if you see our leverage is still very less, it is a negligible leverage. We have a very strong book and NPAs are practically zero on the wholesale side and less than 0.6% on the SME side. So the only challenge for us that we should be raising the funds at the competitive

rates and yes definitely we do not see the liquidity that was there nine months before September but definitely we will be able to raise in the next coming nine months.

Ankit Gupta: Thank you so much.

Rohit Gupta: Thank you. The next question is from the line of Siddharth Agarwal from Kanav Capital. Please go ahead.

Siddharth Agarwal: Good afternoon Sir, thanks for giving me the opportunity. First of all I would like to understand about the wholesale large segment where we are lending to housing loan, so if you could just help us with what are the indicative yields trend there or are we seeing our yield going up in that segment?

Rohit Gupta: Yes, definitely as the liquidity is very tight and specially to the segment in the wholesale segment, liquidity is not so high in that segment so we have been able to increase our yields by 50 bps to 100 bps but our primary focus is on acquiring a good quality, good borrower. So we are not only solely looking at the yields. For us, the borrower is the most important and still a good borrower is reluctant to give you very high yield. So I would say in last six months our yields have improved by 50 bps to 100 bps and not more than that and we are very cautious on the borrower than more on the yields on the wholesale?

Siddharth Agarwal: And Sir if I understand correctly these wholesale...

Rohit Gupta: And still our yields are around 17 you can say on a weighted average of 17.5% to 18%.

Siddharth Agarwal: And these projects would probably there we would have some sort of escrow mechanism right?

Rohit Gupta: Yes.

Siddharth Agarwal: So how are we seeing the underlying sales momentum in real estate because from what I understand it is quite patchy and there are certain micro pockets where it is doing quite well and then there are others, where projects are really struggling. So how are we among our projects how are we seeing the sales velocity there?

Rohit Gupta: In our group housing we are not seeing any challenge in any of the projects primarily because most of the projects are either being delivered, the receivables and inventory to be sold or are nearing completion and the first and the most important thing which our customer sees nowadays is whether the project is complete or nearing completion so our only focus is to focus on those projects. Secondly our all of the projects are under escrow mechanism where all the receivables are coming in that escrow account and where we have a total control. Thirdly we are only focusing on those projects which are affordable in nature in terms of price and none of our project is more than 50 lakhs pricing. It is between 30 to 50 lakhs and out of the book, 40% book

is in the affordable side. When we say affordable it is under the Haryana Government Deen Dayal Upadhyay Scheme or affordable housing scheme where the average ticket size is between 14 lakhs to 22 lakhs. The average unit size is between 300 square feet to 700 square feet. So when we fund affordable also, we only have fund affordable when the sales had happen and these are under lottery system. If we choose a good builder along with the good location, we have seen that in most of our cases either the project has been sold on the very first day or 70% to 80% sales happen then it is a self funded kind of a thing where from the receivables of the customers, where we see that the collection efficiency is also more than 90% from demand to collection. The project gets never hampered for want of funds and it is very well regulated by the authorities also. So our focus has been primarily on those where the projects are under the last mile funding where the projects are nearing completion and we have substantial cover both in terms of receivable and inventory, where the end-consumer demand is there. So if you see we have no presence in higher ticket segment in Gurgaon or maybe in certain segments of Noida. So for us the ticket price and the end consumer demand is very, very important and that is why because we are only... most of our lending is in the NCR segment. The knowledge helps us a little better to understand we know where the end-consumer demand is. So we have been there in this segment for last seven, eight years so we had been able to build a reasonable domain knowledge in our niche segment.

Siddharth Agarwal: And Sir for the wholesale smaller segment where we are doing a smaller builder loans for South Delhi source etc., so what is the our roughly yield in that segment and how scalable is this opportunity for us I mean either in terms of increasing exposure to different geography or in the same market can we significantly expand from where we are in this...?

Rohit Gupta: If you see our portfolio in this segment has raisin from Rs.45 Crores to more than Rs.80 Crores our focus has been in this segment because it is a very stable segment but the yields are little lower than the wholesale group housing because the customer is very cautious about the rates at which they are taking the loans and there the equity of the borrower is very high, our LTVs are less than 40% to 45% and it is a very stable market. Earlier our presence was mostly to South Delhi now we have expanded our presence and we have expanded to areas of Gurgaon and other North, West, and East still our large presence is in South Delhi but going forward we will see that our presence is in the other parts of the NCR also. So this segment it does not require too many sanctions only one sanction is required for the project, no environmental issues, no RERA registrations and above all the turnaround of the project is very fast, normally it gets built up within 9 months to 15 months and the sales and the complete repayment happens normally within 24 months.

