"Ujjivan Financial Services Limited
Q1 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ujjivan Financial Services Limited Q1 FY2019 Earnings 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 Raymond. Hello everyone and welcome to this earnings call of Ujjivan Financial Services. We have with us from Ujjivan Financial Services, Mr. Ittira Davis - MD & CEO and Deepak Khetan - CFO. From Ujjivan Small Finance Bank we have Mr. Samit Ghosh - MD & CEO, Sanjay Kao - Chief Business Officer, Ms. Upma Goel - CFO and Mr. Murli Manohar - National Manager for Financial Planning & Analysis and we also have Ms. Sneh Thakur who heads the Credit & Collections for the MFI business. I would request Mr. Ghosh to share his thoughts on the results post which we will go to Q&A. Over to you Sir!

Samit Ghosh: Thank you Praveen. Good morning. Welcome to the first quarter earnings call for FY19 and thank you all again for joining us. This is the first year post demonetisation and our entire focus is on building up the bank. The quarter went as per our plan, we made good progress on retail liability build up, the branch rollout, launch of new products, also recovery of loans, which were written off or fully provided for last year. We have also started on the digital technology initiatives and we are building our analytics capability.

The loan disbursements were as per plan. The loan book growth is a bit subdued mainly because of the write offs we have taken of the microfinance portfolio for which we had fully provided for last year. This relates to the portfolio, which came from the demonetisation. Our branch transformation process is on track. We have converted 87 branches this quarter and added one new unbanked rural branch. Ujjivan has now 462 branches, which includes 275 banking outlets and 187 asset centres. Out of the 275 banking outlets 48 are in unbanked rural areas. We plan to take the total number of banking outlets to 475 by end of this year and we will have another 49 asset branches, which we will convert in the following year.

Ujjivan has a strong brand in the microfinance industry. Our customers know us for over a decade and trust us. To further build on the brand awareness as a bank we have started to rollout national TV campaigns in a phased manner, which were in tandem with the branch opening rollout. The TV campaign is being complemented with radio and print media, also a lot of below the line activities are carried out at the branch level.

As I mentioned in the last conference call in May 2018, this year our focus is on creating a strong retail deposit base. We are continuously evolving segments and segmenting customers understanding their needs to offer better suited retail products on the liability side. To being with our large microfinance customer base provides us a good starting point and we have also started marketing to open market customers both in the retail and the wholesale side. This year we aim to convert half of our microfinance customers to banking customers. For the year we plan to cover 75% to 80% of our total assets by deposits of which retail would be about 35%. The Q1 of this year has seen good traction in line with our expectation. As of June we have retail deposit base of 20% of the total deposit, CASA forms about one third of this total retail deposit.

Moving to new products and new initiatives in the digital side, we believe more and more customers are finding it convenient to use digital banking in payments, deposits, etc. During the quarter, we went live on UPI and payments as we are putting in efforts to move towards cashless disbursements and collections. This would provide convenience to our customers and ease of operations and reduce our turnaround time for loans.

We have 48 banking outlets in the unbanked rural areas and we would be opening more during the course of the year. We are going with the brick and mortar outlets for the unbanked rural areas as against the banking correspondent model. We believe that this would get us better business viability. We have already started with microfinance lending in these locations and are in process of launching more agricultural related products largely focusing on small and marginal farmers and also male farmers. We are raising deposits from the entire populations of these areas.

We have initiated new loan product initiatives like two-wheeler finance, personal loans and also wholesale lending to NBFCs. We have already started a pilot launch of two-wheeler product in few branches and would be launching it on a pan India basis. The personal loan against salary product has also been piloted, for both of these initiatives we have partnered with external players including Fintech who help us to facilitate the process and understand the segment.

On the quarterly performance, the overall loan book went up by 20.5% year-on-year, on the non-MFI portfolio our growth is over 267% in June 2018. Affordable housing and MSE business has been in an incubation stage for a few years and now we have developed a better understanding of these segments. We are witnessing impressive growth performance every month and we expect this growth trajectory to continue. Other new products mentioned above will fuel our growth journey. In the microfinance business, we finished our resurvey of all branches affected by the demonetisation in this quarter and opened up many new areas for business. We are confident from the second quarter the microfinance business also will build up further momentum.

