"Ujjivan Financial Services Limited Q4 FY17
Results Conference Call"

April 28, 2017

ANALYST: **MR. PRAVEEN AGARWAL - AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. SAMIT GHOSH - MANAGING DIRECTOR & CEO - UJJIVAN SMALL FINANCE BANK**
MR. RAJAT SINGH - HEAD - STRATEGY - UJJIVAN SMALL FINANCE BANK
MS. SNEH THAKUR, HEAD OF CREDIT - UJJIVAN SMALL FINANCE BANK
MS. SUDHA SURESH - MANAGING DIRECTOR & CEO - UJJIVAN FINANCIAL SERVICES LIMITED
MR. HIREN SHAH – CFO - UJJIVAN FINANCIAL SERVICES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Ujjivan Financial Services Q4 FY2017 Results Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you, Sir!

Praveen Agarwal: Thank you Stanford. Good afternoon everyone and welcome to the conference call of Ujjivan Financial Services. We have with us from Ujjivan Small Finance Bank Mr. Samit Ghosh, MD and CEO, Mr. Rajat Singh, Head – Strategy and Ms. Sneh Thakur, Head of Credit. From Ujjivan Financial Services, we have Ms. Sudha Suresh, MD and CEO and Mr. Hiren Shah, CFO. I would request Mr. Ghosh to take us through the highlights of the results post which we will open the floor for Q&A. Over to you Mr. Ghosh.

Samit Ghosh: Thank you Praveen. Good afternoon to all of you. First of all apologies for the delay yesterday in posting our results and consequently having to defer the concall today. It was largely because I think for the first time we were working on the results of the holding company staying in the bank subsidiary. We also working with two sets of auditors and there was certain coordination issues nothing major, but it just took us longer time, so apologies for that and I can assure you that this is not going to recur. We ourselves are in Kolkata, Rajat and I, where we have one of the most important aspects of our business, which is transformation to a Small Finance Bank. We have opened five more branches in Kolkata city and also one on bank rural, so that has taken our total number of Small Finance Bank branches to 26.

On May 3, 2017, we are planning to open four more branches in Pune, so consequently we will have branches of Small Finance Bank now right across the four regions. Last Monday we opened five branches in Delhi. So we will have a total of 30 branches by May 3, 2017. Our plan is by this financial year-end out of the 457 branches we will convert 171 to full service Small Finance

Bank branches and open 53 on bank rural branches, which is the RBI requirement. The remaining branches right now will continue as asset centers, which is permitted by RBI for a period of three years and we will be converting the balance branches beyond the 171 over the next period of two years. That is a very important task and the whole transformation exercise has gone on as per plan and that is a very important aspect of the work we are doing today. We completed the last year's financials quite well in terms of profit we recorded a profit of Rs.207 Crores, which was 17% more than the previous year, of course the impact of demonetisation, etc. had started impacting us only from the fourth quarter, so consequently fourth quarter results have been fairly strongly affected.

As far as the business growth is concerned, we had moderated our business growth even before the demonetisation because we were transforming to a bank, which in retrospect was extremely wise even though we did not predict that there could be a demonetisation, consequently our business growth last year was only 18%, which came largely in the first eight months of the year. The business in terms of affordable housing and MSE actually has grown much faster and we expect that by the end of this financial year their portion in terms of our portfolio will increase from 2% to 8%. The other issue, which we have, which is post demonetisation is our portfolio quality and fortunately for us both for the industry and us what we saw in March was a significant turnaround in portfolio quality. Our PAR has significantly came down and that is one of the reasons why our provisions have come down also, and this is in line with what is happening to the industry. So what is happening to us is corroborated with what is happening to the entire industry, at the same time the business loan growth both for the industry and us have grown in month of March, so we see month of March as a significant turnaround time, all loan disbursement volumes have almost come to the pre-demonetisation levels, so we feel that if this trend continues we will be well in the way to recovery.

Now as far as provisioning is concerned, which Sneh and others can explain to you in much more detail, what we did was we did take the dispensation for only the loan portfolios for November and December in terms of asset classification, so we have treated them as standard, but as far as provisioning is concerned even in the last previous quarter we had taken additional provisions for this loan portfolio in what we called the affected states, which are nine states where our loan recovery rates were less than 90%, so that has continued and that has not changed for us and the rest of the portfolio continues to be in much more conservative provisioning policy which we had pre-demonetisation. We have actually worked very hard in terms of recovery, we have set up task forces in the various areas where our portfolio has been affected. Fortunately we are not in all the real hotspots where portfolio quality issues are there for the entire industry and what we have seen is customers are now starting to repay us in one or two installments, even though they may be behind in three or four installments. So they are indicating intent to repay; however, there will be a portion of customers who will have not paid us at all. We do not know what would be the total estimate of this, which we will get to know in the next two months and we will get a better idea of what our credit write off is going to be.

Currently as you know we have indicated that our GNPA number is 3.7%. We have resumed our regular business right across and now we are sitting in the East, East surprisingly has performed very well and we have started new customer acquisition also. So in the next year and this year we will build up our retail deposit base and we will also raise bulk deposit and I think Sudha will talk to you a bit more on the financing side. We have invested a lot in IT and infrastructure and we expect that about 30% of our portfolio will be funded from bulk and retail deposits by year-end.

On the asset side, we hope to grow our entire portfolio by around 20% to 25%. In addition we are working very hard to bring our credit cost down, so that we minimize our loss, but we will have a better idea of that in the next couple of months. Now, I would like to request Sudha to take you forward and talk to you a little bit about our financials.

Sudha Suresh: Thank you Sir. Good afternoon to all. As Sir just indicated we have commenced the Small Finance Bank as per our target time we opened that in February first week and further to the fact that we had huge challenges to the industry due to demonetisation and also the fact that we were transitioning into a Small Finance Bank. We have managed well on our collection efficiencies and as also on the overall results. I think you have privy to the overall performance in terms of the consolidated numbers that we have posted. So having an income of about Rs.1397.62 Crore for FY 2016-2017, which is an increase of 36.01% over the FY 2015-2016. A net profit of Rs.207.67 Crore as Sir had indicated, an increase of 17.18% over the prior year. The NII had Rs. 687.41 Crore again an increase of around 34.8% over the previous year. The NIMs stood at 12.57% in 2016-2017 an increase from about 12.23% over the previous year. The overall cost-to-income ratio has increased this year and we have the facts behind it, which is at about 53.81% in 2016-2017 compared to 50.99 in FY 2015-2016, a majority of that relating to the transition cost. Overall if you see the performance of the quarter again in terms of the quarter we are presenting the consolidated numbers. Total income about Rs.340 Crores an increase of about 14.1% over the quarter in the prior year and a decreased by 8.43% over the previous quarter. Net profit at about Rs.19.35 Crore is a decline of about 64.76% over the previous year quarter and about 55.96% over the last quarter. We also have a cost-to-income ratio, which has shown an impactful spike at 76.69%, which has increased from 48.77% in Q4 of FY 2016 and by 49.33% over Q3 of FY 2017.