And there the supply is not very high because it is a self-correcting market if sometimes the supply increases, the build up of the fresh projects is a little lesser so it corrects over a period of time and this market has been very stable but it is a little IRR cautious market and our yields are you can say 250 bps lower than the wholesale group housing segment.

Siddharth Agarwal: Okay. So this market would roughly be a quarter of few Rs.1000 Crores so we are currently at 80 Crores. So the market size...?

Rohit Gupta: The market size is very huge if you can say, I would say even the South Delhi market it can be Rs.6000, 10000 Crores. They are taking projects in the individual names or in the family member's name and getting it funded as the housing loan where the interest rates are quite lower or as a LAP because they are existing houses which are getting rebuilt. So they are able to get funding from those sources. So we are building our presence into this segment because of our aggressive marketing and the kind of presence we have built so we are able to choose our customers which are able to give us IRR between 16.5% and 18%. So there is a huge potential in the segment if we lower our IRRs by 100 to 150 bps and so it is a huge segment. Even now the Gurgaon market is also taken up very well because there are certain changes in the bylaws of these houses. Now the FAR has been increased in that area and you will be quite surprise to know that in during last six to nine months it is only the Gurgaon market where the plot prices we have seen a rise of 15% to 25% because of increase of FAR and so there is a huge potential to grow into this segment also.

Siddharth Agarwal: And Sir in our SME...?

Moderator: Siddharth I am sorry to interrupt may we request you to come back in queue for followup questions.

Siddharth Agarwal: Yes.

Moderator: Thank you. We will take the next question from the line of Rajiv Pathak from GeeCee Holdings. Please go ahead.

Rajiv Pathak: Sir if you look at the SME book. So on a per branch productivity metrics we have gone up from say Rs.2 Crores kind of a run rate in September to now slightly about Rs.3 Crores per branch. So now how do you look at this metrics going forward and what are the plans to build up the SME branch network or increasing the sales person in the existing branches?

Rohit Gupta: In the last financial year our we have slowly built up our branches and it took time to increase the productivity in that the Gujarat has come up after September and then there was only 6 to 8 months for the Gujarat segment. So normally our productivity has been a little lower in the last financial year and that is where our focus is to increase our productivity and our operational metrics and we have seen very good results in the last two months of the last financial year where our productivity has gone to Rs.7 Crores and even the preliminary has been good as compared to the last financial year. We aim to increase our productivity per branch at least you can say between Rs.40 to 60 lakhs depending upon... we are targeting productivity in terms of our sales person which we are targeting at least Rs.15 lakhs per sales person. Normally we have two to three people now we are increasing our sales force in our existing branches by opening more

spoke locations within the said branch now we want to cover the whole areas within that district and instead of opening more branches we want to keep sales people and open spoke location so and we hope that in this financial year our productivity per branch and per employee should be higher which was earlier during the last financial year.

Rajiv Pathak: So, say by the end of March next year can we hit a productivity level of say around Rs.7 Crores per branch is that an achievable number?

Rohit Gupta: Sir we have achieved that number in March. So even in this first two months we were quite near to that and hopefully we are targeting for that and we are quite confident we should be able to achieve that number.

Rajiv Pathak: So what is the year-end loan book target that you have for the SME book?

Rohit Gupta: Based on that you can also make calculation and to give a figure and our target is to do that kind of productivity at least and so based on that we should be able to do anything Rs.80 to 100 Crores of fresh disbursement with existing branches in this financial year.

Rajiv Pathak: Okay and so one-third can be the repayment that we can assume?

Rohit Gupta: No, prior to this I would say September the foreclosures was higher. Now that foreclosures I normally am seeing that on my existing portfolio of Rs.60 Crores, the foreclosures are around 8 to 10 foreclosure every month roughly around Rs.1 Crore so the repayment will be lesser I think if we are able to do 80 to 100 our year-end portfolio should be around Rs.125 Crores.

Rajiv Pathak: And on the education loans so how is the competition now and what is the strategy over there?

Rohit Gupta: So last six, nine months we have focused on this segment and we are able to get very good results. Out of that now around 25% book is from the school loans. We have done more than 160 cases during last six months in the school side and the IRR is also good and the DHFL Avanse was very aggressive in this segment which is not there so that has helped us a little and this is the only segment where we have started an unsecured loan component also. There is another product where we are giving less than Rs.5 lakhs to a school which is in Tier II, Tier III cities having a good vintage and good number of students. So even we have seen in this segment even the bouncing percentage is very low and we want to scale up this segment in this year.

