



**CSL Finance  
Limited**

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November 23, 2021

To,  
**The Manager**  
**Department of Corporate Services**  
**Bombay Stock Exchange Limited**  
Phiroze, Jeejeebhoy Towers  
Dalal Street, Mumbai-400001

**Scrip Code: 530067**

**Sub: Transcript of Conference call held on November 17, 2021**

Please find enclosed herewith the Transcript of Conference call conducted by the Company held on November 17, 2021.

This is for your information and records

Thanking you,

For CSL Finance Limited

*Preeti Gupta*

Preeti Gupta  
Company Secretary & Compliance Officer



**Encl: A/a**



“CSL Finance Limited  
Q2 FY2022 Earnings Conference Call”

November 17, 2021



**MANAGEMENT: MR. ROHIT GUPTA – MANAGING DIRECTOR – CSL  
FINANCE LIMITED  
MR. CHANDAN DESAI – CREDIT HEAD - CSL FINANCE  
LIMITED**

**Moderator:** Ladies and gentlemen. Good day and welcome to the CSL Finance Limited Q2 FY2022 Earnings Conference Call, hosted by Kanav Capital Advisors. As a reminder, all participant lines will be in the listen-only mode. 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 <sup>\*</sup> then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Gupta from CSL Finance. Thank you and over to you Sir!

**Rohit Gupta:** Thank you. CSL Finance welcomes you to the quarter two financial year 2022 investor call. Thank you for taking out the time for attending this call. Now coming out to the financial performance increased by 13.49% to 17.16 Crores in quarter two of this year as compared to 15.12 Crores in quarter two of last year. Our profit before tax was 10.6 Crores in this quarter as compared to 10.61 for the previous quarter that improved by 3.5% to 7.10 Crores as compared to 6.86 Crores of the previous quarter of the last financial year. For half yearly numbers our total income grew by 9.6% from 29.89 Crores of this first half from 29.89 Crores of the first half of the last financial year to 32.76 Crores in this financial year.

Our PAT has grown from 1.66% from 13.88 Crores in this first half as compared to 14.11 Crores in the first half of the last financial year. Operational update our AUM has increased by 12.53% to 377 Crores in the quarter two of this financial year as compared to 335 Crores in quarter two of the last financial year. Our disbursement has remained flat at 92.3 Crores in quarter two of this financial year as compared to Rs. 90 Crores of the last quarter of the last financial year.

Disbursements have been improved largely on account of some wholesale accounts which were due for disbursements in the month of September were postponed in the next quarter. Our collection declined by 14.78% from 87.29 Crores in quarter two financial year 2021 to 17.38 Crores in this financial year then this quarter because earlier our wholesale accounts for getting repaid within 15 to 18 months and we focused to increase the tenure to 24 to 30 months so as we reduce the churning, which we will be witnessing in our wholesale portfolio, so this was an intentional intent to increase our tenure and that is why the collections are down otherwise the collection have been very good.

AUM of wholesale segment increased by 17.47% to 316 Crores in quarter two financial year 2022 as compared to 269 Crores in quarter two financial year 2021. AVM of SME segment decreased by 7.57% to 61 Crores in quarter two financial year 2022 as compared to 66 Crores in quarter two of last financial year.

This was primarily due to the provision made during the last 12 months on account of provisions largely on the school segment and the disbursements are muted because of the COVID period prevailing during last 12 months and we are writing our disbursement in the SME segment as we have rebuilt our team strength and increased sales people from 2, 3 persons to 5 people and now

after COVID period going forward our disbursement in SME segment should increase substantially. The total employee count has increased from 160 to 117 of the last quarter of the last financial year. We have added Chief Operating Officer in our SME division including zonal credit head and operations head. Provisioning in NPA, our GNPA has increased to 0.25% in quarter two of this financial year from 0.08% of the last quarter.

Our net NPA has increased to 1.79% in quarter two of this financial year from 0% in quarter two of the last financial year. The increase in NPA is largely in account of our school loan portfolio. We are adequately provisioned for the same and we expect this segment to stabilize. The schools have reopened in the coming months and our collections have also improved from 40 to 50% to 70% in this quarter.

As a prudent risk management practice we have provided the ECL provision of 9.21 Crores as NPA of 2.64 Crores from 6.57 Crores in quarter two of the last financial year. Credit update, we have maintained comfortable level of liquidity and cash and cash equivalents of for 22.56 Crores as of September 30, 2021.

