



# “Ujjivan Small Finance Bank Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Ujjivan Small Finance Bank Conference Call to discuss queries related to recent Management and Board changes hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arash Arethna from IIFL Securities. Thank you and over to you Sir!

**Arash Arethna:** Thanks Nirav. I would like to thank the management of Ujjivan Small Finance Bank for giving us the opportunity to host this call. This call will be addressed by Mr. Samit Ghosh – Additional Director – Nonexecutive, Nonindependent of Ujjivan Small Finance Bank and also the Chairman of Ujjivan Financial Services Limited and Mr. Sunil Patel – Independent Director – Ujjivan Financial Services Limited. I will now hand the call over to Mr. Samit Ghosh for his opening remarks followed by which we will have a brief Q&A session. Thanks and over to you Sir!

**Samit Ghosh:** Thank you very much. Good morning to all of you and thank you for joining us at a very, very short notice at these early hours. You all must have seen our press release and read about the resignation of Nitin night before last which came to us also a bit of a surprise and also the bank has been working for the last few months to strengthen the Board and we have inducted a number of key Board members including Mr. Nambiar who is the ex-CMD of Andhra Bank and we would plan to propose him to Chair the Board subject to RBI approval then we have Sudha Suresh who was our CFO and she was also MD of the holding company she will join us on the Board and Ravichandran who is a banking professional from the IT industry he will also join us and finally the holding company Board has nominated me to be a common director of both the bank and the holding company. Mainly our focus will be to make sure that we focus on this whole crisis of the portfolio quality and we manage it much more closely as we go ahead, also the attrition which have taken place we want to stem that attrition of the senior management who built Ujjivan over the last so many years and we want to rebuild Ujjivan from that perspective and finally I would also help facilitate the reverse merger process between the Holdco and the bank. I have been in touch with the Reserve Bank personally both in terms of this transition of the management and we are working very closely with them on that issue.

Our objective is really to bring in stability to the bank both in terms of the churn which has taken place on the Board and the management and also ensure that given our tradition of being a very conservative bank, we make sure that we recognized all our problems upfront and manage them in a proactive manner so we will be working on that and both the Holdco

and the bank will certainly collaborate very closely in the reverse merger process to make sure our shareholders interest have taken care of. We really now look at the bank with lot of optimism and we have gone through a lot of rough time but I think we are looking forward to an optimistic kind of scenario coming up in the next few quarters in the next couple of years. Both Sunil and I who have been part of the Founding team of Ujjivan right from 2014 onwards are here to answer your questions, so instead of my going on giving you a long speech we would rather answer your questions so we look forward to answering your calls. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

**Renish Bhuva:** Sir thank you for the opportunity. So sir just couple of questions, so one is on this entire transition since we are already in the sort of fag end of the August and Nitin is there till September so how we are going to plan the transition where we are as of now in terms of new hiring for the post of MD, CEO that is number one and number two so what sort of a trigger this kind of a Board restructuring and maybe even at the executive role as well if you can throw some light on both these aspects will be helpful Sir?

**Samit Ghosh:** For the first question basically Nitin is going to be there till end of September but we have a Board Meeting on the 25th and we will decide on the transitioning how we manage this transitioning and we had a discussion on this with the RBI also. What happens is we will designate someone as an officer in special duty who is very familiar with Ujjivan and specially managing this kind of crisis kind of situation which is there in the portfolio quality kind of issue and that person will manage the day-to-day operation of the bank post 25th till Nitin departs by end of September then that person can continue as an interim CEO, meanwhile we will do a search both internally and externally to look for a permanent CEO which as you know from the whole process of the RBI approval, etc., takes three or four months.

**Renish Bhuva:** So for that have we hired any agency or how we are sort of proceeding?

**Samit Ghosh:** No, we will see in terms of identifying for a permanent person whether we need to do an agency or we will look for people internally only.

**Renish Bhuva:** So interim CEO will be the internal candidate or how it is?

**Samit Ghosh:** Internal candidate that will be approved by the Board. It will be an officer in special duty and after Nitin leaves it will be an interim CEO.

