November 14, 2023

National Stock Exchange of India Limited Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 **NSE Symbol: CSLFINANCE**	**BSE Limited** Corporate Relationship Department Phiroze, Jeejeebhoy Towers Dalal Street, Mumbai-400001 **BSE Scrip Code: 530067**

Sub: Transcript of the Conference Call held on November 10, 2023

Dear Sir/Ma'am,

With reference to our letter dated November 02, 2023, intimating you about the conference call for Analysts and Investors held on November 10, 2023, please find attached the transcript of the aforesaid conference call.

The above information shall be made available on the website of the Company viz. www.cslfinance.in.

We request you to kindly take the above information on your record.

Thanking you,

Yours Faithfully,
For **CSL Finance Limited**

Preeti Gupta
Digitally signed by Preeti Gupta
Date: 2023.11.14 15:54:58 +05'30'

Preeti Gupta
(Company Secretary & Compliance Officer)

Encl: a/a

CSL Finance Limited
Q2 FY24 Earnings Conference Call
November 10, 2023

Moderator: Ladies and gentlemen, good day and welcome to the CSL Finance Limited Q2 FY24 Earnings Conference Call hosted by TIL Advisors Private 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, 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. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you sir.

Sayam Pokharna: Thanks a lot Rohit. Hello everyone, wishing you all a very Happy Dhanteras and greetings of Diwali. Thanks for taking out the time today to join this call. The results and investor presentations for Q2 and H1 FY24 have been intimated to the stock exchange and on the company website. In case someone does not have a copy, please feel free to write to us to be added to the mailing list. To take us through today's results and update us on the business overview for the quarter and half year we have with us Mr. Rohit Gupta – Managing Director, Mr. Amit Ranjan – Chief Operating Officer, Mr. Naresh Chandra Varshney – Chief Financial Officer, Mr. Chandan Kumar – Credit Head and Ms. Rachita Gupta – Whole Time Director. We will be starting with a brief overview of the quarter from Mr. Rohit Gupta, followed by a Q&A session.

I would like to remind you all that anything and everything that is said on this call which can represent any outlook for future and can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. These risks have been detailed out in our annual report. Over to you, Rohit sir.

Rohit Gupta: Thank you Sayam. So first of all, I would like to wish everybody a very Happy Dhanteras and a very Happy and Prosperous Diwali. And I welcome you all to the quarter two and first half year earnings call of CSL Finance Limited. Thank you all for taking time to attend this call. It is a pleasure to address you all today and walk you through our performance for the quarter and for the half year ended of this financial year.

So first of all, I will start with an update on our balance sheet. Our loan book stands as at highest ever at 858 crores at the end of quarter two an increase of 43% year-on-year and 20% quarter-on-quarter. Further we have also built an additional 32 crore off book AUM as on quarter two going forward, this number should stay significantly, eventually our off book AUM will strengthen our fee based income. Loan book growth has been underpinned by strong disbursement in both of our verticals. CSL has reported it's highest ever quarterly disbursement of 296 crores a significant increase of 30% year-on-year and 58% quarter-on-quarter. While wholesale disbursement tend to be a little lumpy, our SME retail disbursements are growing every quarter and we expect to continue on this path for the SME return work in capital.

Our AUM mix stands at 55%, wholesale 45% retail portfolio. We have witnessed the change of 8 % in favor of SME retail mix over the last four quarters. We are anticipating to close this year on 50:50 AUM mix, further going forward as we achieve the 50:50 mix the company will sterilize all additional funds towards the SME retail vertical only, and the wholesale disbursement will be financed via its own collections and profits. Our ultimate objective is to keep a majority SME retail mix in our loan book over financial year of 25, we meet a higher granulation and strengthening of our book**.**

Collection efficiency has been over 99% for the overall portfolio, a trend suggested for the entire financial year. We have a healthy liquidity of 41 crores on books, coupled with undrawn credit limits of around 53 crores. This along with the new debt phase will take care of our disbursement in the next half year. On the leverage front we are carrying a higher debt in absolute terms over the previous two quarters. However, given the equity fund raise in the previous quarter, our leverage ratio has remained the same a little less than one. We aim to increase the overall leverage in the rest of the financial coming year.

