Repco Home Finance
REPCO HOME FINANCE LIMITED.
(Promoted by Repco Bank-Govt. of India Enterprise)
CIN : L65922TN2000PLC044655

RHFL/SE/39/2022-23

22nd August, 2022

The BSE Ltd,
Phiroze Jeejeebhoy Towers,
26th Floor, Dalal Street,
Mumbai-400001
BSE Security Code: 535322
Kind Attn: Listing Department

The National Stock Exchange of India Ltd,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra(E), Mumbai- 400051
NSE Symbol: REPCOHOME

Dear Sir,

Sub: Transcript of Analyst/Investor Conference Call held on 17th August, 2022

Ref: Our letters No. RHFL/SE/35/2022-23 dated 12th August, 2022 and RHFL/SE/37/2022-23 dated 17th August, 2022

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 17th August, 2022.

The aforesaid Transcript will be made available on the Company's website www.repcohome.com.

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We request you to kindly take the same on record.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

Ankush Tiwari
Company Secretary & Compliance Officer

Repco Home Finance Ltd. Corporate Office ★ Chennai ★

Corporate Office : 3rd Floor, Alexander Square, New No : 2 (Old No. 34 & 35) Sardar Patel Road, Guindy, Chennai - 600 032.
Phone : 044 - 42106650 Fax : 044 - 42106651 E-mail : co@repcohome.com, www.repcohome.com
Registered Office :'REPCO TOWER',No : 33, North Usman Road, T.Nagar, Chennai - 600 017. Phone : 044-28340715 / 4037 / 2845

“Repco Home Finance Limited Q1 FY'23 Earnings Conference Call”

August 17, 2022

MANAGEMENT: MR. K. SWAMINATHAN – MD & CEO, REPCO HOME FINANCE LIMITED.

MODERATOR: MR. RAJIV MEHTA – YES SECURITIES

Moderator: Ladies and gentleman, good day and welcome to the Q1 FY'23 Earnings Conference Call of Repco Home Finance hosted by YES Securities.

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. Rajiv Mehta from YES Securities. Thank you and over to you, sir.

Rajiv Mehta: Good afternoon, everyone. Thank you for joining on this call. We thank the Management for giving us this opportunity to host 1st Quarter FY'23 Earnings Call of Repco. We have with us Mr. K. Swaminathan - MD & CEO and the entire Senior Management team. Without much ado, I would invite Mr. K. Swaminathan to start the proceedings with initial remarks on the company's performance, post which we will open the floor for Q&A. Over to you sir.

K. Swaminathan: Welcome to everybody. Good morning, Good evening, wherever you are. Welcome to this conference call for the quarter-ended June 30th, 2022, on behalf of the Company, I extend a warm welcome to all of you and thank you for joining us.

I would like to recall whatever we said three months back, wherein we expected that the Company will get back to its growth path. I am happy to announce that after two subdued 1st Quarter performances in the last two years, maybe because of COVID, but we have reported strong performance in the June quarter and have started this fiscal on a positive note.

Business activity has picked up handsomely. The loan sanctions and disbursements returning handsome sequential growth, loan sanctions have increased 6% sequentially to about Rs. 692 crores from Rs. 652 crores. And disbursements have increased 7% sequentially to about Rs. 642 crores as compared to about Rs. 601 crores in Quarter 4 of '22.

Though strictly not comparable, because we had COVID situation last year, loan sanctions and disbursements registered an exponential growth of 236% and 168% respectively, as compared to Q1 of last year.

The loan book however has not moved much owing to high prepayment over the last 12 months. I am happy to announce that our well directed efforts have caused the total repayment rate to drop 3% sequentially in the 1st Quarter. The annualized repayment ratio, including regular repayments, which stood about 21% in Q4 of '22, has moderated to 18% in Q1 of '23. We would strive to maintain this ratio at similar levels going forward.

On the profitability front, we reported loan spreads of 3.3% and 4.6% above our debtor level 3% and 4.3% respectively.

On interest paid there has been a sequential reduction due to retainment of a few high cost of borrowing. However, the reported yield fell sequentially as our concurrent focus on growth and asset quality made us to take a couple of business decisions, which caused a sequential drop in interest income owing to your ROE reduction that too because we wanted to retain some good quality customers. We have waived some penal interest in some cases in case of NPA cost. We have offered some concessional fees to acquire new customers.

