

August 5, 2020

The Secretary
BSE Limited
Pheeroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 531595

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No- 'C' Block, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051
Scrip Code: CGCL

Sub: Disclosure under Regulation 30(6) read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript Q1 FY21 Earnings Conference Call

Dear Sir / Madam,

In terms of Regulation 30(6) read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Q1 FY21 Earnings Conference Call held on August 4, 2020 for your kind reference.

The same is also uploaded on the Company's website at www.capriglobal.in.

You are requested to kindly take the above information on record.

Thanking you,

Yours faithfully,
for Capri Global Capital Limited

Abhishekh Kanoi
Vice President & Group Company Secretary

Encl.: As above

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TRANSCRIPT

Capri Global Capital Ltd Q1FY21 Earnings Conference Call**Event Date / Time: 4th August 2020, 12.00 HRS IST**

Pavithra: Good morning ladies and gentlemen, I am Pavithra, moderator for the conference call. Welcome to Capri Global Capital Limited Q1 FY21 earnings conference call. At this moment all participants are in listen only mode, later we will conduct a question and answer session. At that time, if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Mr Rajat Gupta of Go India Advisors. Thank you and over to you sir.

Rajat Gupta: Thank you Pavithra. Good afternoon everybody and welcome to Capri Global Capital Limited earnings call to discuss the Q1 FY21 result. We have on the call Mr. Rajesh Sharma (Managing Director), Mr. Ashok Agarwal (Associate director finance, Accounts, Legal and Compliance) and Mr. Hardik Shah (Vice President - Corporate Strategies) We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces. May I now request Mr. Rajesh Sharma to take us through the company's business outlook and financial highlights subsequent to which we will open the floor for Q&A. Thank you and over to you sir.

Rajesh Sharma: Yeah, thank you Rajat. Good afternoon everyone and thank you all for joining us on this call. I would like to start by saying that all of us at Capri Global Capital hope you, your friends and your family remain safe and healthy during this unprecedented global health crisis. As I step back and thought about talking to you this quarter, I thought back to our discussions of last quarters' result. We had thousands of customers who had already approached us in April asking for assistance in terms of paying their loans and new loan requests out of panic. Again, in this extremely challenging backdrop, I am very proud of my colleagues, the way they manage to support our clients during crisis and through massive uncertainties, is indeed commendable.

I would now like to discuss some key metrics of our first quarter financial performance for FY21. First and foremost, I would like to provide you all with the moratorium update. When Reserve Bank of India announced loan moratorium initially for three months, the customers were under confusion that moratorium implies interest waiver during the period of loan moratorium and hence opted for moratorium. To tackle this misunderstanding, we have circulated excel calculator which are easy to use to each of our customer relationship manager to educate customers about adverse impact of opting for moratorium on their financials by sharp shoot up in the loan tenure. Post reaching out to customers and educating them about adverse impact of opting moratorium that resulted into customers who had earlier opted for moratorium also started paying their EMI, who had the money. Hence number of customers under effective moratorium, the customer who opted initially for moratorium, but later on started servicing their EMI dropped across our all business vertical. When

customers realized that by opting a three-month moratorium depending on their tenure of the loan and rate of interest, they might end up paying 9, 10, 12 even 15 EMIs than they started servicing their EMIs.

- **In MSME**, the effective moratorium cases in terms of count came down to 28% in June versus 45% in April and in terms of POS it came down to 38% versus 53% in April.
- **In Housing finance**, the effective moratorium cases in terms of count came down to 20% in June versus 30% in April and in terms of POS down to 24% in June versus 33% in April.
- **In Construction finance and Indirect lending combined**, the moratorium cases came down in terms of count to 35% versus 50% in April and in terms of POS came down to 46% in June versus 56% in April.

Also, our relentless focus on collection has resulted in sharp improvement in customers servicing EMI month on month basis.

