CSL Finance Limited

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November 15, 2022

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, 2022

Dear Sir/Ma'am,

With reference to our letter dated November 07, 2022, intimating you about the conference call for Analysts and Investors held on November 10, 2022, 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: 2022.11.15 15:42:12 +05'30'

Preeti Gupta
(Company Secretary & Compliance Officer)

Encl: a/a

CSL Finance Limited
Earnings Conference Call
Nov 10, 2022

Moderator: Ladies and gentlemen, good day and welcome to the CSL Finance Limited Q2 FY23 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 call, please signal an operator by pressing * then 0 on your touch tone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you, Sir.

Sayam Pokharna: Hello everyone and thanks for joining the Q2 FY23 earnings call of CSL Finance Limited. The results and the investor presentation and updates have already been published on the Stock Exchange website and the company website. They have also been emailed to you. To take us through today's results and updates on the business, 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, Wholetime Director. We will be starting with a brief overview of the quarter gone by from Rohit sir followed by a question and answer session. I would like to remind you all that anything said on this call that represents any outlook for the future that can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been mentioned in our annual reports. I would now like to hand over the call to Rohit sir over to you, Sir.

Rohit Gupta: I welcome you all to the quarter two and half yearly financial 23 earnings calls of CSL Finance Limited. Thank you for taking out the time to attend this call. It is a pleasure to address you all today and walk you through the performance for the quarter. So first I will take you through the Balance sheet updates. Starting with the AUM, our loan book stands at the highest ever 602 crores as of financial year 23, an increase of 10% quarter-on-quarter and an increase of 15% in the first half compared to 31st March 2022. Further, the mix of AUM stands at 63% for wholesale and 37% of SME retail portfolio, highest ever in favor of SME retail as intended. Loan book growth has been impressive on the SME Retail front in quarter two. The Company reported an increase of 24% quarter-on-quarter and 56% compared to 31st March 22. Strong growth in the wholesale portfolio has been flattish and for the first half due to some seasonal effects and the healthy performance of the NCR market during the set period. Due to favorable market conditions, liquidity positions of developers were very good and the loan repayments are much on the faster side, and therefore despite good disbursements in quarter 1 and Q2 we haven't witnessed any loan growth on the wholesale front. However, we expect to perform better in the second half.

Total disbursements for Q2 FY23 stood at 228 crores an increase of 16% quarter-on-quarter and 144% increase on year-on-year. Total collections for Q2 FY23 stood at 173 crores; collection efficiency has been over 99% for the overall portfolio, a trend consistent for the last 3 quarters. AUM & Asset Quality, our & Asset Quality metrics have been consistently improving for the last five quarters. We witnessed an improvement both on GNPA and NNPA fronts. Our gross NPA stands at 0.83%, down 48 basis points, quarter-on-quarter and net

NPA as of Q2 FY23 stood at 0.48% down 30 basis point quarter-on-quarter.

Furthermore, Provision Coverage Ratio stands at 161% in Q2 FY23 compared to 116% in the previous quarter. On the debt side, the company has further onboarded 3 new lending partners, which are some of the most well regarded financial institutions in the country, namely ICICI Bank, Kotak Mahindra investment and Cholamandalam Investment & Finance Company. In the last six months we have added five new lenders, taking the total count to 11. As of 30th September 2022, the company has its adequate liquidity of 29 crores, including cash and cash equivalents and undrawn credit lines.

Now coming to the profit & loss account Q2 FY23. Our total income for Q2 financial 23 stood at 27.4 crores an increase of 9% quarter-on-quarter and 60% increase year-on-year. Subsequently, the net interest income stood at only 21.2 crores, reporting a 10% growth quarter-on-quarter and 49% year-on-year. Our PAT for this quarter stood at 11.2 crores an increase of 5% quarter-on-quarter and 58% year-on-year. As shared in our earlier update we have completely migrated to our bespoke customer onboarding and loan underwriting platform with multiple API integration in Q2. We have also completed our integration with the collection module, in our next effort we are working on building a credit rule engine to further strengthen our underwriting.

