CSL Finance Limited
CIN: L74899DL1992PLC051462

June 08, 2022

Department of Corporate Services/Listing
BSE Limited
Phiroze, Jeejeebhoy Towers
Dalal Street, Mumbai-400001

Scrip Code: 530067

Sub: Transcript of the Conference Call held on June 03, 2022

Dear Sir/Madam,

With reference to our letter dated May 31, 2022, intimating you about the conference call for Analysts and Investors held on June 03, 2022, please find attached the transcript of the aforesaid conference call.

The above information shall be made available on the website of the Company viz. www.cslfinance.in.

We request you to kindly take the above information on your record.

Thanking you,

Yours faithfully,
For **CSL Finance Limited**

Preeti Gupta
(Company secretary and Compliance officer)

Encl: A/a

CSL Finance Limited
Q4FY22 Earnings Call
3rd June 2022

Management Participants

Mr. Rohit Gupta (Managing Director)
Mr. Amit Ranjan (Chief Operating Officer)
Mr. Naresh Chandra Varshney (Chief Financial Officer)
Mr. Chandan Kumar (Credit Head)
Ms. Rachita Gupta (Whole-Time Director)

Mr. Sayam Pokharna – TIL Advisors Private Limited

Moderator: Ladies and gentlemen, good day and welcome to The CSL Finance Limited Q4 and FY22 Earnings Conference Call hosted by TIL Advisors Private Limited. As a reminder, all participant lines will be in 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. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you sir.

Sayam Pokharna: Hello everyone and thanks for joining the Q4 and FY22 Earnings Call of CSL Finance Limited. It is our first time hosting the call for CSL Finance, so a very warm welcome from all of us at TIL Advisors. The investor updates have already been published on the company's website and on the stock exchange. To take us through today's results and the update on the business. Today we have with us Mr. Rohit Gupta, Managing Director, Mr. Amit Ranjan, Chief Operating Officer, Mr. Naresh Chandra Varshney, Chief Financial Officer, Mr. Chandan Kumar, Credit Head, Ms. Rachita Gupta, Whole Time Director.

We will be starting with a brief overview of the Q4 and FY22 performance by Rohit sir followed by a question-and-answer session. I would like to remind you all that anything said on this call that represents any outlook for the future that can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been mentioned in our annual reports. I would now like to hand over the call to Mr. Rohit Gupta over to you sir.

Rohit Gupta: Thank you, Sayam. I welcome you all to the Q4 and FY22 earnings call of CSL Finance Limited. Thank you for taking out the time to attend this call. It is a pleasure to address you all today and walk you through our performance for the quarter and the full FY22. First quarter update. Our total income for the Q4FY22 stood at Rs. 23.09 crore, an increase of 22% quarter-on-quarter and 35% year-on-year. Our Pre-Provision profit before tax for this quarter stood at Rs. 14.70 crore, an increase of 21% quarter-on-quarter and 15% year-on-year. Our PAT for this quarter stood at Rs. 10.67 crore, an increase of 23% quarter-on-quarter and 22% year-on-year. For the full financial year 22 our total income for the full FY22 stood at Rs. 74.8 crores, an increase of 21% year-on-year. Our Pre-Provision profit for FY22 stood at 48.49 crore, an increase of 10% year-on-year. Our PAT for the financial year stood at 33.45 crores, an increase of 22% year-on-year.

Now coming to the balance sheet updates. The total disbursement for Q4 FY22 stood at 196.60 crores, an increase of 30% year-on-year. Out of this, SME disbursements had an 18% share of Rs. 35.57 crores and the balance 82% were wholesale disbursements. The total collection for this quarter stood at Rs. 96.94 crores, collection efficiency has been over 99% for the overall portfolio, the highest in the past 12 month. Our AUM as on 31st March 2022 stood at Rs. 519 crores, an increase of 57% year-on-year. We also witnessed a 38 basis point decline in GNPA to 1.73% in Q4FY22 compared to 2.11% as of Q4FY21. The company has raised equity capital to the tune of Rs. 30 crores from a preferential issue to strategic investors namely Mr. Sanjay Gupta and Mr. Lalit Dua.

On the debt side the company has on-boarded two of the most well regarded private sector banks, namely HDFC Bank and Kotak Mahindra. The company has relevant liquidity of Rs. 27.36 crores including cash and cash equivalents and undrawn limits as of FY22. Our networth stood at 24% higher than the previous year at Rs. 321.49 crores. Coming to the operational update. To strengthen our onboarding and underwriting platform for SME business we have successfully migrated to a fully customized and digitized platform with multiple API integration. This platform should help us reduce TAT, automate the majority of underwriting percentage reducing human error. Further to drive growth on the SME front, we have made some key changes such as the COO coming in our SME division, including zonal heads and operations head, it will help us to improve our coverage and brand productivity. It is noteworthy to mention that our employee strength has crossed 200 as of FY22. We are also witnessing good traction on the resolution of NPA cases where we found legal recoveries to SARFAESI mode as a better alternative compared to arbitration awards. We have also moved to a totally different platform for tracking and monitoring of legal cases efficiently.

