# "CSL Finance Limited
Q4 FY2020 Earnings Conference Call"

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**ANALYST:** **MR. VIDHI SHAH – ANTIQUE STOCK BROKING**

**MANAGEMENT:** **MR. ROHIT GUPTA – MANAGING DIRECTOR – CSL FINANCE LIMITED**
**MR. CHANDAN KUMAR - CREDIT HEAD**
**MR. ANOOP SAXENA - ZONAL HEAD, NORTH**
**MR. GAURAV SUD – ADVISOR – KANAV CAPITAL ADVISORS PVT LTD**

**Moderator**: Ladies and gentlemen, Good day and warm welcome to the CSL Finance Limited Q4 FY2020 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. Chandan Kumar – Credit Head ; Mr. Anoop Saxena - Head for North 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 raise your hand if you are dialing from the webex application or press *3 from your mobile phones or from your landline, I handover the call to Miss Vidhi from Antique Stock Broking. Thank you and over to you Vidhi!

**Vidhi Shah**: Hi! Good afternoon to everyone. Thanks for taking out time for joining this call. Covid-19 in last 4 to 5 months had disrupted all the business operations including NBFCs specially the smaller NBFCs which have faced lot of constrains in this time. In that backdrop CSL Finance could report strong numbers. So without spending much time myself I will hand over to Rohit Sir who can take us through the business performance and the challenges faced in the current situation and the steps that the company is taking. So over to you Sir!

**Rohit Gupta**: The management of CSL Finance welcomes you to year end investor concall. I have my colleague with me, Mr. Chandan Kumar - Credit Head, Wholesale and Anoop Saxena - Zonal Head for North. Thank you for taking out the time for attending this call. We hope you and your loved ones are safe and healthy in this stressful period of Covid-19.

FY2020 has been challenging year for Industry due to tight liquidity and general slowdown has created stress in many segments of the economy. MSME segment where we operate bearing the burn of the slowdown. As the year closed the economy was buffeted by the Covid-19 related lockdown. NBFCs which were struggling due to large NPAs were among the lop losers. There is lack of trust in the market and only AAA rated companies are able to borrow from the market. On the liability side couple of loans were sanctioned to us but did not disburse partly due to IRR concern which impact the ability to grow our balance sheet in that period. We have decided to act prudently and funding our SME growth from wholesale loan book.

Our total income grew by 2.1% from Rs.59.69Cr in FY2019 to Rs.60.95Cr in FY2020. This was the first year where we adopted IND AS. Our PAT was declined by 10.61% from Rs.25.15Cr in FY2019 to Rs.22.48Cr in FY2020. The major reason for decline in profitability was prudent provisioning of Rs.4.61 Cr in last quarter only due to Covid-19. I want to point out that this is non-specific provisioning and not linked to any loan account. We did high provisioning due to hardship faced during loan moratorium. Our net worth increased to Rs.232 Cr on 31st March 2020 with our current book value being Rs.387.

Second half of the year has been better for our company, our disbursement grew by 23.97% from Rs.121.8 Cr in first half to Rs. 151Cr in second half. Our collection grew by 35.10% from Rs.112.06 Cr in first half to Rs. 151.4 Cr in second half. Our AUM however declined marginally by 1.63% from Rs.323.51 Cr as on 31st March 2019 to Rs. Rs.318.25 Cr as on 31st March 2020.

Our wholesale lending AUM stands at Rs.245.51Cr as on March 31st, 2020. It consists of 3 segments Wholesale large, Wholesale small and Wholesale LAP. We are shifting our focus towards Wholesale Small where risk is lesser with loan tenure being smaller duration. Our wholesale small portfolio has grown by 21.25% from Rs.80 Cr as on 31st March 2019 to Rs.97 Cr as on 31st March 2020.

