

4th February, 2020

The Manager,
Department of Corporate Services
BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400001

Dear Sirs,

Scrip Code: 532745

Sub: Transcript of Earning Conference Call

Ref: Our letters dated 23rd January 2020 and 29th January 2020

Further to the reference cited above, we are enclosing herewith the copy of the transcript of the Conference Call held on 31st January, 2020. The same will be uploaded on the website of the Company, www.inditrade.com as well.

You are requested to take the same on your records.

Thanking You,

Yours Faithfully

For Inditrade Capital Limited



Vinod Mohan
Company Secretary & Compliance Officer





“Inditrade Capital Limited Q3 FY20 Earnings Conference Call”

January 31, 2020



**MANAGEMENT: MR. SUDIP BANDYOPADHYAY – GROUP CHAIRMAN,
INDITRADE
MS. JHUMA GUHA - DIRECTOR
MR. NAVEEN KUMAR JAIN – CHIEF FINANCIAL
OFFICER
MR. VINOD MOHAN- COMPANY SECRETARY**

Moderator: Ladies and gentlemen, good day and welcome to Inditrade Capital Limited Q3 FY20 Earnings Conference Call. 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudip Bandyopadhyay - Group Chairman, Inditrade Thank you and over to you, sir.

Sudip Bandyopadhyay: Thank you, Neerav. Good afternoon, ladies and gentlemen. Thank you for joining this call.

Inditrade Capital, I think the background and the areas we are operating in is pretty well known to all of you since you are in some way involved with the Company as an investor, as a well-wisher. I will quickly move to the Q3 and 9 months FY20 financial performance highlights.

Total AUM increased to 419 crores, about 18% up from FY20. Total disbursement for 9 month FY20 stood at 480 crores. Balance sheet size as on December 2019 is 506 crores, it is a 28% increase vis-à-vis December 18. Gross total income for 9-month FY20, 93 crores which is 63% increase vis-à-vis 9-month last year. Profit before tax and exceptional item has increased by 18% Y-o-Y 9 months.

At a consolidated level, our profit from continuing operations has been 6.03 crores for the quarter vis-à-vis 5.16 crores for Q3 FY19. On a consolidated level, it is 16.69 crores vis-à-vis 14.13 crores, a year-on-year increase of 18%. This is for the 9-month period. Balance sheet size I have already talked about.

As far as specific AUM and other indicators, I will quickly mention, our AUM Q3 FY20, we were at 419 crores. Disbursement for the quarter was 133 crores net. Gross total income was 33 crores. PAT was 4.1 crores. Last time, when we discussed, I think some of you had wanted to know the segment wise cost of borrowings. We have highlighted that clearly. Microfinance is 14.8%, MSME business is 10.9%, Agri commodity is 9.6%. Weighted average cost of fund across business segment is 12.1%. We also wanted to mention to you upfront the portfolio quality and if you see, we had put up a slide showing segment wise gross and net NPA. MSME, the gross NPA is 1.66%, net is 1.25. Microfinance, gross NPA is 0.97%, net NPA is 0.96%. Microloan, it is 3.51% gross NPA, net NPA is negligible. Agri commodity, with grace of God, there is no NPA.

MSME finance, quickly I will talk about the verticals. As far as MSME finance is concerned, our AUM as on 31st December 19 is at 77 crores. Our client base stands at approximately 800. As far as Microfinance is concerned, our AUM for Q3 ended 31st December 19 is at 259 crores. We did a disbursement of 85 crores during the last quarter. We have operations in 9 States, 169 branches and 2,13,000 customers, about 900 plus employees. On the Microlending

side which is the digital lending platform we have, the AUM has gone up to 10.31 crores and we have disbursed 16.43 crores during the last quarter. We have a 30-member team, active user base stands at 50,000 plus. If you recollect, we started operations in January 2019 here and cumulative disbursement is about 27 crores. The loan size here just for recap is between 3,000 and 25,000. Agri commodity, the AUM stands at 55.32 crores as on 31st December 19 and we have done a small disbursement of about 12 crores during the last quarter.