On the people side, we have been consistently ranked among the top 20 in the ‘India’s best companies to work for’ from the Great Place to Work Institute. We also got recognition for being the ‘Best in the industry’ within small finance banks and third in the BFSI space.

The Board appointed committee for succession planning and is working with one of the top external consultants and is in the final stages of shortlisting both internal and external candidates. We are well on track to build a base for an outstanding mass market bank and with this I would like to hand over to Mr. Ittira Davis to take you further through details on the financials of Ujjivan. Thank you.

Ittira Davis: Thank you Samit. I would like to add my welcome to all those who have joined this call. The first quarter performance marks a good beginning for the financial year 2019 and I just like to share some of these highlights. Year-on-year basis, overall disbursements were up 22.9%, the loan book as mentioned just now is up 20.5%, Net interest income for the bank is up 41.2%, net interest margin is good at 11.6% on a consolidated basis and 10.8% for the bank. Net profit for the quarter is Rs.45 Crores against a loss in the previous year first quarter of Rs.75 Crores and capital adequacy is at 23.8% of which the Tier 1 is 23.1%. All good numbers compared to where we were last year.

The number of branches, which have been converted as of June 30, 2018 is 275 including 48 unbanked rural centres and total of branches including asset centres is 462. As the branch opening the other space and will be completed during the current year. We anticipate that the deposit base will grow as a result of this and in addition will also grow due to our marketing efforts.

The interest rate environment is something that we are watching closely and we have the benefit of Rs. 2,000 Crores of legacy borrowings that we have on our books from the MFI base, most of this will go off the book during the current year and will be replaced by lower cost funds. This cost reduction will more than offset any anticipated increase in money market rates. This will also help us in offsetting branch opening cost for this year.

I will stop here and give you more time for question and answers. Thank you to Axis Capital and Praveen Agarwal for hosting this interaction. I will now hand you over to the moderator.

Moderator: Sure. Thank you very much. We will now begin the question and answer session. We have the first question from the line of Manish Oswal from Nirmal Bang. Please go ahead.

Manish Oswal: Sir my question on the number of active customer or borrowers 10 lakh, which you have given in one of the slide and which is flat on last one years, so can you comment on that why customer base we are not adding customer despite of that peer group adding large customer base and secondly in terms of disbursement growth during the quarter also only 3% quarter-to-quarter, which is also lower than the peer group, so can you comment on the growth side of the business?

Samit Ghosh: So our total customer base in microfinance is 4 million, out of which 3.7 million are active customers. Your first quarter addition in terms of new customers for microfinance was 1.7 lakh, which is more or less in line with what happens in microfinance in the first quarter – usually there is a microfinance business peaks in the last quarter and the first quarterly is slightly slower, but our new customer acquisition was 1.7 lakh and our deposit customers are 7 lakh. As far as the asset is concerned, our loan disbursements were as per plan for microfinance, but also during this quarter, we wrote off Rs.56 Crores of loans, which we had provided for last year, so the net increment is slightly lower compared to the absolute amount disbursed. There are about 37000 customers who were written off, so that also reduces our net customer growth, but in terms of customer acquisition, we are doing quite well.

Manish Oswal: The second question is on this other income jump on quarter-to-quarter can you give the break down in terms of non processing fees, commission on third party, financial products and recovery on others if any?

Samit Ghosh: Manish we have around Rs. 24 crore of PSCL income and the rest was normal processing fees and all that.

Amish Mehta: Last point on the operating expenses growth during the quarter, so we have converted around 88 asset branches into bank branches, but there are employee expenses also increase in 1000 plus employee addition during the quarter, so can you give some number in terms of what is the number, which is a one off in nature in terms of bonus or something in the quarter?

Upma Goel: Manish, the personal expenses increased by 21%. There are two factors for that increase one is our annual increment and the second is the increase in the headcount, so as of March we had 11,242 employees, which has increased to 12,290 employees and increase in the employees are in line with what we have budgeted during this financial year.

Manish Oswal: We are maintaining our full year guidance of cost to income ratio at 72%?

Upma Goel: Yes 70%.

Manish Oswal: This non MFI book what yield we are generating currently.