Our SME segment is doing well, for the year 2020 our AUM has grown by 30.30% to Rs.72.75Cr as on March 31st 2020. Our SME portfolio consist of both secured and unsecured loan, of which more than 90% loans are secured. We do unsecured loans only to k+12 schools where we have capped ticket size to Rs.5 lakhs.

Now coming to the effect of Covid-19, which everybody wants to hear and has impacted whole economy. Covid-19 has huge impact of the economy is general and financial sector in particular. NBFCs which were struggling due to deficiency of funds has been among biggest losers. The covid-19 induced lockdown and moratorium announced by RBI has cascading effects on balance sheets.

In our case, our operations were closed from 25th March 2020 to 31st May 2020 due to national lockdown which was further extended in few states. But during that period we were working from home, and few branches which were able to open were operational from mid of the May. RBI announced moratorium upto 31st August which has impacted our liquidity in short term. During March to May 2020, 57% of our customers requested for moratorium, our team worked hard with focus on collection dragged it down to 24%.

In our Wholesale portfolio majority of the accounts were pre-paid before maturity due to cash flows from the escrow accounts. Now due to moratorium repayment period may get extended but we still expect most of the loans will be repaid in time. In our wholesale portfolio we have total 57 loan accounts and we have interacted with each and every single borrower to get better understanding on the ground and have taken corrective measure required.

Furthermore, as soon as the lockdown was lifted we visited the customers to get better understanding of saleability and future cash flows. While 67% of the wholesale customers have opted for moratorium until May 2020 but due to cash flowing in escrow accounts where we have mandatory capitalisation; we have received repayment of INR 33.89 Cr during the first three months which is April to June, against total outstanding of INR 245 Cr as wholesale AUM as on 31st March 2020. We have always been prudent in our operations and maintained LTV of around 45% so we do not foresee any challenge in the Wholesale loans. There is lot of skepticism in the market so we have given detailed presentation on wholesale accounts in our year end presentation which we have uploaded on our website and to the BSE. Furthermore, most of our funded projects are either complete or near completion so we don't see any execution risk and expect sizeable committed receivable from existing sold inventory.

In our retail segment we have AUM of Rs.72.75Cr as on March 31st 2020. We have reviewed more than 1200 customers during the lockdown, and have met more than 800 customers physically. In the SME segment during moratorium one, 45% of customers chose moratorium which has been reduced to 22% in beginning July 2020. One area where there is challenge is the school vertical where cash flows of the school have gone practically to zero. In our school vertical in which we have total 251 customers with total AUM of Rs. 25.6 Cr as on 31st March 2020. Here over 42% of our customers have chosen moratorium as on 30th June 2020. Before Covid-19, the school vertical was performing really well for us and we expect good recoveries once the government restrictions on school opening are lifted.

Since the Covid-19 has impacted business all across the country, we expect bad loans are likely to increase. So as a prudent management we have made a provision of Rs.6.9 Cr in FY2020, out of which Rs. 4.61 Cr is related to Covid-19 only. As on 31st March 2020, we have gross NPA of Rs.2.18 Cr which is 0.69% of our portfolio against which we have made ECL provisioning of Rs.6.98 Cr.

For liquidity management we are at comfortable position. We have maintained cash & cash equivalent of Rs.23.74 Cr as on March 31st, 2020 and Rs.31.25 Cr as on June 30, 2020. We have not availed any moratorium from our Lenders, and have repaid Rs.23.14 Cr of our loans in Q1FY2021, in fact we have also made prepayment of Rs.3.5 Cr of little high cost loan in June quarter. Our borrowing has reduced from Rs.122Cr as on 31st March 2019 to Rs.95.9Cr as on 31st March, 2020. Our CRR stands at 73% on as 31st March 2020 which is lowest among NBFCs.

During this month we have also got principle approval from private placement of NCPs about Rs. 30 Cr from our lead banker SBI. We are in discussion with 2 more PSU bank, and we are hopeful of getting some funds from those 2 PSU banks also.