Rajiv Pathak: So on the wholesale part if you look at the mix so you have Rs.147 Crores of the group housing loans and Rs.120 Crores combined buildup was in the education loans. So if we look at the broader angle, so on this Rs.147 Crores of the group housing while some of the players have vacated this space recently because of their own issues but once the market turns this is the place where the other competitors may come in first while on the other two segment is where you will have a relative benefit on the growth and scalability front. So within this two mix, do you think

that this Rs.120 Crores of the niche area is where you can grow faster and increase the proportion of this particular book in the entire mix.

Rohit Gupta: Which Rs.120 Crores you are talking about wholesale or...?

Rajiv Pathak: Rs.80 Crores of builder floors and the Rs.41 Crores of education.

Rohit Gupta: No that Rs.41 Crores is not that what I am talking about my education loans, they are categorized as SME because the average ticket size is less than 15 Lacs.

Rajiv Pathak: Small ticket the entire, the entire nongroup housing part basically.

Rohit Gupta: Yes, so the segment which you are talking about educational loan it is basically a wholesale LAP segment where we have funded little larger schools also in metro cities and certain noneducational loans which was a which we have categorized as wholesale LAP. This is the segment which we are not looking further because this was only segment where we found that though maybe we are sitting on a very low LTV but still the cash flows are not very predictable and you can see this book is running down now, as on date the book is Rs.33 Crores and by the end of this year I would say this book will having a less than Rs.10 Crores kind of an AUM. So our focus will be only first on the SME side and second on the small builder loans and the third the group housing which has been doing very good for us. So this wholesale which you are saying the educational one the wholesale LAP, this segment we will not be focusing in future.

Rajiv Pathak: We have the competition from the other SFBs and all those so...

Rohit Gupta: Yes, and so we do not want to do a product where the cash flows are not very predictable for the wholesale LAP product large ones.

Rajiv Pathak: But on the group housing the larger ticket one are you seeing the competition has now come down because many of the players would have exited now?

Rohit Gupta: Yes, the competition has definitely come down. The larger NBFC has practically are not funding into the segment for last six to eight months and only very few are doing it. So the competition has come down and as I told earlier even the IRRs have gone higher by 50 bps to 100 bps but we are very choosy about the borrower and the project. So yes definitely the competition is down.

Rajiv Pathak: Okay Sir thanks a lot and all the best Sir.

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

Dhwanil Desai: Hi! Rohit. I have three questions. So first one is from your commentary for the earlier participant, it appears that the wholesale side, the opportunity is very large even in the Delhi market but at

the same time, we at the movement are not focusing to grow our wholesale book so how should we look at CSL finance loan book maybe slightly longer-term maybe three to four year perspective will we be growing again wholesale book when the environment is conducive and the lending is available or is it like a defocused area for us for medium-term.

Rohit Gupta: In the medium-term I have told earlier our focus will be on the SME. Building up the SME and the small wholesale segment which is the small builders which primarily from Delhi and Gurgaon. So yes definitely you will see muted growth on the wholesale large one and so over a period of next two to three years, so the SME segment and the small builder loan will have a much bigger percentage in the whole book.

Dhwanil Desai: And I mean if I am getting at your metrics even with a very low gearing or low leverage, we are already making 12% ROE today which is common because when you draw up a business plan or when you select the product what are the threshold ROEs that you look at and with the right amount of gearing, what is the ROE that we are targeting two to three years from here on?

Rohit Gupta: No I would not like to comment on this part. It is a little too premature let us consolidate and I will take up this question I think in the next year; so let us build ourselves and with the kind of the scenario which is there in the right time, it will be little too premature to comment on this part.

Dhwanil Desai: Okay no problem. And my last question is as earlier participant was mentioning retail and SME space is getting fairly crowded almost everybody is kind of shunning the wholesale market, real estate funding and moving to the retail side of it. So in that sense do not you think that there even the spread will shrink the profitability will come under pressure because everybody is going to address the same market even though we mentioned that the market is not homogenous in that sense and there are pockets where smaller players like us can cater, because larger players do not come back do not you think that the market is getting crowded in that sense?