- **MSME** in terms of count, customer including, assuming that the moratorium given also servicing EMI for current month or earlier month increased to 72% in June from 55% in April. In terms of POS, customers servicing EMI for current month and earlier month increased to 62% in June from 47% in April.
- **Home loan** in terms of count, customers including moratorium servicing EMI for current month or earlier month increased to 80% in June from 70% in April. In terms of POS, customer servicing EMI increased to 76% in June from 67% in April.

Based on the interaction with our customers, we have gathered that most of enterprises in semi urban and rural area are already back on track. They have started resuming their operations by end of May, June first week depending on the lockdown guidelines, while those in major urban centers which are epic center of Covid cases in India should hopefully normalize by October end. Hence customer servicing EMI should also improve further, going forward.

During the period, we maintained robust level of liquidity and capital to tackle through the Covid crisis with almost INR 4.9 billion of cash and cash equivalents and healthy capital adequacy ratio of 41%. Additionally, we managed to raise incremental bank line of roughly INR 10.5 billion with INR 10.7 billion of undrawn lines at the end of the quarter. We believe the granularity and retail nature of our loan assets is assuring to our bank, while large ticket size lenders are finding it difficult for incremental liquidity. At the back of strong liquidity, the company has not sought any moratorium from any of the lenders, on the contrary Capri has made a pre-payment of loan ahead of its repayment schedule of INR 311 crores in Q1 FY21 to reduce the overall cost of funds.

Given the uncertainty over the potential macro-economic impact we have made extra provision for expected credit loss on financial assets in Q1 FY21 of INR 203 million, which is over and above INR 136 million Covid related provisions made during Q4 FY20. Effectively, the total Covid related provisions stood at about INR 339 million and based on the current indicators of future economic

conditions, we consider these to be adequate.

As we continue to navigate the challenging and uncertain environment, this quarter's performance once again demonstrates the benefit of the diversification and scale of our platform. Also, as a result of our stringent cost control and strong risk management framework, we reported strong and healthy Q1 FY21, I will just touch on a few highlights here:

- Our net interest income stood about INR 929 million for Q1 FY21 with NIMS at about 9.2%.
- We identified areas which where discretionary in nature has started curtailing those expenses along with rationalizing our branch network leading to a substantial reduction in our cost to income ratio to about 25% in Q1 FY21 as compared to 36.7% in Q4 FY20. Hence our pre-provision operating profit stood at about INR 731 million for Q1 FY21 registering a growth of about 27% year on year.
- Our profit after tax for Q1 FY21 stood at INR 396 million after considering INR 203 million contingency provision for Covid.
- The asset quality remained healthy with GNPA 90 plus DPD portfolio at 2.33% and net NPA of about 0.25%.
- We maintain a strong portfolio yield about 16.3% in Q1 FY21 against 16.0% in Q1 FY20.
- Our AUM ending Q1 FY21 stood at about INR 40.48 billion and MSME lending continues to be the key focus area and constitute about 51% of the book while the rest of the contribution come from construction finance and housing finance constituting about 24% and 23% of overall portfolio, respectively. We have maintained credit ratings of A+ (CARE Ratings) and AA- (BWR Ratings) amid the uncertainty and peer downgrades.
- Our return on equity stood at about 10.2% while our return on asset stood at about 3.5% for Q1 FY21.
- With our continued focus on the long-term borrowing, our ALM is comfortable in light of the fact that option of availing moratorium for customer has been extended up to 31st August 2020.
- We have significantly ramped up our digital payment infrastructure and launched several technological initiatives adding benefit in collection, underwriting, the investment risk etc.

The NBFC industry has been adversely impacted due to the Covid crisis and I would briefly explain how we are positioned in the current scenario. Talking about our major portfolio that is MSME which has been severely impacted due to the lockdown, in Capri we have been focusing on semi urban and rural areas where the impact of Covid so far has been minimal and we have resumed business in all branches, subject to criteria that number of active Covid 19 cases in respective districts are less than 1,000 and business activities back to normal in those districts. We are also seeing new loan demands coming up, which we are cautiously analyzing before disbursement. As of now, we have started offering top up loan on existing loan which were extended pre-Covid and the customers have not opted for moratorium. Additionally, we are planning to disburse about INR 1,500 million to MSME under the Government guarantee emergency credit line by October 2020.