Though the business has been challenging lately but we are maintaining high quality of balance sheet. Right now the focus is to surviving the tough times. We are consolidating our operations and once the things return back to normal we will start growing our business again. We are confident that on our robust balance sheet and prudent business practices we will perform better in coming years.

Now I welcome you for your queries.

**Moderator**: Thank you Sir. We will now begin the question-and-answer session. The first question is from the line of Ankit Gupta from Bamboo capital.

**Ankit Gupta**: So Rohit based on your current understanding of your business segment, can you give your estimation on things currently are looking and when the things will get back to normal? What are your thoughts when things get back to normal and not if normal let say when moratorium get to 5-10% of the overall book?

**Rohit Gupta**: The business in last one or two months is near to normal where our moratorium has come down to 22% and if we remove our school loans it is down to 10%. Our most of the branches are working and people have realised that they have to work in this new normal and people are coming out. We are also little cautious on the fresh disbursements so the focus is on collection and improving our internal processes. So, the retail business will take another 3-4 months to give full clarity because how the customers behave once the moratorium is over and when the on and off lockdown goes away because many states are announcing weekly and fortnightly lockdown. The number of cases are still going up, so it is very early to comment.

But the way things have picked up, customers are understanding the situation better. In retail segment earlier customers were considering moratorium as if government has given them relief and they don't have to pay for this period. But we educated them and they have realised that this will increase the period, so customers have started paying, to say when it will get back to normal pre-Covid period is early to comment on.

In our Wholesale segment, the concern is much larger in the industry and even the larger companies are facing problems. We have been very prudent and focused on 3-4 parameters, we were into affordable segment, we were into areas where end consumer demand was there and mostly we were into last mile funding where sizable receivables were there from the existing sales as the projects were nearing completion. Collection has come down, partly banks were not function few of the PSUs were merging or the merger was going on, so the housing loan disbursement was slowed down during last 3-4 months. They are doing double check from the existing customers, asking for salary slips doing diligence check on the builders again. So the disbursements are slow and fresh sales have been effected but in our part most of the projects were either sold or near completion. So there is huge receivable, so our loan shall be taken care by existing receivables. So the fresh sales would come down as the housing is not their immediate priority and it will take time. But our accounts are behaving good and collection in first 3 months was to our surprise very good, so we don't see any challenge in any of the account. Realisation can be little longer, if see our pattern in the last year, our disbursement was roughly Rs.245 Cr if we have typically 3 year tenure the loans used to repay within 18 months to 24 months that period will be longer now but our account will still be regular.

In the retail side apart from school loans we are not facing major challenge. In the school segment when the school starts again, 50% of our accounts which are under moratorium will become regular more or less when school starts operating again.

**Ankit Gupta**: As on day how much of your wholesale book is under moratorium?

**Chandan Kumar**: If you go by numbers 67% of the wholesale customers have opted for moratorium. But in those account there is cash flows so it cannot be covered in moratorium. The sales and construction activities have gone to almost zero due to lockdown, so in order to get cushion client has asked for moratorium.

**Rohit Gupta**: We have mandatory capitalization on the escrow accounts, and receivables are coming in escrow accounts. We were doing 30-80% of the capitalisation depending on the project, so those capitalisation shall be treated as an advance towards further payments. So, inspite of being accounts in the moratorium we have received reasonable repayments. You can say we have extended their repayment period by 3 months, and have built little cushion for repayment.

**Ankit Gupta**: So the amount in escrow account is already deducted and would not be refunded to the customers?

**Rohit Gupta**: The projects which we have funded are complete or near completion. So neither they need money for project completion nor they are facing labor problem. It is fit out stage and customer is ready to move, so they don't require so much money. Even in our small builder segment they don't require too much labor. These are small 200-300 square yard plot for 10-15 units where construction cost is lower and labor is available. People are migrating back and situation is getting better.

