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Date: 31-05-2022

To,
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001

Dear Sir,

Subject: Q4FY22 Earnings Conference Call Transcript

Please find the attached transcript of Q4FY22 Earnings Conference Call of the Company for the Quarter ended March 31, 2022 held on 25th May, 2022.

The transcript of the conference call can also be accessed at the website of the Company at www.srghousing.com.

This is for your information and record.

Thanking You,

Yours faithfully,

For SRG Housing Finance Limited

Sunaina Nagar
Company Secretary
M No: A40754

Enclosed – a/a

SRG HOUSING FINANCE LTD

Always with you

SRG Housing Finance Limited
Q4 FY22 Earnings Conference Call
May 25, 2022 5:00 PM IST



SRG HOUSING FINANCE LTD

Q4 & FY22

POST RESULT CONFERENCE CALL

Management Team

Vinod Kumar Jain - Managing Director
Ashok Modi - Chief Financial Officer
Sunaina Nagar - Chief Investor Relations

Call Coordinator



Strategy & Investor Relations Consulting

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Moderator: Ladies and gentlemen, good day and welcome to SRG Housing Finance Limited Q4 FY'22 Earnings Conference Call. As a reminder, all participants' line will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. [Operator Instructions]. Please note that this conference is being recorded. I would now hand over the conference to Ms. Sunaina Nagar. Thank you and over to you.

Sunaina Nagar: A very good evening and welcome everyone. We are here to discuss SRG Housing Finance Q4 FY'22 results. With me, we have our leadership team represented by Mr. Vinod Kumar Jain, Managing Director and Mr. Ashok Modi, Chief Financial Officer. We will begin this call with an overview and performance update by our Managing Director followed by an interactive Q&A session.

Please note that this call may contain forward-looking statements which exemplifies our judgment and future expectations concerning the development of our business. These forward-looking statements involve risks and uncertainties that may cause actual development and results to differ materially from our expectations. SRG Housing Finance undertakes no obligation to publicly revise any forward-looking statements to reflect the future events or circumstances. A detailed disclaimer is on Slide 2 of the Investor Presentation available on our website.

With that, I will now hand over the call to Mr. Vinod Kumar Jain. Thank you and over to you, sir.

Vinod Kumar Jain: Hello everyone. I welcome you all to the quarter four financial '22 earnings conference call. I hope that you all are healthy. "Financial year 2022 started with the Second wave of COVID-19 which severely impacted the rural areas also. Before the end of Second wave there was rummers of third wave which highly impacted the sentiments of People towards their business inflows. Therefore the demands were significantly lower in the first half of the year. The country witnessed a third wave of COVID starting from December 2021 to mid of February 2022 which was relatively milder than the prior ones and now everything is coming back to normal.

I'm happy to share that even in such difficult time, the company has shown positive results which reflects the strength of our business model. Our loan book in financial '22 grew by 5% is at Rs. 340 crore. In financial year '22, the disbursement was Rs. 85 crore and in Q4 the disbursement was Rs. 34 crore. Profit before tax with a growth of 7% is at Rs. 26 crore. In Q4 profit before tax with a growth of 57% is at Rs. 7 crore. PAT with a growth of 8% is at Rs. 20 crore. In Q4, PAT with a growth of 59% is at Rs. 6 crore.

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Total income with a growth of 5% is at Rs. 80 crore. In Q4, total income with a growth of 10% is at Rs. 23 crore. Net interest income with a growth of 70% is at Rs. 42 crore. In Q4 net interest income with a growth of 26% is at Rs. 12 crore. With this the net interest margin of the gross loan book is at 13%. Net worth is at Rs. 114 crore which is a milestone for our company, and the company has crossed 100 crore net worth. EPS was Rs. 16. In financial '22 housing loan was at 65% and LAP was at 35%. Salaried loan was at 22% and self-employed loan was at 78%. Our 100% loan book is secured with property

The average ticket of loan book size is Rs. 6 lakh and LTV is at 41%. The average LTV ratio is 40%. Gross NPA is at 2.47% and net NPA is at 0.42%. Our average borrowing cost was 10.56% The Company has maintained a healthy spread of 12.6%. In financial year '22, the company has raised Rs. 167.40 crore, out of which 36% is from banks, 43% is from FIs, and 21% is from National Housing Bank which again a milestone for the Company. The company's liquidity remains strong. During financial '22, the liquidity funds in the company has been Rs. 110 crore, out of which Rs. 74.40 crore are undrawn funds available at the company, and our ALM position has also been comfortable. This year we got Rating BBB from CARE Ratings. We are now again on the mode of expansion our business and in the last two months, we have opened 9 new branches. Along with this, we are continue building our team and technology.