During the quarter, we have also added four new branches, taking the total to 26 branches spread across six states. All of these additions have been in our existing markets following a clustered approach. On the new product and the customer segment side as communicated earlier we are looking to add an unsecured loan product for MSME in Tier-2 Tier-3 cities. We expect to do this by the end of this financial year, or maybe in quarter one of the next financial year. We are already working on it. And we want to build a platform first and hopefully we should start by the end of this financial year. Going forward on the credit rating front, we are due for a review in the coming months and we are quite optimistic that we'll be able to achieve an upgrade which will help on the borrowing side. Our current portfolio mix of 63:37 for Wholesale: SME Retail is not far from our stated target of 60:40, but partly because of the flat loan book of the whole chain front, the last two quarters, which I believe is the temporary trend. Nonetheless, we will keep working towards having a desired AUM mix. I would like to reiterate that going forward, the base of operational costs, especially the employee costs should remain the same as now we have sufficient team strength to scale up to a loan book of 1000 crores. These are the brief updates on our balance sheet and the quarter and now I'd like to open the floor for your question, thanks very much.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ankit Gupta from bamboo capital, please go ahead.

Ankit Gupta: On the SME retail side, we've seen a very sharp jump in our loan book. Last year in September we had around 61 crore of loan book. It has now increased to almost 223 crore. So how are we ensuring we follow good credit factors given the sharp jump in our SME loan book.

Rohit Gupta: So we have already said in earlier calls also, our effort was to build our SME segment. Especially post Covid we took a hit on the fresh disbursement, so lot of exercise went during that lean period of Covid where we worked on our processes, worked on hiring team, and worked on building a new platform which was suitable and was as per the needs of our segment which we are focusing on. So lot of focus has been on the SME and very frankly, for last one and half years involvement which earlier was used to be on the wholesale side has also been more on the retail side and so the sum total of all efforts of our team and the improvement of team strength lot of effort has gone to improve. We opened 8 branches during the last nine months and at the same time we improved the infra and the locations of all our branches during the last nine months. So a lot of exercise has been done and as a result of which you are seeing, that the numbers are also coming out.

Ankit Gupta: Sure, so 1 thing I wanted to understand is that a lot of our wholesale book is largely on fixed rates, even in SME we have fixed loan rates, so given the increasing interest rates how are we handling such a sharp rise in interest rates. And now we've got an impact on our net interest margins.

Rohit Gupta: So we mentioned a little bit in the presentation also, look you have to understand we are working already in a little higher IRR bracket and specially the retail one, the customers which we are dealing with are from Tier-2 tier-3 cities, small, micro, SME, self-employed, businesses, they run their businesses and they understand more fixed EMI, fix tenures. When sometimes we do a floating rate or sometimes we change the tenure or change the EMI, they are not able to understand; and we thought as our Tenure period is 5 to 7 years, it is only during that last nine months that we are seeing that sharp rise in our interest rates, otherwise it will see a little dip, so that will also benefit. So we thought that we will stick to the fixed interest rates in the SME side, where in SME certain portfolios which we are acquiring at a little competitive rate between 16% to 18%, we thought that we should move to the floating rate and so in the next one or two months. Especially when we are working in that interest bracket, we will do one floating and plus 18. We will still like to maintain on the fixed part and the same goes with our wholesale where we thought that when we are acquiring a customer between 15 to 17 we will work on the floating rate link with the repo rate and 17 plus will still be at the fix and specially on the wholesale or average the account rundown between you can say on average 24 months. So, it is not that we are having a customer which is there on boarded for four to six years kind of loan tenure on the wholesale and sometimes you have to understand that keeping in view a little higher and trust bracket, so the customer is a little more flexible and they certainly see the benefits. The company is giving me a fixed rate, otherwise they are giving a floating rate. They increase sometimes beyond our expectations. So all those is a little added feature to our product also and we will like to remain with that and it is only a passing phase, maybe 6 to 9 months or 12 months and when things stabilize and they pull the interest rates are going to remain higher than our slowly and steadily our portfolio will also align to that but moving everything to floating we think is not in the right interest at this stage, where we are requiring the customers that are little competitive rates both on retail and wholesale.