This is very brief summary of our financial performance for the last quarter. This has already been put up by us in the BSE website, and I am sure all of you have seen this. I deliberately wanted to leave time for questions and answers, so that I can clarify along with my team, any doubts you may be having or any questions you may be having. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Harsh Gupta, an Individual Investor. Please go ahead.

Harsh Gupta: I would just like to know the average ticket size of the MSME finance business and also whether the MSME book is unsecured or secured and how do we assess creditworthiness for this business?

Sudip Bandyopadhyay: Thanks, Harsh. The average ticket size for MSME book is about 15,00,000 at this stage. We give loans in the range between 5 and 50, though loans of higher ticket size are rare. At this stage, our average ticket size is 15,00,000 and average duration is about 18 months. That is point number one. Point number two, yes, these are unsecured loans. If you recollect Harsh, we don't do the typical MSME loans, ours is merchant cash advance which is a specific niche segment. We lend to predominantly Kirana shops and this is against mostly their Point-Of-Sale receivables, POS receivables. There are, in most of the cases, structured arrangement with the POS vendor, Tripartite Agreement through which we recover either on a daily basis or on a weekly basis. Most of our portfolio is daily or weekly recovery. About 60% is daily recovery, so this is lending to typical shops and recovering on a daily basis or a weekly basis from them, yes it is unsecured. As far as the analysis of credit, we have a strong credit team at our end and a complete analysis is made of the loan application and applicant. There are physical meetings with the potential borrower and all kind of diligence carried out which normally one would recommend and one would carry out. This includes verification of third party information and information from independent sources like the GST returns, income tax returns, checking on social media, CIBIL, of course and pretty much everything else which can be done. We used technology extensively, but end of the day there is a physical process of meeting the customers, interacting with him and taking the call as well. Have I answered your question?

Harsh Gupta: Yes sir, that is very helpful. And sir, what is your cost-to-income ratio in the Microlending business and how do we assess creditworthiness here?

Sudip Bandyopadhyay: You are talking about Microfinance or Microlending?

Harsh Gupta: Microlending, the Robocash?

Sudip Bandyopadhyay: So as far as the Microlending is concerned, there is absolutely no physical contact with the customer. Everything happens online, whether it is KYC, whether it is any kind of verification, either completely digital or may be a telephonic interaction if there is any clarification required from either of the sites, our promise is to give a loan within 15 minutes. We are trying to achieve that as far as the first loan is concerned, for a repeat customer it should happen within next 2-3 minutes of the customer seeking loan and that does happen already. For the first time, there are some imperfections unfortunately in the system, particularly the KYC and other things, so they take little more time than what we would love to. That is point number one. As far as cost to income ratio, we do factor in the kind of asset quality issues or non performing assets issue also while we determine. So we are happy to get about 4% net margin, NIM here, which will include all the cost factors and the non performing assets.

Harsh Gupta: So, till what level of NPAs do your account for in this Microlending segment?

Sudip Bandyopadhyay: Well, at this stage we are kind of toying with about in a plan, we keep 10% margin. I don't think we will or we should ever get there but we factor in a maximum NPA of about 10% while we get there because these are absolutely small ticket loans to the unorganized sector and mostly people who doesn't have any great banking track record. Lot of these customers are also NTC we call, new to credit, so we have to factor in that kind of number while we do the assumptions. What happens Harsh is over a period of time, things get better because our algo, we keep refining. So just to take this example, when we launched in January, I think the numbers were little higher on the asset quality problem size, but over a period of time, I think that has improved significantly. When we launch in a new geography, initially there is a spurt in that particular geography on the quality problems, but gradually we fine tune the model. And as of now, I would say asset quality has been reasonably satisfactory. We would love to improve it even further. You would have seen the gross NPA number shared less than 4% and we would love to bring it down even further.

Harsh Gupta: Sir, is there any target AUM in this segment that we have in mind?

Sudip Bandyopadhyay: Well, I think we can talk about large targets because there is a huge market. Periodically, we shut down the advertisements and remember we don't advertise anywhere other than Facebook and that also we bring down because there are so much of backlogs. On the weekend, when we come back on Monday, there are about 25,000-30,000 applications pending for attention, so I think the scope is huge because this is one segment which is not yet catered to by organized players and banks definitely. So we are doing about 10 crores plus per month now I think we will exit March at a significantly higher level and here we track on a per month disbursal.