There is one round of credit rating upgrade already in place, which we got in November from BBB stable to BBB+, the company is confident of securing another round of upgrade in the coming quarters. This should help us in optimizing our incremental borrowing cost. We also aim to add more lenders in the coming year. The company is also working to achieve a portfolio mix of 40 to 60, retail 40% and wholesale 60% currently from the (27:73); the target will be achieved during the next coming 18 months. We have also migrated to a fully digitalized loan origination and management platform. Going forward the focus is to add more modules for info collection and data analysis. We will also be working on optimizing our Cost to Income ratio in the coming two years as we leverage our expanded SME team and a key better branch productivity. I thank everybody for participating in the call. Your questions are important to us and we strive to be transparent in our investor communication. Now we can start with the questions. This was a very brief update so as to take your questions on the (Inaudible) **14:03** side.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Nikhil from Securities Investment Management Private Limited. Please go ahead.

Nikhil: Two, three questions sir. One is on the school portfolio. On the call we had mentioned that we would stay cautious for some time so how are you seeing the portfolio evolving now are you ready to disburse on the school side because for the last two years there won't have been many upgrades or expansion at the school level. So, how's the, and any write-back we are seeing on their portfolio, because we had taken enough provision so any write-back we are looking at?

Rohit Gupta: As you know the schools were closed for 18 months practically and most of our exposures are related to tier-two, tier-three schools which are basically semi-rural. So, we didn't do any disbursement till December. Now, slowly and steadily we are looking at again starting our school portfolio again. We have sanctioned one or two schools in this current quarter. As of now our how the portfolio is performing you can say 90% of schools are now paying maybe one or two EMI and this trend we have been seeing for the last four months. And we have seen a write-back of 2.33 crores for the FY22 and majority of which are from school and as our gross NPA has also come down from 12.5 to 8.5 crores. So, we are seeing good amount of recoveries and certain schools which are paying but are still in NPA, because their DPD was more than 12 to 15 EMIs which hopefully by end of this year, and majorly by the end of September some of the schools which are paying will come out of the NPA. So the school portfolio for us has been very good. Till March 20 we had only one account in DPD and going forward still we see that school will be an important segment in the SME portfolio. And we will continue to look and grow in this segment. So the whole last two years have given us a reasonably good experience and a 360 degree view. And we never thought that we can be close, we never had this kind of assessment in our creditor diligence that we can close down school for 18 months even after that, we have seen that schools have started performing reasonably good in spite of what has happened. And our schools being semi-rural we would say that our portfolio is reasonably good. And whatever few cases we are still facing challenge, you can say it's a little learning part also, which was done in the starting phase and going forward the school will continue to remain an important segment for us in the SME.

Nikhil: Sir, would you say that now having looked at the last two, three years. Having seen the performance of the portfolio over the last two years, three, four years during the COVID challenge and the way it has come back in the overall SME book, would this whole as a percentage proportion may increase over a three, five years or would the proportion of next remain as it is? Because this is a more stickier and a better portfolio. So, that's where I'm trying to understand?

Rohit Gupta: Yes, because schools definitely have very predictable cash flows from that account. Schools are very good and it is only that our focus was not there for the last two years. And now we have started again, in this coming rest of the nine, ten months, we will again start focusing and what percentage it will be. I can't say as of now but definitely. Earlier we used to target 30% to 35% of our total portfolio in SME and yes, at least 20% to 25% we will see that it remains in our portfolio to that extent. And it's only that this quarter we have started looking at it. And the next nine months will be a little slow on this whole side. But going forward we will focus more strongly within the SME.

Moderator: Thank you. The next question is from the line of Ravi Goenka from O3 Security. Please go ahead.

Ravi Goenka: My question is, what is the level of penetration in NCR market for us especially in the wholesale side of the business are we now adequately present in all the micro market which are targetable sir

Rohit Gupta: I have with me Chandan, he can explain better and I will also add.

Chandan Kumar: Hi Ravi, Chandan this side. For the wholesale segment we have captured the complete Delhi NCR market starting from the Noida belt, Ghaziabad, then all belts of Gurgaon and standard Gurgaon too, Palwal and Sona are also covered in that part itself. And we are now expanding our market a little to Chandigarh and that side also, but the research work is going on and it would be penetrated into the coming months or coming quarters itself. For the micro market we are covering each and every part of Delhi NCR completely.

Rohit Gupta: Apart from those few areas which we think are not performing or where we don't want to be we are present in each and every micro market of NCR few of those like Yamuna Expressway, or little bit of Dwarka Expressway we are not so present there and it is because of our strategic reasons that we still see that traction is not that great and apart from that wherever the traction is there we are fully present in each and every micro market.