We also have the return, which has increased our returns on earnings, but significantly we would like to comment on the following. One, typically in terms of the demonetisation situation as Sir has also indicated we see that the position has been stabilizing across regions and recoveries are slowly improving. The cumulative repayment rate stands at 96.72% and we also have taken into account the RBI dispensation just on the asset classification. GNP stands at about 0.28%. So in terms of our annual performance on the growth trajectory, the gross loan book of Rs.6379.49 Crore and a net loan book of 5871.16 Crore, registering a reasonable increase as targeted during the year. We have disbursed Rs.1407 Crore during the last quarter of FY 2016-2017. We have also started on acquiring new customers in the states where the portfolio quality had stabilized or is stabilizing and currently our customer base stands at about 3.6 million.

NIM for FY 2016-2017 stands at 12.57% and the ROA for FY 2016-2017 is at 2.92% with a return on average earnings is at about 14.07%. On the borrowing side, there has been significant improvement in terms of the lower marginal cost of borrowing for term loans and NCDs specifically in the third quarter. Thus for FY 2016-2017, our average cost of debt has reduced, so 10.60% and the marginal cost of debt stands at about 9.67%. What we decided as we commenced our SFB was that sufficient liquidity should be in place not only to ensure that we are compliant with the CRR and SLR requirement from day one of our operations, but we should also keep sufficient liquidity for the initial few months of the SFB operations. So based on that we had a fair degree of borrowings coming in just as we transition into a bank and that was taken into account in Ujjivan Financial Services Limited, the holding company.

As a result the interest cost of that for two months has been taken into account in the banking operations and that is one of the primary reason where we talk about impact on the NII compared to the previous quarter. The other factors, which have impacted NII are marginally due to our yield has come down because of reduction in the rates to customers on microfinance loans. Previous year we had it at 22% and that has come down to 21.25% effective from October. So that impacts to some extent and contributes to lower yield. The other piece on the NII is the inclusion of treasury income of Rs.19.7 Crore from the banking operations is figuring in other income and it does not get categorized into the NII, so that is also another impact, which has to be taken into account.

The third part of course is that accrued interest reversal post 90 days and there is an impact of that also which has contributed to the reduction in NII. So overall these three to four factors have contributed to the NII numbers, which we are looking at about Rs.128.31 Crores for the quarter compared to the previous quarter, which is December 1, 2016 at 199.01. We expect the impact of higher operating cost and credit cost to be relevant for this FY 2017-2018 and based on that we are looking at a cost-to-income ratio, which we have seen a sample of in the Q4, we expect more or less cost-to-income ratio around 70% for the next financial year. At the same time, our trajectory of growth continues to be on a sustained mode and we are indicating a growth in our portfolio at around 25% and this will be a combined impact across growth in all verticals Microfinance, Micro Individual lending, MSE and Housing.

As we move forward into the next few quarters, we will also see that the high amount of investment that we have made on the SLR and CRR where there is a question. The impact of that will come down over the next few quarters. We will also see a replacement of low cost deposits vis-à-vis the high cost of borrowing, part of the repayment as well as prepayment plan as per our strategy would continue and thereby we will see a significant rate reduction in terms of our interest cost or finance cost overall in the financial year. With this, I would like to hand over the session back to the moderator to start the Q&A session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

Dhaval Gada: Thanks for the opportunity. Madam Firstly if we look at slide 12 of our presentation, which highlights the collection efficiency, so I just wanted to understand, so now can we say that about 88.5% of our customers installments are on time, so firstly 2%-2.3%, which is the tail of the chart, are the borrowers were now basically not paying is that fair and so the balance effort is now going in increasing that 88.52 to a much higher level, is that correct assessment of this chart given current position?

Sudha Suresh: I think that is the fair assessment of the chart.

Dhaval Gada: Then the second question here is Madam, so broadly how do you see the January and more importantly February trends progressing because I would have actually thought especially for the February trend by the time we hit April from March to April there will be a big delta given that election issues, etc., were behind, but that does not seem to be the case, it is very gradual uptake, so any colour on what is not driving this high collection efficiency some 31 March, 2017 to 25 April, 2017 especially for the February and basically?

Sudha Suresh: Actually we would like to indicate that there has been considerable effort and we have seen the impact of that especially starting from the March and we have seen the collection drive and collection efficiency has improved specifically if you look at the March collection efficiency. Overall the efforts continue to improve and I would like Sneh to elaborate further on this.

Sneh Thakur: Just snapshot of what our performance was in March, actually about 53% of our overdue clients started making at least one EMI payment and that is a significant improvement and indication that customers have started making repayment. Hence the previous question on the 89.8% collection efficiency is an account of that, it means the customers have started paying now and that is getting accounted in the previous month. So we will slowly see a gradual improvement in these collection efficiency numbers for February, March and April as well. So we will need to give it about sometime for these numbers to move, but the trend is positive even during the month of April.

Dhaval Gada: Sneh actually the reason why I asked this question if you see the same chart from 31 March, 2017 to 25 April, 2017, there is no major spike like we see in the first to second month of collection, so that is the reason I thought that maybe there should have been some bit of grudge on it, all these bands between 31 March, 2017 to 25 April, 2017 have percent or 0.2% may be kind of movement, so that is the reason I was more curious why we are not seeing that kind of big jump. Any specific geographies where you think this is, you highlighted somewhere you are below 90%, but still there are some geographies, which may be around sub 80%, any colour on that?

Sneh Thakur: Just to add to what I told you earlier, April we find the movement a bit slow. One of the factors is also that we have seen a number of holidays during the month of April and collections are happening during the last week, on account of this also you will see a slow movement during the month of April. Secondly as far as geographies are concerned, we have about three states on a cumulative basis below 90%, but all the other states are on a cumulative basis over 90% already.

Dhaval Gada: Madam, in your initial comments you mentioned that once portfolio quality stabilizes in particular region you will start a disbursement could you give a little more colour as to what level of collection efficiency you are looking before you start disbursement in these geographies?