Our construction finance book is catering to small developers with an average business size of about INR 74 million per borrower, almost 130 customers across 11 cities. Our developers do not get credit from banks in timely manner and that is why they come to us. Hence, I believe our strategic focus on mid and small size developer, focusing on catering affordable housing segment in tier 3, tier 4 town put up us in a good stride compared to other financial institution with focus on large-ticket size disbursements to developers focused on premium residential demand. Further as per our internal survey of developer around 70% of them have resumed work at their project site and they executed confidence that more labors are expected to return to projects post kharif season. Also, they expect demand for affordable segment to return to pre-Covid level by October-November when normalcy is expected in the Indian economy.

Under the affordable housing finance business, we are targeting tier 2 tier 3 city where we have already empowered over 9,600 families to realize the dream of owning the home. In terms of demand for affordable housing as per consumer sentiment survey, demand is undented for affordable housing post covid 19, hence we expect this segment will continue to register a strong growth going forward.

As we go forward, we continue to prepare for the prolonged economic challenges and look beyond market valuation in our overall assessment of risk. We maintain a strong financial profile and remain agile with our balance sheet, as we continue to serve our clients. Against the backdrop of the unprecedented environment, the range of outcome is broader than ever before, but our priorities remain unchanged. We are focused on supporting our employees, customers, clients and communities on being good stewards of Capital entrusted to us by our shareholders. So, to wrap up, I would like to mention that I am proud of the people at Capri Global, as they have worked tirelessly during this time to engage and serve our clients, leverage technology to ensure our resiliency and prudently manage our risk and financial resources. With that, we may open the line for Q&A.

Pavithra: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing star and one again. I repeat, ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have first question from Raghav Kabra from Excel Investments. Please go ahead.

Raghav Kabra: Good afternoon sir.

Rajesh Sharma: Yeah.

Raghav Kabra: I have couple of questions. So, the first one is, you know, just wanted to understand like what sort of measures have you taken on the cost side as your cost to income ratio have come down significantly in this quarter? And how would the same react over the rest of the financial year?

If you could provide us with some guidance over this.

Rajesh Sharma: So, your first question related to cost measures. What we have done that we analyzed some of the branches where the productivity was lower. We have realigned those branches to nearby branches and instead of keeping the branches at a full fledged branch we have started resident branches. Some of the places we have reduced our rents and also during this time when our disbursements were not happening, we have realigned some of the non-productive staff, so we have trimmed the staff at the ground where the productivity was lower, so based on that January to March quarter performance parameter we do this exercise every year and you have seen that year after year we are improving our cost to income ratio. I expect that this year cost to income ratio may not remain the same in the next quarter, but we will try to maintain below 30% as against the last year of 38%.

Raghav Kabra: Okay sir. And sir one more question. It is like with MSME business resuming what sort of growth are we targeting in this segment in coming couple of quarters and also how cautious are you on lending in your construction finance portfolio?

Rajesh Sharma: So as regards our MSME customer segment and what growth we can target, I would like to answer that out of 144 branch managers across our 81 branches, out of that 99 are situated where the number of Covid patients are less than 500. They are in tier 3, tier 4 towns. So, you can imagine the business is back to normal. The demand of the loan is coming back from these branches and in response we have already launched the new business sourcing and also the top up to existing customers i.e. those customers with standard account pre-covid plus they are paying all the EMI due from March, April, May, June period. So, these three products we have already started working in these 99 branch managers which are in tier 3, tier 4 town, so I expect we will grow further based on the lockdown opening and normalcy coming back. Second, MSME is going to be our key growth driver.