Harsh Gupta: Sir, last question is on the housing finance side, any updates on the license there? Thank you very much.

Sudip Bandyopadhyay: RBI is very active now, so there has been like NHB for a very long period of time, there was no action, at least when the application moved to RBI, RBI has been asking us to submit lot of documents afresh. Those all have been submitted, some clarifications RBI had sought, those have been all provided. So we are very hopeful that with RBI coming in as a Regulator, things should smoothen out very soon.

Moderator: Thank you. The next question is from the line of Maneesh Kela, an Individual Investor. Please go ahead.

Maneesh Kela: I have a couple of questions for you. I just wanted to know why home loans, I mean why not get into something like gold loan segment which is for a shorter tenure and there I think at least you have a backing of an asset, we have seen companies like Manappuram and Muthoot do exceedingly well on that front. So I wanted to know, I mean home loan is one area which we know is highly competitive, you have literally every NBFC or a bank present in that sector, so why home loan?

Sudip Bandyopadhyay: Maneesh, I think you are right but I will provide my and our Board's thinking on this space. First of all, a) we don't want to compete with the large NBFCs and banks on the home loan space. That is not what we plan to do ever. We have a niche and captive audience.. We have 200,000 plus customers in our microfinance segment, God willing that will go to 500,000 plus definitely in the next year. They are our potential customers on home loan because lot of them and why lot of them, most of them need home improvement loans and different kind of home loans. Look at our MSME, which is pretty much mom-and-pop shops, again they are our captive customers and remember, most of them are not, they don't have access to bank loans and bank finance and all that. The third segment where we are operating as you know the Agri, again there is a potential set of customers. Fourth set, the Microlending where we are doing, so we have a significant potential called cross-sell opportunity and this cross-sell is not something which we wanted to hard sell, this is a genuine requirement. Second, our area is completely affordable and our business plans and wherever we have got the approval of the board, we are talking about loan between 5 and 15 lakhs, so that is the kind of loan size we are looking at. So this is not a loan size where the big guys are fighting and this is not the market where these guys are there. There are significant structural benefits also which we envisage as and when we launch home loans. Very clearly, this will be a business which will piggyback on our existing and much larger other businesses and that is how we want to keep it. Second, on your question on gold loan, at different points of time we have been exploring, we believe it is a very competitive space and you are absolutely right on Muthoot, Manappuram and the others who have very well developed large businesses. That requires lot of infrastructure, lot of kind of expenditure initially to put up the infrastructure and lot of advertising and marketing muscle. At this stage, maybe we are not ready for that but at some stage we can definitely look at it. I don't know when, but maybe at some stage later. At this stage, we want to stick to the core business of ours which is working with the people who are not getting bank loans, who will probably not get bank loans and who are not catered to by large institutions.

Maneesh Kela: I have one other question to ask. So as reading of the concall summary of the previous quarter and I saw that when you do this borrowing from another Inditrade Microfinance, your average cost of borrowing is 14.75%?

Sudip Bandyopadhyay: It is 14.8 now.

Maneesh Kela: And when you do it under Inditrade Fincorp, it is 11.3%, so can I understand the borrowing which you do under Inditrade Microfinance is that from the NBFCs that you do?

Sudip Bandyopadhyay: No, Inditrade Microfinance is a separate company which is regulated separately by RBI. We operate under NBFC-MFI license and Inditrade Fincorp which was earlier JRG Fincorp that is an NBFC which is under NBFC Regulations, so we don't want to mix books and do anything which is intercompany and I understand where you are coming from that maybe why not borrow in Inditrade Fincorp and give money. So overall at a group level we benefit, yes but that is not the right thing to do and we want to keep everything clean and clear. Every business should have its own cost and own people and as you know we have CEOs or business heads as the case may be running their individual businesses and they are all established professionals, so we want to keep all this clean and clear. That is point number one and point number two, , if I get a general facility which is not tied up with anything, may be yes, I can look at a little bit of loan because Inditrade Fincorp is an NBFC, they can surely give some loan like they are giving loans to others to Inditrade Microfinance, but if it is a specific loan which an institution is giving for a Microfinance business, they will give it to a Microfinance Company only, they will not give it to Inditrade Fincorp or let us say, in Inditrade Fincorp we are raising money for our MSME business that is dedicated for that. I cannot and should not move that money to some other entity. That I don't think will be right governance wise also, so we don't want to do that. Does that clarify?