**Renish Bhuva:** Got it and for this also we made RBI approval for searching of new CEO?

- Samit Ghosh:** No.
- Renish Bhuva:** On the second aspect of my question.
- Samit Ghosh:** Yes, just explain to me what I could not understand exactly what you want to know.
- Renish Bhuva:** Sir basically from last four, five months we have been seeing on the extent is there is a frequent Board member resigning and now MD & CEO has also step down so maybe of course the way asset quality, etc., has pan out for us so I would not say it is inferior but I think I will say entire industry is going through a same problem in terms of the stress level at least on the MFI space so what trigger this frequent resignation from the Board as well as the top management team?
- Samit Ghosh:** Well as far as the Board is concerned people have left for various reasons some of them had been there with us for a long time and they decided to leave. We have been interacting with the holding company and the bank side closely and one thing we felt that the Board needed to be strengthened further and that is why we have inducted this four people and now we may induct a few more together to strengthen the Board. As far as the bank management departure not just the CFO, what serious concern was at a business level a lot of the people who built Ujjivan have left over last one year and that is one of the main reasons why the holding company Board decided that I should join as a common director and look at three areas specifically one is managing the whole portfolio quality issue proactively and in a transparent manner, in a conservative manner which has been our tradition, secondly we want to stem this tide of attrition of lot of our senior management who have left the bank and try to rebuild the organization from that perspective and the third thing is this reverse merger process to ensure that it goes smoothly. Obviously there will be a fourth area now which would be also my responsibility is to ensure that the transition takes place smoothly between now the current management Nitin departing and putting in a new person in place and also managing this long transition which may take three, four months very closely because this is a very difficult time of the bank so we have to identify a very good person which we are more or less done and we will decide on that on the 25th so that we are able to manage this process very smoothly and bringing stability both at the Board and at the management level.
- Renish Bhuva:** Last question from my side let us say from a regulatory standpoint are you let us say would be eligible for a Nonexecutive Chairman role or that option is not there?
- Samit Ghosh:** No I cannot be a Nonexecutive Chairman, we will propose Mr. Nambiar I will be just a common director.
- Renish Bhuva:** Got it. That is it from my side Sir. Thank you so much Sir and all the best.

- Moderator:** Thank you. The next question is from the line of Kristi Fong. Please go ahead.
- Kristi Fong:** Thanks for the update. I guess I just have a few questions and it is okay for me to just ask about specific people. I am just wondering about the departure that has happened you know various business heads and given the change that is happening now are you look to try to bring them back on Board is it something that you think might be a possibility?
- Samit Ghosh:** Certainly Kristi we will be looking at that and that will be one of our objectives to get back the people who have left if they have not moved on permanently that is something we are going to work on.
- Kristi Fong:** Do you think it is a matter of maybe making remuneration or incentives more attractive what is that possibly one of the reasons why they would have left as well?
- Samit Ghosh:** Well to tell you the truth that remuneration and all that we can take care of that is not an issue but people leave when they are unhappy with their work it has not much to do with remuneration but if remuneration is an issue we will take care of it.
- Kristi Fong:** I guess it was also reported that Ms. Carol Furtado had come back at the holding co level and she is quite experienced person is she the ideal person to be and is she able to be appointed as an interim CEO at least or be the CEO, will she be the natural person?
- Samit Ghosh:** Well she would be really one of the top candidates for the officer in special duty during the initial transition period and also for the interim CEO she is certainly the top candidate and that is what we will consider at the Board meeting on the 25th.
- Kristi Fong:** My last question will be just on that digital transformation because I guess that what one of Nitin's objectives and that is his skill set and experience as well and he has formed various partnerships so how do you see that going forward with him stepping away will that affect the partnership they have already been signed on?
- Samit Ghosh:** No Kristi I do not think that would be an issue at all we will continue on our path on the digital path and there are officers who are handling that at one level below Nitin and they will manage the process smoothly so that is not going to be an issue.
- Kristi Fong:** So there is like a specific digital team?
- Samit Ghosh:** Right we have a person.
- Kristi Fong:** Is it one person or you would share like how...

- Samit Ghosh:** One person heads the digital initiative.
- Kristi Fong:** In terms of the strength of the digital team are you able to share how many people you have in that team how long that has been with the bank?
- Samit Ghosh:** Kristi I have just joined the bank Board today so I am not privy to a lot of resignation but they just built I think a good team so I can let you know after I check it out.
- Kristi Fong:** Okay thank you very much. You have been as open as you can be so really appreciate that. That is all from me. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Gautam Jain from GCJ Financial Advisors. Please go ahead.
- Gautam Jain:** Good morning Samit and team. Sir my question related to is there any financial implication possible in short-term because of MD leaving the company?
- Samit Ghosh:** There are no financial implications, not that we are aware of.
- Gautam Jain:** Can you comment on the recovery as we see third wave is not in sight how is the recovery happening if you can comment on that?
- Samit Ghosh:** As I said I have just joined the Board today so I am not privy to a lot of inside information but from what I understand across the industry and also in Ujjivan they had a fairly good term in terms of collections, etc., in this quarter so far but it is still going to be a big challenge but we have to look into that and as I said we have always been very conservative so we will look at this quarter and see how our portfolio is and then take measures to ensure that whatever measures we do is upfront so that we can close the issue this quarter and from the following quarter we continue to perform in an upward trend.
- Gautam Jain:** Do you see any further attrition at a senior management level or second notch management level?
- Samit Ghosh:** I cannot say Gautam the thing is I do not think the older management will certainly not leave and I think a lot of them who have left are in the notice period will stay on with Ujjivan, some of the newer people who have come I do not know they might feel uncomfortable with Nitin leaving so they may think of leaving so we are not sure about that we have not talked to any of them yet so we will see how it goes.
- Gautam Jain:** How confident are you that there would be smooth transition at the top management and bank will come back bouncily in the medium-term?