Our net has increased from 86 Crores as of March 31, 2020 to 109 Crores as of September 30, 2021 and we are now actively looking to raise more that and to expand our balance sheet. Thanks everyone for participating on this concall. Your questions are important for us and we strive to be transparent in our investor communication.

The economic activities have now started picking up especially in the real estate sector and demand for consumer has substantially increased. We expect good demands for loans in our wholesale segment. We aim to maintain right quality of our balance sheet while striving to grow our business in this financial year. Now I will take questions from your side.

**Moderator:** Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vishal Prasad from VP Capital. Please go ahead.

**Vishal Prasad:** Sir good afternoon. Hi have the questions. Given that we have been more than prudent in our operations could you share the rational behind us getting into loan against security?

**Chandan Desai:** Vishal, Chandan Desai this side and I would like to take up this question. Vishal you would like simply like to demonstrate the number that the WSA earliest part is that is roughly around minimal of around 11 Crores portfolio so for LAP portfolio the wholesale segment majorly consists of three kind of product that is wholesale large, wholesale small, and the third one is wholesale LAP or large kind of product. LAP is only really selected to those customers against the securities which are very much referential based or which were very much known to us or either we have a strong command over that kind of customer group or that kind of business entity as well that is why a very minimal portfolio has been kept for LAP portion and that is totally

opportunity based lending, otherwise we do not have that much interest into this kind of portfolio as well. We will bring this kind of portfolio that is our plan.

**Vishal Prasad:** Right thanks Chandan. I understand I mean probably 10 years back we has a company were investing in company and we have good experience in stock markets but let us say a hypothetical situation where suddenly the stock market goes down so how do you think about risk in such a situation in our last portfolio?

**Rohit Gupta:** Vishal we have taken adequate margin apart from that as Chandan has already told. We know the borrowers. We have worked with them in other aspects so we are very cautious of that and we do not work with even the RBI fact the 50% margin and we are not working less than that margin and that margin is maintained on weekly basis and monitored on.

**Vishal Prasad:** Okay so if they are not able to make then you will liquidate.

**Rohit Gupta:** It is only opportunity based. I mean sometimes we have surplus of funds and we come across good opportunity and this is not our focus area neither we market ourselves from the LAP portfolio so sometimes the opportunity based lending and we are surplus and sitting on funds then we sometime look at this kind of opportunity also.

**Vishal Prasad:** Okay if I come to our loan against property. I mean demand and supply in real estate. It is function of the economy, so when the economy goes down probably the demand and price of the real estate will also go down, so let us say you face a challenge that your customer is not able to pay so in that case how difficult or easy is to liquidate that property.

**Chandan Desai:** Vishal, I would like to answer this question too. The first question that I would like to understand that you are mentioning or discussing this about the WS LAP portfolio only that is related to the wholesale segment, right. So look the LAP portfolio that is also very much and kind of opportunity based lending. The promoter profile is very much strong apart from that we only do LAP on a very much selective basis where the property value is very much high, property is marquee and easily and readily sellable into the market otherwise we do not want to make it as a separate product and do not want to grow it into kind of major product. It is just a kind of an opportunity based lending where we find that the property is very much good and there is a kind of gap or kind of cash flow requirement on the customer part. The profile as well as the property part is very much strong here further the LTV part we are very much comfortable. Generally we do LTV in last cases at LTV below than 50% or it would be around 40 to 30% only.

**Vishal Prasad:** Right. So in an affordable housing portfolio typically what is the size of project to which we fund to and what is the collateral we take apart from the receivable?

**Chandan Desai:** In wholesale LAP part that is portfolio of around 160 Crores, actually we divide this part into two kind of segments that is mid housing segment and second one is the affordable or kind of DDGY

so affordable housing portion we need to understand that is people scheme approved by Haryana government in year 2016 itself that is a ASP policy 2016, so here the demand and supply nor the payment plan is very much predictive. What happens the developer used to public a lottery kind of system from what the customer used to like a request for allotment part right and in the first phase itself, if the location is good and the developer is good then most of the affordable housing is sold at the first go itself, so the collateral in this part would be the hypothecation of the receivable that is very much predictive and that comes into the interval of around 6 months in a period of 3 years.