Maneesh Kela: I just wanted to check if I can squeeze in one final question?

Sudip Bandyopadhyay: Sure.

Maneesh Kela: So, in this MFI, in your Microfinance business, I wanted to know if you lend money to borrowers who already have a running loan from some other Company or you lend only to people who have running loan only with Inditrade?

Sudip Bandyopadhyay: No, it is like this Maneesh, I will clarify, so it is like this. See fortunately, I have been running regulated businesses all my life, but Microfinance is a very well regulated business. RBI has specified everything, so in terms of the RBI MFI regulations, not more than 2 Microfinance institutions can lend to a single borrower. So let us say you are the borrower and if somebody else has lent, a Microfinance Company has lent to you, I can surely lend you money but if there are two guys who have already lent you money, I cannot lend money to you. It is very clear and we strictly adhere to that. Point number two, RBI also has specified how much total can be lent to you, your indebtedness to Microfinance institution couldn't be more than

1,00,000 earlier, now RBI recently about a month and a half back raised the limit to 1,25,000, so together with that other Microfinance institution and me, my total loan to you cannot be more than 1,25,000. So let us say the other guy has given you 75,000, maximum I can give you is 50,000. If the other guy has given you 1,00,000, I can only give you 25,000, so these are very structured things and we adhere to the instructions of RBI to the T so there is absolutely never ever any aberration. We don't want that. Why should we do that?

Moderator: Thank you. The next question is from the line of Chitresh Lunawat from Gartner. Please go ahead.

Chitresh Lunawat: Sir, my first question would be on lines of like Microfinance business. So last quarter, we have disbursed around 140 crores and this quarter only about 80 crores wherein we expect H2 to be a lot better than the H1, so could you please show more light on this like?

Sudip Bandyopadhyay: Couple of things Chitresh, you are absolutely right. There are two reasons why this has happened. The one reason, in fact all our businesses, we have been extremely cautious in the last quarter, this is Q3, we have been extremely cautious. Economy is what we all know. There are enough and more issues at different pockets, so whether it is our Microfinance business, whether it is MSME business, even Agri, we have been very careful. I will give you an example of markets. In Maharashtra, unfortunately the geographies in which we operate, there has not been any rain whatsoever, these areas are born dry, we are sitting in Bombay, we are getting flooded whereas places like Latur and the Solapur belt has really had a bad monsoon, so we have been extremely cautious. In Tamil Nadu, certain pockets there were issues, so we have been cautious. We wanted to be in West Bengal, but we realized that somewhere a) there probably will be an election in one year's time and the political situation is not very stable, we decided to hold back, we didn't go to West Bengal. So there are multiple reasons while we have been extremely cautious on credit during the last quarter in all our businesses, particularly Microfinance and MSME. The second reason and that is a very genuine reason also, there were enough and more challenges on resource mobilization. There were issues on funding as far as obtaining fund, fresh funds from NBFCs. As far as banks are concerned, we have a small challenge which hopefully we will now overcome and that is the reason why we didn't have adequate money to lend also. So both the combination of these two; a) we have been extremely cautious; b) we didn't have enough and more liquidity to go on lending, so we had kind of a slowdown in the lending in the Q3. Now, as far as economic environment is concerned, I think we will remain cautious, but we are optimistic also, so we will look at everyday as it comes. Tomorrow is budget, hopefully things will be much more clearer post tomorrow. As far as liquidity is concerned, I must tell you that it is not a major bottleneck but it was a bottleneck, now we are actively working on overcoming that. As far as banks are concerned, for the Microfinance in particular, most banks, particularly the PSUs need a 3-year track record before they lend. Our 3 year will get completed now in March, so hopefully post March we will cross that hump of PSU bank structurally not able to lend to us. Why PSU banks, even SIDBI, MUDRA and all those guys, we have been cleared by them informally but they can't give us

money because that 3-year mandatory track record is working against us, so we hope that Q4 will be much better than what we have done in terms of disbursement in Q3. There are early signs already, just today we are completing one month of Q4. Things should improve in Q4 as far as disbursements are concerned. Does that answer your question, Chitresh?