Ravi Goenka: Okay. And also in terms of small builders, how many builders are in our approved list and how many small builders are there in the micro market where we are targeting?

Chandan Kumar: This we have discussed that is all about the wholesale loans, but a small builder loan, the micro market which we are present and targeting is mainly the Gurgaon and the South Delhi market which is the auto correcting and the high demand correcting market where the demand and supply is almost equivalent. So, for small builder loans, the major target areas are those now we have opened some of the areas of East Delhi and West Delhi also. Now we have started targeting some of the builders who are good into the network and other fulfilling our other trade parameters and we are spreading this builder market itself, a small builder market into these sectors. So the current target market was a small builder known as the mainly the South Delhi and the extended part of the Gurgaon or major areas of main sectors of Gurgaon and Faridabad.

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

Dhwanil Desai: So, the question that I have is that we did Rs. 196 crores of disbursement in Q4 and that is a significant jump even compared to last quarter and year-on-year. So, going forward FY23, what kind of numbers are we looking at in terms of this?

Management: As a company we always refrain from giving any number, but we can say that now the COVID has passed on and in the last two quarters we have seen reasonable growth in both the segments even on the retail side. And as a company we are fully geared up to grow in terms of our team size, our infrastructure and even our digitalization model for retail. So, we have geared ourselves for growth and the year prior to that we were more on a consolidation phase where we thought that maintaining a quality of book is more important in those difficult times of COVID. So, now we are fully geared for growth and in terms of market size and all those we have the ability to capture that market. The only limiting factor I can say is our ability to raise funds at the right cost and so, if those are there then our growth will be reasonable.

Dhwanil Desai: Okay. Second question is if we look at SME loan metrics, the average ticket size in that portfolio has almost doubled from 6 lakh to 13 lakh from December 21 to March 22. So, is it because a particular segment of that our SME product which we have kind of started dispersing aggressively and how should we look at the average ticket size in this portfolio?

Management: **--24:55**, but I will just give us two things. One we re-categorized one of our portfolios which we use to classify for a wholesale which were in the range of 50 lakh to 4, 5 crore. And we are 23, 24 crores which we have categorized as midsize SME the 23 crores coming into from that segment which is (Inaudible) **25:19** the whole size from 6, 8 lakhs to 13 lakhs and there has been a little strategic shift on the retail also, Amit will explain in detail but majorly the change had come from that midsize SME loans which has been categorized and shown under this segment.

Amit Ranjan: Hello, myself Amit and the question pertains to the average ticket size. Basically, we have redefined the entire product and as well as the team is a tool to, we are looking forward for those type of clients which are not marginal as well as in this kind of loans which is ranging from 13 to 20 lakhs we get a good client base as well as we get a good collateral also, quality collateral. So, the major shift has been to do quality cases with clients having a good cash flow, churning is happening on a daily basis and they are visible in the market. So, that's the shift which we have done and we intend to maintain that in the coming financial year also and the penetration in the market is like that, so, that all the loans which is coming to us have some kind of vintage in terms of business, at least four to five years of business they are having, multiple businesses are having so that the EMI is not impacted. So, those kind of strategic changes have been done. We have a good team at all the branches now, and the total model is ready both in the form of digitalization as well as on the physical front, because in this segment little bit of touch point with the client has to be there. So, the model is ready, now we can do good numbers in coming days. And the LTV which is loan to value ratio, we intend to keep it up to 30% only. So, we are covered at least three times of the property. So, these are the things which we have kept in the mind and we have downloaded to the team as well.

Dhwanil Desai: Okay, got it. And another question Rohit is that, so if you look at our balance sheet from NBFC perspective, we are hardly leveraged and we raised 30 crore of equity capital this quarter. So, in terms of debt to equity, what kind of first the rationale for raising additional equity. And then what kind of debt to equity levels we are comfortable with, is it 3:1, 4:1, how do you look at that over the next two, three years?

Rohit Gupta: For coming to the rationale of raising this small amount of 30 crores, you are absolutely right. Otherwise, based on our debt equity ratio, this means no sense to pay the equity at this point. And that has been our thought also, but only sometimes you come across a good set of investors, where you can have a more strategic decision which helps in the growth of your business. And that was the basic purpose of diluting our equity to these both very well-known HNI's in the market. And secondly coming to the what kind of debt equity ratio we are comfortable with. As a company, most of the people say that we are too conservative, but that is not the case as **–28:50**. So in the last three, four years post IL&FS we were a little cautious and the COVID made little things bad on the retail side. But still, we try to get our numbers at the bottom line intact and focused on the quality. And now as you see that we are focused more on the growth with the platform and everything where we have worked on this last 18 months. So the debt equity ratio on the retail side we think that 1:2, 1:3 is the immediate two to three years and over a longer period of 1:4 that is our internal thought and on the wholesale maybe two, two and half times that is what our thought is.

Moderator: Thank you. The next question is from Varun Bang from Bernsen Investment. Please go ahead.

