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

Respected Sir,

Subject:- Q3FY21 Earnings Conference Call Transcript

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated 2nd February, 2021 please find attached the transcript in respect to the Q3FY21 Earnings Conference Call of the Company for the quarter ended December 31, 2020 held on Wednesday 3rd February, 2021 at 12:15 P.M.

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

This is for your information and record.

Thanking you

Yours faithfully

For SRG Housing Finance Limited



Sunaina Nagar
Company Secretary
M.No:- A40754



Enclosed:- As above



“SRG Housing Finance Limited Q3 FY21 Earnings Conference Call”

February 3, 2021



**MANAGEMENT: MR. VINOD KUMAR JAIN - MANAGING DIRECTOR,
MR. ASHOK MODI - CHIEF FINANCIAL OFFICER,
MS. SUNAINA NAGAR- CHIEF INVESTOR RELATION
OFFICER**



*SRG Housing Finance Limited
February 03, 2021*

Moderator: Ladies and gentlemen good day and welcome to the SRG Housing Finance Limited Q3 FY 21 Earnings Conference hosted by SRG Housing Finance 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 Ms. Sunaina Nagar from SRG Housing Finance Limited. Thank you and over to you Madam.

Sunaina Nagar: Good afternoon and welcome everyone. We are here to discuss SRG Housing Finance Q3 FY21 results. With me we have our leadership team represented by Mr. Vinod Kumar Jain – Managing Director and Mr. Ashok Modi – Chief Financial Officer.

We will begin this call with the overview and performance update by the Managing Director followed by interactive Q&A session. Please note that this call may contain forward-looking statement which exemplify our judgement and future expectation concerning the development of our business. These forward-looking statements involves risk and uncertainties which may cause actual development and result to differ materially for our expectations. SRG Housing Finance Limited undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances. A detailed disclaimer is on Slide #2 of investor the presentation available on our website.

With that I now hand over the call to Mr. Vinod Kumar Jain. Over to you Sir.

Vinod Kumar Jain: Hello everyone, I welcome you all to the December quarter Earnings call. Hope that you and your family are healthy and safe.

In this quarter our total loan book is Rs. 303.11 crore with a growth of 7.73% as compared to Rs. 281.36 crore in the last quarter. With the economy opening up, even the business has seen an improvement, this quarter's disbursement has been more than the last year's. In this quarter the disbursement is Rs. 26.77 crore (growth of 161.68%) as compared to Rs. 10.23 crore for the same quarter last year and during the nine months, the disbursement was Rs. 53.37 crore (growth of 54%) which was Rs. 34.56 crore in the last nine months. Profit before tax stood at Rs. 7.34 crore with a growth of 13.62% which was Rs. 6.46 crore in the quarter 3 of the last year. PAT stood at Rs. 5.69 crore with a growth of 10.92% as compared to Rs. 5.13 crore for the same quarter last year.

Total income stood at Rs.21.33 crore with a growth of 13.64% as compared to Rs. 18.77 crore for the same quarter last year. Net interest income remains at Rs. 9.88 crore as compared to Rs.9.23 crore for the same quarter last year.

Along with this, the net interest margin of gross loan book remains at 3.34% as compared to 3.26% for the same quarter last year. Net worth remains at Rs. 90 crore as compared to Rs. 72 crore for the same quarter last year. EPS remains at Rs. 4.38 as compared to Rs. 3.95 for the same quarter last year. Book value per share remains at Rs. 69.25 with a growth of 24% as compared to Rs. 55.80 for the same quarter last year.

This quarter's CRAR ratio stood at 40.01% which was 39.82% in the same quarter last year. The break-up of our portfolio consists of, Housing loan at 68% and LAP at 32%, salaried loan 20% and self-employed loan 80%. Our entire loan book is secured against the property, our loan book's average ticket size is Rs. 5.82 lakh and average LTV is 41.35%.