The latest four lenders added to our portfolio our Bandhan Bank, Poonawalla Fincorp, SIDBI, and Orix Leasings. Existing lending partners have also producers with new sanctions thus strengthening our liability mix. asset quantity continues to improve, we have reported a further decrease in our GNPAs and NPAs by 20 basis points quarter-on-quarter and 29 basis year-on-year. Our current provisioning standards at conservative 1% of the loan book as against the regulatory requirement of 0.4 on the standard assets. We continue to see good fraction on the recovery side as well.

Now coming to our P&L side. Our total income stands at 38.5 crores for the quarter an increase of 41% year-on-year and 23% quarter-on-quarter. Total income growth has led to a net interest income of 28.8 crores and PAT of 14.8 crores for the quarter. Overall yields have remained consistent in line with our quarterly trends. We maintain an ROE of around 14% and ROI of around 18% for the quarter.

Now coming to our strategic update on our new product launch, as you are aware in quarter one we launched our new product for the steel tube fabricators under the banner of Suvidha Loan. This is the first dedicated unsecured product launched by CSL Finance. The product is unique in nature as it aims for the working capital needs of the buyers of steel tube that in fabricators. So we are lending to dealers and distributors, but to their end customers. As communicated we have received the collaboration of India's leading player in this industry APL

Apollo Group this product has built in subvention close to that extent courtesy of our collaboration. At present the product is in its pilot stage, we have built our dedicated platform for the entire life cycle of this product. Even though we are lending to end customers and not channel partners, the tech platform is also complex in nature. Based on the initial feedback and learning curve, we are making necessary adjustments and upgrades to the platform.

So far more than 340 cases has been disbursed as on date with an average ticket size of 1.26 lakhs. And with a cumulative disbursements of around 3.5 crores. As can see to build scale in this vertical we have to work on significantly higher volumes. So the platform needs to be robust, which is where we are focusing all our energies currently. We will keep your appraised on the progress in this product segment going forward.

Now coming to the operational update. Operationally, we have seen a net addition of four branches this quarter we are targeting few more in the next half year. With the growing branch network and new geographies in pipeline our team strength has increased both on branch level and fleet on stage. Further we have built dedicated team of 30 people for Suvidha loans and we will be adding more people in the coming two quarters thus you can see an increase in the team strength this quarter.

Going forward, looking ahead outlook for the company remain robust with the loan target of 1000 crores for the financial year 24 with an AUM mix of 50, 50 wholesale and retail part. So this was our brief initial update and now I welcome all with any queries or any observations they have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: So, my first question is, if we look at overall disbursement of 296 crore, it's probably one of the best we have done. So, currently we stand at 850, 860 crore kind of a loan book and I assume that similar kind of disbursement momentum will continue. So, given that don't you think we should be able to achieve 1000 crore easily or you are expecting very strong collections as to some lights on that?

Rohit Gupta: So, there are two factors for the wholesale or disbursement is a factor of a collection also and in last one and half year, 18 months we have seen higher collection as it our scheduled repayments and the collections have been more than 175% versus our the scheduled repayments and we have a mandatory ESCROW mechanism where we capitalize based on the receivables which we keep on getting on every day and every month from the projects that we have funded. And moreover as we have also emphasized that we will keep our AUM mix 50, 50. So, keeping in view, we have targeted ourselves to do 1000 crore as retail is a more granular play, we right now we are doing a disbursement of 32, 35 crores per month, so, keeping in view we have kept a target of 1000 crore and the same time we will be doing higher disbursement in wholesale also, but the focus will be to down sell and to join hands with more players on the co-lending side. So, on the absolute terms, the assets under management will definitely increase but we have to maintain this mix on our books, we may limiting our disbursements on the wholesale side. And we may have exceed our target but, on the conservative side we have kept this 1000 crore.

Dhwanil Desai: Got it. And 32 crore of downsize if indicated that we should be able to increase that number significantly. So, are we looking at 60, 70 crore of down sale by the end of the year any number around that?

Rohit Gupta: So, definitely we should be able to do it, or otherwise around 300 crore book is on the co-lending side which there is no recourse to us. So, a mix of both where we get an opportunity our effort is to do the down sale first and then the co-lending. So, combined basis we have targeted ourselves to do 400 to 500 crore of books combined on the co-lending and the DSI. Has also started sticking in on the down sale, we have done our first down sale on the retail with IOB. And going forward, we're looking with more options with more public sector banks.