Varun Bang: Sir you spoke about your ability to raise funds at reasonable rates. So, what is the rate at which we're getting financing in the market today and what more can we do to achieve better credit rating here?

Management: The biggest, another milestone we are able to achieve that is the rating, and which we are quite hopeful that our numbers, the credit rating is on in last one or two year also, they are been sometimes a reservation around or geographical concentration on the wholesale side or customer concentration that is also now getting reduced with the focus on the small builder loans on the retail, the retail segment of spending. And now the confidence of our lenders and rating agencies has also increased on our wholesale book as they're seen the vintage of the last seven to eight years and specifically in the last three to four years. And the way we have been able to come out in the most difficult times and we have faced demonetization COVID, RERA, and with all those things and so a next milestone of, we are able to go, our ability to raise funds will increase much higher and we are a little cautious that we don't raise rates at a higher rate which sometimes certain companies do and we target below 10% and still date we are able to raise below that rate only and HDFC was far better. So, with the rating coming and still we are in discussions and the final stages with three, four lenders and we are very confident and in this year, they will be able to add a decent number of new lenders into our book.

Varun Bang: And in SME financing, there is a lot of focus on cash flow analysis of the SMEs. So, how good is understanding of our ground level staff here and what are we doing to improve their understanding of cash flows and all other aspects of due diligence?

Management: I was not able to hear the first line on the cash flow. What did you want to say?

Varun Bang: For SME financing, there has to be a lot of focus on the cash flow of the SME, particular SME. So, how good is understanding of our ground level staff when it comes to the financial metrics and what are we doing to improve their understanding of the cash flows and the entire due diligence process?

Management: For this, I will update the ground level staff as well as at the senior management level we have taken people from the industry who were doing this kind of business for the past seven to eight years. So, they have a better way of analyzing the client at the ground level and the same has been done at the branch level. So, every month we have a training on the credit front, whatever rejection has been done in the file, what kind of learning has been done, by making all the clients on the field. And, they are their at the client businesses, at least for two to three hours they understand what is the footfall, if there is a departmental store, or if it is a manufacturing unit, so they understand what kind of vintage they have as well as what kind of turnover they are having, they analyze then and there and then we have a regional level credit manager also who visits the particular client and whatever analysis has been given at the branch level they have cross checked. Post that again, the zonal sales manager also visits that particular client so at least two to three times that client is analyzed based on their cash flow along with the banking and if the client is also filing returns, we do check each and everything. So based on all these same parameters, we analyze the eligibility of the client. Also, we check CIBIL, whatever the obligation is there, how far, how much debt their track record of the past loan is going on. So every **–34:16** of analyzing a loan has been done. Then only we get into the legal and technical aspects of the property. So it's an end-to-end process through which we give loans to any of the clients which are applying for a loan.

Varun Bang: Okay. And one more question, can you explain the ROE tree for SME financing and wholesale financing? What is the mean and cost of operation, credit cost that we target?

Management: The ROE on the wholesale side is roughly around 17% and on the retail side it is around 19% including the PF and all those and the second part of operating costs. Our blended operating cost is around 20% cost to income. And so, going forward everything that we have built a reasonable, we have a team which we can take to Rs.1000 Crores without any major addition, even from the cost and especially on the HO level and maybe a few salespeople may be required. So we don't foresee any substantial addition in our cost to grow ourselves for next one to two years, and our spending on the infra side maybe on the technology, maybe we are improving our hardware infra and improving the infra of the branches that has been taken care of during last nine months. And as with the focus on productivity, which was not there, because of six or seven months, there was no business on the retail and our retail has reshaped only last from October, November onwards. So going forward, we see that if productivity kicks in from retail and our cost to income should come down.

Varun Bang: Okay. And sir just one more question, what percentage of our new loans are through DSA, And what is the DSK, what we have spoken about in the last concall?

Management: I am not able to understand this question, new loans what?

Varun Bang: What percentage of our loans are from DSAs?

Management: DSAs, okay on the retail side. On the wholesale side, you can say 90% are direct and only 10% so from very few established DSAs and they are not DSAs, they are specialized consultants in this segment who know the segment very good. And on the retail Amit.

Amit Ranjan: So, the idea of getting into this business is to directly deal with the client. So, personally speaking, we don't deal with DSAs as much as people would have understood. So, of all the cases which is July onwards, almost 95% are from direct sourcing and only 5% you can see from references or existing DSAs to maintain the relationship, that's it. So, going forward also, we intend to go directly to the client by a multiple micro marketing system. And we want to build a DSC model where direct sales is happening at the client place and DSA. We will definitely see but not now, but once we have stabilized, we have a good AUM, then only we'll look into that, because there is a branch model which we should definitely go for direct sourcing. So almost 95% to 96% of the book is direct sourcing; only 3%, 4% would have been from references or DSAs.

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

Karan Jain: Sir, my first question was on our exposure in wholesale book. So, I just want to understand is the wholesale exposure outside India or is it 100% NCR?