Sneh Thakur: Yes, we have threshold of 95%, if they have 95% collection efficiency then we will allow them to acquire new customers. Anything below that only the repeat customers may be serviced based on your track record.

Dhaval Gada: Right and this is the region wise or branch level wise?

Sneh Thakur: It is at the branch level.

Dhaval Gada: And how many percentage of our branches today qualify with this criteria Madam, broadly?

Sneh Thakur: It is roughly about 80%.

Dhaval Gada: Just one more sort of broad question here. We have seen a lot of centers and lot of branches in lot of states where customer discipline has broken post these events, so what is our growth strategy, have we changed some of, we are trying to vacate some of the geographies or you think once collection comes back to normal we will start the process again, so just some broad growth strategy from areas, which have seen maximum impact has been, that would be very helpful.

Sneh Thakur: I think Rajat can elaborate on this.

Rajat Singh: Actually we are analyzing not only in geography, but we are also analyzing in terms of customer occupation, so what we have seen how have the customers in different segments within the geography, which is affected behaving and those which the customer segments let us say government factory workers in Bengaluru who have been very strongly affected post demonetisation. We are eliminating them from any future loans in terms of new customer acquisition. So we are moving at a much more granular level that is our strategy.

Dhaval Gada: Right and in terms of specific geography Sir, like West UP or parts of Maharashtra, what is our strategy in specific those geographies where may be there are multiple reasons why collections slipped, so any thoughts on those geographies Sir?

Rajat Singh: We have two areas of concern in geography, one is Western UP and the other one is Bengaluru right now and basically we are following a strategy in both these areas that we only will give repeat loans to our good customers. We are not acquiring any new customers in this area. The thing is by asking me why are we giving repeat loans to our good customers even in this affected geography, our experience is if you stop giving loans even to good customers then the entire portfolio gets affected.

Dhaval Gada: Just last two questions.

Moderator: Mr. Gada may be requested to come back in the queue.

Dhaval Gada: Sure.

Moderator: Thank you. We take the next question from the line of Hardik Shah from Birla Sunlife Insurance. Please go ahead.

Hardik Shah: My question was regarding the slide when you mentioned certain states, which are still below 90% of collection efficiency, can you just mention what portion of your incremental disbursements have gone to those states?

Sneh Thakur: We do not have that number at that moment, can get back to you.

Hardik Shah: And also the net customer addition has been actually declined from last quarter?

Sneh Thakur: Right.

Hardik Shah: So basically that means that all the loans have gone to the existing customers is that so?

Sneh Thakur: So what happens when our loan comes for maturity out of 100 when they come for repeat loan in general 85 loans get disbursed and 15 get rejected due to various reasons, sometime it is customer choice, they do not want the next loan or sometime it is because of bureau match and higher borrowing they have, so to compensate that one has to do the new customer acquisition to make sure that at least to your borrowed basis on the increasing mode. Since we had kept a kind of cautious approach on the NCA, the overall borrower base has come down because every 100 customers who are coming for repeat we were giving loan only to 85 roughly.

Hardik Shah: One final question, it is more broad about the industry per se. Do you think this demonetisation overall has brought out may be weakness in the group lending model because if liquidity was the only issue after five months the things should have come to normal, so where is the model failed?

Rajat Singh: As we have been maintaining our stand that group business is susceptible to few external shocks that is one of the side effect of this business whether it is natural calamity or manmade or political intervention, group loan has always been susceptible to that and only way to minimize the damage if you are in the business and if you want to minimize it to diversify your portfolio spread your portfolio as much as possible geographically as well as from a customer segment point of view. So it is a known risk, political intervention was a known risk it has happened in the past and this time also post demonetisation it has happened.

Hardik Shah: Basically are you putting the entire impact of this on political, also due to generally poor discipline?

Rajat Singh: Issue of this proportion there are multiple reasons. This demonetisation was the trigger and which started with the liquidity problem and for couple of months people did not have money to repay, post that there was lot of political intervention in different geography, those intervention was not at a very higher level of politics, but on a smaller level of local politician, local opinion makers they got involved and in some of the election bound state we face this kind of problem. There are some geographies where there was hitting up of microfinance business as well where multiple people are working and they were catering to the same segment of customer that also was one of the reason, but that was limited to few geographies. So multiple reasons I would say for there is a problem, which we have today.

Hardik Shah: Lastly borrowing from SNGs is it still getting captured or it is not captured?

Rajat Singh: Not yet.

Hardik Shah: So, there can be a scenario of the customer having higher borrowing than the mandatory requirement?

Rajat Singh: As RBI has given a mandatory requirement of Rs.1 lakh and we are still following Rs.60,000 to make sure that some of these kind of unknowns are getting accounted, but you are right there is a possibility.

Hardik Shah: Thanks.

Moderator: Thank you. We take the next question from the line of Ashvin Balsubramaniam from HSBC Asset Management Company. Please go ahead.

A Balsubramaniam: I had a question with regard to the collection efficiency slide, so would it be fair to interpret that most of your customers have been able to pay one installment, but very few have actually been able to clear the older backlogs because if I look at the first point in each of the lines, it has actually been in fact decreasing till February from 90.6 to 86.8, so has it actually gotten worse in the sense like the initial installment due the number of customers who are not able to pay us actually increased during the time?

Sudha Suresh: So in the balance of accounting as you know any installment paid will be accounted in terms of the earliest dues, but overall to your question that the customers have been paying at least one or two installments even though they have not been able to pay all the four or five month installments, definitely that is true because the customers have come forward paying at least one, two or three installments so far that has been our observation taking into account customers, which have been overdue right from November.

Sneh Thakur: So just add to that if you look at the moment for the February collection efficiency to improve they had two months, but if you look at March it has just been a month, so these numbers are likely to improve and as I quoted earlier as well during March we had 53% of the borrowers repaying at least one single installment.

A Balsubramaniam: But how much of this would have been let say due to permanent loss of income during the demonetisation period as a result of which they may either never be able to repay those older installments, even though they are paying the subsequent installments they are not able to sort of clear the backlog, so what would that kind of proportion be just to get a sense?

Sneh Thakur: During the period of demonetisation, a lot of these customer segments were impacted, So if we specifically speak of micro enterprises definitely they did have a trouble and since this economy is mostly cash driven the supply chain was completely disrupted, so there was a sudden drop in their income levels and they were unable to manage their household cash flow management, so that was a concern, but slowly as the economy is improving we are seeing that a lot of these customers have started making one single EMI payment.