Dhwanil Desai: Okay. So it is safe to assume that when you do this down sell without taking significant risk, you will be able to make almost similar IRR, how do you guys look at it?

Rohit Gupta: We are definitely, so even if we are down selling, we are down selling at a little low rate than what we are able to get on the term loan side. So, specifically on the retail part and the wholesale, the margins are a little lesser because on an average without selling the wholesale at around 13% to 14% and vis-à-vis our retail which we are down selling between 10% to 10.5%.

Dhwanil Desai: Okay. And last question from my side, and then I'll come back in the queue. So, you also mentioned that we have kind of re-pricing our books and that journey is going on. So can you give some color on to both wholesale and retail side, what percentage of book is yet to be re-priced and any timeline for kind of doing the completely re-pricing whatever we can, some color on that?

Rohit Gupta: I am not able to understand, can you just repeat your question fully?

Dhwanil Desai: Yes, you said that we are re-pricing our book kind of because to kind of adjust with higher borrowing rates and we are passing it on. So that pass through process, how much is complete both for wholesale and retail. And to completely, do the pass through how long will it take, will it take, by end of this year we'll be able to completely do the pass through or not?

Rohit Gupta: We have already started that process six, nine months back and wholesale the new accounts which are being boarded. We are trying to pass on its at 100 to 150 bps more than which we all used to do a 18 months back and on the retail side also, we have increased our lending rates between 50 bps to 150 bps depending on the product which we are funding on. And so, I would say not fully but I would say 50% to 60% we have passed on the increasing risk which we had witnessed in last year and going forward with the unsecured product where the IRR is little higher. So that effort will be there, but at the forefront for us the quality is the foremost and so we don't want to compromise on that just to increase our IRR.

Moderator: Thank you. The next question is from the line of Sanjay Ladha from Bastion Research. Please go ahead.

Sanjay Ladha: I have couple of questions also sir, in the past we are doing the wholesale segment lending which has yielded us very good in terms of asset quality. But today, our focus has been changed to other segment and just wanted to know your thoughts on that. And as we have more, because we have more expertise and knowledge in the domain of wholesale segment, why are we not growing this segment like, we are focusing on SME, your thought process on that?

Rohit Gupta: First of all we are not de-growing our wholesale growth. If you see year-on-year our absolute disbursements are increasing. And if we take into account the of book part also, so the increase is significantly higher. So to have a, I would say right mix on both on the tenures and the granularity, where wholesale sometimes disbursements have become lumpy and sometimes, collections also are very high in certain quarters which we have seen in last two, three years to have a right mix of both the segments and we feel that it's a very good combination. And this combination also helps us to never gives a challenge on the ALM side also, because retail is one which the granularity has to be maintained and the wholesale were to some extent, we can control our disbursement for the coming year, what is the month in case any need be. So, we think retail is a tenure of around six years and this year, the wholesale average tenure is around three years, so on the tenure side on both the mix and a lumpiness where sometimes the wholesale gives you in terms of disbursements or even some collections are being taken care of either retail and thirdly, sometimes little apprehensions previously used to be there on the wholesale part also from the lenders or the other stakeholders and to build the company as a whole and to have a larger product and foremost as a company, we do believe and very strongly believe that we will be present only where we are able to build a domain knowledge around that product and make our presence felt in the areas we are present. So, in the SME side also we are only limited to a segment which I would say not even SME, micro SME very small self-employed businesses working in tier two, tier three cities. So, the focus is to build domain on few products and build our presence and domain knowledge as we build our domain knowledge for the company in those products. So, coming to your question again that, why we are going to have a right mix both on the tenures and the granularity. So we have built about two products in our portfolio.

Sanjay Ladha: Thank you sir for the detailed answer. The other would be, so we have introduced the Suvidha loan with APL Apollo, can you also share what percentage of our AUM we are targeting in next two, three years and are you looking to add another companies in the same loan book?

Rohit Gupta: Yes, definitely because this is our first foray on the unsecured side and focusing on a particular industry that is the tube segment and working with a very small customers at the large net side the fabricator, we will definitely look for other companies also in the same product and for other industries in the coming year. We have just launched in the month of June and done a pilot across our existing branches and now we are working on this product both on the technology side on building our team, training our team and growing all geographies, Amit is also there he will also add few on this part. Yes, definitely first in the next nine months to 12 months our focus is to strengthen with this company only and then we will see as the new opportunities come we will definitely look at that, Amit anything you would like to add.