Deepak Khetan: Overall, yield for the entire book is around 20% and MFI is a little over and above 20%, so non MFI barring housing all other loans are in and around that range.

Manish Oswal: Thank you very much.

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

Gaurav Jani: Thank you for taking my question and good morning everyone. Firstly some data points; I required the off book portfolio we have not disclosed that in the presentation?

Upma Goel: There is no off book portfolio so all the books are on book only.

Gaurav Jani: If I understand this correctly a couple of quarters back we had this securitized portfolio right, so what is the difference?

Upma Goel: Last year we had close to Rs.600 Crores of our securitized book, which has run down 100% by March 2018 and as of April 20-18 our off book is zero.

Gaurav Jani: In the future, we do not plan to take on the securitized book? Did I understand that correctly?

Murli Manohar: Not at the moment.

Gaurav Jani: Also wanted to understand what is our savings rate and our term deposit and institutional deposit rate please?

Samit Ghosh: Our saving rate ranges, it ranges from 4% and goes up to 7% and it ranges by different slabs.

Gaurav Jani: Sure can I have a blended one of that?

Samit Ghosh: Our retail saving is at 4% and these in graded rates are mainly for wholesale savings from trusts and the corporate, etc., which we have just started building up, so our savings even the blended rate today would be around 4%.

Gaurav Jani: On the institutional deposit front, so what is the strategy there and what costs do we bare on this?

Sanjay Kao: On the institutional deposits we have a team and as you know it is a small team and we have office that we go to, we have a designated list of corporate's that we go to and cooperative banks, other cooperatives, societies, association, etc., so it is a small team so the cost sourcing on the institutional front is not very high, it is limited to the number of people that there are, but as you understand the deposits that we get their ticket sizes are much larger. The interest rates are on savings, you already know but for the term deposits it is 8% for one year.

Gaurav Jani: Also on a more qualitative front, so when I look at MFI book right now growing at about 12% to 15% AUM and probably 12% to 15% disbursements, so what is the outlook going forward in the near term for the next two years on the MFI portfolio.

Samit Ghosh: So, basically on MFI we had restricted the MFI growth last year and this quarter actually we went and reviewed all the branches and opened up a lot of areas, which we had closed down earlier because of the demonetization so as I said from second quarter we expect the growth to be much higher, but on the average the growth would be around 20% for the full year of the microfinance loan portfolio.

Gaurav Jani: Got it Sir, lastly from my side, I can squeeze just one question, we had about Rs. 177 Crores write offs, which we did in FY2018 as per the annual report, just want to understand from which states majority of them would have been originated?

Sneh Thakur: So this write off is mainly merged from the states, which were Karnataka, Maharashtra and UP largely.

Gaurav Jani: Can I have the breakup please?

Samit Ghosh: We will share it with you later the breakdown.

Gaurav Jani: Sure, absolutely. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Gautam Jain from GCJ Financial Advisors. Please go ahead.

Gautam Jain: Good morning Sir. Regarding overall AUM growth you said 20% in microfinance, so what would be our total AUM growth this year?

Samit Ghosh: Overall 30% to 35%.

Gautam Jain: 30% to 35%, okay and we have around 49% of total borrowings as deposits and we indent to take around 80% by year end?

Samit Ghosh: Yes, 75% to 80%.

Gautam Jain: And with change in mix in AUM and with deposits rising from this level, what of it impact we see on the net interest margin from current levels?

Samit Ghosh: Our cost of funds because we have still about Rs. 2000 Crores of legacy borrowings, which on the average costs us about 10.1%, now we are raising most of these wholesale deposits, which is around 8%, so do not expect our overall cost of funds to grow beyond what we have at present. This is about 8.6% correctly.

Ittira Davis: We expect that for the year end cost of fund would be around 8.4%.

Upma Goel: To answer your question on to the product mix versus our foreign mix, our long book we are also awaiting the refinance facility from the financial institutions thereby we also get an advantage of CRR and SLR and we are also looking into raising of the tier II capital during this financial year, which will help us not only to augment our capital adequacy, but also help us in balancing the long asset book with the longer tenure borrowings.

Samit Ghosh: And coming back to your question on NIM we do not see any pressure on NIM for this year, so FY2018 level goes around 10.6 on the consolidated basis, we may expect to maintain the same for this year.

