
Registered Office: Second Floor, M E S Building, Kaloor, Kochi, Ernakulam, Kerala, India - 682017
Tel: 0484 6714800, **Fax:** 0484 6714820, **Email:** inditrade@inditrade.com
CIN: L67120KL1994PLC008265

06th June, 2020

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

Scrip Code: 532745

Dear Sirs,

Sub: Transcript of Investor Conference Call on the Financials

Ref: Our letters dated 22nd May, 2020 and 29th May, 2020

Further to the reference cited above, we are enclosing the transcript of the Conference Call held on 01st June, 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 Q4 FY-20 Annual Financials
Update Conference Call”

June 01, 2020



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

Moderator: Ladies and gentlemen good day and welcome to the Inditrade Capital Limited Q4 FY20 Annual Financials Update 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 ‘*’ 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 Capital Limited. Thank you and over to you sir.

Sudip Bandyopadhyay: Thank you. Welcome to all of you to this Investor Call of Inditrade Capital post our Q4 and Financial Results for the year ended 31st March 2020. I have with me my colleague, Mrs. Jhuma Guha – Director, Inditrade Capital, Mr. Naveen Jain – CFO, Inditrade Capital and Mr. Vinod Mohan – Company Secretary, Inditrade Capital on the call with me and they will at an appropriate time speak and help and clarify any doubts you have.

I will quickly take you through the company overview, performance update for the last financial year, business verticals wise updates and also the question which is been hotly discussed, debated, analyzed across media, both electronic and print the impact of COVID on the businesses. I will discuss in detail this part so that to an extent your queries are addressed. As you all are most probably aware this company was incorporated way back in 1994 as JRG Securities. Over the years it went from the erstwhile promoters to the control of Baring India Private Equity Fund. In 2015 September, we acquired significant shareholding from Baring made a public offer and in 2016 February, the company management formally changed. Since then we have been growing the company and its various businesses. In 2016 itself we launched the Agri Commodity Financing Business, acquired the commodity, a trading business of Edelweiss Commodity. 2017 beginning we launched Microfinance Operation and e-auction for the agri-commodity. 2018, we exited the Equity Broking business, started our MSME financing business and also applied for housing finance license. In 2019 beginning, we launched our Digital Micro-lending platform Robocash and also launched Insurance distribution services on a pan India basis.

Primary business of the company and its subsidiaries continues to be and hopefully will remain a lending. The biggest business in this is micro finance where we provide typical JLG loans. Between 10,000 to 60,000 is the loan size and it's a diversified product range to suit all requirements. This is predominantly in rural and semi urban areas. The second business which I'm going to talk about is MSME finance where we provide small business loans. The range is between 5 and 25 lakhs. Our USP is our unique credit underwriting process and a quick turnaround time. Digital micro-lending where we provide individual loans between 3,000 and 25,000, these loans are completely digitally handled, complete online process and credit underwriting is done through alternate means. Agri-commodity finance which we had started quite some time back where we provide loan predominantly against nonessential commodities. The maximum ticket size is about 5 crores. We prefer exchange traded and we prefer exchange

accredited warehouses for custody of the commodities as and when appropriate prices are hedged in the exchange to prevent price volatility and the price risk.

Our footprint today covers 13 States and we are growing. We are strong in the Southern States through our multiple lending businesses. We also have now presence in Bihar, Madhya Pradesh, Gujarat and certain parts of Maharashtra. We have been working with multiple partners who have been financing our growth. We have been working with Axis Bank, IndusInd bank, HDFC Bank, Kotak Bank, Capital Small Finance Bank, State Bank of India and Bandhan Bank. IDFC First Bank was one of the first lenders to us way back in 2016. As far as non-bank companies are concerned we have been working with Oiko credit, we have been working with MAS Financial, we have been working with Northern Arc, Hero Fincorp, Habitat, Manappuram and such other large non banking financial services companies. We are also during the last couple of years extensively used securitization transaction either PTC or DA or through partnerships with multiple banks and institutions, Kotak Bank IDFC First Bank, ICICI Bank, Jana Commercial Bank, Poonawala Finance, MAS, Madhura Microfinance and Belstar have been our partners for the securitization transactions.

Financial performance update for last financial year; quickly I will give you the highlights, our total AUM, Assets Under Management increased to 455 crores which is about 28% increase year-on-year. Total disbursement in FY20 stood at 734 crores. The balance sheet size as on 31st March, 2020 was 462 crores. Remember the balance sheet size doesn't include the portfolio we have sold during the year however a lot of that we continue to manage. Gross total income went up to 138 crores which is about 74% increase year-on-year and profit before tax and exceptional item increased to 20.8 crores which is about 39% growth year-on-year. The details of consolidated profit and loss account and balance sheets have been already circulated. It is in the exchange site as well as in the investor presentation, so I'm not getting into the specific numbers there. You can ask specific questions during the Q&A part.