Amit Ranjan: Yes, focusing on Suvidha has been there since June and since like Rohit sir has said that it is in an initial pilot phase, so we are looking into our existing branches from there we are doing all the businesses and in the coming months we will be looking after the trends also, what kind of businesses is there and what kind of collections we are looking into. So, probably the focus will be again partially of the Suvidha side and on the SME secured from the branches and as and when we grow we have a focus to target those customers where APL Apollo is strong enough and will try to get into those geographies with new man power feet on street and try to capture those markets. So, in coming months, it will be a testing time for us to how the book is behaving and what kind of technology platform we are going to incorporate by using integration so that the PAT of this particular loan to this reduces from 48 hours to 12 hours and then the team will be able to do much more business in coming months to come.

Rohit Gupta: Which you have said, three months tenure period, so our focus is on building the numbers rather than in the first six to nine months on the portfolio, the AUM side and so our target is to do anything between 500 to 750 loans per month, currently our run rate is around 100, 120 loans per month in last, so the focus will be to increase our number of disbursements per month to 500 to 750 in next few months by adding more fleet on street on existing branches and then expanding those geographies. And in this segment, it a repeat customer so that will be on first one to two years and because it's a 90 day product, so the 50% to 70% of our business will come from the repeat customers, effort initially will be higher and going forward it will be much lesser.

Amit Ranjan: And I would like to add here that, within the past three months we have been getting very positive results from the market because this is the last line of the fabricator to whom we are funding and they are really not being tapped by any other company and this is one of a kind of a niche product which we have gone into market. And we are really hopeful that with the potential of our team as well as the market, which is untapped. We'll be able to do good numbers in coming months.

Sanjay Ladha: Sure sir. To follow up on this side, so since we are focusing on unsecured loan, how we are making sure ourself, to maintain our asset quality on that side, because we have seen that in the unsecured loan book side the asset quality gets deteriorated over a period of time, just a thought process on your, how we are making sure that this product, the asset quality of our which is right now at 0.5, 0.6 will maintain going forward as well.

Amit Ranjan: So, I would like to add here that, like you rightly said that in unsecured the quality of asset has to be maintained and we have taken care of this because we are not funding to any people who is in the market, we are only funding to fabricators who are taking APL Apolo product. So, one thing is there that if they have been tested by the retailers and we take retailer recommendation before funding to these clients, plus we also take their CIBIL score so the proper underwriting is there in place and it says that, they have to have one collateral which is either the shop or the residence of their own. So that in case of any eventuality, we are able to go there and if you can see we have built a very robust platform where all the pics of the visiting done by our internal team is there. And also the most important thing is the retailer recommendation, because these people definitely go to these retailers only to buy the product and by that way we are safeguarding our asset quality, till now we haven't faced any challenges in the collection because people are looking into the opportunity of getting loans from us and they have good orders in hand, they are making it and there are around 60% to 65% of customers who have repaid their loan within the stipulated time. So, I don't see any challenges the by the way, we have safeguard ourselves.

Rohit Gupta: Our tenure period is 90 days. So, these are financial only for two months after that the interest starts kicking in and when Amit has said, it’s a stipulated period within the 60 days and as of now, we have done disbursement around three and a half crores to four crores across 340 loans, I would say roughly eight to 10 lakhs of our portfolio is in DPD. Amit these are the right numbers?

Amit Ranjan: Yes, sir this is right number, and these are the people have delayed and they are ready to pay the interest also because you can see it's a completely life cycle where the fabricator is also dependent on the money received from the person who has given the order. So mostly it's only eight to nine lakhs and people are there, our team definitely go and visit them on monthly basis because they are our repeat customers as well. So, we need to handhold them and we also tell them, we educate them the benefits of this loan. So we are very, very confident that it will be maintained throughout the lifecycle of the loan.

Sanjay Ladha: Sure sir. My last question would be, we are seeing very good traction on free income due to the off balance sheet AUM growing. Can you please explain in detail how this off balance sheet model work and you have also shared tie up with Kotak and TCI, how this model works, what percentage of AUM we are targeting. So is the risk on the AUM is with us or on the party which we are sanctioning the loan, how the model works?