Ittira Davis: Tier 2 capital which we are raising as Upma mentioned is known to match our asset and liability the long-term, short-term kind of book rather than for our capital adequacy because we currently are very well capitalized, but we still feel that we should raise this tier 2 so that our ALM will be properly matched.

Gautam Jain: So you mean to say safe to assume that you NIM on consolidated level is 11.6%, so that will be maintained for the rest of the year?

Deepak Khetan: We said 10.6% was what we did last year FY2018, so that will be maintained for FY2019.

Gautam Jain: But Q1 was 11.6%?

Deepak Khetan: Yes, so as we go along this year there will be some changes in the AUM mix, so there would be some pressure on the NIMs on Q1 basis, but overall year basis it will be around what it was last year.

Ittira Davis: So, the guidance remains as we had given earlier.

Samit Ghosh: On the asset side as we had mentioned there will be larger and larger proportion from affordable housing, MSE and other where the loan, which are much lower than microfinance, so that will result in 10.6% as a NIM. It is not so much from the funding side.

Gautam Jain: And then Sir, you have booked 25 Crores of PSL income this quarter, so which was like 25% of the total fee recognized in this quarter, amortized for the quarter or it is full year?

Upma Goel: It is upfront, not amortized.

Murli Manohar: Recognized when received that is upfront. That is the total income that we will receive.

Gautam Jain: So, that would not be there in going forward in Q2 in rest of the quarter?

Murli Manohar: We will see a PSLC income in Q2, Q3 depending on whatever the excess PSL we have it in that quarter.

Gautam Jain: So, what is excess PSL will be having?

Ittira Davis: We do this on a quarter-on-quarter and we take this call as and when the situation arises.

Samit Ghosh: It is difficult to quantify exact number of the PSLC income in the next quarter, but there will definitely be income in the following quarters also from PSLC.

Gautam Jain: Thank you so much. That is all from us.

Moderator: Thank you. The next question is from Rinish Bhuva from ICICI Securities. Please go ahead.

Rinish Bhuva: Good morning Sir. Just couple of questions on our microfinance book, so first is on the yield side, so what are we charging to group loans and to individual loans who have migrated from the group loans?

Samit Ghosh: So, our group loans yield at 21%.

Deepak Khetan: Group is little below 21 and IL is around 21.

Rinish Bhuva: So little below so I mean 19 to 20 band or? So that is not big difference between group loans and individual loans?

Deepak Khetan: Individual loan is 21.2.

Rinish Bhuva: So, basically 100 basis point higher than the group loans?

Samit Ghosh: Yes.

Rinish Bhuva: Sir, secondly whatever the digital collection we are doing what is there in the presentation is on the outstanding basis or it is from the incremental basis?

Samit Ghosh: Come again, sorry.

Rinish Bhuva: On cash debt disbursement number what is there on the presentation which is close to 75% as on Q1 so there is incremental what we are doing of 75% or this on the outstanding basis is 75%?

Sanjay Kao: It is on the incremental.

Ittira Davis: This is the percent of total disbursement.

Rinish Bhuva: Right, so whatever we have done it in Q1 of that 100% is cashless that is what it represents right? Sir, secondly on this ticket size thing, so you know we are already reached 30000 per borrower on group loan, so what is the internal limit we have set on the ticket size when it comes to group loans?

Sneh Thakur: The maximum ticket size offered in group loan is Rs. 50000.

Rinish Bhuva: So, this is our internal limit right madam?

Sneh Thakur: Yes.

Rinish Bhuva: Again coming back on yields side, what is the experience in terms of the state while yields is there any difference between highly penetrated states like Karnataka, Maharashtra, UP where yields are higher for group loans in the new geographies, is there any difference or it is standard for all?

Samit Ghosh: There is no difference.

Ittira Davis: Uniform, we work on uniform rates across all states.

Rinish Bhuva: That is it from my side.

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

Aseem Pant: Sir, thanks for the opportunity. Just couple of questions, one is on the ticket size for MSE and housing, there has been a significant jump Q-o-Q if you could?

Moderator: We seemed to have lost the line from Aseem Pant. We will move to the next question. The next question is from the line of Shweta Daptardar from Prabhu Das Liladhar. Please go ahead.