Chitresh Lunawat: Yes sir, it answers my question. So just wanted to know like our AUM, we were targeting to be around 500 crores for Microfinance, so like now should it be going down to like say 300 crores?

Sudip Bandyopadhyay: . I think we are close to 300 already in January itself, so I am not sure where we will end, but somewhere hopefully we will end between 400 and 500. Traditionally Chitresh, I would like to add that if you see our last year comparable numbers, our Q4 was the biggest quarter. Normally, we complete the expansion and everything by Q3 and that is exactly we did. The background work for the AUM we have been doing and Q3 was a big quarter for us in the expansion. We stabilized Bihar, stabilized Gujarat, launched MP, MP is a large State, so Madhya Pradesh was launched in last quarter. So we are extremely hopeful that this quarter, all these 3 states apart from the traditional strong hold of Tamil Nadu, Kerala, Karnataka will give us good business and we should be in a position to achieve somewhere between 400 and 500 crores of AUM.

Chitresh Lunawat: And one more question I wanted to ask, like for our present equity, how much our AUM can go to max, with our present equity in Microfinance and for MSME?

Sudip Bandyopadhyay: No, as of now, our borrowing levels are extremely low. I think Naveen will tell. It is less than 2:1, so we can go is to we can double, triple from here, I mean that is not an issue. See, if you see on a consolidated level, the net worth is 185 crores. So on a 185 crores at least 6 times theoretically you can go, 4 time you can go comfortably, so say 750 crores is definitely achievable and remember in Microfinance, one more point I would add, Microfinance, we keep selling portfolio as well. So while we consider the risk point of view as our portfolio and manage it but it goes off the book, so that gives you further flexibility to increase the portfolio.

Chitresh Lunawat: Sure sir, because if we see our structure like our cost of employee with the kind of revenue we have generate, it is like pretty high like 11 crores of cost of employee of revenue of around 32-33 crores is pretty high when compared to other like Spandana or any other Microfinance Company of our nature, so?

Sudip Bandyopadhyay: Chitresh, you are right but I will clarify why that is. When you are expanding, I will give you an example. As I was saying, we launched Madhya Pradesh, so employees of Madhya Pradesh, Gujarat, Bihar came on board during the last quarter, but they will become productive hopefully this quarter. So there is always a lead lag. Because of the lead lag, this happens. In fact, in our internal management reports and everything, we compare with matured branches, vis-à-vis all these Spandana and Credit Access and everybody. I think you are aware that the Microfinance institution gives pretty decent statistics, so we have exactly the cost income

ratios of medium, large and small microfinance institution, we pitch against that and we see how we are faring. Only thing when we are doing it, we do at a gross level and like you are doing today, taking the numbers and we also do at matured branch which is, let us say, 6 months old and compare that and one year old and compare that with these other established institutions.

Chitresh Lunawat: And one more thing sir, we recently hired Chief Digital Officer, so is it permanently for the Microlending which you were doing online or any other goals like what we want to do with digitally like what are our goals?

Sudip Bandyopadhyay: I think Chitresh, it is a very interesting thing what you asked. The digital officer is a very critical role and I think I am happy to tell you that now our Chief Digital Officer has joined the Board of Inditrade Capital also. See as you rightly said, digital lending is completely digital. I think the more artificial intelligence and machine learning you can bring in, the more successful you will be in controlling the asset quality. Apart from that, look at Microfinance, we are completely digital, we want to further digitize it and we want to try and work on even digitizing the collection to the extent possible. MSME, again there is significant usage of artificial intelligence and machine learning. As and when we launch affordable housing, again we will like to be completely digital, there will be a physical interface, that is why we keep calling it Phygital, but digital will play a very important role as we go forward in all our businesses because scale can come and to your last question in a cost-effective manner only when you have the right digital strategy.