Ankit Gupta: The new lender that we have boarded I guess your ICICI Bank, Kotak Mahindra Investment, and Cholamandalam, what are the terms for borrowing from them.

Rohit Gupta: Between I would say 9% to 10.5%.

Ankit Gupta: Sure, and this is floating.

Rohit Gupta: Some are linked with T-bills. Some are linked with the MCLR, but very few linked with the repo rate. So what is happening is that repo rates have moved higher, but the corresponding increase in the MCLR is not at the same rate at which the MCLR has moved, and the same goes with the T-bills, so most of our loans are linked with the Treasury bill or with the MCLR.

Ankit Gupta: Last question, how do you see the investment on real estate and SME retail happening for our company in the second-half of this year?

Rohit Gupta: I'm not able to hear properly. Can you repeat?

Chandan Kumar: Actually, Ankit, the market is performing very well, the real estate scenario is also very much bullish. We expect nothing but quite good disbursement in the coming year. We have a bit of good pipelines into the coming quarters and we see good disbursement in coming or later six months, second-half of the year.

Rohit Gupta: Sometimes Ankit, Wholesale is a little lumpy. both in terms of disbursement and sometimes in terms of collections also. Because when you work on a proposal I think it will take a lot of time and right now, so few you on board or you are looking at so you will see that in a particular month, a lot of disbursement has happened, so that is a little peculiarity with that and the first three months of a new financial year is always a little slow. So that was the case, and we believe that the next six months should be close it is only that the collections were very strong. We have done our disbursement for more than 220 crore.

Ankit Gupta: And sir last question on the employee expenses. We have almost like 4 crores kind of employee expenses this quarter. Although in the call and as well as in the presentation, there is one off cost of ESOP. Now how do you see this cost panning out for us in the second-half of this financial year. And like on.

Rohit Gupta: OK, very frankly this is 1 cost which has gone up and we think that now this cost will be justified by productivity, where our main focus is on the retail side and the most of the costs have gone there and we had a little aggressive, as you can say a lot more prudent what we were during COVID period of prior to that, and now we have fully moved to new platform with all those processes and now we don't want to work with a little so we had a full team at on all fronts. Maybe operational credit sales and. So we have seen it and we had an appraisal in the first quarter for a little bit around 22 to 28 lacs I think is the ease of expense in this one and we see that now more or less we will not see any major change in our employee strength in the coming six months or nine months. And the focus will be improving productivity and that is where our major focus is now going forward. When we start, and you do it with a little expansion and all those open new branches and the numbers don't start coming up from the day one, and when you hire a team, they also take time to understand the product of the company. So going forward, this cost will be justified by productivity only.

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

Dhwanil Desai: So the first question is, we have done around 420-425 crore of disbursement in the first half and we are trying to move the mix towards retail. So incremental disbursement is it safe to assume that 70% kind of a number is stored for retail disbursement.

Rohit Gupta: Look, I can't put a number, but there was a mix of two things, one is will we raise fresh fund at the right cost and secondly we have a very clear mindset that our first priority is on the retail where we see that averagely how we are done here doing between around 15 to 18 crores per month, and which we hope to take it to round about 20 crores per month, with this thing on the retail end with everything set up on the and wholesale so is not an issue. Very frankly with us. You want to increase that hopefully we can do that. So just sometimes we have seen a huge buoyant real estate market in the last nine months to one year. We have become a little bit, well, let's see what things play out so, but otherwise increasing the portfolio on the wholesale is not a challenge for us.

Dhwanil Desai: OK, second thing, we just notice that last you know, 4-5 quarters, Our yields both on wholesale had gone down from 17.1 to 16 point something. And on the retail side also the yield is either stable or going down. And you are saying that incrementally we are also looking at 16% to 18%. Kind of our yield. So should we assume a slightly lower yield going forward than what we've been doing so far?

Rohit Gupta: Yeah, definitely. Right now we were working on a fixed interest rate method and so that's why with increase in rates we were not able to pass on. Now as I explained earlier we will having two fixed rate with the certain segment where the IRR are comfortable. And that little where we're pricing ourselves competitively. We will have a floating rate and going on the yield side, there's definitely the new preposition will take into account the rise in the interest rates and which we have already started doing it so 50 basis to 100 basis I would say not to put a figure here, but yeah, definitely we will be reflecting in the rising interest rates and to some extent we'll be able to pass on to the borrower.