**Samit Ghosh:** I am absolutely confident because the thing is we have gone through many crisis in the past starting with the Andhra crisis, with the demonetization crisis, etc., we have always bounce back and I think we will be able to do that as long as we work to a plan and are working in a very transparent and a clear manner. The whole issue of I feel the COVID crisis obviously has a huge impact on us so we will have to see how that plays out if that is going to impact us in the future but as far as the present portfolio and all that is concerned we will clean it up we will make sure we will put the full force in terms of collection, restructuring, etc. The other thing which I am very keen to do is that end of the day it is a vaccinations which stop this COVID crisis so we will put a lot of emphasis and support not only to make sure that our staff are vaccinated but also our customers. So if the customers are vaccinated especially in the microfinance area our portfolio in the long run and the medium-term will be good.

**Gautam Jain:** Thank you so much. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

**Abhishek Murarka:** Sir my first question is in terms of what is happening now you are effectively back to the pre Nitin period when Nitin was not there for two years back in terms of the construct of the team so incrementally do you expect to still hold on to the strategy that was there at the bank or is there going to be a complete rethink on how the bank is going to go forward?

**Samit Ghosh:** The thing is the team is not come back to what it was pre Nitin days, Nitin has hired a lot of people who are there in the organization still and we have to make sure that those who want to stay with us will stay on and we certainly will not change our direction in terms of building the mass-market bank based on technology and digitization, etc., so that will certainly continue and it is certainly not going to go back to the pre Nitin days because we have moved ahead quite a bit and we will move further beyond that line and we will stay the course we are not going to change the course.

**Abhishek Murarka:** What I meant was that you are back, Sudha Madam is back, and Carol is back, so in that sense there are some of you who had build the company and what direction the company was taking from that point of view.

**Samit Ghosh:** Yes, Carol is back in the holding company and as we discussed with Kristi she will probably be the prime candidate to manage the transition and basically she has two very strong points one is she has managed the previous microfinance crisis for Ujjivan and that is one of the big problems which we are facing today so we feel very confident with her in place that we will be able to manage this portfolio quality problem largely in the microfinance and to a certain extent in MSME space also. Secondly she has been the Head

of HR and she is having been with the bank for 15 years very strong ground connect and people connect so the whole people issue she is the ideal person to handle these are the two things. Sudha actually will be coming back and taking a hard look at the finance function and with her experience the reverse merger process will be very easy she knows the whole inside of Ujjivan so her knowledge and experience will help that I am there just as a shepherd.

**Abhishek Murarka:** Thanks for that. Sir the other question is in your opening remark you said you would like to bring in more transparency in asset quality reporting and just now you said that you will be trying to clean up the portfolio, etc., so is there any issue with the asset quality reporting that you need to change?

**Samit Ghosh:** No, I do not think there is an issue but if you see the provisioning and it started from the first quarter of last year we moved up and down and frankly our tradition has been to recognize problems upfront, be transparent, and take proactive action immediately, those kinds of things we will strengthen.

**Abhishek Murarka:** Is it the entire industry has gone through this up and down in terms of their collections and asset quality so I was just wondering how different Ujjivan?

**Samit Ghosh:** Yes, if you compare us with others there is a difference, with the ways of the COVID crisis coming the crisis we have gone through, various ups and downs and we maybe going through future ups and downs with the third wave and all comes, but we will certainly try to go back to our tradition of being upfront recognition of entire problem, you have been proactively managing it providing for it and it will start from this quarter.

**Abhishek Murarka:** Sure Sir. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Abhijeet from Kotak Securities. Please go ahead.

**Abhijeet:** Sir first question is like just sorry to touch that again but what exactly led to the situation that you can kind of highlight us the key reasons for Nitin leaving, in the TV interview you have mentioned that there was some sort of a performance pressure on him because of the asset quality challenges?