**Rohit Gupta:** We have a lien on the complete project. We have complete charge on the cash flow. The cash flow comes into the escrow account where we have complete control and the complete project is mortgaged with us and if you see most of our affordable housing project have been sold on day one and their collections come after very 6 months so it is a very predictable kind of cash flow structure and we just have to monitor that the cash flows are being used for the construction and after RERA and after IBC now even the builders are very, very cautious and you can say they know their obligations and we have not seen any of our affordable housing is being getting delayed and all are being getting delivered on their due dates on before their due dates and the ticket size of the apartment is around 25 lakhs which is very, very affordable and if the location is good and the builder enjoys a good reputation, the sales happen on the very first day which happens through a lottery system and which is being monitored by HDFC Bank so it is a DTCP to the other state governments and so it is a very unique and very comfortable for us and we have not seen challenges in any of the account at any moment of time in the affordable housing.

**Vishal Prasad:** So typically this is only Haryana?

**Rohit Gupta:** Yes it is a typical policy only for Haryana in their scheme and affordable housing scheme which is typically for Haryana based in Faridabad, Gurgaon, Sonapat, Sona and these are the areas where we look at mostly.

**Vishal Prasad:** And we are the only members to the project, there is no joint?

**Rohit Gupta:** In whole of the wholesale portfolio whether it is small or large we are the single lenders and we have done some transaction as co-lender also. We have another NBFC is under the co-lending but the whole of on-boarding, monitoring, and day to day monitoring of the account and taking any decisions and control of escrow and operations are being looked by us only. So we also look the co-lenders sometimes because of the size otherwise the complete control rests with us.

**Vishal Prasad:** Okay and one last question Rohit so in the past you have spoken about some of the challenges we faced with some of the high risk we have done probably five, six years back so is there any learning that you had from that experience and when we hire the new guys that you are doing now what are the qualities you look for in the new senior level hiring?

**Rohit Gupta:** Yes I definitely faced few challenges and as the revenue faces the learning curve we started our retail in 2016-2017 and as we started even the external circumstances after IL&FS and DHFL and now COVID and all those also changed the whole paradigm and we learned from that hiring. Now we are very cautious and earlier we learned certain mistakes and the hiring which we have done is done with a long term perspective and with much more clarity both from the company side and the person who is joining us and he knows the challenges and what the company aspires from those people and definitely we have learned a lot and we are much more cautious and our quality of hiring has improved and we face certain challenges with our junior sales people at the branches and now we have tightened that area also and sometimes when you want to hire and want to get people at a shorter notice people certain cases there were certain deficiency prior to that. Now we have totally overhauled our HR policy around hiring and most of the challenges were in our retail segments and now we have learned a lot and the learning continues to face but now yes definitely the things which we have witnessed earlier will be much lesser going forward.

**Vishal Prasad:** Thank you Sir. I will come back.

**Moderator:** The next question is from the line of Rupesh Jain from Intelsense Capital. Please go ahead.

**Rupesh Jain:** Thank you for the opportunity. My question to you is what I have seen is roughly we will do 90 to 100 Crores disbursement every quarter and roughly 70 Crores to 75 Crores get repaid back every quarter that is the rough run rate if I see, some fluctuation there will be of course and then we have the saturation to get to 500 Crores kind of AUM in next let us say 12 to 18 months so let us say if we want to add 50 Crores of net AUM every quarter this disbursement run rate has to go to 70 plus, 5 plus, 50 plus maybe some more run down on the new books or roughly 140 Crores to 150 Crores kind of quarterly run rate. Do you have that kind of enquiry pipeline, project due diligence theme where are we on that because otherwise I mean how do we go from here to there. I would like some clarity on that Sir?

**Rohit Gupta:** Few things, the little wholesale business is not the same as which is the retail one. In some quarters our collection have been much higher and in certain quarter little lesser so disbursements depends to some extent on our collection also and coming to your second part of question in terms of pipeline we had built a very strong presence in our NCR and we always had a very strong pipeline and the only limiting factor last 18 months have been COVID where 6, 9 months where destructed and we were not able to meet customers physically and see their project and our collections have been very strong and as I told in my opening remarks we are now focusing more on larger tenure projects as compared to earlier projects our accounts used to get totally repaid in 18 months. Now we are focusing that the account should get repaid between 24 to 30 months and very frankly the only limiting factor is to build our leverage ourselves and to raise debt which we are working on and hopefully we should be seeing good debt raising in this quarter and we have aspirations to reach the target which you had mentioned in the next 12 months and we definitely think that we will be able to do it. The only limiting factor has been raising of the debt and in last 18 months we were more focused on maintaining our balance sheet strength and maintaining our

quality and now as we have passed that period and as you can see in the last four years we face a lot of unfortunate circumstances starting from demonetization, RERA, GST, and COVID case and we had been able to see that phase reasonably well and our confidence has increased and now our focus is on the growth side.