Dhwanil Desai: OK, and any updates on the, whatever provisions that we've made for the education segment and things are now back to normal, so any write backs or kind of, are we recovering the money from?

Rohit Gupta: We are witnessing write backs every quarter and we have already had a write back of 1.61 crore. I think out of a total bad debt of 6-7 crores and the last quarter. Also in March we had a decent write back. So right now, 92% of the education sector portfolio the customers are paying, the lot of, we had around 43 accounts in SARFAESI. We were (in audible) and most of them were fully tested and we have recovered or fully closed the regular 29 cases and it's a deadline at the end of December. Barring one or two cases which have gone into legal, we'll be able to regularise all the rest of them, so till January 22 there was an embargo by the Supreme Court not to take any legal actions and now the schools have also opened up. The customers are paying up, some are paying 1 or 2 EMIs every month and for us now the school portfolio we have started again lending to the school segment. And Covid was an extraordinary period with schools in Tier 2 cities being closed for 18 months. But the portfolio did exceedingly good before COVID also, and we are still very, very bullish about seeing after such a huge bad phase, which we don't think will come again. It has only strengthened the view that the school segment is very good. While we do within the parameters which we have laid down.

Dhwanil Desai: OK and last question, so I think we opened four new branches right? And last time I think you had mentioned that 1000 crore. We know we don't need any new branches or anything, so is this because we are trying to feed a market to go beyond thousand crore? That is thinking behind opening these new branches?

Rohit Gupta: I would not take that that we never work with that, that we have to change this thing at any cost. We always see the rationality and the confidence that that segment and the particular area gives us. So Rajasthan has been doing reasonably good and Amit also has. Amit who is our COO on the SME. So Amit who is running some our whole branch. So Amit you can explain more.

Amit Ranjan: See the idea of opening up these four branches was to, when we saw the potential in the Rajasthan area and it has been performing well over the years. Like in my earlier career also and in the recent book side also. So we don't believe in like we had said that we will not be opening the branch. If we see the potential, we'll open make the inroads first with one or two RMs, and once we see the business is coming up, we try to set up the infrastructure. When we touch the crore of the book. So it's like that, so we don't want to leave the market which is running to our branches. Also, the idea is not only to penetrate the market but also to stabilize the state in terms of we don't want to lose on the opportunity. So that's the idea and it is also for the building of a future retail book in that particular area.

Moderator: Thank you. The next question is from the line of Dhiraj Sachdev from Roha Asset Management. Please go ahead.

Dhiraj Sachdev: I just wanted to know the aspiration that you mentioned about 1000 crores. By what time do you want to achieve the disbursement target?

Rohit Gupta: We have always refrained from giving any number or guidance. As a company when we see the potential, we will definitely like to grow ourselves, and so now our confidence after COVID and all those changes which we have done on the retail side and is much more. And we've added a lot of new lenders with us and going forward, we're able to respond at the costs and which we have thought. Definitely we will be able to do numbers, but I don't want to give figures because that has been our policy because definitely the last year has been good and we see that it should remain gold like 6 to 9 months.

Dhiraj Sachdev: No, that number has already been given in your presentation, so I'm not asking for that. You've already claimed and given that number, I'm saying that if the disbursement growth is about 20%-25%, will you be achieving the target in less than three years claim?

Rohit Gupta: I think we are not given any year or by which year we will do it.

Dhiraj Sachdev: On a 1000 crores exploration, so I'm just extending my discussion on the 1000 crores explorations.

Rohit Gupta: It's a first target to do 1000 crore and as a company we want to do it as early as possible, but we are always see the dynamics which are being played in the market both in the segments and the market gives the confidence that definitely you will not see the company that we are lagging from there.

Dhiraj Sachdev: Yeah, but I think you can always stick your neck out. That probably you will grow at 20%-25% in terms of disbursement. Because I think the book size is small, we are under leveraged. We have obtained some critical size right now and the market segment is also recovering.