Management: Our exposure is only in India and secondly, mostly into NCR you can say 95%, only 5% in the Chandigarh suburb. And going forward, we want to expand into that area, but as we see the opportunity still we have a lot of market to extend ourselves in the existing area. But for geographical spread, we will be going into that segment in that part of North India. But still I would say right now 95% of portfolio is coming from the NCR. The extended NCR it's a huge area within I would say a radius of 70 to 80 kilometers.

Amit Ranjan: And my second question was on the retail wholesale book, so you are guided to bring the retail to 40% of your book from the current 27% in 12 to 18 months. So, when you say this, how are you trying to look at it to achieve this ratio? Will it be decreasing our wholesale book or you're going to increase our assets?

Management: Definitely we are looking at, we will be going and on this expanded AUM we want to achieve that 40%. As a company we have limited availability of funds then our preference is to grow our SME and to bring out a healthy mix and we want to maintain a 60:40 in immediate two years and as going forward a 50:50 mix in up to three years. So that is our thought on the mix and so if there is a little constraint on the front, then the first focus is on building the SME side.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Thanks for the opportunity. And congratulations for a good set of numbers. The way we have performed during this time it's pretty commendable. Sir, if we look at our visibility we do realize that after we raise funds in 2017 it's the first period that we faced post crises and. So, I was asking that, like we have reached an equity size of around 320, 330 crores by end of this year, largely driven by the reserves that we have accrued and 30 crore of additional equity that we have raised in last quarter. And you have indicated that we have plans to reach debt equity ratio of 1:3 and then long term of 1:4. So when do we see this kind of like target being reached and in how many years do you think we can reach this optimum debt equity ratio of let's say 1:4?

Management: Now, you're asking there's a forward-looking statement. Now we are geared up for growth, and infra in terms of paying and processes and building a completely digitalized platform, is well in place and with the rating approval coming and we raising our other funds, we can reach at, if that is not a limitation then in next three years we can reach that figure easily and the only limitation I told you is to raise funds at the right cost and we don't want to raise funds for making the AUM, building our AUM and we want that we grow with reasonable NIMs, which we always have thought and with that in view and we are confident that with all those two, three years of COVID and some apprehensions about people, about real estate and the wholesale portfolio, which is that people are now more accepting that our ability to do business on the wholesale side also. So with the fundraising, which we have done in the last one quarter, and going forward we think that we'll be able to raise a decent sum of money, and with the rating coming. So in the next three to four, three years, we should be able to reach the target. We are able to raise the funds. Now we are fully geared up for that in terms of size and penetration we are fully geared.

Ankit Gupta: And sir on the wholesale side, we are largely present on the NCR side. So do we have any plans to enter into new geographies or do you think the NCR market itself provides us with a significant opportunity to increase our wholesale lending book to 1000+ crore kind of number?

Management: Still, in terms of market size there's a lot of unregulated markets so we can do a lot of business here. And one thing is that it's a very specialized segment where a domain knowledge about that particular area is required. Even if you see most of the developers they are regional and we want to hold today the next area which is Chandigarh suburb, which is just like a mini-NCR consisting of Panchkula, Zirakpur, Chandigarh, and Mohali, Kharad and all those. So that has a descent spread of 40 to 50 kilometers. But this is one segment where constant monitoring is very important and your domain knowledge and we just for the sake of geographical diversification, we don't want to do that as our size grows, and with us, unless and until you have a whatever size, it doesn't make any sense to just go into new area and do one or two transactions there. So we have already built a team in that Chandigarh suburb and they are doing the initial research and meeting the potential borrowers. So, definitely in this year, you will see some few accounts coming from that area also. And with respect to our existing, we still have lots of scope to stand ourselves, a small builder loan I've told earlier also in my last concall that the segment which is very, very good, and if we become a little more competitive, under 250 bps, we can grow that segment very, very strongly in next two to three years. So, it is only IRR that is one limitation in that segment. So, I've answered what you wanted to know.

Ankit Gupta: Sure. And sir on the branch opening side on SME, like how many branches are we planning to open in FY23 and any other news that we are targeting to enter in next year or two?

Management: No, in SME we don't intend to open any more branches or whatever branches we have opened in the last financial year. We will continue with those branches only because there's a lot of potential which needs to be penetrated into those areas. It is always good to do businesses where your feet are firm and the team is strong, they have been trained on that particular geographies. So we want to first make these branches profitable as well as penetrate all those.

Ankit Gupta: So you were talking about consolidating the SME branches this year and growing from there.

Management: Yes, so like I said earlier, so we don't intend to open any more branches and we want to make these branches profitable from day one. So we will keep the same set of branches for this financial year and in the coming financial year we will again see. We are not opening more branches or expanding into different geographies because what I feel that these branches still have a lot to give to the SME portfolio. So it is better to have around 24 to 26 branches and then perform from there. Once we achieve a certain AUM of around SME book 40 to 60 then we can think of a little bit of expansion, but currently we have this particular set of branches we will continue with this one.