Rohit Gupta: First thing, there is no risk to hour on our books. So whether we are doing on a DA, DA there is no risk as per the RBI norms and on the co-lending there is no recourse to us. Whereas the onboarding, the customer management, the daily basis we are getting the MICs, we are admitting the customer, evaluating them, doing site visits and handling collections on daily basis, capitalizing them is falls on us and even in case of any eventuality on taking the legal side, all those rights are with us. So there is no risk to us and how it will play it out, definitely in last 12 to 13 years we have built a domain knowledge around this product. And I will say it is also limited to geography and I would like to say, the dynamics change from geography to geography. Sometimes, our credit rating agencies keep on telling us to move to other geographies we have been telling them, keeping in view of the size. So, it is better we remain in our geography where still there is a lot of scope to grow ourselves and instead of venturing out for small numbers in new geographies. So, we are looking as of for more relationship with more lenders, maybe NBFs and banks and seeing our track record, we're very confident that we'll be able to build relationships with more companies. Sometimes the larger banks, their debt is very, very low that we are not able to do it and Chandan is with me and he would like to add more on this path.

Chandan Kumar: Thanks Rohit. Coming back on your question, to add some points on Rohit's part, the model works on there are three major components on this off book income, that is the monitoring our kind of our differential rates of interest fee based income that we receive, PF and the legal part, that we receive at the time of **–29:05 holding** of the account system. So whenever we do a kind of a co-lending or a kind of a DEA kind of structure, so there would be a differential ROI kind of thing that we used to get on that customer, on the account which we are boarding, assigning to other banks. So in that case, there would be differential of around one or two bps or 1% to 2% ROI that build up as a fee based income on our part and we see a coming down the line, we are within like one or two years we are seeing a good opportunity investment so we are very much hopeful and that comes to back on your first question itself that defocusing on our wholesale book, it would be, here we are focusing that we are building our wholesale book and main focus is on down selling the wholesale part so that we can increase our off book income simultaneously and gradually.

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

Dhwanil Desai: So, out of the 29 branches, can you talk about how many branches are about breakeven and operating at optimal disbursement level?

Amit Ranjan: So, out of 29 branches, we have around 12 to 13 branches which are there into break even and if you see the ages of the total span of the branches, we have started doing business for around two and a half years. And 13 to 14 branches are on a breakeven and there are around six to seven branches which is on the verge of breakeven, so, almost 20% of our branches is on the breakeven and we are looking forward for by, end of this financial year most of the branches around 90% will be working on a breakeven model, that's the reason we can grow and we can add up new branches in the entire company. So, currently, we have added four branches which is based out of Karnal, Shri Madhav Karnal is in Haryana and then Shrimadhopur, Rajasthan and one or two again in, one in Agra and we don't intend to add another more branches looking into like other companies add in a very faster manner, we look into the cluster wise approach. And whenever we find though, the penetration is required in that particular area. So, we backup with the older branch. So, we intend to open one or two branches in Rajasthan, one or two more branches in Punjab, Chandigarh, Haryana and two branches in UP which is includes Mathura and Roorkee. So, this is the way we plan to go ahead in next H2.

Dhwanil Desai: Okay. My next question is slightly more medium term. So, we will be crossing 1000 crore, touching 1000 crore this year. Now from 1000 to the next level whichever is our aspiration, what are the things that we need to do to let say move from 1000 to 2000, 3000 crore and both from organization perspective, product portfolio perspective so, if you can kind of lay out a journey for next two, three years what are the things that you plan to do?

Rohit Gupta: So, one and a half, two years lots of effort has been in there on all parameters, maybe building the technology platform, building our team. In COVID times we were around 130, 140 people as of now, we are 358 people. So adding team, training them and earlier at the senior people in the SME side were missing in few of the art departments. So, we have strengthen that. So, now we have geared ourselves to grow in the next coming years and the focus as the capital adequacy side we are very, very strong still our debt equity ratio is less than one. And in terms of number of lenders, we have added from four to, four lenders which we were at the time of COVID to the 20 lenders as of now. So, yes one major focus is on improving our rating and we are at BBB+ and we are anticipating that in next three to nine months, we should be able to have A- that will help us to bring in a few of the PSU banks which because of only the rating constraint they are not able to come. So that will help us to build our liability. And now, gradually our month-on-month retail business is also growing and wholesale is not a challenge and with the third quarter kicking in. So, as a company we have built ourselves for growth and in terms the platforms and the operating systems which we required to a large extent. The first phase has been over and few of the, it’s an on-going process which will keep on doing it. So some total now, the focus on the company which for last one and a half, two years was building those platforms. Now the focus is towards growth and, and we envisage that we will be able to do it and all our, I would say, in terms of capital adequacy and in terms of number of lenders, and all those we have been able to do it, and there's a lot of scope for us to grow on both the sides.