There are 2-3 beauties in our wholesale lending business, one, pending construction is very low, second there is huge committed receivable which means customer has paid 30-70% already and rest shall be paid on delivery, thirdly we are into affordable housing where 90% of the projects are sold from day 1. So because of all these factors though our repayment can be 3-6 months late due to moratorium but we don't see any of our account becoming bad until unless things really go worst in next 6-9 months.

**Ankit Gupta**: So Rohit, after long time we talked about getting NCDs from SBI and other PSUs banks, so if can talk about how is the funding to NBFCs including ours, how has been past scenario and what are the key terms of this Rs.30 Cr funding from SBI, what are interest rates, tenure and other key terms?

**Rohit Gupta**: The primary reason we did not raise fund last year was that after IL&FS liquidity was tight and being BBB rated NBFC rates being offered to us were in the range of 12.5-14%. We were moving from wholesale to retail, our collection from wholesale was very strong, we always think that we should have reasonable margins and we are very cautious of our cost. So our existing weighted cost of debt is less than 10%. And for this Rs.30 Cr NCD rate is 10.25% which I think SBI would not be giving to other BBB rated company, they have told us that rate is 11-12% for BBB rated companies, because they say AA and AA- has been given at 9.5-10.5% interest rates.

For us as we were moving from wholesale to retails our internal collection were strong and we were cautious of the cost, that was the primary reason. If we wanted to raise money at 12.5-14% rate in previous year we would have easily raised it. We have strong belief that we do not want to increase our AUM without profitable growth. Events were happening one by one, from IL&FS to DHFL then Yes bank so multiple factors were coming every three months. And companies with ALM mismatches were more aggressive in borrowing, and lenders says other people are borrowing why are you not taking at those rates so it was getting little hard for us to explain that they are facing some different kind of challenge as compare to ours. So that has been primary reason that we did not raised money otherwise we could easily raise last year also. We had few sanctions but IRR was the concern.

**Ankit Gupta:** What would be the tenure for the NCDs?

**Rohit Gupta**: 3 years.

**Ankit Gupta:** What would be the cost of borrowing from other PSUs we are in talks with?

**Rohit Gupta:** Those banks are PNB and SIDBI, so it may to 0.25 -0.5 % higher, and we are sure that we will raise at these rates only.

**Ankit Gupta:** How is the scenario on funding and CC limits from the banks in past 1-2 months in the past? Are you sensing that banks are reluctant in funding NBFCs?

**Rohit Gupta:** Government pushed banks to do funding under TLTRO and partial guarantee scheme and PSU banks have taken the lead specially the PNB and state bank of India. So they are disbursing as Banks are also flushed with liquidity. Banks are also looking for good borrower, so smaller NBFCs with BBB and BB rating are also getting funds from the banks.

**Moderator:** Next question is from Siddharth Agarwal from Prudent value partners.

**Siddharth Agarwal:** Congratulations for steady performance. Since the moratorium is uptil 31st August, are you going to charge on accrual basis, do think customers will be accrued interest or you need to do some discounting there?

**Rohit Gupta:** We will be charging interest on accrual basis, we have explained to our customers that interest is being accrued and they have to pay interest. Our wholesale customers understand this very well and retails customers have been explained very well by our team. We will not be giving any discount or waiver to any customers. This thing is unlikely to happen unless account become NPA and we have to settle the amount.

**Siddharth Agarwal**: You have made provision of Rs.6.9 Cr including Rs.4.6 Cr for Covid-19 as precaution, but what is own assessment for NPA, as you said you have spoken to most of the clients, what is your feeling of the books in terms of NPA?

**Rohit Gupta:** On the Wholesale side we are very confident, because we have good quality of assets and LTVs are very high. Our small wholesale book is South Delhi and Gurgaon which are marquee properties. So we don't see any kind of haircut happening, because even in moratorium we had collection. Moratorium has provided them 3-4 months of cushion which shall set off slowness in collection is construction. If things become bad from here like lockdown increases, and people becoming more fearful then we may face some challenges. As compared to our peers, which are very large and we don't have any comparison, we should be performing very good as compared to them. On the retail side only challenge in school with AUM of around Rs.25 Cr of which 50% is in moratorium which were performing very well and school has to be opened to get these account regular. I don’t know when these will open whether in next month or next year. School has to be opened to make these account regular. Anoop will give you more clarity on SME side.