Moderator: Thank you. The next question is from the line of Ashok Kothari, an Individual Investor. Please go ahead.

Ashok Kothari: My question is about your Microlending, there is a company called mPokket which is lending to the students, are we also doing that?

Sudip Bandyopadhyay: Ashokji, we don't distinguish or demarcate between student or professional or let us say housewife. For us, it is multiple other criteria we use, but student or not student is not a criteria.

Ashok Kothari: Because they are doing it for college students who are 18+, naturally when you lend you want to lend to an adult?

Sudip Bandyopadhyay: Yes, I would be honest with you, our focus is on adult and just before this call I was doing a review of the business. And our concentration of loan is between 25 and 40. I think about 80% plus of our loan in the digital lending platform is to individuals between the age of 25 and 40.

Ashok Kothari: Because I was listening to your this thing, answer for this Microcredit finance and resource mobilization, mPokket has recently got good amount from some venture capitalist or something, are we also trying to get some money from these resources?

Sudip Bandyopadhyay: We will at some point of time. See Ashokji, I think it is a question of equity and debt, I think at this stage we have adequate equity. It is the working capital which comes by way of debt from banks, NBFCs and others, which is where currently the challenge is. I don't think equity is a challenge and hopefully when we want to raise equity, we will be in a position to raise equity, but right now the challenge is debt and as you can understand in a lending business, you can't fund the book by equity, you have to have a mix of debt and equity, then only your business is doing the right thing.

Ashok Kothari: Can you just tell me that next quarter as far as this resource mobilization is concerned, are you more comfortable than the last quarter or you are still trying?

Sudip Bandyopadhyay: We are much more comfortable during the current quarter. I am talking about the current quarter. Are you asking about the current quarter we are in or the?

Ashok Kothari: Current quarter, yes.

Sudip Bandyopadhyay: We are much more comfortable during the current quarter. We also hope that things will improve even further from here on, let us keep our fingers crossed on that.

Ashok Kothari: So disbursement can be much better than last quarter?

Sudip Bandyopadhyay: Yes, we are hoping that.

Ashok Kothari: Will you be able to tell any estimated figure?

Sudip Bandyopadhyay: It is extremely difficult Mr. Kothari to talk about an estimated figure as I was indicating in case of Microfinance, I think we will end with a book of between 400 and 500 crores. It is a function of two things Mr. Kothari, one is our resource mobilization but even more important would be the credit environment and what is happening there. Let us say MSME business. I think there is no constraint on the MSME business as far as resources, but even if you see in our presentation, we have slowed down the disbursals in MSME also. That is pretty much on the back of the fact that there has been stress in the economy. Certain geographies, we have stopped actually taking fresh exposure. I would say the total AUM to the extent will depend on how the economy moves overall and of course to an extent on the resource mobilization as well.

Ashok Kothari: In your last quarter conference call, some investor asked you about listing on National Stock Exchange, are we trying to do anything?

Sudip Bandyopadhyay: Mr. Kothari, it will take some time, I think if some of my friends in the call will be familiar, it is a pretty long process. So we have initiated and I think it will take more than a year for that to happen, so we will have to be little patient unfortunately or fortunately with NSE, it is a very long process.

Moderator: Thank you. Next question is from the line of Raj Sharma, an Individual Investor. Please go ahead.

Raj Sharma: As per a very wonderful presentation which details us lot of things, I have a question of this Agri commodity business. What is the scale of opportunity here because since last 3 quarters, the AUM is mostly at the similar level, not much movement in that?