In addition, the recovery technically written off cost were lower in the current quarter as compared to the March quarter. Our Stage II assets have also come down sequentially, that is a positive point, which indicates that there is a lower penalty generation as well as penalty appropriation. However, the lending yields have not fallen much and we will go up hopefully in the subsequent quarters. Average yields in the book have fallen from 10.3% to 10.23%. I expect the spreads and the margin to remain higher than allocated band in FY'23.

The profit has grown 93% year-on-year to about Rs. 62 crores as against Rs. 22 crores in the previous year.

The GNPA, the gross NPAs have declined about 60% to 6.4% sequentially. The NNPA has fallen by 70 basis points, now stands at 4.2%. GNPA provision coverage registered at 5% sequential improvement to 37%. Overall, ECL provision remains steady at about 4% of the loan book.

In addition to our statutory provisions, we also have made a provision of Rs. 20 crores to meet any requirement on account of slippages in restructured books. These provisions are floating in nature and will be utilized to make asset specific provision in the subsequent quarters.

The restructuring window or OTR onetime restructuring assets have got over in Q1 FY'23 and regular billings have started for these accounts. The asset quality outcomes will be known in Q2 and thereafter. The asset are in Stage I or Stage II now. We are trying our best to minimize the slippages to NPA and we will give you an update in the next call.

As far as earnings are concerned, we earned an ROA of 2.1% against 1.6% last quarter. And then ROE of 11.9% versus 9.6% in the Quarter 4 FY'22. The recovery in return ratios was attributable to improving business performances, as well as lowering of credit costs.

The balance between our exposure to self-employed and salaried segment stood at around 51% and 48.8%, more or less at the same level. The share of non-housing loan that is left, that is also more or less at the same level, and it's around 19.4% of the loan book.

Cost to income ratio stood at about 23.9% in Q1.

The capital adequacy ratio is comfortable at 34.2 %, of which Tier I was 33.2%.

Our retail network comprised of 158 branches and 22 satellite centers. As stated earlier, we have resumed our network expansion during the current quarter, we are doing some surveys, hopefully, there will be some new branched opening or new satellites center opening in the 3rd or 4th Quarters in the current year.

Liquidity continues to remain comfortable for us as we have carried around Rs. 273 crores of cash and cash equivalents at the end of June 22. In addition, we have Rs. 1,900 crores of unutilized lines of credit.

In Summary

The loan book has stood at Rs. Rs. 11,862 crores registering a 1% sequential growth. Creating as such 93% year-on-year to Rs. 62.1 crore, and sequentially the growth is 48%. ROA and ROE stood at 2.1% and 11.9% respectively. Core profitability has remained strong with a strong spreads and margins of 3.3% and 4.6%, respectively. NPA stood 6.4% with the coverage ratio of 37%.

With this I conclude. And the entire Management team is ready to answer any of your queries. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Akash Jain from MoneyCurves. Please go ahead.

Akash Jain: First of all, I think we are happy that it seems that the Company has finally turned the corner in terms of AUM growth as well as a little bit on the credit cost side as well. So, I think hopefully, this is sustained. But like you mentioned after a few quarters of really not so good numbers, I think finally we have seen some good numbers. So, I think congratulations for the Management team for and especially to Mr. Swaminathan, who seems to have really picked up since he has joined. So, congratulations from our side to the Management team.

I have a couple of questions, like always I focus on two things. One is credit cost and the other is on growth. On the credit cost, I think you have clearly mentioned that the whole restructured book of Rs. 700 crores has now opened up for regular payments. But clearly any slippages will only start to reflect from Q2 onwards. But from the early trends, so we as investors be little worried about because that's a fairly large book of Rs. 700 crores of restructured book is a large book.

So, are there any early stage warnings in terms of slippages in that book? Is there something we need to be a little cautious about, because you have already created a Rs. 20 crore of coverage and as I am assuming is for the restructured book, but are you seeing or is there any worry about slippages about coming from that book?