Now as regards construction finance, we are doing this construction finance business in very retail and granular way. We are catering to small developers who acquire the land, take all the approval and they require about INR 7 crore to INR 15 crores kind of a loan where loan is released after approval linked to the construction. So, these tier 3, tier 4 towns, small developer they are building affordable home where sales is also that not a problem. During this Covid time also, we analyze that from the June and onwards about 70% of our developers have already resumed the operation at their site and we expect them to do well. Construction finance, if you see in the last year to this year, we have degrown our book, our major focus is going to be MSME and affordable housing, but we expect our construction finance to remain at the same level what it is now. So, whatever the repayments are coming to that extent we will grow, in absolute terms book may not grow in construction finance, book will continue to grow in MSME and affordable housing.

Raghav Kabra: Okay. Okay sir, that's it. I will come back in queue for further questions. Thank you.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. We have next question from Ravikanth Bhat, an individual investor. Please go ahead.

Ravikanth Bhat: Sir, thanks for the opportunity. Just two questions from my end. One is I will just pick up from the answer which you gave to the previous question, this is more to gain a qualitative understanding as to if you have, you know, surveyed your customers, done some channel checks as to how their businesses are? You did mention about tier 3 and tier 4 towns, so between February this year which was the last three month of operation before the lockdown started and May when we had a full lockdown to now, how have, you know, business has done as in when do your customers expect their businesses to be normalized, what level are they viz a viz Feb'20 level and any impact assessment that you have done if you could just comment a bit more on this.

Rajesh Sharma: So, customers which are, it is based on the location. So, customer which are based in MMR, Pune, Aurangabad, Indore, Bhopal, Jaipur, Ahmedabad where covid impact was more are impacted more and among them the worst affected is Mumbai, Mumbai Metropolitan Region because these are two regions that lockdown lasted longer plus unless the local trains are not resumed the impact is going to be continued. However, we have very less activity in MMR regions. Our entire branch network if you look at, they are based out of tier 3, tier 4 towns. It can be Akola, it can be Amaravati, in Madhya Pradesh it can be Satna, it can be, so these are kind of towns we are situated, so our 99 out of 144 as I said are located in tier 3, tier 4 towns where number of active Covid patients are less than 500. And where normalcy is back, so they are already full fledged working. When we connect with our sales team, our collection team, I mean they go to market, sometime we do the check, ask them to do a WhatsApp call live and show us how the activity and the market check and we found, they are back to normalcy, so these are the places, locations where business, doing business will not be a problem. The collection is showing the same trend that our collection efficiency is coming back to better at the smaller branches and new business demand is coming back, so I expect that yes about 50-60% capacity of us we are able to disburse and with this we should be get back to capacity of about 80% by October end or so.

Ravikanth Bhat: So, sir this, the customers which are still under effective moratorium will it be fair to say that these are also in the more worse affected areas of Covid? Or are these distributed again into the tier 3, tier 4 towns where they might still be observing some bit of caution and might actually start repaying once things are more normalized?

Rajesh Sharma: So, I think the July Month, July end we will see the trend is improving. If we see the trend, clearly in terms of MSME in cost terms in April about 53% customers were under effective moratorium which has now come down to 38%. It means in absolute terms 62% customer have paid their EMI and 38% still under moratorium, but depending on the business I think July and August these are the two months where many lockdown is getting relaxed and their business will come back to normalcy, thus many banks are also offering money in the market in the emergency credit line, we

are also giving on selective basis that will also improve the credit flow to them and their business will come back to normalcy in terms of, if anybody need liquidity also. So, collectively, see because of all these efforts moratorium month after month is reducing. In April it was 53%, then in May it came to 48%, June it came to 38%, July it will come further down, so we see the collection efficiency is improving. In home loan if you talk about in terms of POS it was 33% customer who were not paying in April. It has come down to 24% in June. It will go down further, so effectively with the relaxation in lockdown with business coming back I am sure the small customers are very cautious, not to increase their interest burden. All their important property is mortgaged with us with a loan to value in MSME is about 50% and home loan is about 70% with that kind of loan to value they will not take any chance. Our repayment will always be in the priority as has been in the past and we believe that substantial improvement in the next two months will happen. The trend is also showing this.