Ankit Gupta: Normally how much time does it take for a new SME branch to break even?

Management: It takes around roughly around nine to 12 months and that too on the business front if we do a business of around 6.5 crores with a IRR of around 18% to 19%, then only we'll be able to make breakeven.

Ankit Gupta: Sure. And Rohit given the thing that you are seeing currently, and the kind of mix we want to have between wholesale, and retail do you think during FY23, retail growth will be more than wholesale, or you think that the traction that we're seeing on wholesale will continue during FY23 as well?

Rohit Gupta: I have told you there is no limitation of funds and the wholesale will equally grow because we are very confident in that segment also. And we are looking for co-lending opportunities also with the various, we are doing already with one or two clear, and a lot of NBFCs and one or two banks have approached us on the co-lending side also. So we will never lose the business on the wholesale. So even if we have a limitation of funds, if we say and then our SMEs are first focused then we will build those opportunities through a co-lending model also. And yes, if we are able to raise funds, which we are quite hopeful about also with the rating **–51:17** coming. So you can see reasonable growth on the wholesale side also along with the SME path.

Ankit Gupta: Sure. And this is the last question on the increase in interest rates that we are seeing currently. So how are we able to pass on the interest rates to our clients and do you think there can be some pressure on our NIM's in the coming few quarters or FY23?

Management: With recently the 0.4% hike which RBI has done, most of the banks have done or with the trusted bank doing 0.15 only. So, right now we have not passed on our existing portfolio and mostly it is on a fixed basis. But going forward, whenever you're looking for wholesale and retail, we are trying to bargain a little more, 50 bps, to 100 bps on the basis that the inflation and their interest rates are rising. Definitely if the interest rates rise we will be able to pass on to our customers they also understand. And so that is not a challenge that you lose a client, just because you've raised interest, but the industry the rates have been raised by everybody so it will be a part of that only.

Ankit Gupta: Sure. But normally this wholesale lending book that we have is our fixed interest rates loans or we do have some floating interest rate loans as well on this side?

Management: (Inaudible) **52:48** but normally, we don't have a four-to-five-year kind of a, they are booked and repaid on an average 24 month to 18 month, in terms of the challenge with working with already reasonable length. So small moves don't affect us and we have already started negotiating a little higher when we are onboarding a customer after this RBI rate hike. So that will not be a big factor unless and until we see a huge rise in interest rates in a very short span.

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

Sahil Sikka: I have a couple of queries. Firstly, you briefly mentioned the new tech platform, can you please do some detailing on the same and where will the same help your firm in terms of growth and credit quality and (Inaudible) **54:03?**

Management: Hi, Shail, thank you for your question. So to start on that we have built a fully customized loan origination platform right from onboarding the customer on a mobile application wherein we're doing all our preliminary fraudulent checks at the entry level only doing all this other checks which is helping us remove eliminate at our entry level source. And we are on a everyday basis the entire team is working with a set of the developers in terms of making our credit system quite robust and then we have it fully integrated with our LMS and as well as the collection system. So our aim is to basically onboard the customers on the technological platform, make it 80% technology driven and the rest 20% will be touched by our team members on the ground because there has to be technical visits that have to be done, the legal visits have to happen. So that cannot be excluded, but other than that the entire credit underwriting and credit underwriting and disbursing the case is all digitized, we have also have taken up, we are also making our collections, adding 95% of our collections, is all digitized collections only just few cash collections are relatively few percentage with the help of E-NACH and Paper NACH (Inaudible) **55:40**. And we feel that by having this robust system we will be able to do our credit underwriting better for our SME portfolio and the management will give us credit dashboards and BI dashboards and MIS Reports (Inaudible) **55:57.**

Sahil Sikka: Thanks. Second question is, so it was briefly mentioned a while back that you have a target of achieving 1000 crores AUM index one and a half, two years so what –**56:13** do you see considering the current market and the current scenario and environment?

Management: We have not given any kind of these numerical targets. And we have only said that we are fully geared up for growth in the coming years. In terms of the team, in terms of infrastructure and policies and we are fully geared, the only limitation I told you is the ability to raise funds. And for that one factor is a getting credit rating upgrade also, going to A category and with the kind of fundraising which we have done in last five month and the way the few initial term sheets have come, we are confident that going forward that will not be a huge challenge, and we'll be able to raise debt and growth will be there but I will not commit to any numbers in next 18 months or 24 months. We are ready for that and for us only raw material is money and primarily to the debt side and every company strives for that and quite confident that they'll be able to raise reasonable debt in the next one to two years.

Moderator: Thank you. The next question is from the line of Madura Anand C from O3 Securities. Please go ahead.

Madura Anand C: My question is, we have a good experience of builder finance and have a pretty good RO in that business. So, why did we not focus on that segment and grow 1000 crore on other segments?

Management: We missed your first line ma'am.