Gross NPA is 2.44% in this quarter as compared to 2.14% for the same quarter last year. Net NPA remained at 0.46% as compared to 0.58% in the same quarter last year. In comparison with NHB regulation we have done an additional provision of Rs. 3 crore, due to which our provision coverage ratio has come up to 105% and COVID provision is done for Rs. 71.48 lakh.

Our average borrowing cost has decreased to 10.71% in this quarter as compared to 11.37% in the same quarter last year. The company has maintained a healthy spread of 12.15%. During this quarter the company has issued debenture of Rs. 25 crore. In the last nine months, we have raised Rs. 125 crore funding. During this quarter, the total borrowing is at Rs. 305.70 crore, in which 36% is from the bank, 23% from NCD, 27% from Financial institution and 14% is from NHB. Company's liquidity remains strong; during this quarter the liquid funds are at Rs. 91 crore and Rs. 15 crore is un-drawn sanction. Our ALM position is also comfortable.

In this quarter, the company has started a new program called 'Pathshala' a Nominations and invitation based learning program for the employees development. In this Program, we are providing various trainings to employees with an objective to get them motivated and positive about their work and increase their efficiency and authenticity. Along with this, the employees are also being given training on soft skills and image consultancy.

During this quarter, we have appointed a new independent director, Shri S. K. Porwal, he is an exBanker and was associated with State Bank of India for the last 33 years. We believe that his contribution will be valuable in our company's growth stage and we will be benefited by his services.

In budget, 20-21, interest tax rebate on Housing Loan has been raised till 2022. With the coming of new year and the COVID-19 vaccine, I believe that in the coming quarters we will be seeing positive results. With this, I end my speech and you can ask questions, if any one by one. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors, please go ahead.
- Dixit Doshi:** Thank you for the opportunity, congratulations Vinod ji for a good performance. Sir I have two, three questions; first is, this gross NPA and net NPA that we have shown in the presentation, if there would not be Supreme Court's order, the numbers still would have been the same?
- Vinod Kumar Jain:** **The clients who had been extended morat period are paying regulary post ending of morat period therefore,** whatever the gross NPAs are there, they are the regular gross NPAs.
- Dixit Doshi:** So, whether Supreme Court's order is there or not, our gross NPA will remain the same?
- Vinod Kumar Jain:** Yes.
- Dixit Doshi:** Very good. Now we have enough liquidity, and the market is also opening, how are you looking at the growth going forward in Q4 and FY22 in coming times?
- Vinod Kumar Jain:** Sir now after the vaccine being available, there is positivity in the market, people have restarted their business, we were also able to do good business in quarter 3 compare to the previous quarter. The picture will be clear only after quarter 4 that how the market will grow. We will need one more quarter to work upon this, thereafter there will be clarity. Now at this point of time we cannot decide anything for 2022. Otherwise, from business standpoint the movement is good, and we have done quite a lot of business. You might have seen our portfolio for LAP has increased, the reason is that money which has been given under TLTRO, all of that is short term money. We will also have to give that for short term, so in short term whatever money we have will be used maximum in LAP, for housing loan we need long-term money.
- Dixit Doshi:** And as I am assuming that how we have maintained a profit of Rs. 5.5 crore, Rs. 6 crore in the last quarter, so by the end of this year our net worth will be Rs. 96 crore and as against it our loan book is around Rs. 200 crore, Rs. 225 crore, so there is a lot of space for leverage. So, what kind of response are you looking from the bankers' end for fresh funding for the next year?
- Vinod Kumar Jain:** Actually, looking at the results and considering that we had not availed any moratorium from any of our lenders during such unpredictable times, lenders confidence on our business model has increased. Our existing lenders are backing us and checking our requirements upfront. There is no mismatch in our cash flows and that helps us in increasing our leverage. Looking at current scenario, even if we increase our leverage to 7-8 times we will be able to attain loan book of Rs. 500-700 crores easily. I believe this is the point from where our growth journey starts. The period of last few years with the liquidity crunch in the financial market, has interrupted our business. We will be bridging this gap in FY22.