K. Swaminathan: Let me be very clear as far as credit cost is concerned, whatever we have already projected, I mean Rs. 80 crores to Rs. 100 crores for the entire year, we still maintain. As far as credit provisions are concerned we do not think that we will make additional provision at this Rs 80 crores to Rs. 100 crores that we have already budgeted.

Yes, as far as numbers are concerned, I am still keeping my fingers crossed. I do not want to give any false hopes. Yes, Rs. 700 crores are there, but we are striving our best. We hope we will be able to contain the NPA percentage as much as possible, at least to an extent of 7% or something, but I am unable to give you any clear guidance as far as GNPA numbers are concerned for the 2nd Quarter.

But as far as provisions are concerned, yes, we are somewhat comfortable. This Rs. 20 crores that we have provided is only a cushion. We have made a cushion of this Rs. 20 crores. So, for provision wise, we do not think there will be an issue. But GNPA number I do not want to give any guess as far as this credit cost is concerned.

As far as growth is concerned, I am thankful for the compliments made, yes, growth has started, I am happy to share with all the listeners. Why I am happy is, the good has happened, not just in one center or one branch, throughout the country, I am seeing some momentum, nearly some 80% to 85% has participated in the growth in the 1st Quarter. And I am seeing the momentum continuing in the current quarter as well.

So, as far as business growth is concerned, we are happy that this will continue in the current quarter as well. And not only that, see even the ticket size is improving, from around Rs. 14.5 lakhs which was earlier, now the present ticket size for the current quarter, I think it is ranging from Rs. 16 lakhs to 18 lakhs per ticket, which means slowly we are moving up in the ladder as far as ticket size is concerned. So, average ticket size also may go gradually in the coming days. But for the GNPA numbers, we are gung-ho about the current quarter as well as the forthcoming quarters.

Akash Jain: I have just two follow up questions more like data points. So, in the Q1, how much slippages we had because clearly there was a reduction in Stage III. So, I am assuming there is some slippage and some recoveries. So, can you give us a sense of how much was the slippage and how much was recovery in Q1?

K. Swaminathan: Yes, Q1 slippages was Rs. 104 crores, recovery was Rs. 165 crores.

Akash Jain: This Rs. 101 crore slippage, that is not coming from the restructured books that is coming outside of the restructured book.

K. Swaminathan: It is a small amount from restructured book maybe around Rs. 15 crores to Rs. 20 crores, I do not have the exact number. Because we did restructure in two or three stages, a small restructure was done earlier, which fell due in the 1st quarter itself, maybe some Rs. 15 crores to Rs. 20 crores maybe of the restructured book out of this Rs. 104 crores.

Akash Jain: And I think in the last quarter, in the con-call you had guided that by the end of the year, we were probably at Rs. 810 crore GNPA number at the end of FY'22. And in your conference call said that your endeavor is to get that number to about Rs. 700 crores at an overall number for Stage III by the end of the year, both from recoveries as well as some slippages were there but your effort was that we will get that Rs. 800 crore down to Rs. 700 crore, do you think that is still possible, given the trends you are seeing overall in terms of slippages?

K. Swaminathan: Yes, we still feel that we will be able to make it. (Inaudible 00:13:50) Only thing is for the first two quarter there is an issue. But still two quarters are left for the year to end, so we are hopeful we still maintain Rs. 700 crores.

Akash Jain: So, there will be a possibility that Q2 slippages will be slightly higher. But then we will have the rest of the year, two good coverage that we have done in Q1, the strong recovery we have seen in Q1.

K. Swaminathan: Yes possible that will be recouped in the next two quarters.

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

Sarvesh Gupta: Given the sort of growth that you have looked at in the 1st Quarter and in the current quarter, is there any updated guidance on where we want to reach in terms of FY'23 loan book. I think in the last quarter the expectation was around Rs. 13,000 crores.

K. Swaminathan: We maintain that we expect a growth of 10% to 11% in the loan book, we do not want to change as of now. We still maintain Rs. 13,000 crores loan book by FY'23 and if at all there are any changes over the next quarter.

Sarvesh Gupta: But as of now you feel confident that we can reach there?