Rohit Gupta: You are right to some extent but still the segment which we are in. So the fintech companies the likes of fintech companies will not be able to do that because the segment which we are in you will not be able to get lot of data to do any kind of a fintech thing on these kind of the borrowers. Because they are not doing anything from the banking and would not be filing any GST returns in that and even the larger NBFCs, the larger banks to build volumes they have to do a little bit more focused approach and when we are running so many products under a same branch, so it will be sometimes the bigger NBFCs are not able to focus on this specific product which we are doing is. So as a specialized product we are only focusing in this segment and more over we are doing most of secured funding and as of date our 99% book is secured so even when you are doing a secured product into the segment which we are, you cannot do it through any online model so it has to be, we have to have a physical interface with the customer while analyzing it doing the diligence and even before disbursement. So yes definitely with I would say even the wholesale segment, the competition will always be there so our only focus is to build ourselves

build our presence into the segment, build our domain knowledge and focus with only few products instead of starting too many products in our branches and build our domain knowledge and create our niche in the particular product only.

Dhwanil Desai: And my last question is so I think we have now probably present in five to six states now. So when you select a geography norm, what are the configurations that go in to it and for that this is the market that we want to tap, what are the things that you look at before selecting or venturing into a market for SME book?

Rohit Gupta: See normally we look at cities where the presence of small SMEs industries, handicraft businesses, they are in those towns and with the nearby geographies and secondly the delinquency, the overall delinquency in those areas are lesser as compared to historically with the data coming from various other sources normally we want to present into these only four, five states. For next 12 to 18 months do not want to start into any new state and our now more focus is to built cluster approach where we will be opening more spoke locations within the existing branches as our product is more suitable for Tier II, Tier III city and even then when we say Tier II, on the outskirts of the Tier II cities and small towns and so we want to increase our spoke locations and that also helps you to create a reasonable presence in those markets, so you are able to do the direct business with the customers instead of getting through the DSAs. So even now our school loans are mostly being directly sourced by our team.

Dhwanil Desai: Okay thanks and all the best for the future.

Moderator: Thank you. The next question is from the line of Vinay Ambekar an Individual Investor. Please go ahead.

Vinay Ambekar: Good afternoon Rohit. Just spend a little bit more time on the wholesale book, can you share what are the average ticket size for wholesale large and wholesale small, is there any element of contemplation there typically what tenures we lend there, what would be our larger...?

Rohit Gupta: So our average ticket size on the wholesale large will be around Rs.12 Crores and that is small because this is the minimum ticket size you can work with because unless, until you give at least Rs.10 to Rs.15 Crores, you will not be able to get a complete control on the projects you will not be the sole lender to that project and without having the few deterrents which are must has having a complete control on the project thus we have a complete control on the escrows and the receivables. So you cannot work below these kind of ticket size. In few of the cases which are just we have funded the project is complete and the people are staying there and we have funded inventory where still we are the only lender to that project the ticket size can be range of between Rs.3 and 7 Crores but an average ticket size is Rs.12 Crores in the wholesale large and Rs.4 Crores in the wholesale small.

Vinay Ambekar: Sir you mentioned that your delinquencies NPAs are negligible in this, do you have the zero DPD, 30 DPD, 60 DPD numbers for this and are they absolutely regular or there are delays in repayment and they are not yet reached the NPA book?.

Rohit Gupta: You can say it is in terms of zero DPD, no there can be few accounts which we receive payments within four, five, six days that number will be I would say in terms of percentage will be around 5% to 7% and as of now we have only one account that is roughly around Rs.70, 80 lakhs, which is 30 to 60 DPD, which will be getting resolved in next few days. So beyond that we do not have any accounts so one of our account has gone into NCLT in November which with our effort, we were able to solve it and the account came out of the NCLT in February and because of the very good cover and was complete and the families was staying up and we were able to exit from that account in the month of March and it was taken over by some other institution even in the period where nobody is taking over any account. So as of now we do not have any account beyond 60 days that have been zero, 30 to 60 days as of today is the only one account the outstanding POS is Rs.70-80 lakhs. When we see in 80 lakhs, this is run down account of 10 Crores, from there it has run down to Rs.80 lakhs and our security cover is more than 6-7 times. So we do not see any reason that it will not get paid up within next few days.

Vinay Ambekar: Sir when you say that you come into the last mile funding stage, so does it mean that prior to that during construction during development, the developer would not have taken any loan from anybody else?