I will quickly talk about the AUM, I've already talked about the AUM has grown quarter-on-quarter from 361 crores to 455 crores and here I must tell you that last 15(+) days of March we lost and this is a period I think normally in the normal year there is an exponential growth of the assets under management. We lost out that period due to COVID. Disbursements went up from 146 crores in Q1 to 254 crores in Q4, gross total income went up from 27 crores in Q1 to 49 crores in Q4. Profit has been steady at around 3.5 crores quarter-on-quarter. This is PAT I'm talking about. The cost of borrowing which I think all of you have been talking about and I think it the matter of some concern, our MSME business is getting finance at about 10.97% weighted average cost of money, for agri-commodity it is 9.56% however for microfinance segment it continues to be high. It's about 14.88%. As far as the provisions are concerned we have been extremely prudent, we have taken some incremental provision as a matter of abundant caution this is when I talk about provision I'm talking about provision in a very loose sense which includes the write-off, provision and write-off, we have been extremely cautious. In our digital micro-lending business anything which is not received within 180 days, we take

up to 100% write-off and such other policies we have taken in all our lending businesses where it is significantly more conservative compared to what the RBI norms want us and this policy change we had affected in third quarter itself and thus we are continuing to follow a prudent provisioning and write-off policy. The MSME space we have gross NPA of 1.74% and net NPA of 0.82%. On the micro finance, our gross NPA is 1% and net NPA is 0.35%. Micro loans there is neither any gross or net NPA, agri-commodity it's neither any gross or net NPA.

I have a very important slide which I had given in the investor presentation which I thought will help you analyze the solvency as well as the debt equity position of the consolidated Inditrade Capital, our own portfolio on 31st March, 2020 was 302.11 crores, our managed portfolio was 155.57 crores. So AUM as on—actually this is an updated position, sorry for mentioning 31st March, we thought we will give you the latest position. We have given the May end position—so as of end of May our AUM was 457.68 crores. The term loan outstanding was 134.52 crores, subordinate debt which is a 7 year term was 48 crores, so total debt of the company was 182.52 crores. Total of DA and PTC which is actually the managed portfolio which we are sure about is 155.57 crores and total debt plus DA-PTC is 338.09 crores. Our net owned funds which is capital plus reserve is 188 crores and thus if you do the numbers, our debt equity ratio is 0.97, so our leverage is less than one-time because our debt is 182.52 and our net owned fund is 188. Our solvency ratio we thought that is very important if you exclude the DA and PTC where we have sold the portfolio, our debt is 182.52 and our portfolio, the amount we have lent outside is 302. The solvency ratio is actually 60.42. In other words even if 40% of our portfolio goes bad we are still solvent. We just wanted to reflect that and show you and for as a matter of abundant caution, if we assume that the managed portfolio is also fully our responsibility which is not the case because it is been sold and there are PTCs and DAs and partnership where it's a joint or shared or we have completely sold, we have no responsibility. But assuming there is moral responsibility for the portfolio we have sold, then also our solvency ratio including DA-PTC become 73.87 crores. So thus even if 26% of our portfolio goes bad we are solvent. But this is an extreme and a calculation of abundant caution, in fact I would like you to take away the fact that our leverage is less than one time and our solvency ratio is 60.42%. In other words even if 40% of our assets go bad, we are good.

Vertical wise as I think I had explained in my earlier calls as well, as far as agri-commodity finance is concerned, it's a small book. It's a very tightly monitored and managed book. We deal predominantly with non-essential commodities which are listed in the exchange. We also prefer the commodities to be in the custody of reputed and exchange accredited warehouses. We have liens and limits from banks, pretty much all the leading banks are our lenders - SBI, Kotak, HDFC Bank, IndusInd Bank all of them and the cost of fund is significantly low as you have seen. My weighted average cost of fund for this segment is 9.56 and we wait for opportunities as and when there are right opportunities, we deploy money in this segment. It is not a very big segment. It may not grow to be very big because of multiple challenges and I will talk about couple of them. If there are significantly higher MSPs, the goods coming for financing may not be much because the farmers and the other participants are getting a better

price from the government and there are multiple other reasons depending on the crop cycle, depending on how much commodity comes to the market, how much arbitrage opportunities are there, all these determine how much we can lend. As I mentioned we are extremely cautious here, preserving the capital is more important than taking undue risk.

The next microfinance segment I think again I have mentioned, here there is absolutely no subjectivity as far as loan approvals are concerned, everything is system driven. There is nothing which is happening manually in the entire process of granting the loans, everything is digitally done and the system decides who will get the loan and who will not. We do the credit check that also is done online and seamlessly money moves to the borrower's bank account. The only piece what is of certain concern, particularly due to the COVID scenario was the collection. In the micro finance segment, the entire collection happened through physical mode. Our people meet the borrowers and collect. It's a joint liability group, normally it's approved between 10 to 15 women who have borrowed and if one doesn't pay the others are supposed to make up for that. So there is a group meeting happening, typical micro finance which I'm sure most of you are already very well conversant with believing microfinance companies having done enough of investor education over last the decade. However the business continues to remain strong and solid and I will talk in detail about the COVID impact subsequently.