**Samit Ghosh:** No, not any pressure, obviously there was pressure in the sense that Ujjivan was going through a very difficult time so whether it is Nitin or anyone else in any other small finance bank or microfinance institution they all went through a lot of pressure that is all I was referring to but nothing special.



**Abhijeet:** Samit Sir do you see any issues in the way the entire COVID crisis was handled by the current management team, so on the asset quality itself what exactly was the gaps that we will found in the way the previous management was dealing with the situation and what sort of course correction do you think is needed and do you sort of also need to reverse some of the things that were done in the past couple of years if you could give us some amount of detailing on what issues do you see at the asset quality level?

**Samit Ghosh:** No Abhijeet I do not think there is any reversal or anything which we will do but it is a matter of degree and as I mentioned earlier we have been a very conservative bank, we have always tried to recognize our problems upfront and take provisions and took proactive measures in term of collection, restructuring and all that whatever needs to be done and this has been maybe the pace at which it is done has been a cause of concern for us over last one year in the holding company Board, we have felt that we should have been a bit more proactive to that extent but the question is a matter of degree nothing reversal or something like that.

**Abhijeet:** In terms of attrition apart from senior level do you see issue at the mid or at the ground level as well?

**Samit Ghosh:** In the last few months there has been a lot of attrition across the Board at different levels, at the branch level, at the field level, at the middle management level and that is all we will try to stop that immediately.

**Abhijeet:** Anything on the liability side that you think has to be reworked or restructure?

**Samit Ghosh:** Well we have not looked at a liability side I think the performance so far has been reasonable but we certainly take a look at what we are doing on the liability side and recalibrate I would say.

**Abhijeet:** That will be all. Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Varun from FTIM. Please go ahead.

**Varun:** Sir could you elaborate a bit on the digital strategy initiatives that Nitin was focusing on in terms of how that he succeed?

**Samit Ghosh:** Digital strategy?

**Varun:** Yes.

**Samit Ghosh:** As I had mentioned earlier there is not going to be a significant change from that as I explained to Kristi because the entire team is going to be there and we have a full team there. I actually am not, because I just joined the Board from today not privy to the entire thing but we will review the digital strategy more closely and that will proceed as usual.

**Varun:** Also since you mentioned few team members who will be taking specific initiative so could you be elaborate let us say Sanjay who has been Chief Business Officer and has also looked at the people's function in terms of how he could be contributing going ahead?

**Samit Ghosh:** You are talking about Sanjay Kao?

**Varun:** Yes.

**Samit Ghosh:** Well we have to evaluate how he has managed the people function especially as I said we were very concerned about the attrition which has taken place at all level and continues to take place now and based on that we will evaluate his performance and take a call.

**Varun:** Understood thank you Sir. Best of luck.

**Moderator:** Thank you. The next question is from the line of Pranav Thakkar, an individual investor. Please go ahead.

**Pranav Thakkar:** Sir you just mentioned earlier that you will bring lot of transparency and recognition in upfront provisioning and structuring, but I believe that when small finance bank was created one time upfront provisioning was already done and this time also based on whatever parameters were being established on various occasions the provision is done and I see Nitin has a very rare combination of digital and banking management together and which may be difficult for this ongoing situation to it is hard kind of resources that could be replaced so if you can throw some light on that as well?

**Samit Ghosh:** I think we have made adequate provision in the last quarter there is no doubt about it, we will take a look again in terms of the portfolio in this quarter and see if this is adequate or not or we need to take more so that is from that perspective. As far as Nitin is concerned obviously we were all very impressed with his digital expertise and his track record so that is why we actually recruited him but we have seen what has happened and he has finally decided that he wants to move on so we have to respect his wishes and get someone else to take Ujjivan further.

**Pranav Thakkar:** As an individual investor and since I am holding shares for a very long period of time and from shareholders point of view I see green shoots coming out and Ujjivan is on the right track and for the provision itself I felt that Ujjivan is at a very sweet spot considering AU

Small Finance Bank has created provision of 49%, PCR is 49% for AU and 51% for Equitas, so compared to that Ujjivan has sufficiently adequate cover and one of the highlight was that the new book like post Nitin what created it has NPA of 0.4% and that falls around 56% of the total asset quality so I was just wondering that what else could come out from this?

**Samit Ghosh:** No, we are not sure what will come out we will take a look and see what is there if any additional provisions have to be made as I said I just joined the bank Board today and we will take a hard look and as you said that we have made very substantial provision last year and PCR is one of the better among the small finance bank so we are very happy about that but whatever needs to be further taken we will take at this quarter if necessary to make sure that we have a clear book and we can start our recovery process from the following quarter.