- Dixit Doshi:** Okay, thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Shrinath from Balwada Capital Partners, please go ahead.
- Shrinath:** Hello sir, just want to understand how you deal with NPAs, within that you are lending largely to single dwelling homes in rural areas, what is the process? After one bounce, how do you deal with the customer? Or do you get in touch with customer after the bounce, your DPD 30, DPD 60 and how does the recovery take place in this single dwelling after NPA happens. Can you please explain the whole process of DPD recovery which bounced to DPD 30, DPD 60?
- Vinod Kumar Jain:** Absolutely. Sir the question that you have asked has a very lengthy answer, it is not possible to give it in short, but I will still try to give it in as short as possible. About the kind of property which we lend to, note that we finance properties in Rural areas where there are independent small dwelling units. There is no Flat system therefore our finance is entirely secured against that independent unit. These people in rural areas are hardworking people with the highest integrity. They prided on their neighborhood respect and even a remote whisper that they had defaulted on a loan is something they dread. This helps us in our collections and recovery. Interestingly, also note that right after the lockdown, our customers approached us and cleared all their dues as their small business started generating enough cash flows. This is the reason we didn't availed moratorium from our lenders as our collections were started to come back.
- In rural areas, in every house you will get 2 to 3 earning members. Lifestyle in rural is also very simple therefore they tend to save most of their incomes and are able to repay all their dues on time.
- About the DPDs, we categories NPAs at 90 days and we believe 90 days are sufficient to get the dues from the customers. Our collection team is divided portfolio wise in the village and they are the local people from there only. Collection team strength is about 45-50 employees.
- Shrinath:** No sir, there generally how it gets touched, after DPD 0, when do you call the customer, when do you meet the customer, what is the procedure to approach? And in different districts, that team takes the decision, how does this collection take place? After one bounce, what are the actions after that?
- Vinod Kumar Jain:** Sir, as soon as our one cheque gets bounced, within 24 hours the data comes to our call center and the calling starts from the call center to the applicant and the co-applicant as well. After that, if the money does not come within 7-10 days, then the field executive contacts that person and visits his house and from there recovery model starts. Similarly, if any of our account has become NPA, then we send a legal notice. We have a legal team and along with the legal team, we also have a counselling team who does counselling. As soon as his one or two instalments get

pending, our executive approach the guarantor. None of our loan is without a guarantor. Whenever we go to the guarantor our recovery becomes very fast as the guarantor puts additional pressure on the client. This is our whole recovery model - our full call center team, collection team and legal team. In legal we have lawyers and legal officers. So, our legal team is of about 16-17 people, that works parallelly.

Shrinath:

Got it. Say in this last one or two years, how many houses have you repossession, sir? And after re-possession, how does the sale take place? Does an auction take place or do the neighbors buy, assume that the displacement has taken place, some problem happened in that family and they cannot pay you? This is not a willful defaulting but there is some genuine problem, now how do you dispose the NPA once you have figured out that person cannot pay you back? How many times have you taken the repossession? Does the single dwelling home get resale?

Vinod Kumar Jain:

I will tell you a very good thing, in rural the day repossession takes place the person feels that socially he has died. This is the kind of emotions they have. So, you take this into consideration that whenever we provide notice for repossession, his relatives, friends, his native people pay his money. This intent of helping each other is the best thing in rural, due to which none of your house goes in for re-possession. We have taken possessions as well but it does not come to the auction because all these things get settled and we get our money. Till your process is weak or if things are weak, then your NPA will increase. We have made that process systematic and we do not leave any gap in it. If you catch hold of the person on time, then your money will start coming in time. If we have a legal team then its benefit is only that as soon as our NPA happens, the legal team itself goes to the house and do the counselling sitting with the whole family along with the children, relatives and neighbors as well that see these are the problems. If a person is alone, he is not able to solve that problem alone but if four people of a family sits together then the problems become very small and everyone finishes these things together. As on date we did not come to the point where we had to auction a property.