Shweta Daptardar: Good afternoon Sir. Thank you for the opportunity. Sir, I am referring to slide 22, so given the progress on the asset quality front be it NPA, be it PAR and PAR provisioning, but if I look at PCR it has gone up almost more than 200 BPS in past one year, so is it that we are preparing for Ind-As transitioning for next year and you see there will be a bigger blow I mean I understand it is bit early, but if you could just throw a light?

Sneh Thakur: So, the PCR is increasing because our provisioning norms are designed in such a manner and the provisioning norms of Ujjivan are far more conservative than what RBI defines that is the reason why you see the jump, if you look at it from the March onwards it has gone up from 81.5% to 87.5% .

Shweta Daptardar: Because where I coming from is if I look at the holding company financials then due to transitioning to Ind-As we have incurred loss on the bottomline so is it something, which we are also going to carry forward for the next quarter, which will?

Deepak Khetan: The holding company loss is largely because holding company does not have any operations and holding company has a corporate social responsibility liability, which was peeled off this quarter. The impact with transitioning to Ind-AS will be seen when we cross the bridge.

Shweta Daptardar: Sir can you just clarify further on the holding company financials. You were saying like yes there is no business generation as such, so are we going to see a similar kind of a pressure on the consol bottom line even for the forthcoming coming quarters?

Deepak Khetan: Yes Shweta are you there?

Shweta Daptardar: Yes I am there Sir, so my question was you were clarifying so I understand the fact that there is no business generation as such on the holding company side, so just if you could tell me like whether there will be a similar impact on the consol numbers in the forthcoming quarters as well on the bottomline?

Deepak Khetan: No consolidated basis no impact, since the holding company is a CIC company with no operations. The only operation we have is our investment in the bank, which is a 100% subsidiary. Apart from that we have a little treasury on which we get FD and mutual fund income. This quarter we had a big quarter corporate social responsibility payment of around Rs.1.5 Crores, so Shweta I was telling there is no impact on the consolidated numbers. The consolidated you see whatever profit and loss that we have given there is no impact of that. We have not moved to Ind-AS on a consolidated level. That happened as per the regulatory guidelines are there.

Shweta Daptardar: Secondly our current HFC book is around Rs.400 odd Crores. I remember you being upbeat on this as well as targeting around Rs.700 Crores plus kind of a book in a year's timeframe, so are we going for any inorganic growth opportunity here?

Samit Ghosh: Nothing this year.

Shweta Daptardar: Also you just mentioned in the previous question that you have scope to raise subordinate debt, so no fresh capital equity infusion as such?

Ittira Davis: Nothing this year may be somewhere in FY2020 we may evaluate equity infusion.

Shweta Daptardar: Sir if I look at the disbursements like you mentioned first quarter happens to be the soft quarter especially on the MFI side so what generally would tend to be the quarterly run rate of disbursement because then Y-o-Y comparison becomes irrelevant because last year was the first quarter post we got converted into SFB, so what is generally the run rate for disbarments per quarter?

Ittira Davis: Shweta, there are two parts to what Mr. Ghosh said so one he said that Q1 is generally a little weak quarter given that Q4 is the bumper quarter, so Q-o-Q you see a little sluggish growth when you see in your Q1. The second part to what Mr. Ghosh said was we have also resurveyed our entire geographies where we are present in terms of what kind of credit evaluation we have done and then we have reopened a lot of geographies, so all that was going on during the quarter, so that also impacted the growth during the quarter and we expect growth to pickup in the coming next nine months for the year.

Shweta Daptardar: I think I am done. Thank you.

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

Aseem Pant: Sorry my line got cut off. Just a couple of questions. The large ticket size is kind of answered just one thing your individual loan book in microfinance has been coming off anything to read behind that? That is one and secondly your SA rates have also increased? It seems from 4% offerings 4% you have a more granular offering in terms of offering higher loans, the higher interest for higher ticket sizes, etc., what is the thought behind that that would be useful?