**Pranav Thakkar:** Okay Sir thank you.

**Moderator:** Thank you. The next question is from the line of Anand B from White Oak Capital. Please go ahead.

**Anand B:** I just wanted to understand what is the contractual notice period for Nitin and if he is serving the full notice period?

**Samit Ghosh:** Yes, he is serving the contractual notice period which is till end of September.

**Anand B:** But typically notice periods are at least two or three months so in this case it seems to be much, much lesser and given the criticality of the role..

**Samit Ghosh:** He has indicated that he wants to be relieved by end of September and that is something which we will take it but I suspect it is within the contractual period. September 30th is his request.

**Anand B:** We are considering that we can entertain that so it is currently not finalized for sure?

**Samit Ghosh:** No, if that is the date he wants to leave that is something we will certainly consider positively.

**Anand B:** Okay but does not that put us in a very tricky situation in such a volatile environment whereby having a CEO is a very critical thing for the organization?

**Samit Ghosh:** That is the reason why RBI has this concept of an officer in special duty to take care of the transition period to manage the bank operation during that period so even this period when once we decide on that on our Board meeting on 25th the officer on special duty is actually

effectively going to manage the bank so Nitin's presence will not be that much important for us for our day-to-day operations and managing the bank's portfolio and all the other issues. He has indicated he wants to stay till September 30th and he will stay till September 30th.

**Anand B:** Sure thank you.

**Moderator:** Thank you. The next question is from the line of Gaurav Jani from Centrum. Please go ahead.

**Gaurav Jani:** My question was would you attribute the stress buildup that we have seen which is higher than peers to the attrition that we have witnessed over the last couple of quarters?

**Samit Ghosh:** I cannot tell you exactly the situation which has impacted the bank because they have not been part of the bank Board but from my experience especially in microfinance if you cannot hold the team together that is a big contributor to poor asset quality because at a ground level, at the middle level and at a senior level you have to hold the team together whether in microfinance or whether in retail credit when there is a crisis just like on a ship if you are in a storm you have to have all hands on deck and just concentrate on navigating the ship through the storm in that situation if you start having attrition obviously it puts the ship into a great danger so it is a similar analogy to whether it is retail lending or whether it is microfinance that is my experience and I think any major retail lender will tell you the same thing.

**Gaurav Jani:** Sir in your experience if I may ask things further on a lower and a mid level would the reasons have been similar in the top level resignations that you have seen?

**Samit Ghosh:** Sorry if the senior level leaves does that have an impact on the lower level?

**Gaurav Jani:** I was trying to ask that the attrition you would have seen at the lower end and mid level the reasons that probably they would have left would the reasons have been similar to the high level attrition that you have seen?

**Samit Ghosh:** I could not understand your question the lower and middle level attrition which has taken place does that lead to a higher level of attrition?

**Gaurav Jani:** No, Sir I was trying to get to the reasons that they would have left at the lower and the middle level and I was just trying to tie up..

**Samit Ghosh:** Let me tell you one thing in a crisis situation the lower level and the ground level if they do not get adequate support then they will leave so hypothetically I am telling you if there is a

credit crisis and you have to initially beef up your collection team and not with novices but well professional collectors, otherwise there is a tremendous pressure put in place of the existing people and then people start leaving so that is the way I see it, during a crisis like that the first thing you do is strengthen your collection team and make sure that they work effectively during this period.

**Gaurav Jani:** So we had strengthened our collection team right for the last one year basis of something called interactions, so I was just wondering as to what we could have done definitely is there?

**Samit Ghosh:** It is a question of degree how fast we put a collection team in place, are there adequate numbers, etc., we have to also look at branches if they are adequately staffed, if they have a huge collection problem normally what we used to do in the past is in a particular branch if there is a huge collection problem in the microfinance we would supplement it with additional people either from other branches to support them or we would hire additional people to do it so those kinds of things at a very micro level we have to manage it very closely so we have to see it because as I said I have just joined the bank Board today and I will see it more in depth very closely in the next few days and weeks.

**Gaurav Jani:** Sure that is it from my side. Thank you Sir.

**Moderator:** Thank you very much. Ladies and gentlemen due to paucity of time that was the last question for today. I will now hand the conference over to the management for closing comments.

**Samit Ghosh:** Well thank you very much for joining us at this meeting at a short notice and asking us all the questions you have. What I would like to say is please feel free if you have any further questions, anything you require Deepak is there he is our investor relations person, Akash is also those there who manages our investor relations, any questions or you can directly get in touch with me, Sunil or whatever and whenever you wanted you do not have to wait for the analyst call please feel free to contact us and we will be happy to give you any kind of answers. Thank you very much.

**Moderator:** On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.