I would like to thank to all our employees and our shareholders who have stood strong with us through these volatile 2 years. . We look forward for new heights of success in coming years.

Again, I would like to thank to all of you.

This concludes my quarter one results presentation. Now you can ask me any question if you may have.

Question-and-Answer Session

- Operator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Rupesh Jain with Intelsense Cap. Please go ahead.
- Rupesh Jain:** Hello sir. So my first question was how many branches we have now total? 46 or what is the total number now?
- Vinod Kumar Jain:** Yes, 46 total.

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- Rupesh Jain:** And till March, how many branches are we planning to open?
- Vinod Kumar Jain:** Sir, now we are planning to open 50 more. Till date 46 are there so we're planning to open more four to five branches till March.
- Rupesh Jain:** Okay. And where these 13 branches are located?
- Vinod Kumar Jain:** 3 branches in Rajasthan and 6 branches are in MP. And rest we are planning to open in Gujarat.
- Rupesh Jain:** Okay. So, with all these 50 branches in total, should we assume to target Rs. 50 crore quarterly run rate in disbursement?
- Vinod Kumar Jain:** Yes, it should be. Rs. 50 crore for the quarter.
- Rupesh Jain:** Okay. So, the target which was set of about Rs. 500 crore from the past two three years but due to the global scenario like COVID and all the other things came up, so what does the situation looks like for FY'23 going ahead and any idea of targeting that Rs. 500 crore till FY'23?
- Vinod Kumar Jain:** That's right.
- Rupesh Jain:** Is there any risk in this, sir?
- Vinod Kumar Jain:** See, now we are getting back to normal from COVID and we are confident for new business with all the expansion, situation of the market are also positive now and whatever we couldn't achieve in the last two years, we're planning to achieve it in this financial year and we're stepping towards this only. We are continually working on new branches, new team, and new technology. So, definitely we'll achieve the desire targets.
- Rupesh Jain:** Okay. So, I was looking at the 60% loan book is in Rajasthan for FY'22 any chances that the number will decrease in FY'23? Will there be more loan sourcing from Gujarat, Madhya Pradesh?
- Vinod Kumar Jain:** No sir, this 60% portfolio is long-term. The average of all the branches could be up- down by 1 or 2% but the overall average will be same. Near 60% will be in Rajasthan because we have more branches in Rajasthan, 20%- 21% from Gujarat and 19%-20% from MP.
- Rupesh Jain:** Okay sir. What is the method of collection are we doing is it manually or ECS/online? what is the percentage of it?
- Vinod Kumar Jain:** 95% is via ECS/Online.

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- Rupesh Jain:** Okay.
Sir this cost ratio income which we have 48% is it, please correct me if I'm wrong. Earlier It was 44% now it's increased to 48%. So, over the 2-3 years ahead will it come down to 40% when we'll use the new branches or how are you looking at this number?
- Vinod Kumar Jain:** The cost to income ratio was increased due to salary increment in the last quarter we have appointed around 100 new employees. Along with this software development is also going and we have appointed some consultants as well.
Now the branch expansion is also into process henceforth the cost has increased.
And if the expansion keeps on-going then it might increase but it will come back down to previous level again. And when the revenue will increase, this ratio will decrease simultaneously at the same time.
- Rupesh Jain:** Okay, okay. Thank you sir.
- Operator:** Thank you. The next question comes from the line of Pawan Kumar with Ratna Traya Capital. Please go ahead.
- Pawan Kumar:** Sir, what are your plans in Maharashtra for now? Are you going to increase your business there or you'll take a look at it and any plans for the expansion?
- Vinod Kumar Jain:** Sir, we are looking for a team in Maharashtra. If we get a good team in Maharashtra, then we'll start over there also. Right now, we are more focused on North side means in the three states, and the next focus will be on Maharashtra only. But not immediately.
- Pawan Kumar:** And the target of Rs. 500 crore in conversation we're having, is that our main target or we're aiming for more this year?
- Vinod Kumar Jain:** In past two years we were not able to achieve the set targets Therefore now we will see the improvement and then only we can talk about the new targets.
- Pawan Kumar:** All right. And the second thing is, I was looking at your average ticket Size time for the period of Q3, Q4. So, Rs. 8 lakh – I mean I'm talking about Q4FY21 and also Q3FY21. So, the average ticket size at that time was about Rs. 9 lakh to Rs. 11 lakh. Now, again we're back on the previous average so, what is your idea about where to keep that range of the ticket size and any specific reasons for the downfall?