**Rupesh Jain:** So can you give some numbers Sir like let us say we have 300 projects in enquiry stage, evaluation, due diligence some numbers and then maybe the sizes.

**Rohit Gupta:** Can you just speak little loudly?

**Rupesh Jain:** Sir what I am saying is if you can give some numbers that 300 projects are due diligence, average ticket size is I do not know 30 Crores, 50 Crores some kind of number if you can give it to us.

**Rohit Gupta:** I am not able to understand. You are saying the pipeline what we have.

**Rupesh Jain:** Yes pipeline. Yes Sir.

**Rohit Gupta:** On the wholesale side we have a pipeline of 150 Crores as of now which we along with co-lender will be doing in next one and one half months and which our component maybe around 40 Crores to 50 Crores and the SME things that we should be able to do 6, to 7 Crores per month going forward from December onwards and our October month has been reasonably good as compared to last 18 months and now we are focusing on raising our debt because that will also be critical element in growing ourselves and we are in discussion with lot of PSUs because that is the area we think we will be able to keep our cost of borrowing under control and we believe in growing ourselves comfortably with reasonable NIMs and we are very hopeful that we should be having a growth after two years and a reasonably good growth after 2 years.

**Rupesh Jain:** Sir if you can hear me. Little bit long term question let us say three four years down the line your disbursement and overall scale has to go 3x I mean we will pretty much have to disburse 250, 300 Crores kind of quarterly run rate if we look at a little bit medium term and to get to that kind of number we have to increase the duration or we also have to increase the ticket size and these things involve certain risk and then you have managed very well in the last cycle.

**Rohit Gupta:** We gave a very strong pipeline always on both wholesale and the SME there was certain limitation that SME the growth was not happening and the focus was more on collections but now we have increased our team so we will not be increasing our ticket size. We have reasonably very good pipeline with us. The only limiting sector as of now very frankly has been that we should be able to raise debt and we are focusing on that raising and that improving our credit rating which will help us to raise debt.

**Rupesh Jain:** Okay I mean even medium term.



- Rohit Gupta:** Till we see certain size our ticket size will not increase.
- Rupesh Jain:** In at least medium terms in terms of only debt raising is the only thing that is pending, team and pipeline and everything is in place?
- Rohit Gupta:** 24 months post IL&FS there were little concern for NBFC segment and our collections have been so strong and in the interim COVID came so we were always sitting on very strong collections so we never ever faced the challenge of limitation of the fund, now the focus is on growth and earlier it was to maintain our balance sheet quality and now the focus is on growth on both the sides, wholesale and retail and you can see from last year we have added around 50 people on our employee strength. It has increased by roughly 33% and it is a sizeable number.
- Rupesh Jain:** Just last question on what will be roughly any range on cost of debt?
- Rohit Gupta:** Now we are at around 10.25%.
- Rupesh Jain:** New debt you are looking to raise it will be similar cost of funds?
- Rohit Gupta:** We are looking in that range only.
- Rupesh Jain:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Siddharth Agarwal from Value Partner . Please go ahead.
- Siddharth Agarwal:** Good afternoon Rohit and thanks for giving this opportunity. Rohit my first question is has you have already explained our disbursement in SME segment were quite muted in spite of the economic activities picking up so how has that been for October both the disbursement as well as the collection efficiency for the SME segment? Is it picking up.
- Rohit Gupta:** I think Amit the CEO for the SME segment will explain much better.
- Amit:** Siddharth Amit this side. I am looking after SME retail. In terms of your question in October we have seen an unprecedented jump in the terms of sanction and disbursals both, so we started at a very nascent stage since I joined in July, so we started from zero to now we are doing at least 4 and four and half Crores disbursal month on month basis and we intend to take it to at least by this financial year end at least 8 Crores to 9 Crores monthly disbursal from entire branch network. In terms of collections we have been doing reasonably well on the total collection which has raised to around 96% of collection we have been doing month on month basis so we see lot of changes in terms of collection efficiency as well with team building and business happening on a daily basis so the total trajectory is in upward trend and we are moving in a very positive way in each and every direction wherever we are based out of.

**Siddharth Agarwal:** I notice that we have also rolled out certain branches over the time Gujarat, Haryana, Rajasthan, so I assume some of these branches at least would have stabilized. Could you talk a little bit more about some give us some more visibility on the regional performance, how is it shaping up or some breakdown of our SME group across these market, where it is scaling up or any regions where we are still struggling?