As far as MSME finance is concerned, we use technology to a great extent. As I mentioned, we lend to small businesses predominantly shops and small establishments. The significant part of the lending here is against POS deployment. So the POS on a daily basis held sales happen and the collections also about 60% of the collection against the loan installments happen on a daily basis. About 30% (+) happens on a weekly basis and balance is fortnightly and monthly. That's how this business operates. We again are extremely risk-averse here as well and as some of you know we operate in the metros as far as MSME finance is concerned, so we operate in Bombay, Pune, Hyderabad, Bangalore predominantly and some other smaller towns and cities of Southern India.

Micro-lending I mentioned, it's a completely digital platform, everything is done online. We don't meet the customer. Our promise is to give loan within 15 minutes. The system works beautifully and we have been doing pretty good business. We scaled up the business which soft launched in January and started scaling up from June, by March we were at a run rate of about 25,000 loans per month. Well COVID made us stop disbursements but otherwise we are good here. Even during COVID, both these segments -MSME and micro-lending continue to collect significant amounts from the lenders because these are predominantly online collections.

I have mentioned about the MSME finance in general but I will specifically talk about the AUM growth. We started with a AUM of about 55 crores in Q1 and we ended with about 76 crores AUM at the end of March. While disbursement there was a topsy-turvy, we went from 24 crores in Q1 to 37 crores in Q2, about 20 crores in Q3 and we did about 20 crores in Q4. Here I must tell you that the company has become bit cautious over the last I would say 6-8

months, much before the COVID because of the general slowdown in the economy and problems in different sectors and that's the reason why from Q3 itself we have slowed down the disbursements.

Microfinance as I mentioned, we ended with an AUM of about 296 crores as on 31st March. But for COVID, probably would have touched close to 350 but the disbursements for the end of March didn't happen. Our disbursements during Q1 was about 100 crores, Q2 we did about 143 crores, Q3 because of multiple slowdown related reasons, our disbursements had come down to about 85 crores, Q4 we did about 138 crores but we were hoping to take it to 200 but for COVID. Our client base stands at about 2.5 lakh customers, about 1000 (+) employees and 171 active branches. Micro-lending as I had mentioned, our AUM at the end of the year went up to from almost zero, 1.42 crores it went up to 44.5 crores at the end of the year and as you can see the disbursements had gone up from 2.5 crores to about 81 crores in Q4. Cumulative disbursement in this business I think it's important because this business is started and these are very short-tenure loans, cumulative disbursement was about 107 crores. This is managed by a team of about 30 members in-house. As I earlier mentioned loan ticket size is between 2000-2500 to 25,000.

Agri commodity has been a mixed bag and as I had mentioned earlier on multiple occasions that this is a very-very seasonal business, Rabi and Kharif despite the growth of the book, the book grows during second and third quarter, March is an off-season, now as you all know the crops will start arriving in towards end June-July and that's when the books will start going up. As on 31st of March the book was about 38.41 crores. We have been doing a consistent business of about 13-14 crores during the last three quarters but the first quarter which is always the best quarter we had done about 19 crores of business. We had done cumulative disbursement of about 900 (+) crores since we started this business.

Now I will come to the COVID impact and I will just quickly—I think it's already in the presentation but as I mentioned that—microfinance portfolio in our book is about 66% and others which includes micro-loan and agri and MSME is about 34%. Microfinance has outsized role in our overall business performance and that's why I will also focus the COVID impact to a great extent on microfinance and then I will come back to the other segments as well. Quickly I will tell you in microfinance, we have own book which you have seen earlier also is about 189.3, managed is 118.5, total is 307.8 that was the microfinance book size. MSME book size is 34.8 owned and 43.8, managed 78.5, micro-loan and agri-loan put together is the balance.

Now I will talk about few things and then get into the details of the presentation here. The first point I would like to mention is remember our micro finance what we do, we provide livelihood loans. We are actually micro and small enterprise lending doing here. This is not a consumption loan; this is not a lifestyle loan. It is a livelihood loan and there is a distinct difference between somebody who is financing lifestyle vis-à-vis who is financing livelihood and I will come back and connect this point with my explanation and you will find how it is

relevant. We do very-very small loans as you are all aware. The loan size varies from 10,000 to 60,000. But 60,000 is a rarity which we only give after a customer has spent more than 2 years with us. Normally the first loan will never exceed 30,000. The next point I will like to mention I think is a very-very important distinction which people in the industry only will understand. We have seen large flood in Kerala in 2018 and 2019, we have seen cyclone Fani in Orissa last year. See the biggest difference between a natural disaster which disrupts the micro finance company and the livelihoods of people and COVID is there has not been with the grace of God any destruction of assets in COVID. Please understand that during Kerala flood people lost their houses, people lost their life stock, people lost their shop and whatever business outfits they had and that was a severe-severe setback to the people, our borrowers because they lost whatever they had. They were moved to shelter. The same thing happened in 2019 flood. The same thing happened in cyclone Fani affected parts of Orissa. Our customers in those regions lost pretty much everything whereas in COVID fortunately the destruction is of income for a limited period of time. They haven't lost any asset or means of earning livelihood.