Rohit Gupta: There's one thing in there now, then interest rate rising in the scenario we've always refrained from borrowing. We're just to increase the book. We want to increase with profitable growth and at reasonable leverage. Yeah, so I just don't want to add by borrowing between 12% to 14% and If I want to Follow that route, then see that's much easier. So, we still believe that we should stick to the (in audible). We have been able to add borrowers and now we are very much proactive around building our liability and then hopefully our rating is also under review will be reviewed in the next two to three months and we will be able to do it now. The team, the infra, the products the processes are in place as compared to what we were in the last 12-15 months back. So both on both the front and the wholesale. We have now going beyond our NCR region also so the numbers are where provided then we are able to raise funds there we want to do that.

Dhiraj Sachdev: OK, so the incremental cost of funds is 12%-14%? Since you mentioned that now or internal process still limited.

Rohit Gupta: I would say if we start approaching NBFCs or, our focus is always to go for PSUs and the private sector banks where we can target the low cost funds and at the same time they start with a small amount and those are bigger banks and institutions where going forward once you build the relationship. Then leveraging that is much easier.

Dhiraj Sachdev: Just wanted to know what the incremental cost of one right now is for us.

Rohit Gupta: Right now we are raising between 9.5-10.25%

Dhiraj Sachdev: And we are confident that we should be able to be within this band, even if it is 10.25% at the upper end.

Rohit Gupta: But if the repo rate increases then definitely it will change that metric. So things remaining constant? Yeah, then we will strive within that bracket only.

Dhiraj Sachdev: But it'll still make sense, right? Because our spreads are 6%-9% higher than the cost of funds.

Rohit Gupta: No, I'm not saying that it doesn't make any sense, but sometimes if you add a small lender at higher then everybody starts giving you that example you have raised at 12%-13%. Why not here?

Moderator: Thank you, the next question is from the line of Dharmesh Patel, an individual investor. Please go ahead.

Dharmesh Patel: Sir, I just wanted to understand some of the risks associated with our wholesale segment. So just in case if there is a, we had this direction of Supreme Court, about demolition of a twin tower in Delhi or NCR, Sir, what will we do if we face such situations? Because ultimately, it was the bank and customers who took the hit.

Rohit Gupta: So I was just thinking and then we'll explain more in detail. I would just like to add, those are one of a kind of a thing, and now after coming of RERA, most of the authorities are gone online. They've also been more transparent in the last 2-3 years. Processes are more, more transparent. DTCP Haryana the UPA government. Ghaziabad development authority. Now every filing is online. Most of their things, so they have become much more transparent. So we have evolved from a very boom phase of 2003 to 2011-12 or lean phase of 2012-13 to 2022. And where everybody has involved builder also where when they thought that they have a strong arrangement with their local bodies and with the political parties, now everybody has realized. Lenders have also seen. And the builders and every customer. So I don't think so. Anybody would dare to do those kind of things. And as a company we are very, very particular, whether the builder is working as per the sanction layout plan. We were originally there. He's not doing things which are beyond the rule book. So that is we are very, very cautious and very, very clear. Even if we don't have the business. But, we don't take those daily at all. So it depends that is where I would say. Because the real shift is very, very local regional I would say, and one has to have a very strong understanding of the local state bodies' laws. What is happening in their bodies and that is where I would say a little knowledge is mixing edge and there will be the company's. We're sometimes the senior team sitting in a particular head office, and sometimes they are not able to fully custom what is happening and what is your risk appetite. And we are very clear we have to only go with the customers, the borrower. Please follow the rule book. And we, as a company it is we have to have fully aware we should. Our knowledge should be there so that we are able to understand that. Chandan you want to add something.

Chandan Kumar: One more point. The thing is that we as a company I had made a policy that we don't believe on that too much of exceptions. Whatever their stances which you are mentioning about that, the risk associated in the real estate market itself that is due to the exceptions taken by the lenders or the borrowers who are the borrowers that is not the market policies or the local policies? So CSL as a company we never took that kind of exceptions into our policies, or we don't take those kind of devices. So till now we are very much prudent on that part and like too much away from these kind of risks that is revealing into these kind of real estate market.