Rajat Singh: To add right now our portfolio at risk overall is close to 10%, bulk of it I would say is mainly because people who are kind of got influenced by external factor, small portion of people are also there may be difficult to put a percentage, but that number is smaller where people have got their livelihood impacted in a permanent way. People’s livelihood got impacted temporarily, they are not able to pay those two, three EMI, but if we give them time instead of 12 months, 15 months or 16 months time is given they will be able to repay. People who are completely got disrupted because of demonetisation and not able to bring their business back on track that number is pretty small.

A Balsubramaniam: The other question, which I had was there is a slide on rejection rates, which you have given, so this rejection rate, which you have mentioned is only the bureau rejection rate, but beyond that like what proportion of customers would let say be rejected due to other reasons, broadly to get a sense.

Sneh Thakur: So far some bureau rejections, rejections are in the range of 2% on account of other reasons.

A Balsubramaniam: So related to this I had a broader question, if 2% is a pretty small amount, so in that sense like what would differentiate like one entity operating in the microfinance segment from the other if like the main reasons for rejecting any loan would be related to the bureau rejection rate, because some other MFI could also do something similar right, just to get a sense like what differentiates the underwriting basically?

Sneh Thakur: So if I have to just answer this a little differently. The indicators that appear in a credit bureau are also captured on our customer profile form, so if the credit bureau report was not generated I would still have this information captured as part of my assessment and the rejection would then have been on account of internal credit policy, so something like credit exposure, which I have capped at 60,000, the same information that comes through bureau also comes through my application.

A Balsubramaniam: So that would also show up in this 12% or in the 2%, which is…

Sneh Thakur: No, so the 12% actually includes the rejection on account of lender rule as well as on account of exposure norms.

A Balsubramaniam: Thank you.

Moderator: Thank you. We take the next question from the line of Vinay Shah from Reliance Mutual Fund. Please go ahead.

Vinay Shah: Thanks for the opportunity.

Moderator: Mr. Shah, your line is unmuted you may go ahead.

Vinay Shah: Thanks for the opportunity. A couple of questions. First is on the field please quantify what will be the portion of portfolio where the customer has not paid a single installment post November 2016?

Rajat Singh: Sneh, would you take that question?

Vinay Shah: My question is can you please give a number for the portfolio where customer would not have paid a single installment?

Sneh Thakur: We have about 2 lakhs accounts.

Vinay Shah: And in terms of portfolio amount of AUM?

Sneh Thakur: The amount for November and December accounts put together is 2 lakhs and it is over Rs.300 Crores.

Vinay Shah: As on 31 March, 2016 out of Rs.6000 Crores plus portfolio Rs.300 Crores portfolio customers would not have paid a single installment is it correct interpretation?

Sneh Thakur: Rs.300 Crores is the PAR and we need not necessarily mean that there is no repayment there.

Sudha Suresh: I think we will clarify this, the amount indicated is overall the portfolio at risk, but if you are looking at customers who have not paid any installment starting from November till date if they have not paid their interest dues, just give us some time to come back with the number, you can proceed with other questions.

Vinay Shah: Second question is on the cashless disbursement, which was roughly around 60%-65% for the demonetisation, which has declined further, so I just wanted to know how is it going to up or will remain at this level or how we are planning to get?

Rajat Singh: Cashless disbursement mainly got impacted due to demonetisation situation and people who are not getting cash, so we decided to put it in, instead of cashless we started to give disbursement in cash. Over a period of time number will come back and as you know we are opening our branches and opening bank accounts for these customers; however, it is a gradual process as those branches are getting live and those customers are on boarded. We will start disbursing in their bank account. Meanwhile if there is a customer who wants to have the disbursement in other bank account we are open to kind of disburse there as well. So, you may see increase in these numbers in coming month, but it may not reach the 60%, 65% of the peak, which has seen earlier.

Vinay Shah: May be I can take one more question.

Sudha Suresh: Would you please allow me to address the previous question. That was corrected. Customers who have not paid a single EMI during November and December is only 41000 accounts, which amounts to an overdue of Rs.70 Crores.

Vinay Shah: So which is an outstanding as on 31 March 2017?

Sudha Suresh: Yes.

Vinay Shah: Thank you, so may be I can add one more question?

Sudha Suresh: Sure.

Vinay Shah: If I look at the slide #12, your collection efficiency update, so if you look at the collection at the end of second month from the respective month, which is showing a declining trend, so if you see December in the second month we have collected 94.7%, in January in the second month we have collected 94%, so the trend is declining, but we are saying post or from the month of March there has been encouraging signs of recovery.

Rajat Singh: Yes. If you really see the current trend of collection efficiencies more or less it is on the similar line, the November figure is slightly different mainly because the first nine days of November were a normal days of collection, which were at 99% or so, rest of the collection if you really see it starting at somewhere around 88%, 89% every month and then month-on-month the recovery is happening. Now in the month of March we have seen a different kind of slightly higher recovery and the trend is changing from thereon and we expect this kind of trend to continue going forward. So that is why the figures and the trend is changing accordingly.

Vinay Shah: Thanks a lot.

Moderator: Thank you. We take the next question from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: Particularly with respect to Small Finance Bank strategy rollout, so overall when we look at it we will be continuing with the existing branches and we will just add the liability product segment to it, it is not like we would be establishing the parallel liability franchise, which some of the other players are doing it. Within the same branch we will be giving out with the liability products as well.

Samit Ghosh: The thing is we are not creating a separate liability branch, but the physical branch is actually changing. It is in the same area where we have a separate liability team for acquiring new customers for liabilities, etc., and we have the microfinance team, which is servicing our existing customers both for loans and for deposits.

Kunal Shah: So it would be, but within the…

Samit Ghosh: Physical branches are completely different because as you know the microfinance branches were all in the second floor, third floor in the cheapest kind of physical environment whereas all the small finance bank branches are on the ground floor with ATM, etc., and at par if not better than many of the universal bank branches.

Kunal Shah: So the location will definitely change, so suppose if today we have the asset led branch on the first or the second floor. When we are saying that we will be converting all the existing bank branches, which will offer both asset and liability product, so there will be altogether separate physical franchise for liability and separate for…

Samit Ghosh: No, the whole asset branch will close down, so in a particular area today let say we have opened five branches in Kolkota and like park circus for instance the asset branch close down and they come and merge into the new SFB branch.