Sudip Bandyopadhyay: Raj, you are absolutely right in saying that the AUM hasn't moved up. Now let me come back and explain the opportunity. I think the opportunity is significant but it also has whole lot of challenges and the challenges make us little cautious and we don't want to expand recklessly there. That is point number one. Point number two, the spread completely depends on the market. What I mean is that let us say you are in Microfinance, now Microfinance, you are lending at a certain rate that the upper end is capped by RBI, you have your cost of fund and you operate within that band. In Agri, the rate completely depends on, differs crop to crop in the sense that let us say there is a fantastic crop of soya bean, the rate may be high because there is demand for finance. Next year, the crop there is a failure, there is very little production, the demand for finance will be less, so the rates will be low. I am just giving one example. I will take another example, let us say, maize which is a big commodity. Now maize, MSP is announced by the Government, multiple reasons and I don't want to go into that why and what and all. Now, if there is a MSP which is high, the farmer will go there, he doesn't need financing, he will just dump it with the Government, may be stock will go rot in some of the Government warehouses but he has got the MSP, he will give it there, so there opportunity size comes down, the rate comes down. I will give you a third example, let us say, rubber. Again we were big in rubber, now one year rubber we were number one and we I think did business of only rubber, it is a small commodity, we did about 40-50 crores of business. The next year we didn't do anything, why because international rubber prices crashed and it is a completely international market, so domestic rubber gross didn't even tap and rubber is one commodity where you need not tap, other commodities if you don't take it from the soil, it will get spoiled and farmers take it out any way. Rubber, they won't just tap, it will lie. So the point I am explaining is the opportunity size and opportunity the margin will depend commodity to commodity, year to year, season to season. We are positioned there, we have our team, we have our people. As and when there is an opportunity, we will be there and we will expand our book. Till the time, we see a great opportunity, we have other businesses which are giving us higher margin, we will continue focusing on them. Just to conclude the point on margin, in a best case scenario you will get a margin of around 4-4.5% in Agri commodity. This is gross margin without taking out the cost. This is the rate at which you do the deal vis-à-vis your weighted average interest cost for that segment. Under these circumstances, yes, the biggest advantage is it is a secured business, there is no risk attached to the portfolio and as you see in the portfolio performance, zero NPA because it is a completely secured portfolio but the margin is too small. So if you take out the cost and all that probably you will end up with 1.5-2% spread, so that is why we have been growing the business in a calibrated manner. We are there, we want to remain there, so if there is an opportunity tomorrow, we can take it.

Raj Sharma: So this will remain a slow grower, the majority of growth will come from other areas what we are in, right?

Sudip Bandyopadhyay: Raj, as things stand today, yes that is the case because there was too much of disruption happening in the entire Agri space through MSPs, imports and whole lot of other things. So I will wait and watch the space. If tomorrow there is a large opportunity coming in from commodity, we will jump into it and remember, the cost of fund and funding is available here, banks are very happy to fund this. My weighted average cost in this segment is less than 10%, so I am ready. The moment there is an opportunity, I will jump into it, but the way I look at it, if you ask my prognosis for this sector for some time, I think this will continue like this and we will continue to grow in Microfinance, MSME, Digital and all these areas.

Raj Sharma: Sir, one more area which we have is insurance broking, how big is opportunity which we see there?

Sudip Bandyopadhyay: I think the opportunity size in insurance broking is significant. It has been significant for quite some time. Insurance penetration as a percentage of GDP is less than 3% in India which is abysmally low and I think all of you are aware of this statistics. See, what had happened is in the distribution space, there were lot of, I would say unsatisfactory practices which led to the Regulator coming down heavily on many distributors. Fortunately that space is getting now much more tightly regulated and in a very structured manner, so we are trying to take opportunity of quality regulation and structured growth opportunity which this area is now providing and that is why we have been reasonably confident of growing our business in this space. Remember, we always had this Insurance Broking company which was operating at a very low key but now we believe that there are multiple opportunities. One opportunity, I think is POS which the regulator has allowed. I think some of you may be aware, Point of Sale. In other words, if I use the equity broking or commodity broking Lingo, you can create sub-broker, a broker can create sub-broker, so we can create a POS network which can significantly help us scale the business in a cost effective manner.

Raj Sharma: So you see that it can be expanded quite significantly from here?

Sudip Bandyopadhyay: Yes, I do see that.

Moderator: Thank you. The next question is from the line of DUBY REX from ITHOUGHT FINANCIAL.

DUBY REX: Sir, just a small question on the NPAs, in the Microloan, you said the gross around 3.5 and at the net NPA is very negligible, so could you just explain how is that small disparity is there?