Madura Anand C: All we have a good experience in builder finance and a pretty good ROE in that business and building finance business. So, why not grow it to 1000 crores before focusing on other segments?

Management: Your question is absolutely right. The segment has been performing for us since we started our lending and we are very, very confident and the only issue sometimes comes from lenders and rating agencies that there is a little apprehension about the real estate. And I always say that how you do it is more important, if you understand the segment and how you do that you will be able to come out of any situation. And secondly, we want to have an ideal mix of both retail and wholesale. So it brings out more stability not in the view of the lenders or rating agencies or outside investors. But for a company as a whole because retail is a more consistent business and the segment we are not going into too many segments into retail as a philosophy, as a philosophy of companies that we want to focus into limited domains. In the wholesale we are primarily into the real estate related segment only and in the retail we are primarily into small micro cap SMEs where there is not too much debtor, the only people are the debtors and banking, they have a limited banking and ITR doesn't give you the right true picture. So FinTech companies can't enter into that segment. And mostly they are into the unsecured segment. So we are choosing ourselves where we want to be and this ideal mix of both brings us stability to the company and through all our stakeholders so, that is the reason. So, just in one line can we say that because real estate is a little lumpy business, so to have a say the right mix so I can see the thought to do the retail and wholesale both.

Madura Anand C: Okay, thank you sir. In addition to this, we also wanted to know about the challenges in builder finance, which are anticipated and the risk in that business segment?

Management: As a company now we are more than seven to eight passing year, our confidence increases and I still say in any segment firstly maybe a wholesale segment, maybe into real estate or any other manufacturing segment, you have to have a very good domain knowledge if you will that domain knowledge and you do within the parameters and policies of the companies. We don't see that any segment gives you an extraordinary challenge unless until we see the housing, there is no requirement of housing, urbanization will stop, the people, the GDP growth will not come and people will not look for upgrading or buying new houses then you can see some challenge can come. But even if that scenario plays out it will play out within a few months. And as a company we know how to change ourselves according to the dynamics of the market. So we don't see any major challenges per se provided we work within our parameters and within our area of strength.

Moderator: Thank you. The next question is from the line of Ravi Goenka from O3 Securities. Please go ahead.

Ravi Goenka: What is the number of customer which are repeat customer in wholesale business and the player whom we have funded in past are they launching new projects?

Management: Yes, you can say small builders that component is much higher. In fact, our focus is to add more and more customers in this quarter and in this current financial year, the focus is to add more customers and in terms of repeat, 25% are repeat and rest. 75% of customers are repeat when they come out they pay us from the existing project and they come up with a new project, 75% are repeat and 25% are the new one.

Ravi Goenka: And we have spoken of entering markets like Chandigarh, Jaipur, Lucknow in quarter four financial year rating call. What is the progress on that and why has it taken more time to enter this market?

Management: Immediate six to nine month of focus is Chandigarh suburb and the Jaipur and Lucknow may not be upcoming this financial year. This year as we said that in the next two to three years, these are the next two, three target segments. The only thing I must tell you unless, until you have a size and everything that we will be able to grow and we have to build domain knowledge and you have to do research of this area where we have already, person there and they are doing all those research and doing their (Inaudible) **1:03:40** work and meeting the potential borrowers it makes no sense and to just open a new area and start lending. So, it requires six to nine months of research before you start your first account. And secondly, definitely you will see that few accounts we will do this year outside our NCR region, but mostly you have to have a decent size to enter a new area because this is one segment with constant monitoring and constant meeting with your borrowers. And we have a reasonable lot of potential to grow ourselves in all three segments of affordable, mid income and small builder loan segments in the NCR itself. So, the Chandigarh suburb will be the only one area where you can see that few accounts will be done in this financial year.

Ravi Goenka: Okay. And one last question. We expect growth in the NCR market more by addition of new borrowers or existing borrowers taking more loans for new launches in the next four to eight quarters.

Management: It's a combination of both, given a choice to if I have a limited fund that will take a new or old one, preference is to board new customers and definitely as Chandan explained to you that we have 75% from existing and 25% from the new one. The focus is to add new one more on the small builder loan.

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

Dhwanil Desai: One question on the liability side, I think in our presentation you mentioned that we are exploring some avenues for securitizing our book, so anything else on the liability side other than bank credit like public LCDs or something like that on the cards or are you exploring to ensure good liability?

Management: Definitely we will like to look for NCDs from corporate but it will be a little too premature at this size and stage unless until we have a decent rating and AM of +1000, you see whenever any company has raised funds, or make NCDs that have been at a little higher cost, but apart from the past, I'd say still we are little premature to go into that debt raising opportunities of, the way the from the public NCDs and FD. So these two things will not come in next one and a half, two years, but apart from that we are all facing all those, looking for all those opportunities from the institution's banks, whether from Securitization form or term loan of working capital or NCDs or any other form.