Shrinath:

Got it Sir and the second area, I wanted some understanding Sir is, just want to understand the customer profile; what are the economic activities, are all your customers farmers, otherwise are they small businessman, or having a kirana shop. What is the customer profile, if you have some internal MIS, could you give some breakup saying how many people, what percentage of your customer is Agri or which business, just a broader customer profile Sir?

Vinod Kumar Jain:

Our customers are not agricultural income person, people with only agricultural income are not our customers. In the villages all the small businessmen have lands. Our customers are those who have any other business that is there in a typical village. So, agriculture is their additional income, we do not count that agriculture income at all, we count the main income of the person. Agriculture income is their additional income source.

Shrinath: Yes, from which activity does this main income comes, mostly which business is that I want some understanding as to from where does that economic prosperity comes to give you EMI?

Vinod Kumar Jain: Sir, in one village many businesses are there for instance you take it as the Kirana shop, milkman, hairdresser, grain trader, utensil seller, tea store, whatever small businesses are there, all of them are our clients. There is nothing particular about it that this will be our client. Whose business is running, maybe a tailor, cloth merchant, cloth shop, readymade garments person, small businesses, whatever businesses could be there in a village, they all are our clients.

Shrinath: Got it but in that is there any bifurcation, like say you want to, in the credit filter like all these economic activities are okay, there is some fluctuations in this kind of economic activities, I do not want to give loan. Do you have any such filter, sir or this economic activity does not do well in this village?

Vinod Kumar Jain: We have risk matrix of 120 activities, we have considered all those things that in which village how much business will run for what population, how many shops will be there, what will be the sale of one shop. We have made the full parameter for that; it is not that any person says I do a business of Rs. 2 lakh per month and we believe him. We have a physical team and credit people, who catch those things only. For a population of 2000 people, if a person says I have Rs. 2 lakh sale per month, so we will definitely not believe him. Suppose there is a population of 10,000 people in the village, then the business will be according to 10,000 only. You divide the percentage with the number of shops, whose shop will be running well, he will have a little better income. It is not that, someone gives a figure, and we generate it as an income and give loan. Today, our recovery is very good because our LTV ratio is below 50% and we also maintain the proper gap in that.

And in the village, if a person is earning minimum Rs.10,000 to Rs.15,000 and there are two persons in the house then they earn Rs. 25, 000 something. Our average loan ticket size is only Rs. 6,00,000. Now in Rs. 6,00,000 the EMI comes so low that it is very easy for the person to repay. There are no malls, no such things, if a person wants to do expenditure then where will he do it? So, in today's date, income saving is the most in the villages, which cannot happen in the city. In the city, you earn Rs. 100, a person cannot save Rs. 10 or Rs. 20 also and in the villages after expenditure of Rs. 10 or Rs. 20, they do not have any other reason for expenses.

Moderator: Thank you. The next question is from the line of Prakash an individual investor, please go ahead.

Prakash: Hello Mr. Jain, Sir. I am speaking from Bombay and I am very glad to speak to you. I am a shareholder in your company from past four years and I am holding and sitting. I expect that your work is going on very well and will also be running good in the future. I have only two questions; you had said in the last earnings call that you will try to get listed in NSE by June 2021, this is one. And the second is, at the end of that earnings call you had said that you hoped

for your future goal you will be doing a loan book of Rs. 4,500 crore, I wanted to ask about that only, Sir.

Vinod Kumar Jain:

Your first question regarding NSE listing, we are planning on moving our application in the NSE. After March results, our application will be moved forward. Secondly, the goal of Rs. 4,500 crore, we have made business plan and according to that business plan we are going to decide in which of village or state of India we are going to work and how much business we are going to do.