Kunal Shah: So this 171 branches, which we are planning to convert, so that will also be something similar, so maybe…

Samit Ghosh: Yes.

Kunal Shah: As and when we open the branches then maybe the nearby asset led branches, which are there, they will close down.

Samit Ghosh: Close down and merge into the small finance bank branch.

Kunal Shah: But it would be within a very close vicinity?

Samit Ghosh: Close vicinity yes.

Kunal Shah: Overall, so whatever has been our experience how do you see the scale up of the savings deposit, so if we have to look at it in terms of what would be the ideal size of savings deposit per branch, which we can mobilize say savings or a term deposit, what is your expectations in next two, three odd years, giving maybe we know our customers, we know the locality.

Rajat Singh: So whatever we are talking about on the liability side, these are largely based on some assumption.

Kunal Shah: Yes definitely.

Rajat Singh: Research, which we have done and we would realize how accurate we are over a period of this financial year. What we are saying is average asset size of a branch today is close to Rs.12 Crores and we think that within three years of time a branch should be able to kind of fund its asset through its own liability. Part of this liability will come from investing customers maybe 40% to 50%, remaining 60% of liability will come from the new segment of customers, which we are trying to enter and that segment of customer is slightly over bar existing microfinance customers there, micro and small entrepreneurs, traders, shopkeepers, people who already have banking services, but they are either underserved or poorly served, so that is the broad target, which we have for branches overall.

Kunal Shah: So ideally even if the asset grows maybe at least to Rs.12 Crores or something, which we should mobilize in terms of liability if we want to fund the entire asset base.

Rajat Singh: Yes.

Kunal Shah: At least.

Rajat Singh: Yes.

Kunal Shah: In terms of the cost, which are incurred for setting up these branches or maybe conversion into the asset cum the liability branches?

Rajat Singh: Whatever we have discussed in previous concall numbers has not changed from that, whatever number we had given at the last quarter, we are sticking more or less with the same number because by December there was a clarity on what kind of cost we are going to incur in these branches, so numbers stand safe.

Kunal Shah: Thanks a lot.

Moderator: Thank you. We take the next question from the line of Praful Kumar from MSG Partners. Please go ahead.

Praful Kumar: Good afternoon Sir and thank you for the opportunity. Just for understanding today all our microfinance loans are now being treated as individual loans that is the way we are looking at it?

Rajat Singh: No, as of now there we still are classified as JLG Loan, group loans.

Praful Kumar: But how do you then incentivize your good customers in a group, so just for understanding, what are field officers, can you just explain a bit in granularity how exactly the model is now on the field?

Rajat Singh: We acquire customer under group guarantee where five members come together and they take the loans; however, each customer is responsible for their own loan, other customers are responsible to the extent of three EMI, suppose out of five one does not pay other customers are required to only pay three EMIs, also if there are some situation where we exempt even this three EMI norm, so for example if a customer has absconded or if there is any permanent issue in the family those cases we do not force the customers actually, other customers to pay the three EMI and we deal with that customer on a individual basis, either we reschedule the loan if there are genuine distress we kind of sometimes write off the loan, if a customer is absconding we try to identify and find out, so group guarantee works with certain modification here and each customer is responsible for their loan and after one year of taking loan if all five have displayed similar kind of credit discipline we give loan to all five, if only four has displayed better discipline we give loan to four and we drop one customer from the group.

Praful Kumar: Sure and you said that we are not incrementally adding enough customers, we are giving incremental loans to our existing good customers and incremental growth focus is 25%, so it will be more of individual, your current MFI customers being given individual loans that is the way to look at it?

Rajat Singh: So growth is coming, we broadly divide our business into now kind of four verticals if you can say, one is microfinance group loan JLG model, another is individual loan unsecured individual where good customers of microfinance loan gets higher ticket size on a individual basis, third is SME and fourth is affordable housing, so 25% of growth is coming from all these four verticals put together, growth in microfinance and unsecured individual is slightly lower, MSE and housing being one of the new verticals we see higher growth there, so it is a combination of two verticals.

Praful Kumar: Actually my question was coming from your customer acquisition strategy, which seems to be more of looking at the internal database of customers today than acquiring new customers because you are building a different vertical altogether in terms of a product, so just some thoughts in terms of customer acquisition strategy I was looking?

Rajat Singh: Sure, so in terms of new customer acquisition still last year we were acquiring customers almost at a rate of one lakh per month, definitely that number will be slower in this financial year. As our expectation of growth in this financial year is limited 20%-25% and that kind of growth we are able to achieve by cross selling either individual loan or repeat loan to existing customers only, so bulk of our growth will come from existing customers and in MSE and housing new customers.

Praful Kumar: In terms of your frontline staff your loan officers what is their incentive structure linked to, is it more disbursements, collections, have you changed any structures after the recent experience?

Rajat Singh: In Ujjivan we did not have any incentive structure as such for our field staff, we had some reward and recognition program, which was periodic in nature, but we did not have sustained monthly basis incentive for every one. We had kept that out since Andhra crisis in 2010. However, when we are moving towards liability business we may think of bringing incentive back especially for mobilizing liability.

Praful Kumar: Sure and in terms of, this is for Mr. Ghosh, are you concerned that today the problem is more of intention of not paying back than cash flow issues with significant part of the portfolio that is under stress because that is something that, how do you address that over next three, six months?

Samit Ghosh: There is going to be a certain portion, earlier there was a discussion in terms of those who have not paid us a single installment since the demonetisation exercise started. Frankly we will try and collect from all of them, but there will be a portion who we will not be able to collect and in that case we will have to write off that portion of the portfolio.

Praful Kumar: Sure Sir. Thanks Sir. Thanks for the comments.

Moderator: Thank you. We take the next question from the line of Vishal Rampuria from HDFC Securities. Please go ahead.

Vishal Rampuria: Basically I want to understand your long term say for next five years growth trajectory in terms of split between your MFI and non-MFI book?

Samit Ghosh: Our long-term goal has not really changed and what we had planned earlier that 50% of our book will be microfinance and 50% will be a combination of MSME plus affordable housing.

Vishal Rampuria: What kind of growth you expect from your bank branches basically in terms of your banking products like OD, CC and those kind of products?

Rajat Singh: Those specialized products like OD and CC are part of our second year plan. This year our focus is largely to build a liability base and because largely they are liability linked credit product, so at this moment we do not have very high visibility on what kind of growth we are looking at. We are generally looking at loans, which are term loan in nature with average turnover of three to five year for businesses secured by mortgage.