K. Swaminathan: Yes, I am optimistic.

Sarvesh Gupta: And this Rs. 80 crore to Rs. 100 crore credit cost guidance, this includes the sort of floating provisions that we have created of Rs. 20 crores odd this year right.

K. Swaminathan: Yes.

Sarvesh Gupta: On the other side, I was looking at your employee cost etc. and that also has been fluctuating a lot on a YoY or QoQ basis. So, are there any initiatives on the cost side, especially the employee cost side that we were planning earlier, which we are planning to bring from the current quarter which will have an impact on your cost to income.

K. Swaminathan: In fact, we had budgeted an increase in employee costs if you recall, I think even the first call we had told. There may be an increase in employee costs overall, because the salary revision is due. We are also going for some recruitments and all that. There will be an increase in employee costs in the current year.

See if you will see year-on-year there is an increase in employee cost, only because the previous year, the first two quarters, there was more work from home and all that. So, employee costs and the travel expenses for employees were less, and the salary encashment and things like that were less. So, technically, it's not comparable, the employee costs between Q1 of FY'22 and Q1 of FY'23 is not all that comparable. In fact, there is a small reduction sequentially, in the employee costs of Rs. 2 to Rs. 3 crores that is a small reduction. But going forward, there might be a small increase in the current quarter, as well as a bigger increases in next two quarters because some salary revision is also due, but hopefully the income increased anticipated income will take care of all this.

Sarvesh Gupta: And then finally, on the repayment and prepayment side, so, I understood you gave some comments in the beginning, but if you can throw some more light. So, one of course, is we are trying to not let-go of our good customers so maybe we are reducing the yields for them. And that might be one of the reason why your repayment, prepayment has come down. But what are the other sorts of things that you have done in this quarter? And if you can guide on this annual repayment, you said 18%, so does it include all the sources like prepayment as well as scheduled repayments, which is included in this 18%?

K. Swaminathan: Yes, this 18% whatever was said, it includes everything, it includes a normal repayment. Some bulk repayments being made by our existing customers. Normal closures of the account by your existing customers, as well as last the prepayment or the takeover business the BTs all these are included in this 18%, this is one.

So, again, this percentage is coming down, that is prepayment or the takeover percentage is coming down sequentially. Hopefully, we will be able to maintain that downward trend in the coming quarters as well. So, many activities are being done. One such thing is giving an interest concession wherever warranted, wherever we feel that there is a requirement to retain that customer that is one.

Second one we have taken up the CIBIL also to see, wherever our customers are approaching other institutions for any of the facilities and all that. So, that we get a warning and we ask our branches to contact these customers to see that **(Inaudible 00:19:01)** as much as possible.

Third one, we have started maintaining contact with all of our existing customers, even though your customer may not have been given facilities by the present branch Management, still they have been asked to maintain contact with the even existing customers so that a relationship is built. So, any new requirements of the existing customers first call will be our company. So, with all this we expect going forward, the BTs to come down.

Sarvesh Gupta: And on the parallel side, on the liability side, are there any initiatives, for example, increase in the NHB exposure, etc., that we are doing which can help us sort of retain the spreads that we were having last year.

K. Swaminathan: We take a commercial call, whether it is NHB or a commercial bank we take a commercial call. Frankly speaking even today, NHB is also increasing rate, because of Repo rate increases whereas some of our lenders, it is all MCLR based. So, this Repo rates are immediately transferred in our MCLR cost. So, we take a commercial call whenever we require funds whether to take from NHB or whether to take from a commercial bank or from our parent, a commercial call is taken, overall the interest is to see that our cost is less.

Moderator: Thank you. We move to the next question from the line of Nitesh Jain from Investec. Please go ahead.

Nitesh Jain: Two questions, firstly on the yields, what is the reason for yields decline on a sequential basis? And how should we think about margins and the spreads going forward?

Second is, can you share the Stage II number at the end of June quarter.

And thirdly, what is the quantum of standard restructured book as of June '22?

K. Swaminathan: The second and third question, can I take it offline because I do not have the exact numbers with me. The restructured book originally was Rs. 700 crores, it has come down, actually the standard restructured book has come down, but I do not have the exact number as of 30th June.