**Anoop Saxena** : I don't think there will be any challenge for longer period of time in SME segment. In case of school cash flows went down to zero and schools are not opened. In metro cities online classes are happening fee is being collected. We have disburse to rural cities and Tier II and Tier III cities where no online class is happening and no fee is being collected. In retail micro SME things are getting normal, shops are opening people are coming to market for purchasing things.

**Rohit Gupta**: Moreover, Micro SME was on semi-rural side most of which were daily loan, Kiryana Loans and which are open since March and have not impacted much. Our major challenge is in school side where we have portfolio of Rs.25Cr and 50% of which is under moratorium and the kind of provision which we have created will take care of it. And if any small addition provision is required then we shall provide in next quarter. But as of now we think the provision we have created will take care of if anything happened. We think even if schools are opened in next 1 year our accounts will get regular in next 2-3 months because they will collect fee from back period and will clear backlog.

**Siddharth Agarwal**: Rohit, given the uncertainty prevailing in the economy, how do think about the business in FY21? Will you improve the performance, what are your plans in terms of braches and disbursement?

**Rohit Gupta:** We have consolidated one or two branches, haircuts in salaries were taken by everybody from 1st April onward, myself taking 50% haircut. We have converted it into variable kind of bonus that if you achieve this kind of target it will be given in lumpsum, so cost reduction has been done. On the operation side we were conservative from about 2-3 months, retail we will be starting next month, we want to contact each and every customer and did the review of every customer in these 3 months. We wanted to improve our internal system and policies. We will not be too aggressive and we want to see how this post moratorium period plays out which is very important because mostly collection is from private sector, from PSUs they are not making that kind of efforts. The moment moratorium period goes, pressure will come on customers from all loan accounts. We want to wait and see how this pandemic plays out. For us FY21 will be period of consolidation and period of survival. We will not be very aggressive, we have done disbursements in wholesale where we thought they are very good. We don't see our AUM will go down, and we see 10-15% of AUM growth. We will be cautious and survivability is more important and we want to maintain quality of book on the balance sheet side which will be focus area than growth part.

**Moderator**: Next question is from Dhwani Desai, from Ahmadabad

**Dhwanil**: First of all very regard to your team, how you have managed the situation is very commendable, three question I have, we are planning to raise money by NCDs looking in our balance sheet we have enough liquidity, recoveries are well we are confident of having not large provisions so I mean apart from strong growth why we are raising money?

**Rohit Gupta**: You are right that collection is good, we have been rationalising our cost and we have prepaid our loans our cost of borrowing is sub 10% now. Being small if we maintain some excess liquidity and get some opportunity we will be able to capture it. Being small and being focused sometimes you get opportunities even in tough times. We are very conservative, for us quality of the books is more important than growth, which has been our philosophy. We will be disbursing when we see opportunity. When we get funding at lower cost, last year we were reluctant to borrow at higher cost. When opportunity comes we will use our reserves. Chandan will like to add little more.

**Chandan Kumar**: As Rohit mentioned, cost of borrowing is important for us, in last year we were not getting attractive rates. Now we are raising money at attractive IRR acceptable to us. Post lockdown there shall be ample opportunities in the market we would be using excess liquidity in that situation. We are being proactive, and once the opportunity comes we would like to deploy the funds.

**Dhwanil**: So basically we are positioning for growth as and when opportunity comes?

**Rohit Gupta**: At the end of the day we will be looking for growth, for us quality of the book is foremost.

**Dhwanil**: We have done exceptionally well on wholesale side, that is the book we are running down, in last few calls you mentioned that there is general aversion to this segment including our lenders on our exposure to this, any kind of rethink you have on that because the market is wide open lot of people are exiting and we are very well positioned. Would you not want to take advantage of that, now given that we have good experience and good risk management?