Sanjay Kao: On your first question, which is on the individual loan, on the individual loan our growth is steady. I do not think we are looking at any overall dramatic increase in the growth. In the Q1 again compared to Q4, Q1 has indeed come down a bit, but if you look at the Q1 of last year it has grown much, much more, but we expect this quarter to grow because as Mr. Ghosh said that we have done our surveys across the various markets and based on our survey we have looked at markets and where we can grow and that goes well pan out over the rest of the year in individual loans. On our savings account again, it is a greater rate that we have done and again like Mr. Samit Ghosh said earlier this is primarily addressing the institutional segment and it is a task segment that the trust associations, societies and trust, the cooperative banks, which where we have to be competitive we are line and we are competitive with what the market rates are and we are beginning to see some traction there. It does not impact the individual because those rates beyond 4% are at Rs.5 lakhs and above. Most individual deposits are way below that.

Aseem Pant: Thank you and just if I can squeeze in one more question. These four products that you are piloting, etc., as your book becomes more diversified, etc., could you just give us some colour in terms of what hiring and what opex that we require or another way to answer that could be where you see cost to income settling two to three years down the line?

Sanjay Kao: Well these are early days at the moment and like we have said that we are piloting and it is precisely to figure out some of these dynamics, but we certainly expect that we will take this up and a lot of these are being done through partnerships to be able to understand the market much better, so a little early to start saying what will be in two to three years time, but we will keep a tight hold on our cost to income, which is part of the overall cost to income ratio that we will work with, so right now very early days.

Aseem Pant: At an overall level where do you see cost to income settling down?

Sanjay Kao: Well in about let us say on a five year timeframe we are looking at sub 55%.

Aseem Pant: Fine. Thank you so much. Wish you all the best.

Moderator: Thank you. The next question is from Nishant Shah from Macquarie capital. Please go ahead.

Nishant Shah: Just one question from me. These new products that you have launched can you tell me a little bit more qualitatively about them specifically this personal loan and two wheeler loans where you say you have tie ups with online aggregators or you are going to have tie up or co-lending kind of a model just some qualitative aspects on this how this is going to function, who are we tying up with and any softer aspects that you can highlight?

Murli Manohar: This personal loan business we are tying up with multiple channel partners starting with online aggregators joining some of the co-lending platforms. We cannot specifically name them yet may be next quarter, we will be in a position to name them, but we are exploring all the options. We are also looking at our own DSP team as well as utilizing our existing brands network. We are also in process of formulizing our cross sell opportunity for our existing customer’s base and their family members, so it is a multichannel approach, which we are taking in this personal loan. Our target segment is again a segment, which is relatively unserved and at least have a salary coming to their bank account and also can afford an interest rate going up to 18% to 19%, so that is the segment we are going after and all channels are being explored at this moment.

Nishant Shah: On this two wheeler loan like how is it different from a normal individual MFI loan like in terms of pricing because you mentioned in your affordable pricing to our customer segment essentially it is still an unsecured loan with a similar ticket size and similar customer profile, so what are the interest rates you are charging here and if they are lowered what gives us the confidence to have like lower yield here?

Murli Manohar: Our two-wheeler interest rate will be slightly lower than our group and individual loan interest rate may be 200-basis point lower and it is a secured loan and this loan has also been done through some kind of partnership, so we are also looking to explore partnership in two wheeler loan as well.

Ittira Davis: Also we are offering this only initially to our existing customer on family members of existing customer where we have a track record of their credit history.

Nishant Shah: Just one last question how many of our branches are core rural branches.

Samit Ghosh: Currently 48.

Nishant Shah: 48 of the total branches are rural?

Samit Ghosh: We are talking about the 48 URCs that we have.

Nishant Shah: Thanks. Thanks Samit Sir. That is it from me.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Elara Capital. Please go ahead.

Rakesh Kumar: Just a few data points if you can help us with the breakup of interest income, if you can provide?

Samit Ghosh: What breakup would you like to have?

Rakesh Kumar: Interest income like entire breakup all those segments and all the asset wise interest income?

Samit Ghosh: We do not share that.

Rakesh Kumar: Provision breakup have we given this time around provisions breakup?

Samit Ghosh: No.

Rakesh Kumar: Credit cost and everything separately?

Samit Ghosh: We have provided fresh provisions of around Rs.15 Crores. Are you asking breakup for that?

Rakesh Kumar: Yes.