Rohit Gupta: So there can be any deals.

Chandan Kumar: Yes, perhaps this build their end consumer demand. There is no sales for 12 months to 24 months.

Rohit Gupta: Things can be little difficult. All of us are done any change which never nobody thought like out of the blue kind of Covid situation. But we are very, very prudent and we always think that even if there's some problem in a project, we have something to fall back on. Because we are there in the last 12-13 years and we work with small bits. I said well first only so. For it is how you're able to hedge your risk and take those accounts into your portfolio so that is where I would say a little expertise is required.

Dharmesh Patel: There was a second question for me. Uh, so there's, uh, always risk of earthquake or natural calamity in Delhi or NCR region. I think I saw in BBC today itself that there were tremors in Delhi or NCR region since major part of our wholesale lending is concentrated in this region. How do we cope up with it if we face such as such a situation?

Rohit Gupta: I think you are little very fearful and taking all those things. Most of all projects are fully insured. First thing from working for long though and the cost.

Dharmesh Patel: I agree, Sir, they may be insured, but just in case if there is an event, all the things will come to a halt or all of a sudden sometime. As Delhi itself is an earthquake prone region.

Rohit Gupta: See all those buildings are built as per the building guidelines I think 8.5 to 9 Richter Scale buildings are capable of handling that kind of the scenario, so all those guidelines are there and those guidelines are very, very strict. But if something out of Black Swan happens. So, nobody has any control.

Dharmesh Patel: Thank you. And then so one more question I wanted to ask. So I think in part in the past we had talked about this the same model of Delhi NCR. We'll be trying to replicate in areas like Chandigarh. If I'm not wrong.

Rohit Gupta: We had already started exploring. We have already looked up a team there they are doing Reiki meeting possible borrowers and we are understanding the market doing meetings and we have done 1 projection and slowly and surely will move out because to understand the market meet those potential borrowers. Understand that it takes time. And we don't want to rush it.

Dharmesh Patel: How long will we be able to go over there? And how long will it take to normalize transactions in Chandigarh like Delhi NCR one year, two year or something.

Rohit Gupta: We've already passed our initial period, and definitely I think it should start materializing in this financial year itself.

Moderator: Thank you, the next question is from the line of Viraj Mehta, please go ahead with your question.

Viraj Mehta: When you open a new branch, I mean, how much expenses do you think we are incurred and what's the breakeven? I mean, I know you've mentioned that 20 crore is a good number for a branch. Is that number still correct?

Rohit Gupta: Yeah, I would say the branch becomes decently profitable after 10 crore kind of portfolio at 20 crores if the quality is good, the branch is doing reasonably very good.

Viraj Mehta: Right and just a small thing. I want to understand there is a disconnect in the update. You say add put on BSE and the presentation. In BSE update you had put the loan book was 590 and in the presentation it is 602, so that's that was the only disconnect?

Rohit Gupta: The Balance sheet figure you are taking 580 say it is net out ECL we say it's a ECL provision of escrows, and then we have a Indian provisions where they were there are no more to it is PF, and all those are not taken into account, but the our actual book grass book is 608 where it is 602 and we have an initial provisioning of 8 cores and we have a India adjustment of 6 crores.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: On the SME side, Sir, just wanted to understand the disbursements generally. What is the nature of the end use of these disbursement? Is it like purely working capital or is it like more expansion oriented, the.

Rohit Gupta: Ripon it will add, and I will just put one line before he will explain in. We give it for business purposes and if anybody says that we can control the end, you yeah, definitely 20%-30% sometimes go for repayment of some small loan or maybe renovation or putting up for some additional expansion in this house. But mainly I effort and we give it to a person who. But please put 6%0 to 70% for his business expansion. Yeah, maybe it's maybe a small Capex if it's a manufacturer, small machinery or maybe renovating it shop or putting up some additional stock into business. So yes Amit.