**Rohit Gupta**: You are very right, most of the people are exiting from this and everybody wants to enter into retail, I don't think in lending you can totally exit from the corporate side to retail. It definitely gives us an opportunity, the only thing is that we have to be very cautious in the parameter we have been working earlier. And when we find opportunities we will lend under those parameters. Moreover, even in the real estate if the project is rightly priced, rightly position and complete there is opportunity. Home loans are at multi decade low at 7% and real estate prices are stagnant for last 7-8 years. So if things go little better, product is right and rightly priced you will get buyer.

**Dhwanil**: How do you about composition of our loan book 2-3 years down the line in terms of retail wholesale, and within retail what would be the focus area, will it remain on micro SME side or will expand our horizon?

**Rohit Gupta**: Our core focus is that we want to build our domain knowledge by being in limited segment where competition from larger players and fin-tech is not there. So, in micro SME these are those people who do not file GST return don't have bank statements, so they can't be penetrated through fin-tech mode and larger NBFCs are not excited going to Rs. 5-7 lakhs loan. We would like to build domain knowledge and would like to remain in these two three segments which we are currently in. The only segment which has taken hit is school loan which has been very good in the past and as the school open people will send their kids to school. Apart from that we will have salaried component from unorganised sector which is parallel with micro SME. We don't want to venture out where larger players are there, because we don't have cost competitive strength to fight with those players.

**Moderator**: Next question is from Rashmi Mehta from Antique stock broking.

**Rashmi Mehta**: You mentioned about things being back on track with the developer loan specially unlock phase can you through some colors how others projects are panning out?

**Rohit Gupta**: Things are near normal in developer stage, these are developers which we have chosen because of being in affordable, sales happen on date of launch and require last mile funding. Because the projects are sold and there are committed receivable we are going to get our receivable. And going ahead with home loan interest rates coming down from 7% and home loan segment we are in metro cities and sub-urban cities you will get buyers always provided customers sees that project will be delivered in time. Most of the project which are suffering are pre RERA period these are all legacy project where full funding was not there, lenders were not able to monitor that developers have diversified the money from the project for land purchase and other reasons. And for the funding which happed in the last 1-1.5 year has been done very conservatively and those performing comparatively good. We have USP that we serve in particular region and have much more strength here which larger players can not have as they are run by small team which cannot have micro level knowledge of pan India. We are able to monitor, we have focused team if we do due diligence then sector is not bad. Few things happened to sector in last 2-3 years like RERA coming, GST playing out, demonetisation, economy slowing down builders have siphoned off the money for their personal purposes, with all the things fading away and rate of interest coming down i think things will consolidated and industry will have good future after 1-2 years. This is the last phase when bad players will go out and industry will have a better future with good players, with right kind of equity with close monitoring. In housing demand is still there as people want housing of their own with the lower interest rates real estate demand has to bounced up if India economy has to grow, and it is only matter of time. We have built strength and we would like to remain in this segment.

**Rashmi Mehta**: I have question on LAP book, have you noticed any data or insight that you can share, with regards to the customers behavior since March like how book performing?

**Chandan Kumar**: We have very small book under LAP, and have only 6 clients there in this segment. This is not preferred segment for us. All the customers are HNIs and the book has not impacted at all during the last 3 months. Though 2-3 customers have taken moratorium but net worth wise we don't see any challenge there. Considering the size of the book and number of client, commenting on the data trend is not good thing. The book is very small and we are very confident that there shall be no issue on the repayment part of the customers.

**Rashmi Mehta**: Can we expect the book to grow going forward?

**Chandan Kumar**: We are not focused on LAP book, it is just opportunity based lending and available to HNIs whom we have loaned earlier.