Amit Ranjan: I would add here, that on the SME front in coming two to three years we are very mindful of what kind of portfolio we are going to make by, we have certain plans already in place, how we open the branch, what is our cluster approach, what the competition is doing, how to optimize our cost. So we are looking forward for that and we are working on those parameters by strengthening our technology platform, because in coming days, it's only the technology which is going to help us in growth of this SME portfolio. Along with that, we are also doing a lot of trainings, a lot of investment is going into human resource, because wherever the branch is there, we need to see the sustainability of that employees. So we are working on a lot of employee engagements, so that they remain with the company. And primarily, now focus will go to the credit growth, because there's a lot of gaps in the system throughout the industry. So we want to go ahead with the scoring model as well. So once we have stabilized with our platform, which we have been building for the past one and a half years, we will get into our core model where everything will be through system oriented, and more penetration will be done by pointing more FOS. Rather than putting lot of efforts into credit resources at a branch level. So the idea is to build a robust credit platform, so that everything is visible, and everything is looked into before giving any loans.

Dhwanil Desai: Okay. So given all this, targeting 25%, 30% growth will not be a challenge is that something again not a guidance, but is that directionally was how you are thinking?

Rohit Gupta: Yes, very true currently we have been touching 25 to 30 crore and the idea is to make my core zones a zone of a 10 crore zone so that in coming months we should be touching 40 crores from core zones and then we get a platform to open and look into a new geography because unless and until my core zones are strong enough, we don't want to move into a new geography to test water, we don't want to go there because there is a lot of potential into the zones where we are present. And we want to grow there. So an approach is an organic growth rather than going into a faster mode of opening branches and incurring cost. So that's the idea.

Dhwanil Desai: And last question, a book keeping one, what is the current cost of borrowing both blended and incremental?

Rohit Gupta: Sorry come again?

Dhwanil Desai: What is the cost of borrowing for the quarter?

Rohit Gupta: Current cost of borrowing is around 11%, and twelve months back we were around 10%. So we've seen a rise of 100 to 120 bps in last 12 to 15 months.

Dhwanil Desai: And this now is stabilizing at around 11%?

Rohit Gupta: Yes, now for the last quarter was the quarter where we have seen the maximum sanction in any of the quarter. So we have not been any pressure on the cost of borrowing, so they have stabilized which were there in March. And so, that will be in line with the industry standards. And I would say keeping in view the ratings and the size of the company which we are in and the cost of boring we are very, very cautious and focused ourselves that we will be able to see that our cost of borrowings are at the lowest trend and that’s why I told you earlier so rating is also will be one big help and jump for us where it will help us to bring big PSU banks on board and help will help us to reduce our cost of borrowing.

Moderator: Thank you. The next question is from the line of Rajesh Gupta from SBI Securities. Please go ahead.

Rajesh Gupta: Sir, just wanted to ask you your recent comment on opening the branch on the highway, on the upcoming highway project. If you can just give us some update on that, what is the model out there and what could be the reason behind openings such branches?

Rohit Gupta: So, last 15, 18 months post COVID we will be expanding in a cluster approach wherever, earlier there were two, four branches which was I would say a standalone branch, we have shut down those branches not because the portfolio was down, but the operating cost and managing and monitoring from the HO and bringing the productivity on those branches were a little lesser. So, why we have got it, if you see in Punjab and Haryana we are present on the national highway that is the only, I would not say Express Highway but National Highway GC Road they call it, starting from Sonipat, Panipat, Karnal, Kurukshetra, Samalakha and Rajpura, Patiala and Ludhiana. So, that has been our approach and now on the Mumbai corridor opening, we already have few branches on that corridor, the Baroda, Surat, and then Jaipur also we have three branches which is near to that Udaipur so, the focus will be build branches in that corridor, maybe in few patches, first in Rajasthan and Gujarat and then the patch of MP that comes in between that and the same way we have going in Uttaranchal now, the Uttaranchal Express way will also be ready in next nine to 12 months we have opened, will increase our connectivity from our HO also and the economic activity also increases in that radius 30 to 50 kilometers a small village, small tier three cities because of the connectivity with the NCR that grew lot of economic activity to those reasons a lot of industry start going to those areas. And we feel that the increased economic activity, the cluster approach, the monitoring from the HO, so keeping in all those views. So, that has been our strategy for expanding our SME going forward in next two to three years and it will give a lot of scope to open lot of branches I would say in next two to three years. And that is the reason behind that.