Rohit Gupta: In few of the cases they may have taken loans and which have run down partially where we have partially taken over that account and funded them so that is where we come when there is some cash flow mismatches or they have not funded fully, so that we come and take over the exiting account and give them the additional fund. So in few of the cases that has been and because we are only focused to fund only small builders which are they are doing one or two projects. So sometimes because they are new they have not got funding from any other lender or they are very cautious taking the loan also. So our focus is primarily we are only looking for those small builders who are doing one, two, three projects not more than that.

Vinay Ambekar: Who would be your competition in that wholesale small kind of segment as you said you build up floors, are there other NBFCs or lenders who are also targeting those?

Rohit Gupta: Yes, as I have told earlier small builder they are doing in their individual names or of family member's name. Sometimes they take housing loans which is much cheaper or they take a LAP from a larger NBFCs like Indiabulls, IIFL and they have been quite aggressive in that segment and so because our IRRs are a little higher than that so that is the only challenge which we have to increase our size. So otherwise it is a huge market and very stable market where the equity component of the borrower is as high as 50% to 70%.

Vinay Ambekar: Right Sir. Thank you. My last question Sir is on the SME I think is that your net NPA is 0.58% what would be the gross NPA there and what would be the zero plus, 30 plus there?

Rohit Gupta: If you go through our this annual results, we have even increased our provisioning as compared to the RBI guidelines we are providing when the account goes NPA more than 6 months their 20% provisioning is made as per the RBI it says to provide 10% after 12 months when accounts goes into DPD. So after 12 months we have increased our provisioning to 30% or so and we are fully writing off the unsecured loans. So last year, we have written off around 8 to 9 unsecured loans where the value of which was around Rs.9 lakhs and the gross DPD is Rs.40 lakhs where we have six accounts out of 842 accounts as of date of 31st March which have been categorized under outstanding for more than 90 days on the secured side. The outstanding amount, the POS will be Rs.40 lakhs for that and we are fully provided for the unsecured part.

Vinay Ambekar: So Rs.40 lakhs is the gross NPA on the SME side, is that what the current?

Rohit Gupta: Yes.

Vinay Ambekar: Okay thank you Rohit ji. Thank you very much all the best for the future.

Moderator: Thank you. The next question is from the line of Saket Saraogi an Individual Investor. Please go ahead.

Saket Saraogi: Sir actually in the starting you told that in the current year you are planning to grow the book moderately and also you told that you have recently got some lines of credit from some institutions also. So like could you elaborate what kind of growth you are planning for this year?

Rohit Gupta: Because of the uncertainty which is there in the market so we have been little more realistic and we have said we will grow moderately yes definitely for any NBFC the growth depends on the ability to raise their liability side and in terms of expanding we have lot of scope both on the SME side and the small builder loans to expand ourselves. So when we have said moderately it is because of the current scenario that is prevailing and we are little cautious on the cost of fund which we are able to raise seeing that we have said that will be growing moderately so at this stage to say what kind of growth will be there in the next financial year, I would not like to give any particular number around that but yes definitely in terms of ability and both in terms of raising funds we are leveraged at 0.6% so we have a lot of scope to leverage ourselves and so to expand ourselves there is a lot of scope so the only limiting factor is how efficiently we are able to raise liability so the growth will depend upon that.

Saket Saraogi: Sir like from current year we have increased the portion of the SME part of your book. So in the medium-term what kind of these divisions we are looking out like what kind of book we want from the SME what we want from this wholesale part of this big funding?

Rohit Gupta: Just even earlier Rajiv asked the same question I have given some ballpark numbers around that for this financial year and to say beyond that it will be little I think not be right on my part to say but for this year I have given a ballpark numbers for the SME segment which we will be doing in this financial year.

Saket Saraogi: Sir for this SME segment what kind of yield we are getting?

Rohit Gupta: We are getting a yield of you can say more than around 18%, 18.5%. So we are not doing the unsecured part where some certain companies who are doing them therefore the yields are higher at that so most of our business on the SME is still secured and where we are also able to get around net PF of 1.5% to 2%.

Saket Saraogi: Okay. So Sir currently what kind of cost of fund we are like is there for loan that we have?

Rohit Gupta: Our cost of fund as of date is around 11%, 10.95%.

Saket Saraogi: So it has increased from like... what will be the increase from the September when the crisis is reported?

Rohit Gupta: Yes, you can say 50 bps it has increased during last six months.

Saket Saraogi: So like say from the part of the book what we see like our book is unlevered to the extent of many other NBFC companies so sir what is the difficulty in that case because our books are good and the loans are also NPA, see like it is very good secured loans, so what is the difficulty in raising the funds from the institutions?