**Rashmi Mehta**: How is the liquidity, how long can we survive?

**Rohit Gupta**: Liquidity is in our control because we have high net worth as compared to loan book. Right now we have around 12% of liquidity with us and have around Rs.30 Cr of liquidity. In last 3 months we are not disbursing too much, even at one time we have liquidity of Rs.45-50 Cr. Disbursement of wholesale is in our control, which is still the biggest segment retail segment is very small, operational cash flows take care of the repayment part which is in the range of Rs.23-28 Cr. The liquidity issue should not be there for atleast 1-2 years unless we leverage ourself too much. So we don't see any challenge on that front.

**Moderator**: Next question is from Rahul Jain

**Rahul Jain**: Given the current scenario and things are likely to get back normal in next 3-4 months, when do you plan to be more aggressive in terms of growth? Last year AUM has been flat which I understand, we have been exceptionally well with regard to quality of book which we have built, when do you see growth coming back assuming Covid situation get better in next 3-4 months and there is no moratorium? What is the growth numbers we can expect?

**Rohit Gupta**: This year already 4 months gone, there is no clarity on pandemic and moratorium side. If everything's get normal in next 3-4 months and we have 4-5 months for business we can do 10-20% of growth and build base, in next year we will be looking for growth more aggressively. This year we have chosen that our quality of books and survivability is more important and we shall not grow beyond 20% this year so for that we are also raising funds. If everything is right we should on growth side from next year onward.

**Chandan Kumar**: Chasing AUM for growth is target for CSL, we have always focused on growing our AUM with sustainable model. This year we were hit by pandemic so we would not be focusing on growth, but if opportunity is there normalisation is there we will definitely try to grow our book by 10-20%. But if things don't get better from here we would like to focus on collection and monitoring rather than AUM growth.

**Rahul Jain**: In terms of the book composition, our focus has been to grow SME book and wholesale book which used to be more than 90% has come down to 80%, in next 3 years do we see composition of 50-50% or wholesale will be dominant around 70% of the book?

**Rohit Gupta**: Our intend is of 60:40 mix, where 60 being SME. Right now it is very important to see how micro SME segment plays out and the school which was very good for us plays out when school opens. Schools were very good customers with regular cash flows and we intended to grow this segment which has been hit by pandemic in short run. Rural has been good, that is the reason we have been able to collect 80-85% of non school loans. We would like to focus on micro SME segment but would like to see how things play out. It is very early to say our pandemic will play out. Stock market is going down in March and again up in April does not show actual picture on ground, post moratorium people are not going for non essential items so many segment has been hit, which used to employ unorganised labor. Few people from the stock market thinks indexes are going up things are improving but things are not normal yet, storm is still passing. Next 3-6 months are important and how government take measurers. We will be cautious on growth we are building ourselves for us any major accident put question mark on survivability. We dont want take risk where aggressive growth kills us, we are small and we want to grow but situation should be good.

**Chandan Kumar**: In our wholesale book we are opportunist and we are choosy on the deals. There would be limited numbers of deals as only few deals will come at IRR we need so growth would be limited. Growing SME book would be easier. Commenting on the growth part currently would be tough reason being that we are not over with the pandemic yet and it would be totally depending on the how market and economy perform. If things are normal growth would be inclined towards SME segment.

**Moderator**: Next question is from Mr. Vinay

**Vinay**: You have told earlier that rural or semi-urban areas are doing better than urban, do we have some classification within our books in retail and wholesale, what part of it falls under which area do we have somethings like that?

**Rohit Gupta**: Our retail book is mostly semi rural, we get major traction from outer part of the city, like we are in Jaipur we are not getting major demand from Jaipur but outer part of the Jaipur. So this is semi rural kind of segment which we have, so small micro SME people running small dhaba, Kiryana stores, small workshops, we have sizable dairy loans also, so this kind of segment which you can say rural and semi-rural. Even our schools are located in semi-rural and outer part of the city where students are from migrants or farmers that is why school could not go online due to non availability of infrastructure.