Amit Ranjan: And I would like to add also, this particular area the strategy what we make goes through a lot of thought processes, because this will see our major transportation routes connecting to major cities, which ensures the high volume of traffic, potential client**,** emerging market it will be there to first we want to approach those clients because it has a large customer base, it will expand our lending business because these are the people who are business travelers, maybe smaller scale entrepreneur who want to also enlarger their businesses in this particular corridor and we are already present in two to three cities. So, why not exploit that and earn the best rewards out of it, because they will also require financial assistance or maybe investment opportunities. So, they will require a small ticket loan, so that reason we want to be there.

Rajesh Gupta: And sir if we ask you a question regarding this wholesale and the retail mix, what is the exact profile of this wholesale and retail borrowers for you and how you look to further granulize the overall the retail and wholesale mix going ahead?

Rohit Gupta: The wholesale borrowers is a small I would say builder on the group housing side maybe the builder floor, which is very prevalent in NCR part. So, I would not say these are the frontline top 10 builders and these are those builders which are working on few projects, much more focused, focused on customer satisfaction, delivery timelines and we also feel much more comfortable, we have much more control over the borrower, over what theme and in coming years is planned for its growth and monitoring is much more strong, rather than and our leverage, and our hold is also much more stronger on these borrowers. So we have always tried to limit ourselves to small and midsize borrowers in this segment and secondly, and we are also able to have a little higher IRR, which the larger ones are being targeted by the larger banks and the larger NBFCs. On the retail side, we our focus is on the small I would say micro SMEs who are having reasonable businesses where value addition quotient is higher, but where I would say ITR, their banking or GST returns doesn't fully reflect the true state of affairs and how to fund these businesses, how to see other qualitative parameters and how to build in those parameters in the operating system in terms of analysis, apart from CIBIL and other things. So, that will help us where you build a domain knowledge by limiting in your particular product and that will also be a product I would say which will not be able to be penetrated by the larger banks. And secondly by the Fintechs and emerging larger Fintechs which are coming because for them, the data in terms of GST and ITRs and banking is very, very important and mostly the target audience, the product is insecure, on the micro SME product will be totally secure. It is only a fabricator part, which are very small loans and 90 day tenure loans that will be remains as unsecured part.

Rajesh Gupta: Can you give me the average outstanding loan for these two segments wholesale and retail borrows?

Rohit Gupta: You are asking number of accounts or AUM?

Rajesh Gupta: No, I'm asking the average AUM per borrower in wholesale and retail?

Rohit Gupta: In wholesale we have categorized among wholesale large and wholesale small and the wholesale large the averages is 16 crores and in the wholesale small average is six crore.

Rajesh Gupta: Okay. And the retail segment?

Rohit Gupta: Retail is 13 lakhs on an average and Suvidha with fabricator unsecured the average for whatever loans we update till date is around 1.3 lakh.

Rajesh Gupta: Okay. And sir any plant to further let say diversify your business into let's say a vehicle financing, the other highly secured segment which can give you a better business visibility going forward?

Rohit Gupta: First of all I would like to say, both our wholesale and retail SMEs are highly secure in terms of asset quality. The kind of collateral we are taking, we are doing a complete 13 year chain, the legal and technical, we are very, very cautious both on the retail and the wholesale we are sitting on very good collateral, marquee collaterals with one time receivables on the hook. So, in terms of asset quality, it's fairly good on both the segments and your second question sir?

Rajesh Gupta: Got it.

Rohit Gupta: Outstanding order further. Going forward in next 12 to 15 months we would like to focus on our existing these three products, focus more on fabricator loan, focus more on the retail and wholesale itself, as a company we would like to build our status if we go into too many products our presence will not be felt and as a company we strongly believe that unless and until we build a domain knowledge around the product, we are doing it and we have a presence felt in the area where we are. So that two are very important criteria for us. And even the size we are in as of now, it doesn't make sense to go into too many products, as we grow definitely more products will come into our portfolio as we have seen that the fabricator loan is a result of that, but as of now our focus is to build these three products in next one year.