Ittira Davis: You wanted for which business segment.

Rakesh Kumar: May be if you can give me the credit cost and other main figures whatever you have?

Upma Goel: This quarter we made an incremental provision of Rs.15 Crores. That is the only addition.

Rakesh Kumar: In which head that is or under which head like for which business segment?

Upma Goel: Largely for microfinance.

Rakesh Kumar: Largely microfinance and on the fee income and apart from the PSLC any major item is there?

Samit Ghosh: It is processing fee.

Rakesh Kumar: So that would be the clubbed one item so apart from the PSLC that would be another item that is it?

Deepak Khetan: PSLC is around Rs.25 Crores largely apart from that it is largely processing fees then you have some bit of recovery, some bit of miscellaneous income and all that. Processing fees and PSLC would be the large two items there.

Rakesh Kumar: Sir the recovery would be how much this quarter?

Upma Goel: NPA recovery is Rs.27 Crores.

Samit Ghosh: But that is not part of other income.

Moderator: Thank you. The next question is from the line of Rahul Maheshwari from ECG Asset Management. Please go ahead.

Rahul Maheshwari: Good afternoon. On slide #19 if I look your type of loan on disbursement mainly on a fresh and repeat as a bifurcation can you give explanation why the fresh component has been reduced to 29% versus the 36% in base quarter?

Samit Ghosh: Rahul this was already mentioned that this quarter we have done survey of our geographic position in terms of what all geographies to open up completely, so that fresh loans are a little on the lower side. We expect this to catch up as we move along.

Moderator: Thank you. The next question is from Soniya Lalwani from Purnartha Investment. Please go ahead.

Soniya Lalwani: Good afternoon Sir. Actually I have a question on the AUM, so AUM that the company has grown by 3% quarter-on-quarter and the disbursement have degrown by 8%? Earlier you told that the loan book would have been grown much more because there was a write off otherwise it would have grown by more than 3%, but would you just explain that quarter?

Samit Ghosh: We have done a write off of around Rs.56 Crores in this quarter, out of all completely provided books. If that Rs.56 Crores was not written off it would have been added, this would have been a part of an AUM, so AUM growth would have been a little higher that it is today.

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

Gaurav Jani: Two quick questions from my side. One is on the NIM, so if I look at the slide 29 and 35, the NIM is slide 29 has come off from 11.6% it is kind of constant and slide it is corrected by 200 BPS of Q-o-Q, so I understand that is consolidated and SLB, but if you can throw some more light as where is it disconnect?

Deepak Khetan: There is a distance in formula when we calculate NIM for bank and for an NBFC so when we calculate for a bank the securitization gain than we had last quarter was included in the numerator, so that was around Rs.37 Crores of securitization gain that was there last year in Q4, so for bank when you see that 12.8% it is there is in that, so that is the reason.

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

Dhaval Gada: Thanks Sir. Just two data keeping questions; first on interest income could you break down it by interest and advances and interest on investment like other things and the second question is related to what is risk weighted assets and the third is gross leverages for the quarter? Thank you.

Upma Goel: On the interest income, it is purely our interest income on loan book.

Dhaval Gada: Interest on advances or interest on investments? The SFB would have made investments typically banks we have that breakdown? I think last quarter was Rs.27 Crores and Rs.363 Crores?

Upma Goel: From the CRR and SLR primarily we have close to Rs.25 Crores of interest this quarter and when we look into Q4, we also had the same Rs.25 Crores last quarter.

Dhaval Gada: And the risk weighted assets?

Upma Goel: On the risk weighted assets we have weightage around 75%, so with the book of 7600 these weighted assets will be 75% of that in a macro level.

Dhaval Gada: The NPA slippages?

Sneh Thakur: NPA slippages during the quarter stand at 16 Crores.

Moderator: Thank you. The next question is from Soniya Lalwani from Purnartha Investments. Please go ahead.

Soniya Lalwani: Sir, continuing to the previous question, we see the number of borrowers so there is a dip of 23000 borrowers Q-o-Q so is it that in Q4 we see a muted growth, there are no addition in the number of borrowers, so is there any specific reason where the borrowers they are not able to catered to the borrowers any specific reason for this, have we increased the rejection rate?