Now I will quickly come to and explain to you what the industry is saying and I have in my presentation shared what Northern Arc which is a leading advisor and beneficiary and a lender as well in this space. They have done an analysis and they have put out the data pertaining to de-mon, pertaining to Kerala flood and pertaining to cyclone Fani. I will quickly take you through de-mon—I think all of you will remember demonetization—happened on 8th November 2016 and they have studied the data of 3.7 million customers over 400 districts and they have found that the PAR trend, Portfolio At Risk trend, how it has grown and it shot up significantly. It reached about 15% in December '16, close to 15% but defaults and PAR portfolio at risk. However if you see the graph and if you see what's happened, over a period of time between December '16 and March '18 is that it came back to about 2% by March 2018. I will draw conclusions later not now. Similarly if you see the Kerala flood, again then July-August '18—actually the flood happened in August, the biggest disruption was in August—it shot up significantly and I will talk about what happened in Inditrade because we were not present when de-mon happened but we were very much affected by Kerala flood and cyclone Fani. Significant sharp-sharp hikes in the collection efficiency suffered and portfolio at risk increased significantly. But what happened is that if you see the next slide there, the PAR by December 2018 came down significantly. So PAR had increased from 0.2% to 23% in August, 2018 and if you see December, 2018 it has come down below 5%. If you see it again after that cyclone Fani, again I think it happened in many 2019 just about a year back and what happened is if you look at the PAR trend, it shot up significantly during that period. However over a period of time that recovery started increasing and the portfolio at risk started coming down significantly. Now why am I talking about this and how I will link with Inditrade, if you look at our experience in Kerala during this period, we were very much there. Kerala is one of our biggest states as far as micro finance is concerned. After the Kerala flood, we got affected in two centers, two regions, one is Nemmara, the other is Palakkad. In August 2018 our overdue became 92, 20, 228 in Nemmara so its about a crore of overdue we had in August 2018 when the flood hit Kerala and with the grace of God by July, 2019 it's kind of vanished.

All the overdues came back to us, not a single penny we have lost in Nemmara. Look at Palakkad, another district in Kerala which was again affected by flood, our portfolio at risk went up to 50 lakhs in August, 2018 and by August '19 it came down to 25 which subsequently—I have taken a one year cut-off to make it understand—we realised that 25,000 as well. So not a single penny was lost by the company because of the flood though our PAR after the event had shot up significantly. There is a graphical representation of that as well after that and you will see how the portfolio at risk had shot up to about (+) 90 lakhs close to a crore and it came down to zero by July-August, same for Palakkad it shot up to (+) 50 and came down to zero by August '19. Now look at Orissa cyclone, this is about a year back. When the Orissa cyclone hit us and remember this was last year, so our book had grown significantly, our volume of lending has increased significantly, our portfolio at risk in May 2019 when the cyclone hit was 3,10, 73,826, so we had 3.10- 3.11 crores of portfolio at risk in May 2019. But look at the trend by March '20 that has come down to 72 lakhs and but for COVID I am really absolutely confident that by now it would have gone. It would have disappeared by May-June it would've disappeared; entire thing would have been collected. And if you see the trend from June itself we were recovering almost 20-30 lakhs and all that. That's how the month wise recovery also I have shared with you guys. So the point I'm trying to make here is that natural disaster definitely create havoc with the lives and livelihood of our borrowers. They are at the bottom of the pyramid. But the borrowing which they do from us is not for consumption, is not for lifestyle. This is for livelihood. So the moment the natural disaster takes a back seat, they are able to pick up the pieces of their life and get back to their livelihood. It is imperative for them to start repaying and they do repay because, (a) their credit score, if the repayment default happens then they will not get loans from others, (b) they need fresh loans because they need to pick up pieces of their life and get back and get their livelihood back on track and (c) this is joint liability group. There is a significant social pressure on individual to honor the group discipline and ensure that others don't become defaulter or get into problem because of their problems. So we are reasonably confident. The industry association both MFIN and Sa-Dhan has put out multiple reports. The recent report I think about a week back or 10 days back, Sa-Dhan came out with the report where they predicted that according to them their prediction is that the PAR at the industry level can go up to 4% maximum. That's their prediction. MFIN haven't given a specific prediction but I think their figures and other things indicate somewhat similar. Now it's extremely difficult and if somebody asks me can I guarantee this, can anybody guarantee this, nobody, obviously nobody knows what's going to happen tomorrow. But this is past that's how things have behaved, that's how portfolios have behaved and these are micro-loans, these are livelihood loans, these are not lifestyle and consumption loans. These are very small loans. All these natural events which I talked about, they were actual destruction. People have lost their home, they had lost cattle, they had lost their livestock, they had lost their places of business. But in spite of that, within one year the entire recovery happened. This time I am hoping that there is no loss of livelihood. They have lost income but hopefully the recovery will be even faster. That's where we are.