Vishal Rampuria: One more question to ask you, how much was the yield on the loan book for this quarter?

Rajat Singh: This quarter you mean ongoing quarter?

Vishal Rampuria: Fourth quarter, yield on the loan book?

Rajat Singh: Yield on the loan book would have been in range of 20%-21% closer to 21%.

Vishal Rampuria: Same as your last quarter basically?

Rajat Singh: Almost same, there would be some bit of decline on the account of the reasons Sudha Madam was explaining you earlier.

Vishal Rampuria: One last question to ask you, if you look at the composition of your gross loan book you have changed the entire classification, for example, MSE and housing numbers does not match does not reconcile with the last presentation, so what has been the reclassification now?

Rajat Singh: The loan book classification is bring the earlier all the individual loans we were declaring on the basis of the purpose of the loan given that was business, housing and the agri and livestock loan, but this time what we have done is the classification also happened on the basis of the product, so any loan from

50,000 to 150,000 bracket of individual loans irrespective of their purpose has been moved into the bracket of micro individual lending and that is mostly unsecured and other one is MSE and housing, so MSE and housing bracket consists of all the secured loans.

Vishal Rampuria: What was the objective of changing this reporting?

Rajat Singh: No objective of changing anything, it is just a reclassification of the bracket for the purpose of information because internally we are also following the similar data from the MF it is in the similar line and we wanted to put together the micro individual lending bucket as the one altogether because that 50,000 to 150,000 is a one micro individual lending, which we are selling as one product.

Vishal Rampuria: One last question to ask again, you have got par of about 30 days as 7.5%, so out of this how many customers would not have paid in last three months?

Rajat Singh: Can you come again please?

Vishal Rampuria: Your PAR of about 30 days is 7.5%, so how many of these customers would not have paid in the last two months?

Sudha Suresh: We will just check that and get back to you.

Vishal Rampuria: Thank you.

Moderator: Thank you. We take the next question from the line of Aseem Pant from HSBC. Please go ahead.

Aseem Pant: Thank you for taking my question. My question is on slide five your CAR for the SFB shows as 18.24%, so could you shed some light on that?

Sudha Suresh: The CAR that we have put up in that slide is essentially coming from the banking regulations and if you see that you have combination, which is totally a calculation based on the tier 1 and tier 2 capital and internally for this there is a very detailed calculation including with the total risk weighted asset, so it is as per banking regulations and that is why it is at 18.24%. And the CAR is currently low mainly because the weightage of the bank term loans, which is there on our book is also will be applied to that, so as and when the bank term loan size will keep going down that weightage will go down and the CAR will keep coming up because of that.

Rajat Singh: Just like to add here is, it is a rather unusual situation here, we are seeing in terms of CAR computation, because we are going through transition RBI wants us to have a 25% extra weightage risk weight kept on the portfolio, which are funded by grandfathered loan. As and when those things will go away our CAR is expected to go up only. Second thing is we also have provided higher risk weight on the part of securitized asset where we have done overcollateralization or lean FD, so these are some of the regulatory requirement as and when these elements goes away from our portfolio, our CAR is expected to come back to higher level.

Aseem Pant: And Sir that contingency provision of Rs.55 Crores that you have provided for last quarter that is still there, is that correct?

Rajat Singh: We have further added Rs.7 Crores in this quarter since we had provided abundantly by December itself, this quarter we just had to take additional Rs.7 Crores.

Aseem Pant: You observe a three-lender rule or two-institution rule or can you just share that information?

Rajat Singh: Will request Sneh to take that.

Sneh Thakur: We have now adopted the three-lender rule.

Aseem Pant: And CAP of Rs.60,000 or Rs.1 lakh.

Sneh Thakur: CAP is Rs.60,000, it is still existing.

Aseem Pant: Fine and just one last question. On your top up loan category, what would your disbursements have been in the top up loan in the last quarter?

Rajat Singh: Our top up loans actually are very limited. We are not doing top up loans for last couple of years, even the number, which we have is very, very small, those are largely restricted to either emergency loan or sometimes loyalty loan given for the purpose of business during the festive season, so last quarter we did not do any.

Aseem Pant: Great. Thank you. All the best.

Moderator: Thank you. We take the next question from the line of Bhavik Dave from Reliance Mutual Fund. Please go ahead.

Bhavik Dave: I just wanted to ask like on your slide number 13, the cumulative repayment rate and if you see from December to March like they have actually been trending downwards, so what is your view on this one?

Samit Ghosh: Sorry your voice is cracking, can you come again please.

Bhavik Dave: What I wanted to know is if you see on slide 13 the cumulative repayment rates have been dropping from December onwards, so how do we see this trending, so do we see this 97.89 going to 96.72 do we see this stabilizing or improving from year onwards?

Rajat Singh: So actually cumulative repayment rate is nothing, but the expected collection as a denominator and enumerated the collection, which we have received, so as and when customers are just paying one or two installments, future installments are getting added in the denominator, we think that from now onwards as lot of customers have started paying at least one EMI, this number should stabilize, ideally this number should be in the range of 95%, 96% for next quarter also.

Bhavik Dave: The next question is Sir we mentioned Rs.70 Crores worth of accounts were not paying any installments in November onwards and again in that we made Rs.55 Crores provisioning last quarter and some Rs.78 Crores this quarter, so it still adds up to around Rs.63, Rs.64 Crores, which is still short on that Rs.70 Crores number, which absolutely are not paid since November, so will it be prudent to just at least meet that number in the next quarter, so like at least whatever number of customers are not paying at all since November like we actually provide for that, will that be a prudent measure?

Rajat Singh: Yes before providing 100% on those accounts we wanted to give ourself a little more time to do some collection, now that elections, etc. are gone, our renewed effort is on to make sure that we get some collection out of it, if we do not seen collection happening even in coming few months we will take a call based on the situation.

Bhavik Dave: Alright and the last question Sir, out of the 10,500 employees that we have what would be the number of employees that are now allocated towards the new businesses that we are starting the SME and affordable housing?

Rajat Singh: So MSE and affordable housing we will have close to 1,200 people, it is relatively new vertical, we build up this team during last two quarters of financial year, it will be close to 1000, 1200 people.

Bhavik Dave: Sure. Thank you. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

Dhaval Gada: Madam Just two data keeping questions, one what was the PSLC income during the quarter if any?