**Amit:** By the time when the second COVID hit definitely we were struggling and industry was struggling but post second wave we are working on all the verticals whether it is operational, credit, collection and we have been having good talent from the market and post that simultaneously we have also started penetrating into our presence whether it is in Gujarat, Rajasthan, Haryana, Punjab and if you can see like I said in earlier comments that we are into upward trajectory so everywhere from very little bit we have started stabilizing few of the branches and we see lot more business coming from Rajasthan because Rajasthan is a beautiful market and we have been doing reasonably well on branch to branch basis whether it is Jaipur, Ajmer, Jodhpur and also in Delhi NCR as well as we have opened up Noida branch and in the second month only we disbursed around 55 lakhs with a small manpower of 1 or 2 RMs and we intend to stabilize Delhi NCR, Rajasthan, Gujarat as well have been started showing good numbers because we have changed the way we have been working earlier, we have changed our entire processes and product and it is made more customer friendly in terms of acquisition of the customers in future as well in present scenario also, so we have a focus on Rajasthan tier 2, tier 3 cities, Gujarat tier 2, tier 3 cities as well as Punjab. We are very cautious in Haryana because we have not been able to good portfolio there so we are trying to go very cautious in that area, but yes Punjab, Delhi NCR, Rajasthan, Gujarat have started showing good numbers and we intend to stabilize these first then only we will go for expansion in next financial year. In terms of processes there are lot many changes which we have developed here. We have infused technology also like to avoid fraud kind of activates, fraud client coming into, so best of the APIs we are getting integrated into our current system as well as we are building up new system which will help us in getting into a digitalized mode into new financial year. If you ask me we are gearing up for 2022-2023 with a regular disbursal around 7 Crores, 8 Crores in coming months.

**Siddharth Agarwal:** Could you speak a little bit about our school portfolio. I mean what is our current total outstanding in the school portfolio and how has been the disbursement as well as collection in the first half FY2022 and do you see the performance improving now. How has been the experience as the schools started most have started reopening?

**Rohit Gupta:** I think our total gross portfolio 12 months back was around 24 Crores out of which during the COVID period 40 to 50% clients were paying and 50% were not paying, so our 12 Crores portfolio was into DCD out of which we have already provided around 7 Crores for that and prior to COVID only one account was into DCD so the most of the schools are based in tier 2, tier 3 cities are semirural in kind and they were not offering any kind of online facility to the student and I do not think the students have that kind of infra to go through the online and now what we have witnessed our collection has improved from 50% to 70% in this month and 70% of our

clients are now paying one or two EMIs. The only problems is that they are not coming out of their MP because 7 to 10, 15 EMIs are pending and I think in the next 6 to 9 months more and more accounts will become regular and in the next 12 months we do not foresee any kind of problems, the schools remain open we are very hopeful that most of schools will come back, will become regular and we have build a very strong legal team in last 2, 3 months and during the COVID phase most of the legal courts was not working and that part was also slow, but now our legal team has been strengthened a lot and it is helping us to recover out to make our existing accounts regular, 10% of our school can see that they may not be able to operate or they may see a low strength in terms of student and then the deferent in terms of the collateral what we have taken will come into play through legal process or through the recovery process but that will be very minuscule small amount maybe 10% to 15% of the total portfolio. Out of 24 Crores we have provided 7 Crores so you can see 25% to 30% has already been provided.

**Siddharth Agarwal:** This seems to be a good segment for us. Do you foresee this segment coming back for us as a growth area in next year?

**Rohit Gupta:** In the next 4 to 5 months in this financial we may not being doing any fresh business and we want to see how our existing account perform and definitely we are funding the cash flow and the cash flow have been very, very consistent and this 18 months nobody could have thought that school will remain closed for such an extended period and all the other segments have opened and schools are just opening now and definitely we have had a lot of learning and we have build our domain knowledge in this segment. We will definitely start lending again in the next financial year to this segment.

**Siddharth Agarwal:** Rohit we also noticed that our net debt has increased to 86 Crores to almost 110 Crores in the first half of this year so what is the cost of our incremental borrowing as well as the average cost currently.