Rajesh Gupta: And sir in the overall outstanding book at present, what percentage of your loan book is under the unsecured and secured category if you can just give us some sense on that?

Rohit Gupta: I would say 99% book is secured, fabricator loan is only round 1.8 crores out of it 58, so you can say 99.5%. book is secured.

Moderator: Thank you. The next question is from the line of Sanjay Ladha from Bastion Research. Please go ahead.

Sanjay Ladha: So as we said going forward, we are seeing attraction on fee income and co-lending. So do we see our net interest margin to increase and also since we are targeting new branches and employee cost, so the cost to income ratio which is at 26% in H1 FY24 so, what is the comfortable range we are, we will be looking at in the next one or two or two, three years. Thank you.

Rohit Gupta: So, what will be the cost, especially on the employee cost has been increasing primarily for two, three reasons, I would say first, there's been a lot of team addition in last 18, 24 months. Secondly, as you know the industry is doing reasonably good and attrition is also higher. And I would say that is one big little risk for the whole industry in itself, where the whole industry is seeing a attrition of between 30% to 50% on the lower and middle level employees especially from the branches and so, to retain the people and the employees which are good, who have been a vintage with the company. So, to retain them and the appraisals are reasonably good in last two years. And on the fabricator loans, where lot of team hiring and a lot of team will be hired in next three to six months. And initially, the revenue will not be commensurate with the cost that will be incurring. So, I would say we will still be in a comfortable zone of 26% to 28%, 29% cost as a percentage of total income.

Sanjay Ladha: And sir on the net interest margin side?

Rohit Gupta: So, net interest in the margin we are definitely, if you see in last quarter it has grown and in the coming quarters also our focus has been there. It is only with interim two quarters for December 23 and March 24 where I would say we little slip and focus we were not able to pass on the cost to our borrowers and we have primarily one reason that our most of the book was on the fix basis and in last nine months, we have moved the wholesale to larger extent on the link with the repo rate or SBI rates and even on the retail side we have increased our lending rates by 50 bps depending on the product and the customer. So, the NIMs I will say and with the increase of volume increasing quarter-on-quarter the NIM should improve in the coming quarter.

Sanjay Ladha: So, sir to follow up on this side. Can you also share what percentage of a book is fixed and what percentage is floating and how will we progress going forward, as you rightly said that you are moving towards the incremental loan is moving towards floating rate?

Rohit Gupta: No, that is on the wholesale. Our retail is still fixed, because retail we don't want to go into floating the kind of segment we are targeting. So, if our tenure changes our EMI amount changes, they will not be able to understand and they will start asking questions about the integrity of the company. And that is a segment, and we think that over a tenure of the loan, for last 12 to 18 months it is a little bit hitting us. But going forward, we would like to, still like to retain that segment on the fixed side. On the wholesale, I don't have the direct numbers within the mix of floating, 75% is on the fixed and 25% is on the floating. But where we are able to get reasonably higher IRR, extended up to +17% we have kept those accounts, the newly boarded accounts on fixed bases and otherwise we have competently priced we have moved that account to the floating rates. Chandan will add.

Chandan Kumar: Further, I just want to add that on your question part, that we all understand that NIMs is a function of fee major components that is your cost of borrowing, your absolute interest income and the other income of the book income, as Rohit has right said that we are mainly focusing on our book income side also, we are increasing our fee based income and apart from that portfolio is growing that's why absolute income is also increasing. Going forward if our rating improves, we are focusing on our rating employ verification, if we get a good rating of upside we would be able to it means our COB by 100 bps or 150 bps. So definitely the NIM margins going forward in the coming quarters is going to be improved and we are seeing a positive side on the NIM part.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Rohit Gupta for closing comments.

Rohit Gupta: I will again like to thank all of you for participating in the call. Your questions were important to us and we strive to transparent in our investor communication. If there are any unanswered questions, please get in touch with our Investor Relations team to take it forward. Thank you very much and again wish you everybody a very Happy Dhanteras and a Happy Diwali to you and your family. Thank you everyone. Thank Sayam.

Moderator: On behalf of TIL Advisors Private Limited that comes this conference. Thank you for joining us and you may now disconnect your line.