Sudha Suresh: We did not have any PSLC income, I believe some part of portfolio was put up by the treasury, but in the last week I do not think they had some issues.

Rajat Singh: It was a first PSLC transaction we were doing, so it went through ups and downs, eventually we were able to make some Rs.7 lakhs of income out of it, so it was more of a kind of pilot through which we were doing this, so as Madam was telling it went through ups and downs it once got rejected, but eventually on the last day we were able to make some transaction and it was Rs.7 lakhs.

Dhaval Gada: So going forward Madam, any colour on how much that we can mobilize from this avenue because I presume when we would have made our plans this may not have been that bigger delta, but given that this is a new thing that has come on so any thoughts on how much big this could be in FY2018 probably this revenue stream?

Rajat Singh: We see PSLC income as a important part of our other income segment and given the fact that we have almost 100% of our portfolio into PSL and we are also able to comply with the sectorial norms, good amount of money should come in, but difficult to put a number around it, we are hopeful, that going forward more and more income we will get out of it, the only unknown at this moment for us is a kind of yield, it is a slightly market where you do in a style of trading, so we are not yet sure what kind of yield we will get, given the situation if we have a yield of 1% we are expecting at least 10% of our portfolio we will be able to kind of use for PSLC income.

Dhaval Gada: Got it and just one more thing madam. On slide 36, the investment number is only 0.1 Crores, so is it part of the other assets, the investments?

Rajat Singh: So again that investment is completely different investment, it is a investment, which is non-SLR investment done in one of the company, which is Highmark, so other investments are coming in other assets, so CRR, SLR investment if you are referring it is coming in other asset.

Dhaval Gada: And during the quarter the interest income large part of the sequential drop was because of the CRR, SLR, there is no other change in accounting policy that we have undertaken on some of these assets or anything like accrual or cash base or anything, larger part of this…

Sudha Suresh: We have not taken any change in the accounting policy.

Dhaval Gada: So the large part of the drop is because of the regulatory cost?

Sudha Suresh: Yes regulatory cost and partly because of the higher borrowing, which lead to some amount of higher finance cost for the last two months of operations.

Dhaval Gada: Got it. Thank you so much Madam.

Moderator: Thank you. We take the next question from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani: Thanks for taking my question Madam. Just one small clarification first. On the provision side if I read it correctly now we have taken the RBI dispensation and the incremental GNPA would have been 3.4% correct Sudha Madam?

Sudha Suresh: Yes.

Gaurav Jani: Yes that would come up to about 200 Crores of portfolio on which the RBI dispensation would have been taken right and that would amount to about 20 Crores of provisioning right, which would have been provided?

Sudha Suresh: I think we would like to reiterate that the kind of provisioning we have made has been essentially with a different kind of demarcation, so the RBI dispensation is only classification of asset, but the provisioning that we have done is based on our internal policy, there we have also indicated in our presentation we have classified into affected and non-affected states and we have also taken into account provisioning norm, which is for the GL at 10% and for the IL at 20%.

Gaurav Jani: No, I was just trying to calculate backwards because 44.3% of your portfolio totally is the states you have mentioned, which comes out to about Rs.3000 Crores and 3.4% of that comes to about Rs.200 Crores, so taking that into consideration, I was just arriving at a figure of about Rs.20 Crores of already provided number basically, is that a fair assumption or?

Sudha Suresh: Yes, Rs.54 Crores that we did on the earlier quarter does include a provisioning, which is supposed for these affected areas.

Gaurav Jani: Madam one more thing I wanted to ask is, in terms you just mentioned of the increase in borrowing cost, can you elaborate more, last two months what did we exactly do on borrowings, so was it because we had to comply with SLR, CRR requirements and hence we borrowed more or…

Sudha Suresh: So what we would like to indicate is not an increase in terms of the interest cost of borrowing, but the fact that in absolute terms we had borrowed about say for example Rs.2000 Crores by January end as we transitioned into a bank, so of that obviously the major part was used for CRR, SLR and obviously the cost of borrowing was Rs.2000 Crores and cost of investment in CRR, SLR there is a differential there and also there was additional liquidity for the initial few months of SFB operations, which is also coming at the same cost, so that is where we said that this incremental borrowing just before we transitioned has lead to some impact on the finance cost of the next two months in the SFB.

Gaurav Jani: Sure Madam. That is it from my side.

Sudha Suresh: Consequently the quarter's finance costs are up.

Gaurav Jani: Which we do expect too, that may come down going forward right?

Sudha Suresh: Yes, you are right, definitely it will come down because we had some amount of surplus there and some amount of replacement, which is going to happen over the next few quarters.

Gaurav Jani: Madam last question from my side. As you are explaining on the capital adequacy front, so if you can elaborate more, the bank term loans attract more risk weights is what you alluded to?

Sudha Suresh: Yes, we approached the RBI and the RBI gives additional charge on this bank loan borrowing, so as Rajat was explaining earlier since the bank turnovers are going to die down over a period of time and also some part of it is going to be prepaid, you will expect that the impact of the additional risk weight will come down because of which our CAR is bound to increase. Also on the SLR we have a buffer right now and as we move into becoming a scheduled bank there will be optimum utilization to keep the level of SLR at the RBI requirement level. So again there is some free up there, which will result in an increment in CAR.

Gaurav Jani: So just to clarify Madam, the bank borrowings would be considered for RW purposes was my question.

Sudha Suresh: Yes.

Rajat Singh: Which is built out of bank borrowing that portfolio is attracting 25% higher charge.

Gaurav Jani: Sure. Got that. That is it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Aseem Pant from HSBC. Please go ahead.

Aseem Pant: Sir just a followup question. Adjusted for this abnormal increase in risk weight, let us assume you normalize that what would your CAR has been assuming we discount all these transition one off?

Rajat Singh: There are couple of unknown variable at this moment, so for example, RBI circular wants us to keep a risk weight of 1,200 and 50% on overcollateralization and lean FD in case of securitization and it is an interpretation of that circular. Right now we have taken a stricter stand that is how this number is 18% and in addition to that the 25% extra charge, which we discussed also stands. If these two things are not there, our CAR would have been closed to 23%, 24%, closer to 23%.

Aseem Pant: That is what I wanted to know. Thank you very much.

Moderator: Thank you. We take the next question from the line of Anshul Agarwal from SBICAPS. Please go ahead.

Keshav: Thank you for taking my question. This is Keshav here. I just wanted to understand what is the bucket movement like, so from 30 days or 60 days past due, is there been any change deterioration or improvement that you have seen over the last three months?