For your yield question, let me answer, the yield has come down not really because of a repricing of some of the loans, it is because of multiple factors. One is repricing as I had already told, we wanted to retain some of our good customers not to leave so, we have repriced that is one.

Second one, the penalties for example, wherever there is a Stage II reduction, I think you would agree there is a Stage II reduction numbers. Wherever there is a Stage II is reduced, the penalty generation also get reduced to the extent repayments going towards penalties also get reduced. So, our penalty income has come down in this quarter, second.

Then recoveries in technically returned off accounts has come down this is one. Then we do not have any Repo linked loans. So, there is a lag effect between our Repo revision. So, this way also there is an interest income reduction. So, all these factors put together, there is income reduction. So, it is not necessarily because we have given some concessions. We have not passed on the entire Repo revision to our interest briefing. This is one of the reasons why interest rate has come down especially in the 1st quarter, we have not repriced.

Nitesh Jain: How do we look at full year margins and spreads?

K. Swaminathan: I think we maintain that 4.3% and 3% spread that we maintain. We will be maintaining. Hopefully in the coming quarter this interest reduction may not be to this level, hopefully.

Nitesh Jain: And lastly on what is the aspiration in terms of ROA and ROE of the Company on a steady state? This quarter, we had lower margin, some impact on trade costs, but on a steady state basis how should we think about ROA and ROE?

K. Swaminathan: ROA 2.2% ROE is 12%.

Nitesh Jain: So, aspiration is to maintain these numbers going forward.

K. Swaminathan: Yes, as of now it is 2.1% and 11.9% respectively, and we maintain that as of now.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: What will be the impact of this RBI November circular as well as like modification to 15th February circular after 31st September? So, do we have to do additional provisioning? If you can explain it a little bit more since I am not fully aware, like do we have to do additional provisioning regarding that or what will be the actual impact on the P&L basically?

K. Swaminathan: So, RBI circular doesn't require us to make any additional provision. RBI circular only said an account cannot be upgraded unless the entire over dues are recovered, that is entire overdue are recovered which means earlier NBFCs can upgrade for whether the over dues are less than 90 days, that particular feature has been withdrawn. So, an account cannot be upgraded unless the entire over dues are recovered that is the only feature of this RBI circular. So, earlier NBFCs, including our Company, we used to upgrade whenever the over dues are less than 90 days. That particular facility is not there now, that is the only issue, but as far as provisioning is concerned all are same.

Subrata Sarkar: What?

K. Swaminathan: As far as provisioning is concerned there is no differentiation.

Subrata Sarkar: So, in that case we have to show higher GNPA, that is the only thing or is there any other impact on the P&L. That's my only understanding?

K. Swaminathan: GNPA has to go up, in fact it has already gone up in our Company, we have already recognized all these accounts in the December 21 quarter itself, that is why our GNPA has suddenly gone up from around 4.5% level to around 7% level. So, it is only because of GNPA and naturally because GNPA the provisioning as the credit cost for the closed accounts.

Subrata Sarkar: In our case, there won't be any impact?

K. Swaminathan: Going forward, whatever is the impact because of the November 21 circular that that has already been factored in our figures. In fact, in December '21 itself we have taken into account.

Subrata Sarkar: And this is a onetime impact only?

K. Swaminathan: Yes.

Moderator: Thank you. The next question is from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: My first question is if you could provide a loan book growth guidance for this year.

K. Swaminathan: We have given a projection of 10% to 11% --. And the loan book of Rs. 13,000 crores. As of now we maintain whatever the guidance was given.

Rishikesh: And what is the branch of growth guidance basically? So, you said you will be expanding the branches, if you could give some numbers, how many branches are we looking to open this year and maybe even next year?

K. Swaminathan: I am unable to give you the numbers. But I can tell you, we have started the process. We have asked our people also to do surveys and all this. Once we get the reports maybe during the 3rd Quarter current quarter or the next quarter, we will take it up, some of the places where we can start opening branches and all that and maybe in the next conference call we may be able to give you some numbers.

Moderator: Thank you. The next question is from the line of Bunty Chawla from IDBI. Please go ahead.

Bunty Chawla: Can you share the standard restructured assets outstanding as of Q1 FY'22. And secondly, how much is the provisioning against these restructure has been done?