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- Vinod Kumar Jain:** Our maximum loans are small and in rural areas. As we have done some big loans during this quarter our average ticket size has increased. Our average ticket size will be in the range of 6-8 lakhs. . It may fluctuate sometimes but the average ticket size be near about 8 Lakhs or in the range of 6 to 8 Lakhs.
- Pawan Kumar:** All right! The cost of funds is about 10.5% so, if the interest rate increases will we be able to increase the yield, Means to maintain the NIM? Can you share a sustainable number of NIM?
- Vinod Kumar Jain:** We do lending on fixed rate only. If the costing has increased then the NIM will decrease however the average will be maintained around 10.60%.
- Pawan Kumar:** All right. So you're saying that you will target it between 10% to 12% right?
- Vinod Kumar Jain:** Yes, yes absolutely.
- Pawan Kumar:** All right., thank you.
- Operator:** Thank you. The next question comes from the line of Mohsin Rupani, an individual investor. Please go ahead.
- Mohsin Rupani:** Yes. So, Vinod sir my question was that our AUM has been slower this year compared to last year, so the target of Rs. 500 crore by when we will complete it?
- Vinod Kumar Jain:** Sir, we are expecting to cross the Rs. 500 crore
- Mohsin Rupani:** Means in FY'23?
- Vinod Kumar Jain:** If there are no any other hurdles and no new COVID variant in the market then we can easily achieve it. As we are working according to the set target with the expansion and new team.
- Mohsin Rupani:** Means you have made a new management team for it?
- Vinod Kumar Jain:** Yes, thnd the new branches.
- Mohsin Rupani:** Okay, all right. Also I wanted to ask about the management, have you appointed any seniors at the management level?

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- Vinod Kumar Jain:** We have appointed Chief operating officer, Mr. Saurabh Rajawat. Apart from this we have also appointed a new State Head in MP for. We have appointed 100 new employees in our branches. Therefore we are looking for positive results in coming quarter.
- Mohsin Rupani:** So, these 100 new employees which you have appointed, have you appointed them in the last one or two years, right?
- Vinod Kumar Jain:** Appointed in last quarter.
- Mohsin Rupani:** Okay, okay. And what are the other states you're planning to go further to?
- Vinod Kumar Jain:** The state in which we are already working we're going to continue their itself. So, we're planning to start five to six branches in MP, three branches in Rajasthan, and now in Gujarat we're planning for three to four new branch openings. So, our total branches will be close to 50, 51 till March.
- Mohsin Rupani:** Okay, okay. So the target will be some small cities right? Tier 2, Tier 3 likewise?
- Vinod Kumar Jain:** Yes, yes absolutely.
- Mohsin Rupani:** Okay, And my last question is sir, our gearing is about 2.5X currently?
- Vinod Kumar Jain:** Yes.
- Mohsin Rupani:** And I was looking at other companies whose gearing is about 5X or 7X. So, what are your plans to increase this?
- Vinod Kumar Jain:** It will be around 3.67. We got funding of Rs. 115 Crores last year. So, if we take the 7X than also we can, have 600 Crores book easily.
- Mohsin Rupani:** All right.
- Vinod Kumar Jain:** So, after that we do the equity plan.
- Mohsin Rupani:** Yes, so by when you will plan about that?
- Vinod Kumar Jain:** Once the loan book reach at Rs. 500 crore.
- Mohsin Rupani:** Okay, after 500 crore.
- Vinod Kumar Jain:** Yes. After that we can move ahead.
- Mohsin Rupani:** Okay, okay. Okay sir. Thank you.