Rajat Singh: There are improvements, which we are seeing especially from February onwards in different bucket. Sneh can you just give the detail.

Sneh Thakur: Yes. If we look at the bucket movement actually March we have seen a positive trend. Our stabilization percentage has gone up to 30 and normalization is in the range of 20%, which is significant if you look at the past five months trend.

Keshav: For the affected states have you all seen any different trajectory, what is the overall outlook for the next three months that you see on asset quality?

Rajat Singh: The next three months are going to be critical in terms of whether we can see the turnaround, which we have seen in month of March can it sustain, if the turnaround happens in next three months, the kind of number we are talking about for credit losses will be significantly lower, at this point of time we are seeing some positive trends in most of the states especially coming from UP and Maharashtra. However, at the same time, there are rumors of loan waiver, etc., which so far has not affected us, we have to wait and watch and see, if some unknown like that happens how do we handle that. Even on the question of drought and prone areas in many of the places where drought is kind of a major issue we are not present at the moment. If that spreads, if there is any problem with rainfall, etc., we had to take next call basis these unknown variables. At this moment, we see in next three months things are improving, given the situation we have seen in month of March and partially April.

Keshav: Thank you so much.

Moderator: Thank you. We take the next question from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Thank you for giving me the opportunity. Slide 12 the collection efficiency trend, which we are looking at, I would assume that further disbursements that are happening in January, February, March that is where we have made the changes with respect to taking prudent care in other disbursement, in those portfolio also the collection efficiency is considerably less than 95%, 96% because some of these would be say new customers also where we are lending out to the customers who are already servicing the loans on time, so just wanted to understand why the collection efficiency is lower in the pools which are initiated in January, February, March?

Rajat Singh: The way to look at this collection efficiency chart is as Sneh was mentioning 53% of overdue customers are repaying at least one EMI, so suppose we had overdue, in month of November we had overdue of, collection of 90%, 10% of people were not repaying us. In month of December few people started repaying and those 10% few people paid only one EMI that money went and hit the November account and our November collection efficiency increased from 90.6 to 91.8. In the meantime, we had some new customers who did not pay us and even they became first time defaulter in month of December that led to decrease in our collection efficiency from 92.6 to 88.2, so if we extend that logic you see the reversal happening in month of March. Every end of the month was lower than the previous month till February month, which means one was our existing customers who are repaying and that is how our older collection efficiency in older bucket was improving, but new overdues are also coming up. In month of March it was first time when we were able to stop the new overdues and the older bucket also got some kind of collection, so for this collection efficiency to become 95% will be difficult because whatever money will come it will first hit accounts of November, December, January, February like that, so for a while this number would be in range of 90% and slowly move once we are able to control fully this new overdues.

Rohan Mandora: Sir, here why I was asking is if you look at February 20 data it is 96.8% so my assumption was that Rs.100 that we are disbursing in the month of February 86.8% has been recovered, whatever repayment requirement in that money out of the said disbursements?

Rajat Singh: So that is what I was trying to explain that is not the way to look at this data.

Rohan Mandora: Sure I got that and Sir what would be the interest reversal during the quarter?

Rajat Singh: Will request Sudha Madam to take that question.

Sudha Suresh: About Rs.18 Crores was the interest accrued reversal.

Rohan Mandora: Once we have converted to SFB book what would be the risk weight that we are applying to the MFI book?

Rajat Singh: We have to broadly categorize this asset into three category, first all the loans, which is nonconsumption in nature attracts 75% risk weight, all the loan, which are consumption purposes maybe housing, maybe personal loan, etc., in group guarantee attracts 125% risk weight, mortgage loan attracts approximately 50%, precisely 50% risk weight.

Rohan Mandora: Thank you Sir! That is all.

Moderator: Thank you. We take the next question from the line of Aashish Upganlawa from Purnartha Investments. Please go ahead.

Aashish Upganlawa: Thanks for the opportunity. Wanted to ask this 25% growth target that you set for FY2018 is that aspiration or you think that things on the ground permit you to achieve the target by the end of the year?

Rajat Singh: We are giving range of 20% to 25%, if you look at the part of growth is also coming from vertical, which are relatively new and are not been affected by demonetisation, so if we break that growth the microfinance business will grow slightly at slower pace because of the reasons you just kind of implied now, growth will be closer to 15%, other businesses will also contribute the MSE and housing and bring this growth to 20% to 25%.

Aashish Upganlawa: And secondly wanted to understand why did not we use securitization to raise money this quarter and relied on borrowings to basically bring up liquidity and will securitization be an ongoing thing that you will be utilizing if demand picks up maybe after a year or so?

Sudha Suresh: To answer your question on securitization we had specific plan on securitization and the cost of your securitization as well as the cost of borrowing we found that it was more or less similar, in fact the trend on the cost of borrowing during the third quarter was significantly down because banks are able to offer us a two-year term loan typically at the same rate as a securitization would do and therefore it was important with the fact that we are keeping open lines of credit as we move forward to become a small finance bank, we have taken to term borrowing and commercially in fact both the securitization transaction as well as the term borrowing resulted in similar rates or cost of borrowing that is one reason. Going forward I think what we would typically look at is more on the parallel ground, which is the PSLC, so where we have a portfolio, which is largely PSL, we would be looking at issuing PSLC certificate and deriving a kind of a fee income from the same.

Aashish Upganlawa: Madam, just wanted to understand since this has been asked earlier in the call so since the par zero is at about 10% you would have a fair idea of where we would land up conservatively as far as the provisioning requirement is concerned, any conservative numbers that you can give or the least requirement that you would have this year?

Sudha Suresh: Basically we are looking at the trend still and as we have indicated earlier both Rajat and Sneh in fact we will have to wait and watch this trend as to where it crystallizes, we can have a conservative number, which has been indicated to you, but over the next few months we would be critically able to know how is the kind of repayment trend improved, which we are seeing in terms of the collection efficiencies, but we would also be able to crystallize down upon the portfolio, which probably maybe difficult to recover and based on that in the next two quarters we should be able to take a call and do accordingly.

Aashish Upganlawa: Sure. Thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to the management of Ujjivan Financial Services for closing comments.

Sudha Suresh: We appreciate and thank you all for a very proactive interest in the performance, the strategy for Ujjivan and actually we are quite impressed with the kind of depth and detailing, which you have looked and sought for with specific clarity on collection efficiencies, on various other parameters including credit, CAR, PAR and the growth guidelines. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.