The other lending verticals we have I think agri, all of you who participate in the calls are aware that wheat carries zero risk. In fact COVID scenario has effectively led to sharp rise in commodity prices, most of the commodity prices and because of the rise in commodity prices our margin which we had kept when we lent the money has actually gone up significantly. So the margin going up puts us in a much more comfortable position and because the commodity prices have gone up, there is absolutely no rationale or reason for any borrower to default because his loss will be significantly higher and he will be absolutely fool to not keep the deposit with us at 100 and the price is now 120, for him not to take out the commodity by paying us will be absolutely foolish. So Agri commodity, it is absolutely safe.

As far as digital micro-lending and MSME is concerned, the way I have and we have seen the trend is that even during the lockdown, the most severe lockdown the first stage one of the lockdown, stage two of the lockdown we were recovering. Customers selectively have short moratorium both on our MSME space as well as the micro-lending space but by and large recovery is happening. I would say about 50% of the customers in our MSME have been honoring their commitment. The balance have been seeking moratorium and case-by-case basis we are giving moratorium. On the digital lending side these are very-very small loans, so we have been happy to give moratorium to customers whenever they are seeking. We have not been doing too much of bargaining for giving moratorium for our digital micro-loan customers. But otherwise I don't see too much of a concern there, also remember that during this period of lockdown from about 15-16th of March or rather 21st of March, we had completely stopped lending in all our verticals. So I'm not too unhappy with the fact that some customers have sought moratorium because the customers who have sought moratorium our interest meter is running, we are earning interest on the amounts we have lent to them. During this COVID period, lockdown period I definitely would not have gone out looking for fresh customers. It's a blessing in disguise that these customers have sought moratorium and continuing. The fate of these moratorium seekers as to how much of that translates into doubtful asset quality or not we still have to see as we go forward. We are not too perturbed and we will have to see. Our loans again I will repeat are livelihood loans not consumption, not lifestyle and we are reasonably confident that the portfolio should continue to perform reasonably well even in the post COVID scenario. We are looking at options of starting lending as soon as possible but we will be cautious, will not be in any hurry. The two segments where probably we will like to go back first will be micro-loans and micro-finance where the customers need some support to rebuild their livelihood but we will be extremely selective case-by-case. We will by and large not look for new customers. We will like to support our existing customers only so that their recovery happens faster.

As far as liquidity position, I have already shared with you, our solvency and debt equity ratio, there is no significant concern. We are working with multiple banks and institutions to avail fresh loans so that we can go back with the bank and start lending as and when things improve and we are comfortable lending. So multiple development institutions and both public and private sector banks we are in talks with to take advantage of multiple schemes RBI and the

government has announced and also if nothing else, bring down the cost of fund significantly. That's what I wanted to communicate to all of you and now we will be happy to take questions. Me and my colleagues are available to clarify doubts if any. Thank you.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. We have our first question from the line of Chitresh Lunavat from Gartner Capital.

Chitresh Lunavat: My first question is on other expenses, so I think your other expenses have spiked up a lot in this quarter, so what is the reason for the other expenses to spike up so much?

Sudip Bandyopadhyay: I will just answer broadly then I will leave it to my colleague Naveen. See what happened is in the digital micro-lending, if you see our revenue, our revenue has also gone up if you see quarter-on-quarter or on a yearly basis. The revenue has jumped significantly. This is predominantly on account of scale up of the digital micro-lending business. There are significant expenses on the digital marketing, on the credit bureau information and a whole lot of other things which we need to spend for sourcing customers on this digital lending business. Now as I mentioned it's only 30 employees but we have reached a book size of it 81 crores on 31st March, so this other expenses significantly going up is predominantly on account of the digital lending expenses which for the lack of any other appropriate overhead in the Ind-AS format has got classified in other expenses. Over to you Naveen, if you want to add something.

Naveen Jain: Chitresh, in other expense if you see, we normally pay some DSA, some commission charges who source the customer in Micro lending. So in this quarter we have our share of disbursement was more than 44 crores, so we pay some DSA charges or some commission charges for sourcing the customer because we have some limitation in our team so we have only 30 employees in the team. So those expenses we have incurred in the Quarter 4 as well as if you see the revenue has also gone up significantly as Sudip sir was telling.

Chitresh Lunavat: So can you tell me what are the two biggest parts in this other expense if you have the breakup?

Naveen Jain: So that is mainly on account of the DSA charges which I am discussing that my micro-lending book which has gone up, so gross disbursement was 44 crores, so we have incurred mainly because that ticket prices very small like Rs. 2000 to 5000. So we have incurred mainly on account of DSA charges.

Sudip Bandyopadhyay: And Naveen there would be also that digital marketing expenses?