K. Swaminathan: See I don't have the exact numbers for this, it should be 700 minus, maybe around Rs. 150 I do not have exact numbers maybe offline I will be able to give you the numbers. As far as provision is concerned, whatever was the required provision as per RBI circular that we have already provided, at the time of restructuring we have already provided. As per additional cushion, we have provided a Rs. 20 crores provision in the current quarter, though it is not required in the current quarter, we still have made a provision of Rs. 20 crores. Going forward we anticipate another Rs. 20 crores perhaps that is in the second quarter. I am unable to give you the numbers as far as the likely slippages unless I know the likely slippages I cannot give you the likely provisions as well.

Bunty Chawla: So, one clarification just this Rs. 20 crores which you have said is not included in the provisioning against restructuring, it's altogether a separate, we have done, right.

K. Swaminathan: Yes.

Moderator: Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: In terms of growth you have kind of articulated your target for this year, and I am sure you are looking at even better growth next year. So, besides the fact that macro is doing well, there's a lot of housing demand. So, besides the macro lift, what are the operational or enabling changes that we are doing in our operations, which will lead to faster growth, which can drive growth on a more sustainable or a permanent basis? If you can just kind of elaborate on few important changes, it could be from an employee perspective, it could be from an operations perspective and even more from the asset quality rigor side also, if you are trying to kind of tighten or make the operations more rigorous.

K. Swaminathan: We have done so many things, in the system itself. Only our CIBIL score, every CIBIL score is improving, the asset as far as the quality is concerned, we will not take anything less than 550 and all that. Happy to announce that as of now, above 650 if CIBIL score above 650 itself is more than 90% as of now, that is one thing. So, quality we have mandated that it should be maintained whatever be the growth, this is one.

Then second some simplification of processes, we have done in our legal. Earlier there used to be a legal requirement, even for any loan over Rs. 15 lakhs now we have made it Rs. 25 lakhs, one. Second, we have made the quality also to be sure, because we have asked all our people, especially our legal people, as well as our underwriting team, to visit these places to verify the properties, to verify the title lease on the spot. So, that things become faster and on the spot decisions can be made, this is second.

Third one we have done decentralization whereby some of our regions, we have seven regions, some of our regions heads have been given powers in the current quarter, whereby the loans can be sanctioned at their level itself, up to a particular limit, it can be sanctioned at the regional level itself, it may not come to head office.

Fourth, that you are asking about this quality issue, so we have made a two tier structure in sanctioning in our head office, whereby a person will recommend, another person will sanction these are maintained. Then post sanction also, before the loan is disbursed, we verify whether all the formalities, all the documents, all the title lease and all the issues have been done, the green signal is given by the head office before it is given.

So, one we are simplifying the process of loan underwriting. Two we have seen that all the processes are in place, so that we do not get into any early slippages. So, both ways, we are doing things. We are hopeful that things will improve. And we are also improving our DSA structure earlier DSA used to be less now we have simplified the process of DSA recruitment. So, that channel is also expected to give us more numbers in the coming quarters. So, all these are qualitative figures, but hopefully all these will give us numbers.

Rajiv Mehta: What is the DSA proportion? I mean, what was the DSA proportion and where do we see it in the future?

K. Swaminathan: Today it is around 18%. And hopefully it will be around 20% to 25% by the year end.

Rajiv Mehta: And then, besides DSA, any other loan activity that we plan to add or any other new sales channel, do we plan to have?

K. Swaminathan: There is also a DSA channel that is already there, that is there are still trainees who are our offload employees, they are already there that is also there. And we do not plan our **(Inaudible 00:35:01)** immediately. We are seeing some new logins that are improving, hopefully going forward once the growth picks up momentum, maybe we can pick up other channels as well.

Rajiv Mehta: On attrition in employees, right, so since you have come in February and it's been now four to five months, have you seen any reduction in attrition at the ground level at the branches? And what are the steps --?