**Rohit Gupta:** The cost has remained same, the weighted cost is around 10.25%. This increase of 0.5% has happened because State Bank where we had the working capital as their policy they have converted all their working capital facility to term loan to all of the NBFCs not with us. They said we will not being credit facility or working capital facility to NBFCs and they converted all those limits into term loans and as per their policy term loans are priced a little higher 0.5 to 0.75 basis higher as compared to their CC limits because SBI being the largest lender our cost has increased by 0.5% and what further borrowing we are intending we are intending in the same cost.

**Siddharth Agarwal:** You also mentioned that our credit rating is one of monitorables for us so when is it due for review next?

**Rohit Gupta:** We will go for review and hopefully let us see how it plays out and earlier the credit rating does not used to add apprehension basically two things were exposure on the real estate side which we

already used to tell that we are doing it very differently. We are into affordable segment. We are into last mile funding. We are into build up flows which are very, very stable and the COVID was one extent and the second is the geographical concentration which is a big concern somehow and we always say that we will like to remain in our area of strength and as we go then we will spread ourselves for the geography so this has been two three major concerns about the trading agencies.

**Chandan Desai:**

We are due for review in October or November itself and apart from that I would also like to add one more point Siddharth the thing is that in April itself when our rating was done. There was some positive as well as negative component is that the rating is used to base in their rating reports, so on a positive component part we have achieved almost all the things and that is why we waited for upgrading our rating itself but just for phase of COVID that the period was under COVID itself and they are usually susceptible on the real estate part. Given the reason we would take or look for upgrade in the next review itself otherwise nothing or not a single component that we have rated. All the positive components on the rating part have been achieved by us.

**Siddharth Agarwal:**

One final question about our wholesale book, so in the NCR especially the region where most of our efforts are there so demand in real estate has used to have reviewed and you know the property prices especially land prices has been sharply across NCR and the demand seems to be strong, the builder seems to be selling well and the inventory seems to be getting down but somehow that has not translated into a wholesale AUM growth meaning the relative growth has not been as strong somewhat we have anecdotally for the real estate sales volume so could you speak a little bit about it is it a conscious decision to not grow the wholesale book or is it just some timing issue here?

**Chandan Desai:**

Siddharth the point is that look Rohit has very much clearly mentioned that they are two major constraints due to it we were unable to grow our wholesale book. The first constraint was the raising of the transaction. That we were little limit of fund part and the second part post COVID that the first phase itself in September last year we have seen a surge of our collection part. The collection was so tremendously good that it funded our internal requirement of the wholesale disbursement itself. If you go by the number on quarter on quarter basis on monthly or month on month basis we used to receive or collect around Rs.24 to Rs.25 Crores per month so the collection was so much robust that internal requirement of growth number is not demonstrated on the AUM part otherwise disbursement was good and if we continue to with the same plan we would be able to achieve our target in coming financial year.

**Rohit Gupta:**

In this quarter few of our transaction which were due to close in September but as something due to credit and other diligence part it got postponed and transaction are closing in the last week of November and first week of December. At the end of day wholesale is a little lumpy both in terms of disbursement and collection sometimes one quarter performs extraordinary very good and the other quarter because this transaction diligence all those take time and now that lot of to

and fro happens both on the negotiations and to pay part of the covenant between their borrower and the lender.

- Siddharth Agarwal:** Thanks a lot Rohit and everyone for patient answering the question. I will go back in the queue.
- Moderator:** The next question is from the line of Dharmesh Patel as an individual investor<sup>1</sup>. Please go ahead.
- Dharmesh Patel:** Good afternoon Sir. Almost all the questions are answered. I just have one question so we are overly concentrated in just one region and one segment that is wholesale and Delhi NCR, are we doing anything to reduce our concentration is just one region and in wholesale like if you can go in retail and school segment which may be facing problems right now but they are generally good set to have on books what are we doing for that?
- Rohit Gupta:** Dharmesh you rightly said our focus is to grow retail but in COVID phase the focus was more on collection and we were cautious. We want to see how the economy comes back and that is why we have seen a degrown in that segment if you see our employee strength has increased to 117 to 163, all those people have been added on the retail side only so our focus is to grow the retail. On the school side we have explained earlier we will just not doing it in the next 3, 4 months but if all the school open and remain open during the next 5 months we will open that segment from the next financial year. Before COVID it has been nearly very good segment for us, so we are just on wait and watch and focusing on our existing collection of our existing account and we will start opening it. Our focus is to build retail but at the same time we do not want to lose sight of our wholesale which has been done extremely good since we have started our lending and we have learned lot of lessons during this phase itself. As of now I would not say that every account has been straight but where there has been certain difficulties we were able to manage it and we always take lot of lessons from account which has been little difficult so those learning have made us much more confident and now we were able to grow both the segments and given a choice retail will be the first one and we are focusing on that and Amit has also explained earlier lot of effort is going on all way through purchases and totally digitalizing our retail segment and we have started lot of APIs to improve the log ins and the number have started improving and we should be seeing good numbers from the next month.
- Dharmesh Patel:** In schools do we face any competition from big players like private bankers HDFC, ICICI?
- Rohit Gupta:** Everybody is absent from school, semirural, rural. I have not see any of my account being getting taken over even the good ones which have not defaulted so everybody is cautious right now. Even the Indian School Finance which was quite active Varthana you were dedicated school finance companies I have not seen that they are active in our part of region I do not know about the south and central so everybody is going to wait and watch. Schools are closed who will dare to fund them expect tier 1.
- Dharmesh Patel:** Any plans to move into tier 1 school in big cities if we can provide funding for them?