Naveen Jain: Correct. But these are related to that micro-lending business only.

- Sudip Bandyopadhyay:** So, Chitresh there is a significant amount which is going to Google, Facebook, Amazon and this Microsoft and all that. This is all for the digital marketing for the loan business. There is a significant amount which is going to CIBIL or the Credit Bureau Check. There is amount going to Experian for certain checks and all that on the digital lending. You will see exponential growth as we grow this digital lending business. There is no branch, there is no people, there is nothing but there will be significant increase in the top line.. But I think what we should try and I'm telling all of you that we should try and break-up these expenses into more heads even in the face of the P&L so that there is more clarity.
- Chitresh Lunavat:** Yes definitely that will help us.
- Sudip Bandyopadhyay:** I will talk to the auditor and I will tell them that they should figure out some more heads otherwise it is looking too bulky.
- Chitresh Lunavat:** I just wanted to know what were the provisions like I haven't seen any provisions related to COVID, so like other of your peers have given provisions for the COVID.
- Sudip Bandyopadhyay:** I will tell you what we have done. As per the norms and everything else we should have made a provision of around 3 crores, provision plus write-off together we should have taken a 3 crores in this quarter. We have taken about 7 (+)crores. Am I right Naveen?
- Naveen Jain:** Yes.
- Sudip Bandyopadhyay:** So we have more than doubled the commission write-off. See lot of things which we write-off straightaway rather than providing, if subsequently we recover we bring it as bad debt recovery. But we take a write-off rather than provision. So whatever was the requirement we have more than double the provisions.
- Chitresh Lunavat:** When was the last time we were able to raise money because now even the biggies are not able to raise money. So what is the situation on raising the money and as we have also completed 3 years, if you can throw more light on this?
- Sudip Bandyopadhyay:** We have been raising money regularly. We have raised money in March also. The March first week also we have raised money, second week also we have raised money. But of course once the COVID started we didn't raise money and I am happy to tell you that we are at the final stages of some loan sanctions from institutions as we speak. I can't confirm the figures and the names because there are confidentiality we have signed but we are at the final stages.
- Chitresh Lunavat:** These are the institutions which we were waiting for to complete our 3 years and then talk to them, right?
- Sudip Bandyopadhyay:** Yes, you are absolutely right.

- Chitresh Lunavat:** My last question would be now COVID like this current year would be very uncertain period so how are we planning to control our expenses and particular this year is going to be consolidation or of the growth?
- Sudip Bandyopadhyay:** Chitresh I will be very frank with you, control expenses is what we can do and that we are doing. We have cut down branches on our insurance business significantly; we are in the process of combining branches in micro-finance. I will give you an example so that you understand what we are doing, let's say in Sholapur we had four branches, now we are combining, we are making one branch, Belari we had two branches, we are saying let's have one branch and like this we are trying to cut down cost. We don't want the business to suffer because we have customers, we have potential to grow, so we don't want to shrink the business and I don't think we are in a situation like that, that we should consider that but we are trying to cut cost in this manner. Second as far as employees are concerned, we have done some kind of salary re-structuring both in April and May and depending on the levels, we have done salary reductions and all that. In this call with our shareholders I can share that all the employees have taken a burden of the cost cut and sacrificed some amounts of salary from a CTC. It ranges between 5% to 30% and multiple other cost at different levels, we are trying to cut including our consultants, advisors, auditors, internal auditors, we are talking for reduction of fees and all that. So that is an ongoing process, credit rating agencies and others we have gone back and said that we have to reduce cost, even our credit bureaus where we regularly access for giving loans, there we have affected significant savings in cost and I was telling you and digital lending that is one of the big cost, there we are hoping to close that transaction and save significantly on per loan actually it's not per loan, per customer. So let's say if Chitresh applies I have to check your credit bureau details. Now after that I may or may not give you loan but my cost comes; now this is a big component because out of 100 customers I maybe lending to 10 only but I am paying cost on 100. So these are big cost which we are trying to reduce and manage, anyway we were doing and that this COVID has given a greater impetus for that.
- Chitresh Lunavat:** My last question would be to Naveen sir for micro-finance and for micro-lending, so when is the scenario when the we take the book or take the particular thing as a gross NPA and at a what particular juncture we mark with NPA like how do we do that?
- Naveen Jain:** In micro-lending whenever our customer has overdue of more than 180 days, we take the 100% provision in our books of account.
- Chitresh Lunavat:** What about GNPA in that like when do we mark that GNPA?
- Naveen Jain:** So GNPA is likewise, as per the RBI definition the loan which is overdue more than 180 days that loan become NPA but we are providing 100% on the day of 180-181st.
- Sudip Bandyopadhyay:** GNPA and NPA doesn't come Chitresh because we are taking the entire hit, day one.