K. Swaminathan: I don't have the exact numbers, but I am seeing a reduction in attrition that much I can tell you. And I can also tell you that we have started recruiting as well, especially in areas where we have found some deficiency in number, so we have started recruiting. We have done an All India recruitment during the month of April and May. And we are also even now recruiting in the local level, at the branch level or the centers where we require people. So, this way we ensure that all the branches are adequately staffed, probably for business for recovery as well. So, attrition I don't have the exact numbers, attrition to my knowledge, it has come down.

Moderator: The next question is from the line of Geetika Gupta from ICICI Prudential. Please go ahead.

Geetika Gupta: Wanted to check on the disbursements for this quarter, was it fully organic or there was some portfolio buyouts as well?

K. Swaminathan: Yes there were some portfolio buyout as well madam.

Geetika Gupta: Can you quantify it? And what is the strategy behind the same?

K. Swaminathan: Madam this is one way of increasing our book. We have made a small purchase of around Rs. 70 crores and it was more commercial call, we took a commercial call, we wanted to increase that's all. And going forward also we will not shy away from this full purchase if required.

Geetika Gupta: Would it be possible to share from whom did you buy the portfolio, and how did you go about the due diligence?

K. Swaminathan: I think I better skip that, we do not want to give the commercial details, it is not fair.

Geetika Gupta: But this is something that could continue in the future as well, right, that's a part of your loan strategy. Would that be fair to assume?

K. Swaminathan: If required, we will take a call depending on our requirement. If our growth book is otherwise sufficient, we may not have this particular strategy. So, we will take a call depending on the requirement.

Moderator: Thank you. The next question is from the line of Amish Thakkar from Siguler Guff India Advisors. Please go ahead.

Amish Thakkar: I just wanted to ask a couple of questions. One was on the ROA and ROE projections, while Mr. Swaminathan you mentioned that you will maintain the last quarter's numbers. But given if you are expecting 10% to 11% growth and reduction in GNPA, these numbers might look very different and much improved than what was reported in Q1, because what I am gathering from our conversation so far is things are only going to improve whereas NIM and spread is going to be maintained versus Q1. So, if you could maybe ask Bala and your planning team to work on the ROA and ROE projections and share it with us later on, that will be very helpful. Because my sense is it should definitely be much improved than this. And FY21 as well as the company was at 2.4% to 2.5% ROA and 18% ROE.

K. Swaminathan: See our thinking is better to be realistic than be optimistic. So, we would like to maintain the same, but one thing we do not want to increase our credit cost beyond this Rs. 100 crores which we have budgeted that is one thing for sure. And if there is a requirement to reduce our interest rate to retain a customer, we will continue to do that. On the spread we want to maintain at least above 3% that is for sure. All the things we want to maintain, hopefully, because of all these things, if our yields and ROA and ROE improve well and good.

Amish Thakkar: And on the purchase of loan and loan tool assets, if the underwriting and the criteria under which you are procuring these loan tools in terms of spread and there is hopefully not enough costs and there is enough SLDG or there is some over collateralization, shouldn't you pursue this as a very focused strategy irrespective of how organic growth is happening through the branches. So, the branch managers and the regional heads do have a target in terms of how much you aspire to grow by, which is 10% to 15% net of repayments, but you can turbo charge that growth by the small pool purchase, while it's and I am just complimenting you for doing that in Quarter 1, but it could be taken up as a sustainable strategy if the risk parameters are maintained well and it's not diluting the spread that you want to maintain, because this hopefully will not come at any cost of managing the book.

K. Swaminathan: Okay we will definitely look into, I am thankful for your suggestions, we will take a call let's see in those pool buyout, there will be a reduction in spread compared to our branch book. So, we have to take a call depending on because there will be reduction in cost, the cost of a loan will be less in a pool buyout, cost of giving a loan. So, we will take a commercial call, depending on the need. But our primary focus will be on branch, focused business branch induced business.

Amish Thakkar: And if I may ask, is there a specific team who is driving the loan pool buyout, or it's all opportunistic, as you had mentioned, but that does not take away focus from the business that's on the regional head.

K. Swaminathan: Yes, it's head office team lead by Mr. Bala as well as our accounts department. It is done at the head office level.

Amish Thakkar: And what sort of over collateralization that you are getting or what sort of credit collateral are you able to get in such deeds, if I may ask?