Our wholesale is total in metro, 90% is in Delhi, Noida, Gurgaon and Ghaziabad and little portion in Chandigarh.

**Vinay**: We keep reading a lot of report also that in Rural is doing much better than urban, from your reading is it true?

**Rohit Gupta**: It is true because certain crop has been very good, and government is pro-active in giving them support prices and payment was fast. Secondly their usual activities were not hit apart from vegetable seller which were not able to sell in metro cities, but largely it was not hit.

**Vinay**: You got money at lower rates, are you facing pressure as your yield could also decrease due to decline in rates?

**Rohit Gupta**: In the wholesale segment there is dip of 100-150 bips as we are choosy on the borrower side, so in short term we have put more parameter and we have been more choosy. IRR are not important in the short run. In the SME side 100-150 bips does not make any difference for them, and only competition can reduce the IRRs. In the retail side we do not see any challenge. In the wholesale segment there has been lower IRR in the short term, but that would be for long term basis.

**Vinay**: For wholesale 67% have opted for moratorium, but you have received lot of money from escrow accounts, that you are not refunding back that will take care till may, are you going to extend moratorium for another 3 months?

**Rohit Gupta**: We have given moratorium to give cushion to customers, but internally we are maintaining that we have not given any moratorium. We will continue to collect money, because we are telling them that its in your interest to pay as we are adding interest and secondly ours is project based funding, if we are getting receivable from sales I can't give them moratorium if the project is complete and no construction is pending I am taking 80-90% of the amount coming to the escrow account and none of the account I am taking less than 30%. It is only that where EMI is lesser than what I need to collect is going to moratorium like if our payment is 50 lakhs and EMI is 35 lakhs then 15 lakhs is going to moratorium. In certain account EMI are much more than our payment.

**Vinay**: What is the collection rate in wholesale today?

**Rohit Gupta**: Collection rate is around Rs.10-12Cr in wholesale normally in good period it used to be Rs.15-16Cr. So Rs.15-16 was prepayment more than the scheduled repayment so in this period prepayment amount will be little lesser. We will not see pre payment this is the only difference. Baring 4-5 account we have received as per repayment schedule.

**Chandan Kumar**: We have collected 95% of the amount which was due in this moratorium period. The moratorium in the wholesale segment was provided to give them cushion for slowness in sales and construction activities. On the EMI part and interest portion we have collected whatever was due.

**Rohit Gupta:** But we did not have got from LAP side as we did not have escrow account there to control the receivable.

**Anoop Saxena**: There are two portion of SME loan, one is micro SME and one is school loan. So in Micro loan we have collected over 95% of what was due in micro SME loan and in terms of school loan we have collected 55% of what was due and rest of the account has gone to moratorium cases.

**Rohit Gupta**: These are for June and July, April was very bad and we were able to collect 40% and rest was in moratorium.

**Anoop Saxena**: The main reason for moratorium in April was that customer was not allowed to move due to lockdown.

**Rohit Gupta**: April was tough for everybody so we were afraid of calling customers as situation was tough. From May onward we started calling customers educating them. Our branch people moved where they were allowed to move and meet customers. And that is where we were able to improve our collection but April was really bad.

**Vinay**: Will we see only improvement going ahead?

**Rohit Gupta**: After moratorium when all lender will be asking for money and what will be the pandemic situation at that time, that will be most crucial period for every lender.

**Anoop Saxena**: We have maintained relationship with customers, so when all financiers will go to the customer to ask money, I will have benefit over others as I have maintained good relationship. We have invested time with customers and maintained relationship.

**Vinay**: Do we have break up that in how many cases we are sole Lender, second Lender and three Lender?

**Rohit Gupta**: We have not done single top up. We are sole lender in more than 80% cases.

**Moderator**: On behalf of Antique stock broking that concludes this call, thanks for your participation.