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- Operator:** Thank you. The next question comes from the line of Pranay Jhaveri with JNJ Holding. Please go ahead.
- Pranay Jhaveri:** Hello sir. Thank you so much for the call.. So, basically the target you have set of Rs. 500 crore, you're saying it should get completed by the end of FY'23. So, last year our AUM was about Rs. 320 crore – Rs.325 crore AUM. So, basically if we are expecting 50% growth this year so, how should we look at this target then? Because how's it going in April-May, if you could share some color on it?
- Vinod Kumar Jain:** Sure Pranayji. See, last time due to COVID we didn't even expected that we'll do this much of work, , the demands were also low and there was a fear in everyone's mind about third wave So, the whole focus of our team was on the collections. And at that time, we were not focusing on sales. We were doing credit cautiously Only the last quarter was good in terms of business as we disbursed around Rs. 40 crores. But now, everything is coming back to normal. these things are almost over. Now if we're planning to go ahead with these 50 branches, we expect business of minimum Rs. 50 crores per quarter thus we can achieve the set target.
- Pranay Jhaveri:** So, basically how was it in the month of April & May? Compared to March?
- Vinod Kumar Jain:** About April-May, we will be able to talk in the next quarter only sir.
- Pranay Jhaveri:** Yeah I don't want any figures. So, basically run means what was the mood, means is it still vibrant or whatever is sanctioned is getting disbursed also?
- Vinod Kumar Jain:** Yes, yes absolutely. Whatever is being sanctioned, we have disbursed that also.
- Pranay Jhaveri:** If we compare that to last year's April, so compared to that this is a good one right?
- Vinod Kumar Jain:** Yes, yes.
- Pranay Jhaveri:** Okay. Sir, you mentioned about employees, you appointed 100 employees in the last quarter so, basically the employee cost in the Q4 means the last quarter, can we count the average run rate?
- Vinod Kumar Jain:** We can not consider only Last quarter as the expansion is continually going on

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- Pranay Jhaveri::** Okay. So, basically is there any parameter for cost to income? Because compared to last year, it has decreased.
- Vinod Kumar Jain:** Whatever the new employees we have taken, that impact will be reflected only when the new business will start coming. So as new business gets started, revenue will increase resulting the cost will come to average. For example, let's say we have appointed 100 employees we'll have their costing right, but the revenue didn't increase. Because the revenue will come in the next quarter, And as soon as the revenue increases then the cost would also decrease.
- Pranay Jhaveri:** That's what I was asking sir. By the end of FY'23, our book should be of Rs. 500 crore, and with that what should be the cost to income percentage wise?
- Vinod Kumar Jain:** About 40%.
- Pranay Jhaveri:** Employee cost I'm asking sir.
- Vinod Kumar Jain:** that 40% includes Employee cost.
- Pranay Jhaveri:** And sir, can you share some light on any competitive scenarios? Means you are saying that vibrant times are there or like the bank is being aggressive where you are lending or any other NBFC, can you share some light on it would be helpful?
- Vinod Kumar Jain:** There are several finance companies in the market. We can't say that there is no competition at all. Everyone has their own way of working and their target and clients are also different. There will always be competition in the market.
According to population only 3% to 4% people file income tax returns, so this market is very big. Like, as per the people will get in the system, like India is a developing country, people are making investments, businesses are increasing, inflation is there, so there is a big scope in finance business.
- Pranay Jhaveri:** All right sir. Thank you so much.
- Operator:** Thank you. The next question comes from the line of Raj Thakkar, an individual investor. Please go ahead.
- Raj Thakkar:** Hello sir.
- Vinod Kumar Jain:** Yes, Mr. Raj hello.

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- Raj Thakkar:** So, my question to you sir was that our average ticket size is decreasing slowly, and currently it was Rs. 6.19 lakh in Q4. So, similar to that our average tenure has also decreased and it's now at 6.4 years. So, what is the reason for this? Is this a long-term plan or for long-term it will remain the same or it will increase?
- Vinod Kumar Jain:** No. The reason behind that was we have received short term funds in TLTRO and we have disbursed that fund also for short term. But now the average will come back again to previous levels.
- Raj Thakkar:** And sir, our average LTV has come down below 40% in Q4, so is this is part of our safety profile because of this current scenario?
- Vinod Kumar Jain:** Yes
- Raj Thakkar:** All right sir. And one more question I had, our spread currently is 12.60%, right. So, the ROE we have achieved is that more than 5% in this quarter, is this sustainable given the inflation that's going on or the increase in the interest rates are going on?
- Vinod Kumar Jain:** It will be near about 12%.
- Raj Thakkar:** So, there is no effect of inflation or interest rate on this?
- Vinod Kumar Jain:** That will come. We are at fixed rate only. Our borrowing cost was 11.5% now it is at 10.60%, the average will be between 11- 12% margin.
- Raj Thakkar:** Right! Okay, thank you sir. That's all from me.
- Operator:** Thank you. The next question comes from the line of Rupesh Jain with Intelsense Cap. Please go ahead.
- Rupesh Jain:** Hello sir. Thanks for taking my follow-up question sir. My first question is that, can you give me your DPD position of zero to 30, 30 to 60, 60 to 90?
- Vinod Kumar Jain:** At zero we have about 83%, from 0-30 we have 6%, from 30-60 we have 5.64%, from 60-90 we have 3.5% and our GNPA was about 2.47%
- Rupesh Jain:** And this is normalized numbers sir, or before COVID, like our on average DPD position?
- Vinod Kumar Jain:** Sir, this one is current.
- Rupesh Jain:** But this is normal right sir? Is it going to remain the same next year or there will be any improvement in this?