Likewise, we will meet again at the end of the quarter of March 2021 and after that we will decide a target for 2022 by then things will be clear as to where the market is moving, how it is moving and how it will work. At that time, we will decide a target for 2022 as to how much business we will do because we have branches, manpower and all the systems in place. We have liquidity. In this budget I am very thankful to Ms. Nirmala Sitharaman, she has allocated Rs. 20,000 crore to Banks, so the money will come in financial markets ultimately that trickles down to us and we get the money in anyway. So, there is positivity and secondly, in banks what she has proposed is that they will create an ARC and transfer all NPAs there. Banks will be free of NPAs and therefore focus on fresh lending which will benefit Finance companies.

Prakash:

Thank you so much sir, just one last thing I wanted to ask a last question, you are taking all of these loans, doing NCDs, there was just a suggestion if you issue equity how would that be for you?

Vinod Kumar Jain:

Sir actually your suggestion is worth considering and it is a good suggestion however in today's date we have capital and capacity to leverage. 7-8 times leverage that we can go upto. As per NHB regulation we can leverage upto 15x, but even if we do it for 7-8x on capital of Rs. 100 odd crore, so up to Rs. 700 crore to Rs. 800 crores we don't require any additional capital and whenever we require, we will bring in the equity.

Moderator:

Thank you. The next question is from the line of Yash Mehta, an Individual Investor. Please go ahead.

Yash Mehta:

I wanted to understand one thing from you, the good track record that we have built, managed NPAs, so I wanted to understand your underwriting process, credit process how you check, like you said the property value does not matter much but peer pressure does affect a lot and that peer pressure causes the person to repay the money, so when you disburse loans, how does the process work, how many visits do you make, how much time does it take for disbursing the loan and what is the rejection rate, can you elaborate on this please?

Vinod Kumar Jain:

Mr. Mehta if your credit is not strong then your NPA ratio will always increase. Our marketing team has the expertise of judging whether or not the person they are meeting will be eligible to

get a loan from us or not. We have created a training platform called 'Paathshaala' which trains these associates to login only those files to whom we would want to disburse loans. So the team that is there on the ground level they should have 100% knowledge of credit as to which client they want, if they would not have that knowledge then he will keep on bringing in clients and we will keep on rejecting. So we have used the method of rejection on the ground level itself, we want to get only those files in login to whom we want to disburse loans. Our ground level team should be very sound with that. The work that would happen at last level we finished it right at the beginning. Today there is no executive from our team who does not have knowledge on credit underwriting and he is not aware of the company's process and systems and whether or not the loan could be disbursed or not. We have clarified these items right from the start by giving them training. The executive who is assigned to work with the client knows which documents to take. Our entire credit is centralized. The marketing executive, branch manager and credit team also do visit upfront before disbursing loans and after that our legal team visit them, technical person visits them, for one loan around 5-6 visits happen, after that we give loan to them and post which within 7-8 days we do the disbursement.

Yash Mehta: But what do you exactly see, like you said your business team, marketing team knows which customer is eligible for availing the loans, so as you said you have made 120 templates what are the criterion or checklists are there in those templates.

Vinod Kumar Jain: I would not be able to share content of those templates, but our credit process policy is listed on our website, our KYC checklist is also uploaded on our website. You can have a look at it there.

Yash Mehta: Okay fine, I wanted to ask one more question if we see your collection efficiency in the 2nd quarter it was Rs. 29 crore as against Rs. 22 crore, so how is the collection in quarter 3?

Vinod Kumar Jain: Sir, my recovery is Rs. 31.22 crore, 94.25% it was Rs. 29 crore then and now it is Rs. 31.22 crore.

Yash Mehta: Rs. 31.22 crore was the collection and 94.5% you told, right?