Rohit Gupta: In the current scenario everybody knows that there is little reluctant from both the PSUs and the larger private sector banks and secondly you can say a little more skewed in terms of our wholesale real estate side, there was some concerns from certain lenders. So that will be taken care during this financial year where our SME and the small builder loan book which is hugely a LAP product being categorized by other NBFCs. So that segment will increase I think that concern on this side will also be not there going ahead and the most important the overall the caution which is there around the NBFC segment and now they are also the cautious on the smaller company. So I think with this, we are consolidating ourselves and this SME and the small builder loan book growing, a few of the concerns will not be there, so we are building on that.

Saket Saraogi: So like the reluctance of the bank and the institutional lending to this NBFC so from last six months and now do you find any difference or is there any easing of like some part of the financial institution or still this the level of reluctance is still that much only?

Rohit Gupta: I think it has been eased out little bit now people have started looking at, the things are getting eased out now we saw another default from large private sector company. So the movement

something start happening, some bad news comes. So that is only the larger lenders are holding up their decision on the NBFC side and even the you are going to PSUs and all those we were going through this election phase also there was no decision making and mostly when they are in the April and May mostly because of the results season so the lenders are not looking for fresh proposal, now they have started looking it. Now I think hopefully the things should ease out in the next six, nine months.

Saket Saraogi: Okay, thank you so much Sir.

Moderator: Thank you. The next question is from the line of Ratnakar Gokhale an Individual Investor. Please go ahead.

Ratnakar Gokhale: Good afternoon. My question is related to the disbursements which have come down substantially compared to last year to around 91...?

Moderator: Sir I am sorry to interrupt you there is a lot of echo when you speak, if you are on speaker please turn that off.

Ratnakar Gokhale: Can you hear now?

Rohit Gupta: Yes.

Ratnakar Gokhale: So, my question is related with the disbursement which have fallen Q-on-Q also and Y-o-Y as well. So this fall being quite much compared in Y-o-Y do you think that this kind of a trend is expected in the going quarter as well?

Rohit Gupta: No you see the disbursement on the SME has increased it is only the wholesale large the disbursement has come down and that is very understandable because we were not able to build up on the liability side during last eight months. So that is where we have slowed down and otherwise the disbursement on the other two segments which we are focused on had gone up.

Ratnakar Gokhale: Yes, so if we see it on the AUM perspective then this wholesale small is where you are going to focus as well as the SME. So that works out approximately to about Rs.135 Crores of book compared to the entire Rs.323 Crores. So only that much is the portion which is expected to grow whereas Rs.188 Crores portion is something which are not going to concentrate so that is going to either stay...?

Rohit Gupta: No we are concentrating, I only said with all depends upon how efficiently we are able to raise our liability. If we are able to raise our liability, the surpluses can be deployed in this segment and we are not facing challenges on that segment in our book and we are quite confident in future also. So I only said with the limited liability which we may be able to build up the first focus is towards SME and second is towards the small wholesale loan book.

Rohit Gupta: Your next question is that every NBFC as of today so the scenario which was there six to eight months so most of the big lenders was not looking at the NBFC they just put a caution in this. Now they are started looking at we have got few term sheets in this month and hopefully the things should start looking up.

Ratnakar Gokhale: Yes, but if the large wholesale large and wholesale LAP is not something where the cash flows have patently then obviously we would as a company would like to derisk and look at places where... so those particular areas will not see any growth is not it?

Rohit Gupta: No, if everybody sees it this is the small retail segment which is the derisking, we are derisking ourselves in that segment and we are derisking ourselves by building up our wholesale small book which is a LAP which are redevelopment of existing house in the very marky areas of NCR. It is only when we have a you can say the liability built up is little limited so then you have built up your choices and we have built up our choices in terms of the segment which we are want to focus on. If the liquidity position improves definitely the third segment will also grow.

Ratnakar Gokhale: Sure. My next question is related with NIMs what are the NIMs that we clocked in the last quarter and going forward what is the focus that we have for that?

Rohit Gupta: In terms of, NIMs have been roughly around you can say 6% to 7% and going forward we look to maintain the same.

Moderator: Thank you. That was the last question. I now hand the conference over to management for their closing comments.

Rohit Gupta: I thank everybody for the valuable inputs they have given to me and the Antique Stock Broking for the opportunity given to us and Digant for organizing the whole thing for us and I think we were able to answer the queries or the questions of our audience today and thank you everybody.

Moderator: Thank you. Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.