- Rohit Gupta:** Their IRR will go down drastically then the same thing can go even for our retail segment so we only want to build the domain knowledge and focus in tier 2, tier 3 cities which is a little under banked so we want to just focus on that area only, so tier 1 we will not be focusing even their requirement in terms of per ticket size will go up which we limit ourselves to 30 lakhs, 40 lakhs on an average it is 18 lakhs to 20 lakhs in tier 1 it will go up to more than 1 Crores and the competition is much higher in terms of IRR so in the immediate period it will not be and as we grow and build our size by cost of fund then we can come to that part also.
- Dharmesh Patel:** One more question Sir. We have our presence in Rajasthan, Gujarat, Haryana, and Punjab which are like very good in terms of loans. Normally NPAs are less. I am planning to go deep into these state, penetrate into smaller cities. Like in Gujarat we have four cities where we have branches but can we go into smaller cities like Himmatnagar, Gandhinagar which are also good?
- Amit:** This is Amit. Basically you have asked the right question but the current focus is to establish all our 20 branches first and we have a pipeline and we have a total planning for expansion in FY2022 2023 and the idea is to go into tier 2, tier 3 cities and adding more strength to the branch which is already present there, so like Gandhinagar you said we will be focusing more into Rajasthan and Gujarat as in other states also but it will be like a cluster approach we are going to do, three to four branches into the same cluster within the radius of around 30 kms and we are indentifying those areas where we can get a profitable business which are unbagged, unreserved so rightly said Gandhinagar is there on our map as well as we are focusing on Haridwar in Uttarakhand which is still a very good market for SME, so Haridwar, Roorkee, Rishikesh though we will be opening up with Haridwar but we will be mapping Rishikesh and Roorkee with the Haridwar branch and Dehradun we are already present so this becomes one plus tier, so this example we will follow in the rest of the geography where we are present. We are going to make three to four plus, three to four branches a cluster and we will penetrate in those areas to get more of the business from our feet there and develop more comfortable portfolio from those areas.
- Moderator:** The next question is from the line of Vishal Prasad from VP Capital. Please go ahead.
- Vishal Prasad:** Hi there two more questions from my side so based on the earlier question that the participant had asked where we are trying to grow our loan book what would be the 2, 3 challenges we see which can stop us from going the way we are trying to grow. We can assume that COVID will not be concern going forward.
- Rohit Gupta:** The major two will be how we are able to leverage ourselves because we want that our cost of borrowing should remain under control and the one of the factor that will determine is our rating also. In terms of business, in wholesale we have no challenges as we are doing lot of business with co-lender and we have now started to look to down sell our existing accounts which we will add to our profitability so we can look for lot many options in the same time build or price through co-lending, through down selling and we can do the same activities in the retail also, so that will help us to grow our size and build our market presence and in the same time we focus on

leveraging ourselves and we are focusing on trying to improve our rating also, so going totally digitalized on the SME side it will help to improve the percentage and for some total it will help us and even if constraints of debt what we want to raise if we are not able to raise in next 6 to 9 months then we have lot of options on the co-lending side and we will use that to increase our market presence and that will also increase our profitability so we are working on all the fronts. They are definitely the major two factors that will limit our growth and our ability to raise debt at the right cost that is major one. Because we are small building in terms of having a pipeline both on the retail and now with the listing team and on the wholesale is not a new challenge going forward.

**Vishal Prasad:** Why I asked this even I look at last four years due to IL&FS and COVID and due to our being very prudent we have not been able to grow so do you think are we are too risk averse?