Amit Ranjan: So it is rightly given by itself that it is basically for a business expansion or working capital which is required for the customers to multiply their businesses. So like in SME we also see the underwriting threads there. What kind of business they are into, what they have done in the past three to four years, whether they have multiplied the business or not and they intend to. Take the funds and to increase the business so particularly the main focus of any under writer, any credit or any company is to fund those customers who are churning their cash sending their business on a daily basis or a monthly basis and they want to increase their productivity by taking working capital loan from NBFC. So that is the main idea and also. We also believe in that if somebody is running a small loans and they want to consolidate their debt so that is also the idea. But yes, the prime focus is only for working capital and doing the expansion.

Nikhil: OK, just one continuation, now you say generally like 60% to 70% of the loan is used for the business purpose, which maybe like funding, working capital and all or some of so 20-32 may go for repaying of existing some other loan or Capex. This question could be naive but if the purpose of the loan changes won't you're working of the EMI or you're working of getting the money from that asset or from that business change because versus a working capital loan Where the turn would be much faster in one year versus the expansion, which can take like two to three years to fully consume it won't your own working of EMI might change, or how do you build in that change in your model? Or your EMI version.

Rohit Gupta: Yeah, just one thing that we share then Amit will come and you have to understand the kind of segment we are targeting. There are very, very small Kirana stores. Very fair warning, there is maybe running speed shops, saloon maybe small clinics, so these kind of customers we are funding. And then so when we find them, we see their existing infrastructure and their requirements, and whether this requirement is generally for business purposes or some other purposes and they are very excellent Samsung, they tell me one partly want to use for higher studies of my any son or any child or partly. We'll go for business expansion so and they want in a single installment. In most of the cases and 20-25 lacs. So it is there you can monitor and they use that and that is what the trend is. And, so we have to see then whether that customer has grown and he has built up rather is requirement what he's saying. Whether there is actual and use of that and our audit team also visited a post disbursement after a few months to see that where the money has gone. So if any NBFC, any company says that you have 100% control in the segment where we funding that is not possible. Yeah, definitely, because they are also want to utilize their money there because in the business only we then they can repay so but. We can make a call on the basis of existing business itself, even if it doesn't grow, so we don't take into account the future potential tools that will come out with a fresh cash flow. So Amit anything you want to add.

Amit Ranjan: Yes, I will do add that in these kind of customers they are hardly been under financial inclusion and they take small loans at a very higher rate to bridge the gap for you know, a requirement of the cash at the particular time. So these small loans are very at high rate at around 28%-29% and they are bearing the burden of EMI which may be affecting their eligibility as well as now they have graduated from there and they want to consolidate into one EMI by taking it for around five years, Four years loan from us so. It is always good for them to, you know, pay one EMI at one time rather than paying a multiple of EMI to different, different bank or NBFC? This may hamper their paying habit also. Plus they may go for some kind of bounce in the drag because they don't keep much of cash in the bank. So it is always to organize their system and bring it to a table where they can pay only one EMI, so that's the idea.

Rohit Gupta: See the link of the loan or the payment repayment of the loan. A large part would depend upon the existing cash flow rather than the end use of the loan, would it be right? So when we are making the assessment or the existing cash flow should be sufficient enough? To do the repayment. It goes without saying because unless until we see the cash flows will not be able to make out. The eligibility no matter he may be having a very good property, but the main crux of this semi retail lending is based on the cash flow analysis done by our credit team. So only debt consolidation happens only when the cash flow is good. OK,

Nikhil: And last question, now we are expanding so many branches and we've been on expansion phase. If I have to understand what would be a rejection rate. So if we are getting 100 proposals, how many will be rejecting based on our assessment and how many we would be a fun thing in terms of end approval?

Rohit Gupta: So on the base of 100 we see so 100 cases. We have a sanction of around 45% and from sanction to disperse it goes for around 32% to 33%. So the rejection ratio we can say is up to around 60%.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now had their conference over to Rohit Gupta for his closing comments over to you, Sir.

Rohit Gupta: Thank you everyone for participating in this call. Your questions are important for us and we strive to be transparent in our investor communication. Is there any other unanswered questions, please get in touch with the Investor Relations team to take it forward. Thanks, thanks again. Thanks very much. Thanks Sayam and your team.

Moderator: Thank you members of the management, ladies and gentlemen on behalf of CSL Finance limited. That concludes this conference call. Thank you for joining us and you may now disconnect your line.