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- Vinod Kumar Jain:** Surly there would be improvement
- Rupesh Jain:** Okay, okay. And sir, the second question was the new 13-14 branches that you are going to make, how do you select these branches, like in which location should be opened, what parameters do you look for opening a new branch?
- Vinod Kumar Jain:** Our business team do a research on the state. People, Culture, segment business and everything analyzed by the team, So, we do a survey first before opening any new branch our internal people visit these places and do the whole survey.
- Rupesh Jain:** So, sir if we consider that we open our branches where there are not much complications, right, like in virgin markets we tend to open more branches right?
- Vinod Kumar Jain:** We often open branches where no other finance company is located or no bank is located. We do a risk analysis first before opening any new branch.
- Rupesh Jain:** All right. And sir, I'd like to ask from a competition point of view like, for example, in our segment there is a big company named Aavas Financials. So, if I contrast with them what is our value proposition, means what is the different thing we're doing compared to them? Like, if we consider this as a competition?
- Vinod Kumar Jain:** In my opinion every company/bank have different method of working. There would be difference in credit policies and process.
- Rupesh Jain:** So, but in overlap sir, will there be any overlap in end customer segment sir? Means, the customers of Aavas, who gives loan to the customer the same way our customers are they also the target segments? Or are they different like their segments, and their ticket size and cost of funds are also different and ours is total different?
- Vinod Kumar Jain:** Sir, ours is totally different sir. We don't have anything similar to other companies.
- Rupesh Jain:** Okay, all right. And sir this loan disbursement we do, so the loan disbursement in the rural segment, how is this like, for an independent small house we give loan or for a small two three story building or what do we do exactly? Can you share some light on credit up risen in property or borrower, how do we select it?

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- Vinod Kumar Jain:** Sir, we do disbursement on individual unit only, individual house only. There is no culture of complex or flat system in rural areas. .
- Rupesh Jain:** Okay. And on borrower side, can you share some light on like, for agriculture, like what is the percent of the Grocery Store like that, like profession wise any such breakup you can provide would be helpful?
- Vinod Kumar Jain:** We have self-employed and salaried, only these two breakups we have..

All the business are mixed factor in this. Among this salaried is 21.77% and non-salaried is 78.23%.
- Rupesh Jain:** Okay. And sir my last question is, what is our rejection ratio?
- Vinod Kumar Jain:** We see ejection ratio in two ways. One way is through the system it gets rejected. And secondly from the Centralized credit level.
- Rupesh Jain:** So, basically sir if there are 100 prospective files, so among these how many logins are done and how many are rejected then?
- Vinod Kumar Jain:** About 30 to 40% are rejected by the branch itself. Rest files which appears in our login system 95% of the same got sanctioned.
- Rupesh Jain:** Okay. And all these files are approved from the Head Office, sir, all the loan applications?
- Vinod Kumar Jain:** Sanctions are done on a centralized level, the disbursement is done from the Head Office.
- Rupesh Jain:** All right, Okay, okay thank you so much sir.
- Vinod Kumar Jain:** Thank you, Mr. Rupesh.
- Operator:** Thank you. As there are no further questions, I would now like to hand over the conference to Ms. Sunaina Nagar for closing comments. Thank you.
- Sunaina Nagar:** Thank you all for attending the call and patient listening of the answers from our side. Please note that the management has decided to have half yearly investor call for the current year. We will meet next time on Q2 FY'23 results. I would like to thank all our stakeholders for their continued trust and support. Thank you so much for your time. For any further information, we request you to get in touch with us on our coordinates mentioned on the last page of our Investor Presentation. We are happy to assist you. The transcript of this call will be uploaded on our website that is www.srghousing.com. Thank you.

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Operator:

Thank you. On behalf of SRG Housing Finance Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.