**Rohit Gupta:** We are not risk averse we were little both prudent because COVID when phase 1 came we thought that we do not what will happen to real estate, the way the equity markets reacted and all the shops and all those were closed for extended period of 2 and half months so we thought if we focus on growth and we lose on our balance sheet quality the major concerns from the lenders and the rating will immediately come and we thought let us sacrifice the growth and maintain our balance sheet and quality of the balance sheet so it was a little give away and we have built our NPAs would have increased both on the wholesale or in the retail and then you and everybody concerned would have been on that side also and our ability to raise fund would have decreased a lot, so we thought as a smaller company any small NPA in terms of percentages start getting collected in your books and that was one of the major concerns so we thought that let us focus on maintaining our balance sheet strength and we look for growth after the COVID phase eases.

**Vishal Prasad:** Okay and the next question is I mean we talked about the changes we have brought in within the company in terms of processes and all so we can talk about few changes that we have brought in and what are the benefits we are trying to get out of the changes we have made?

**Amit:** Vishal Amit this side, certain changes which we have brought into entire process and product, they we were doing SME retail earlier so what we have done we have infused lot of technology inside for example you must be aware about Karza Technology which we use for KYC check and norms. There is a CIBIL and Equifax which we are using for objections the basic. Then we have also integrated with Score Me which analyses banking to ascertain how many inward and outward, what is the banking health of the particular client and we are doing free investigation also digitally at a central level so all these things are already in a process and we are already working on those and then we have done payment integration also so in the past 4 to 5 months the way we have worked is that we have accelerated on the digital mode because we will face challenges from Fintech company who are already on a digital platform so partially we have already made and we are already in developing phase of our new system through which all the processes, all the log ins to disbursal, most of the things happens on the system itself. Though LAP, loan against property is something which cannot be completely digitalized so 70% to 80%

processes will be digitalized by the end of this financial year, 30 to 40% we have already done so the penetration in terms of small retail segment we are trying to do, we are getting good results in the beginning itself.

- Rohit Gupta:** We have moved from DSA to DST.
- Amit:** More over this SME retail is a segment which is a direct sourcing more of micro marketing more of micro management so from the strategy point of view we have moved from DSA to DST where more of RMs are there in the system now. They are going in the market doing micro level activity, generating fresh leads which means fresh people coming on the portfolio rather than DSA sourcing a case for us being with us for 6, 7 months and going away so that is a strategical change which we have made and this is a sustainable model which is required for the NBFC to grow.
- Vishal Prasad:** I think in previous calls Rohit mentioned that we do not compete with the new age based lenders so is that something which has changed, are we competing with them. They are getting into non-KYC based lending?
- Amit:** Vishal it is still the same. What we are trying, we are trying to make our processes so seamless and fast that we can compete with our segment of NBFC. We can go one step ahead with those NBFCs and we can capture more of clients, more of portfolio from those particular areas where all the NBFC in our segment is present. Obviously Fintech is there in our mind and totally unsecured. We are not on an unsecured mode. We are on a secured mode. That is the reason we said 70% to 80% will be digital.
- Rohit Gupta:** As the customer sign physically so that part will still remain.
- Amit:** We have built lot many credits in terms of on boarding the client. At a local level credit manager meets the client but at a central level we do video call. We do call directly, randomly to a client to understand their requirement whether the local team has conveyed all the processes and policies of the company or not so we want to be very transparent and we want to create a quality portfolio. We do not want to make a name where something is promised and not delivered so we want to promise the same and deliver the same.
- Vishal Prasad:** Okay got it and last question what is the break even cost of a branch.
- Amit:** Breakeven cost of a branch is as and when we reach four and half Crores of disbursal within 6 months maybe then that is the break even because we identify a very low cost branch and with low cost things inside. It is not like a big bank or a big NBFC branch and since we are present in tier 2, tier 3 cities the cost of rent is also very low and we have a branch composition of a branch manager, credit manager, and four RM so six to seven people costing is there so once we touch



four and half Crores to five Crores of a portfolio and a monthly disbursal of 75 lakhs a month that makes our break even.

**Vishal Prasad:** Okay you guys are building a good company.

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

**Rohit Gupta:** I again would like to thank everyone who is participating in this half yearly concall and look to see that again with much more promising numbers and what we have talked about as we do a concall after the year end. Thanks again.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Kanav Capital Advisors that concludes today's call. Thank you all for joining us. You may now disconnect your lines.