- Chitresh Lunavat:** And for micro-finance same thing like after 180 days we mark it as complete write-off?
- Naveen Jain:** Chitresh micro-finance is a different issue, RBI guidelines says 1% on the outstanding portfolio or 90 days 1%. If the portfolio is outstanding more than 90 days to 180 days you have to provide 25% of the portfolio, more than 180 days you have to provide 50%. So if I add together if that is exceeding the 1% then you have to provide the provision which is exceeding 1%.
- Chitresh Lunavat:** We are doing as per the RBI guidelines or we have our internal more conservative approach?
- Naveen Jain:** No, this is for the RBI but we have provided as Sudip sir said so we have provided some additional provisions also in the books of account.
- Sudip Bandyopadhyay:** I will just tell you one more thing Chitresh, if you ask the question, we are on IND AS, the results which you are seeing banks are not IND AS. For us in IND AS there is a mechanism which you should adopt is expected credit loss, so while RBI has mentioned this because this flexibility we take much more provision than what we probably as a bank will take normal course. So when a bank is saying that I have taken extra so much provision because banks are not supposed to do IND AS. IND AS in any case wants you to do expected credit loss not what RBI has mentioned but as a point on the site, nothing to do with us in specific.
- Moderator:** We have next question from the line of Duby Rex from iThought Financial.
- Duby Rex:** In terms of the moratorium which have been claimed can we quantify it in a percentage of the overall loan book?
- Sudip Bandyopadhyay:** Duby again I will tell you, see from a bank's perspective these are different, from my perspective it is different. I will tell you, I will just give you the answer specific also then I will tell you why so. For a micro-finance company, the collection stopped on 25th of March, so everything is moratorium because physically you can't go out and because physical you can't go out we gave moratorium to the entire team but the moment the things started opening, the collection started happening. Now in spite of the moratorium which we had given, we are educating the customer that please understand because here there is a need for education of customer also that your moratorium doesn't take out the obligation of paying interest. So if you have money and when you have money please pay otherwise you unnecessarily end up paying interest on money which you did not pay. So what is happening is our customers in micro-finance in spite of moratorium they have started paying and today I think this is a industry statistics which this guy Sa-Dhan had put out last week itself and you should see that. They said about 15% of the collection they are saying will happen in June and progressively by I think they have given by August they are saying about 80% collection will happen. This is the Sa- Dhan figure I don't remember the exact growth month-on-month but it this is how they are saying. So micro-finance is a different business because whether I give moratorium and not I can't go to collect, so there is no money. For the entire month of March 25th onwards, entire

month of April the collection was zero so everything is moratorium, 100% is moratorium that is for every micro-finance lender. Some guys they say that they collect something by digital but that would be less than 1%, definitely less than 1% so everything is moratorium. Now as far as our MSME customer, again MSME as I said during the month of April 50% of our customers paid. During the month of May, again more than 50% of our customers paid. We have given moratorium for some customers, we have not given moratorium to some customers and we are following up because where we see the customer has not been impacted and he is trying to take moratorium we don't give moratorium and we are trying to take. So on a blended portfolio like an Axis Bank say 30% ICICI says this percentage. For me it is very difficult to say a number of how many customers have taken or what percentage of portfolio is in moratorium. If you ask me, I would say about 30%-40% between 30% to 40% of my customers in non-micro-finance segments, non-micro-finance, non-agri we have taken moratorium. Agri there is zero moratorium because the question doesn't arise, everybody is paying and everybody will pay. If they don't pay I will sell and get money tomorrow morning so there is no problem and as far as micro-finance is concerned I explained you the position and if you refer to one of these industry reports, you will understand how this is working.

Duby Rex:

So in terms of a total loan book, will it be possible to quantify in terms of percentage how much is it in red, orange and green zones?

Sudip Bandyopadhyay:

Now it's all over, we had done that Duby but now it's over, now other than containment zones, everything is whatever zone government is calling, government itself has said there is no red, orange, green and all that now, it's either containment on non-containment. So I will tell you what happened is, see micro-finance is our biggest portfolio, so in micro-finance, our biggest portfolio again is in Kerala and Tamil Nadu because historically we had started from these two geography. Fortunately for us Kerala started first, 27th April, we were able to open branches in Kerala, I think 20% branches opened in 27th April; another about 30% branches opened on 4th May and balance by 18th May everything was open in Kerala, parallelly Bihar I think is a similar trajectory, Bihar also fortunately was not impacted severely by COVID and Bihar also we were able to open branches and Bihar also we have a good exposure now. We started last year and we have a good book there. Tamil Nadu was a little mixed bag because Tamil Nadu had relapse of COVID and this and that. So Tamil Nadu now we are fully operational, Karnataka, the other State where we have significant exposure again was fortunately not ravaged by COVID and we have been able to open offices from mid-May, all the offices are functioning. That is by and large where we are, I will give you one more statistics which we track on a daily basis. Today my micro-finance attendance is about 89%, so 89% of my micro-finance employees are in their respective branches doing the jobs assigned to them which is going and meeting customers, collecting money and all that and today morning only I had a call with these guys with this listing of the red, green, orange and all; I had said that the attendance should now move to 98%-99% which is the normal usual attendance because there is no reason why somebody should be sitting at home because see all the restriction are in the

metros. Now we don't do micro-finance business in metros, it's all in rural areas so there is no reason why somebody should not come to office and not go for collection now.