Samit Ghosh: No, Soniya to answer your question, we have added 170000 borrowers this quarter and last quarter we had added 220000 borrower, however, since we have been writing of a lot of larger part of our book like this quarter also we had a written of Rs. 56 crore, last year we had a written of around Rs. 177 Crores and large part of our borrower base has been written because of that, so that is the reason why you are seeing a stagnant active borrower base; however, we have been adding borrower base to our overall base, so once the write off process is completed you will see that addition or net active borrower base moving up.

Soniya Lalwani: Sir, one more thing taking on the asset quality, so do we maintain the 99.6% collection efficiency going forward and even in this quarter?

Sneh Thakur: Yes, the last 15 months book process a collection efficiency of 99.6%.

Soniya Lalwani: Sir, if we talk about the ALM as of Q4 the reason is that the scheduled were Rs.1638 Crores, but during the quarter we see 1860 Crores repayment, so has the repayment rate increased by the customers or is that way?

Samit Ghosh: Sorry, we did not get your question.

Soniya Lalwani: Sir, if you see the ALM for this three months that was given in Q4, we see Rs. 1600 Crores that would be repaid in these three months, so we have taken a repayment of Rs. 1860 Crores, if we talk about opening and then taking out the disbursements and repayment comes out the closing, so has the repayment rate increase so that is what I wanted to know?

Upma Goel: The revenue from the repayment rate is the ALM what we are showing is there will be two parts of it or the book, which is rundown and on the liability sides which are getting rundown as per the pre-agreed schedule.

Moderator: Thank you. Due to time constraints, we will be able to take one last question. We take the last question from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.

Saurabh Dhole: Sir, thank you for the opportunity. I have to questions; one is on the underlying demand environment for MFI loans. Now where I am coming from is that a lot of players who are into the gold loan business especially some of multiple NBFCs they have shown good or a better traction in gold loans and since MFI loans target a similar customer profile we see MFIs showing a much lower growth vis-à-vis gold loans, so I just wanted to understand the underlying demand from MFI loans especially when you compare it with say a gold loan that is question number one and the second question is on you unbanked rural centers, I just want to have a very qualitative understanding of the centers in terms of how much time does it take to breakeven such centers and what kind of product offerings do you have in the centers vis-à-vis your very average or very normal banking outlets, so those are my two question? Thank you.

Samit Ghosh: As far as the demand for microfinance loans it has not changed. I think it has there is a sufficient demand for microfinance loans. I think more the reason why I think people have gone, the growth has been slower is largely because of the impact of demonetization and people are taking more care in terms of adding new customers and it is mainly from the microfinance institution side, which is taking it up and building up this business more carefully given our experience in the demonetization and there were lot of impact because of demonetization including a lot of areas the collection has became door-to-door, so all those things have changed, so people are moving out, moving more cautiously and as we mentioned that in our case, we have resurveyed lot of the areas, which we had closed down earlier and now from the Q2 onwards we will be building up the business from that side, so definitely from the demand side there is no problem. It was more on the supply side where microfinance institutions were more careful.

Murli Manohar: Now coming to your second part of the question related to unbanked rural center branches actually of the 48 branches, there are two types, one is the 24 branches, which are purely in the villages and these branches have been setup Greenfield and will take around 22 to 24 months to breakeven and the remaining close to 24 branches are in the urban center, these have been converted into qualify URCs as per RBI guidelines and these branches are profitable from day one because these were microfinance branches.

Saurabh Dhole: What about product offerings here?

Samit Ghosh: We initially actually offer microfinance loans to customers in that area and now we are introducing our whole array of agri related products also there. We are actually starting with agri loans to male customers, which is sort of the first not really, but first time, but it is something new for us, but we will be introducing a number of agri products in addition we are also offering the deposit products for the entire area, so given the fact that we are able to build up our microfinance loan portfolio compared to other regular banks we feel that we can build this business into our viable entity compared to a regular bank.

Saurabh Dhole: Thank you so much.

Samit Ghosh: Thank you.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management for closing comments.

Ittira Davis: Thank you for joining us on this call and all the questions have been most interesting for us to review and followup and if there is anything else that you need to discuss with us, we can do it separately and thank you for Axis Capital for hosting this.

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