Vinod Kumar Jain: 94.25%

Yash Mehta: If I may ask you one more question, does Aavas come into your market and what is the difference between you and them, which are the players that are there in competition with you because the rates at which you give loans at 22-23%, Aavas also says that it also he also gives loan to self-employed, gives fixed rate loans, their main market is also in Rajasthan, so how do you see them?

Vinod Kumar Jain: Sir, I do not see at anyone else, I only see at myself. The amount of business I want, is already there in the market. Every company have different policies. Their model of working would be

different than our model of working. It is not that there are only two companies in Rajasthan. There would be around 25-50 companies in Rajasthan, and every company functions according to their own model. Some customers fit into their framework and some customers fit into our framework. In India the population is of 135 crore and till now in India only 2-2.5% people have taken the loans, still 97.5% are left so there is a lot of business still left in there. There is no dearth of the business.

Yash Mehta: Okay and as you said 2022 would be a historic year, so can you elaborate a little more on it, like as you said that whatever did not happen in this year it will happen in the coming years?

Vinod Kumar Jain: On that we will be able to comment once the quarter completes, the next 4th quarter.

Moderator: Thank you. The next question is from the line of Shrinath from Balwada Capital Partners. Please go ahead.

Shrinath: Sir how is your liability access and the disbursement growth for the last 3 years we hit upto Rs. 50 crore disbursement in a quarter, what is the target sir over the next 12 months, what kind of disbursement are you looking forward to and for this disbursement growth, you have already hired the teams, or will you have to add on management bandwidth now sir?

Vinod Kumar Jain: We are building teams and we are doing the businesses now, so sir in this quarter we will have to wait, and we will get a little more clarity in it. So, in next quarter I will tell you the target. It all depends on how this quarter pans out accordingly we will prepare for 2022. So, we will have to wait for some time.

Shrinath: Okay sir disbursement target is okay but if you can tell us how many districts you are currently in sir, in your focus three markets and how many districts you plan to expand to, how many new districts do you plan to add over the next 6-12 months sir. I am not asking disbursement number, more geography.

Vinod Kumar Jain: For the next six months to year, we will work in the existing branches and the states where we are currently operating in. We do not foresee a need for expansion because we have already done quite a bit of expansion recently.

Shrinath: No, within the states sir, new districts within the state?

Vinod Kumar Jain: No, there is no need for expansion in new district, still a lot of work is pending. We have Rs. 300 crores of portfolio for 34 branches which is very less, and the branches still have a lot of room to expand, so branch expansion is not on the cards as of now for this two quarters.



*SRG Housing Finance Limited
February 03, 2021*

Moderator: Thank you. The next question is from the line of Suraj Mishra from India Ratings and Research. Please go ahead.

Suraj Mishra: My question was that in COVID a lot of NBFCs have been facing liquidity problem, so now when things are normalizing how would the growth be for the NBFC sectors because what is happening in most of the rating agencies have a negative outlook for NBFCs, so what do you think would be the challenges that NBFCs will face and how they will grow?

Vinod Kumar Jain: Sir first of all ratings companies should always be positive because until and unless finance companies and banks will not be able to lend, the development of India will not happen. This is only model wherein the money percolates to the ground level. It should not be that if tough times come, we keep a negative outlook for a long time because NBFC companies have a higher portfolio than the entire business done by banking system. If the rating agency will have negative outlook, bank will not finance them and the finance companies will not be able to further lend. And this chain will break. The NBFCs or Finance companies had no role to play in COVID outbreak, these things should be understood, the rating agencies should remain positive in these pandemic times and should exclude this period in performance evaluation. They should rate the companies according to how the companies were doing before pandemic and how are they survived the pandemic and rate them accordingly.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Sunaina Nagar from SRG Housing Finance Ltd. for closing comments.

Sunaina Nagar: Thank you all for joining us in the earning call and thank you very much for your interest and your questions. If there are any questions that were unanswered by any chance, please feel free to get in touch with Investor Relations. The transcript of the call will be uploaded on our website that is 'www.srghousing.com'. Thank you.

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