Duby Rex: What is the feedback we are getting, we are getting the collection back on track now after the things have been picked enough now currently?

Sudip Bandyopadhyay: Yes absolutely micro-finance as I was explaining but the example of what Northern Arc has put out in the public domain regarding the experience of the industry post de-mon, Kerala flood and Orissa cyclone. Our experience s has been similar and in this case there is no destruction of assets of the customers. So I expect even sharper, historically they are saying that within one year all the recoveries happen. My view is this time unless God forbid, we have a relapse of COVID we should see the recovery must faster. One thing I have seen and we also have to remember people in micro-finance sector; our customers are – they need this money but for us lending this money they have to go to the moneylender and they have all their past experience for generations with moneylenders. So they definitely want money from us and they know if they want money from us in the future also they need to repay the old loans. So I think there is a rationale and there is a need for them to come and repay and start their livelihood.

Duby Rex: This migration of people, would that have any impact on us?

Sudip Bandyopadhyay: No fortunately Duby we have been extremely careful on this matter. So Bihar, MP, Gujarat and the Northern states we don't lend unless it's a owned house, you understand? We insist that 100% of the group, if there is a 15-member group all of them should have their own houses. We don't allow anybody who is in a rented premises to become our borrower, that's in the Northern states where there is migration. In Kerala we have done it a 80%, so 80% of our group are owned houses and in any case Kerala pretty much everybody have their own houses, rest of the Southern states we insist on 60% owned houses. So we don't have that migration problem and all that and normally we don't have mixed groups, so in Tamil Nadu our groups will be Tamil women so we will not have a Bihari women in a Tamil group in Tamil Nadu. So we don't have that migration problem.

Duby Rex: In terms of the verticals we would had a strategy which was pre-COVID, has it changed anything or we are saying no things will continue and we are on right track and there is no change in the strategy as of now?

Sudip Bandyopadhyay: I am absolutely confident we are on the right track. This is the segment I will repeat Duby that we are not giving consumer lifestyle loans. We are giving livelihood loans to people who don't get money from anybody else, so only get money from either at Inditrade or a small micro-finance company like us, so this is the segment we are in and we will remain in the segment, I think there is no change in strategy.

Duby Rex: No sir not only in micro-finance, the other three verticals?

- Sudip Bandyopadhyay:** Same, even look at digital, micro-loan we are giving a loan between 2,500 to 25,000 to people who don't have access to a usual credit. You will not be my customer, my customer will be a Swiggy or a Zomato guy or a salesman or a delivery boy or whatever, cab Ola-Uber driver, this is the clientele which I have.
- Duby Rex:** What about the housing finance, the strategy is also like we will apply and wait and we will continue, is it?
- Sudip Bandyopadhyay:** Unfortunately or fortunately I don't know but we haven't got the approval yet, so we haven't started anything there so there is nothing for me to talk but again I will repeat my strategy has been clear there all my customers today, all my micro-finance customers, my MSME customers, my agri customers, they need house-building loans. Now this house-building loan is not for buying a flat in Bombay or Chennai or anywhere. This is for whatever their home they have, it's more house improvement, somebody wants to put a pukka roofs on their home, somebody wants to construct a pukka wall, somebody wants to construct a toilet. This is the home improvement loan really which is what we want to be in and if you recollect our strategy is again my loan size will be between 5 and 25 lakhs. That's where I want to be, very-very affordable and there also we will like to play in the lower range. My MSME, my range is 5 to 25 but my weighted average, ticket size, my tickets size is about 15 lakhs.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Sudip Bandyopadhyay for closing comments. Sir over to you.
- Sudip Bandyopadhyay:** Thank you everybody for joining this call. I have tried to clarify the doubts, some of the doubts at least you guys had and I have tried to answer from my perspective and our perspective; clarify your questions and doubts and also articulate our strategy, the way we want to go ahead, the way we want to take forward our business. COVID definitely is a matter of huge concern, worldwide nobody would have expected this. We talk about Black Swan I don't know what Swan we will call this, this is much-much bigger than black Swan but having said that we are a solvent company, we are a strong company, we have been very-very conservative, our debt equity ratio is less than one, we have borrowed less than one time of our net worth, our solvency ratio is 60% on a steady state basis which can absorb 40% default and we are in a very-very structured way towards growth. Quality of portfolio and post-COVID recovery I had tried to clarify giving examples of what has happened and to the extent we understand the market. We had tried to clarify from the industry, statistics, industry documents and our experience in the past and I believe you will continue to join us in our future calls as well and support us during our phase of growth. It is a challenging time but I am sure with all your support we will overcome the challenges and come back and come out much-much stronger on the other side of this. Thank you very much for joining today.
- Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of Inditrade Capital Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.