Sudip Bandyopadhyay: I will give it to my CFO, Mr. Naveen Jain, he will explain the exact mechanics there.

Naveen Jain: In Microloans, if the loan is overdue from 180 days, we take the hit in the profit and loss account, we have already taken the provision on 90 days and 180 days and after 180 days, we

take 100% provision on NPA side. If you see the net NPA that is more than 6 months that is zero because we have already taken 100% provision if amount is outstanding for more than 180 days.

Duby Rex: So if you look from NPA, it will be better to look for gross in Microloans?

Naveen Jain: You are right.

Duby Rex: So one more thing on the MSME, we use the POS data to analyse the history of the person who takes the loan, right sir, so we would expect the gross NPAs to be pretty less there right?

Sudip Bandyopadhyay: Yes, I will explain a little more Duby. I think let us say, you are a shopkeeper running a garment shop in somewhere in Chennai, so we will look at your POS, let us say you have a POS taken from Pine Labs or let us say, Mswipe or somebody like that, so we have tie-ups with all these guys, we will check your POS history. Let us say, we find that you are swiping shop, 10,000 bucks worth of transactions are happening every day, so may be our assumption will be that you at least make 1000 bucks, 10% margin at least you have. So if you have 1000 bucks net every day, may be 500 you can afford to use as repayment of loan. If you can use 500 bucks as daily repayment, how much limit we can give to you assuming let us say, one year loan, I am just giving you very basic but these are the kind of algos which help us determine the quantum of loan which we will be in a position to give you. That is point number one. On the NPA that is again a different thing. See the collection mechanism, giving loan, all that is completely streamlined through technology, but unfortunately what you can do is, tomorrow you decide to act funny, you can stop swiping in your shop and you can maybe start taking money in cash in the shop, there are so many things which is possible. So yes, to what you say I agree, ideal world that is what it is, but unfortunately some time the world is not ideal and NPAs do happen.

Duby Rex: And sir in the insurance space, are we looking at anything digital for broking?

Sudip Bandyopadhyay: We are looking digital on the POS channel; we want to digitize the POS channel completely over a period of time. That is what we want to do because as I explained POS is a sub-broker model and that we want to digitize completely. On the other side, we run Venue Channel, some of you may be familiar. So we invite customers to our branches along with family, we explain them the need for insurance and we do kind of financial planning for them, suggest some insurance and try to convince them to buy insurance. The entire process, the selling process is recorded on video so that there is no malpractice or anything. We are trying to do something different in this space and we hope that this works.

Duby Rex: And typically our customers would be other vertical customers, so we will be cross selling, is it we are open to every segment of the insurance space?

Sudip Bandyopadhyay: It is both, we want to cross sell as well as if there are other customers possible. Look end of the day we have to let the CEOs run their business, if I only restrict the cross sell that will not be fair and that will be constraining them, so we give them free hand, we definitely want cross sell, but we give them free hand also.

Duby Rex: And sir, in the next coming 3 years or something late, which do you see the most potential in the verticals of all, except for I think Agri, other three which do you think will be the most scalable or something like that?

Sudip Bandyopadhyay: See, it is a very difficult question. If you ask your father which son you love most, but sheer volume and sheer AUM wise, I think Microfinance should be on top because the volume itself will be significant. I am very bullish on digital lending as well, but the ticket size there is smaller, so the AUM will be probably assuming both keep growing rapidly, AUM in Microfinance will be always higher than AUM at Digital. Digital is the one month loan, Microfinance is one year loan, so there are multiple reasons why I say this.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Bandyopadhyay for closing comments.

Sudip Bandyopadhyay: Thank you, Neerav. Thank you, friends. I think we had a very productive and interactive session. I hope that I have been able to clarify all your doubts. We are looking forward to your continued support and guidance. Please feel free to write to me whenever you have some thoughts and suggestions. I will look forward to that. Some of you have been giving me suggestions through different forums. I will like all of you to continue giving us. We are trying to create something differentiated, something very focused and something which we all should be proud of. Thank you ladies and gentlemen. Thank you.

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