K. Swaminathan: So, we don't have any specific number, collateral, there are not any collateral no, it is direct assignment.

Amish Thakkar: Direct assignment, okay, it's a principal only structure but they would put some cash collateral, or there is no cash collateral or over collateralization involved?

K. Swaminathan: Whatever the principal security **(Inaudible 00:42:30)** so the average LTV is 41%.

Amish Thakkar: And the average yield on the portfolio would be much higher than what you are paying. So, the kind of excess interest also becomes like a collateral for the purchaser, right.

K. Swaminathan: See, let us not get into the details of the particular….see that's what I said, see we will take a call based on the numbers, based on the quality of the pool and all that.

Bala: Regarding ROE guidance of 12% and ROA guidance of 2.2%, it assumes we provide Rs. 100 crores this year.

Amish Thakkar: But this would tantamount to what sort of PAT for the year the 2.2% ROA you are talking about net income or profit after tax or in the zip code of Rs. 260 to Rs. 280 crores right or more actually.

K. Swaminathan: Yes, I will give you the number, see it is purely an estimate, but we will give you the numbers.

Amish Thakkar: Yes, sure, this is just an estimate, we are not holding you on to a particular number. But given the gearing has come down that's why ROA is reducing but my sense is from what your aspirations are we all should be positively surprised. But again, it's just an estimate as of now.

K. Swaminathan: Yes around Rs. 275 crores of PAT for the year.

Moderator: Thank you. The next question is from line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Just one clarification, on this, up to a Rs. 100 crores of credit cost, it seems slightly higher number I know that the flow from the restructured asset is yet to come. But we are already holding good provisions against the restructured assets. If I recollect till last quarter we had build up Rs. 100 crores of provisions and then again this quarter we have done Rs. 20 crores of contingency provision. So, this Rs. 120 odd crore over Rs. 700 crore original number should have been, I mean it looks a pretty reasonable buffer. But then you are talking about adding more buffers in the 2nd Quarter, maybe Rs. 30 crores odd. So, I mean, are we kind of assessing more slippages to come through outside of even the restructured pool or are we just trying to be very cautious about the credit cost.

K. Swaminathan: Outside of the restructured pool, if at all there is any credit flow, any slippages, that will be in the normal course, we do not expect any undue slippages outside the restructured pool. Only the restructured pool is an issue which we are --; outside the restructured pool we do not see much and hopefully this Rs. 100 crores whatever we have provided, I think that will take care for entire….

Rajiv Mehta: Any broad thoughts on next year's credit cost, I mean, maybe as a percentage of average loan book what can one assume in a normal course then?

K. Swaminathan: You mean to say for 23/24?

Rajiv Mehta: Yes.

K. Swaminathan: 23/24 should be, I am unable to give you a number, it is too early for me. But anyhow it would be less, seeing the quality of our present assets this should be less.

Moderator: Thank you. The next question is from the line of Praveen Kumar from Equitas Capital. Please go ahead.

Praveen Kumar: I just had one basic question, which is kind of a follow up from what one of the other participants asked. Again, it refers to your ROE guidance of around 12%. What I wanted to understand was that while that seems like a conservative kind of guidance, at 12% it seems like it could be below the cost of equity, which is expected by investors. So, I just wanted to understand, because then that tantamount to effectively growth at that cost of equity, tantamount to not creating shareholder value. So, I wanted to understand your thoughts on that.

K. Swaminathan: It is just a ballpark estimate, see we are also assuming that our leverage will be 4.4 times. So, ROE is a function of ROA and leverage. The leverage is not going to grow year-on-year. Although ROA will grow slightly, in fact meaningfully, so which is why our ROE guidance is 12% assuming the Rs. 100 crores of credit cost. The actual credit cost is lower ROE will be higher absolutely.

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

Rajiv Mehta: Thank you so much, everyone, for joining in this call. Thank you to the Management for giving us this opportunity. Everyone, have a good evening.

K. Swaminathan: On behalf of the Management, I thank all the participants who participated in this conference call. We look forward to seeing you again, in the next quarter. Hopefully things would turn better in the years and quarters to come. Thank you very much once again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Yes Securities that concludes this conference. Thank you all for joining us and you may now disconnect your lines.