Dhwanil Desai: Okay. Are we planning to do at least 10% of securitization kind of number? In the next two, three years of the book or any numbers around that?

Management: Only the tradeoff between securitization and doing direct is, till you have the funds and you're able to raise funds and you're confident about your book. And it's better to do on your own book. And when you're not able to service from your own funds, then the securitization opportunity is one can look at still our SME book is around 100 crores as of March and going forward we are coming across opportunities who want to look at our SME, both, and wholesale book also. And to start with, we are looking to scrutinize our wholesale book in the next one to two quarters, a small portion of that. So that too has the flavor of Securitization. And the same way we do with semi-part and going forward as we'll be exploring in a bigger way I would say in next year, but yes we want to do something in a small way in both the wholesale and retail.

Dhwanil Desai: Okay. And one small clarification so the ROE numbers that you mentioned for wholesale and retail of 17% and 19% it is as per, as it stands today on the leverage front and cost to income front is that a right way to think or this is like on a normalized basis you are looking at 17% to 19% number?

Management: I'm not able to understand your question.

Dhwanil Desai: So, your leverage, is what I'm saying is that our leverage is still less than one.

Management: It has no correlation with my lending IRR.

Dhwanil Desai: Okay. So you're talking about IRRs of 17% and 19%?

Management: Yes.

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

Saurabh Pal: Sir, I'd like to know what is the cost of funding the borrowings and what is the yield on the wholesale book and on the SME book?

Management: The cost of weighting borrowing is around 10%, from 8.25% to 10% as the weighted is around 10% and the wholesale leverage IRR is around 17% and retail IRRs is around 19%.

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

Nikhil: Just one clarification, sir. If we look at our ROA or ROE on a wholesale book and retail book, would it be right to say that the wholesale book would be a better ROE business because it is more B2B as a result the employee cost, the team strength is much lesser, versus a retail business where the team size is much larger, the seat is much larger, so the cost would be much higher, or would it be like the retail would be a better ROE business versus a wholesale eventually?

Management: To some extent you're right in the short term your assessment maybe right, that the wholesale book has a low cost to income and ROE is great, but whenever you're starting a retail to retail, you have to invest and in first two, three years the profitabilities are low and then in the intermediate period we also saw COVID and also this disrupted our operation, but as I explained earlier, from the stability and the consistency, we want that (Inaudible) 1**:11:09** is very, very good. And so, the retail is more consistent and the tenure of the loan is around six to seven years and so the risk is also spread among a large number of borrowers and the graphical spread also comes with it. And so, to have a more stable and consistent group for us, so both segments are very, very important. And going forward, as a SME most of the cost has been built in this financial year and going forward with a focus on productivity as the last four, five months have been really very good. We think that the SME will also start giving the right operating numbers in the coming years and this year itself to start with and so have the right mix and most stable growth. The growth of both the segments is very important.

Moderator: Thank you. The next question is from the line of Madhura Nansi from O3 Securities. Please go ahead.

Madhura Nansi: I have two questions, the first question is, we have spoken earlier about the time it takes a number of projects to have a good understanding of the market and wholesale lending side, can you elaborate on generally how much time it takes and the number of projects we need to do to have a proper understanding of a micro market?

Management: Well prior starting any area or if I am penetrating into any area like as we have told that we are doing research into the Chandigarh areas, so prior getting into our basic team or the build team do the basic research and collect all the data related to the builders and what are the projects going into the particular areas. Apart from that the credit team work on the policy part, that what are the policies prevailing on for a different micro market and how the government falls in support and how the authorities into areas performs support builders. That can impact our lending parameters. So, basic those things whatever the learning which we used to collect from the market, we used to build our policies and then start penetrating the market generally these time period takes around three to six months minimum time to start penetrating into any market. In Delhi NCR we are present since 2010 so in these last 10, 11 years we have built up our domain knowledge very slowly, we started with very few projects around one, two developers itself and since 2017 once we are equipped with or developed our domain knowledge in and around with Delhi NCR areas we started expanding our builder portfolio into these areas itself. So the minimum time requirement would be five to six months for penetrating into any area and collecting any demographic knowledge or topographic knowledge about the area.

Madhura Nansi: Thank you. The second question is, we had spoken earlier about increasing the duration of the builder book in one of our calls. Can you elaborate on that as well?

Management: You are talking about the duration?

Madhura Nansi: Yes, the duration of the builder book yes sir.

Management: Okay. Generally what happens is that we used to board any builder for normal **–1:14:54** of around 36 to 48 months, but the book rewards itself into the 18 to 24 month for the small builder loan and the 24 to 36 months for the big builder loans that is a normal duration.

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

Management: Thanks, everybody for participating in this Q4 and the FY22 call and hope to see you again in our after September results, the half year results and thank you everybody, and thank you Sayam and your team.

Moderator: Thank you. Ladies and gentlemen on behalf of CSL Finance Limited that concludes this conference. We thank you all for joining this and you may now disconnect your lines.