Ravikanth Bhat: Sure. Thanks. There is also one last question, I am looking at slide number 23 where you gave the asset liability split, where basically shown bucket wise net inflow or outflow, I think it's for all the buckets it's net cumulative inflow that we have, how is moratorium factored in while calculating the inflows in this particular construction?

Rajesh Sharma: These are the numbers which have been taken after considering moratorium numbers, the same number, we are also required to submit to Reserve Bank of India. Those the same numbers are there. Yes. So, moratorium given.

Ravikanth Bhat: Okay so in case your collection trends continue to improve, which I am sure they should, you are going to see a better inflow, so this will only show an improvement, correct?

Rajesh Sharma: If the collection improve further it is going to make it better only, but in any case, inflow versus outflow all our buckets are positive. Reason being we have 40% capital adequacy, reason being that our all the liabilities are long term.

Ravikanth Bhat: Right, yeah. Thanks this was helpful and wish you all the best.

Rajesh Sharma: Thank you.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. We have next question from Preeti Singh from Value Investments. Please go ahead.

Preeti Singh: Yeah, hi. Good afternoon sir. Sir, I just want to know that we have seen varied opinions regarding the economy, so on one side SBI chairman is saying that it's a best bank to lend, while Mr. Kotak is cautious at the moment. So, what's your view on the ongoing situation in terms of lending and disbursing? And what's your big picture view on the economy?

Rajesh Sharma: So yes, we are cautious. What we have done in the fresh lending, the valuation of the property we have trimmed down by 10% and plus we are only lending to those customers whose business has started operation, we can see the activity is nearly normal, so we are conservative on the valuation, we are conservative on the assessment side and to our existing customers who have not opted for moratorium and paid all the four EMIs, in case they are looking for any money for expansion we are considering them. So collectively, while we are cautious, but we are seeing the demand of the money in the tier 3, tier 4 towns and semi urban areas. We are more cautious in the regions, the metro cities like Ahmadabad, Baroda, Jaipur, Pune, Bombay, so few towns we are cautious, but semi urban and urban areas the demand is back and with the conservative valuation of property and loan to value keeping it about 50%, we have started the business and we are seeing this action that is all I can say.

Preeti Singh: Okay. Sir, another question was can you throw some light in regards to ECLGS, so are you lending to all your borrowers? What's your strategy out there? How much have you sanctioned till now under the scheme?

Rajesh Sharma: So, emergency credit line we launched the product, but not that we want to give everybody. So, we have made the three categories of criteria. Customer who are standard on April 2019 and have not opted for moratorium, have paid all the four EMI, category 1. Category 2 is customer who have standard account on Feb end, have paid all the four EMI but month on books is less than 12 months, so this is the second category and third category is balance customers. While the emergency credit line allow that we can lend even to customers who are into 1 to 60 DPD on February 29th, but we are more conservative. We are not giving to them. We are giving only to customers who are standard and paid at least one EMI. So, we categorize in the different category and plus their business should have resumed, then only we are lending. We are more comfortable giving top up to our existing customer for the reason being that emergency credit line tenure is only four years, so their EMI amount will be much higher. If the same customer, if I give the top up under our top up scheme then the tenure can be 10 years, their EMI will be lower, so they will be less pressure on their cash flow, so we are preferring more our top up loan than the emergency credit line.

Preeti Singh: Okay, sir. Sir, my last question would be what is your strategy on the small finance bank going forward?

Rajesh Sharma: So, going forward, I think our board have authorized us further to explore and to prepare, so we have given in principle approval for small finance bank. We internally workout their plan, take the help, appoint advisor may be some good accounting firm or may be somebody else who will evaluate that and will make a business plan. We believe in long run that is the way we can control our liabilities and raise the deposits from customers plus we can do lot of cross sale of other product, so looking at the long term vision what we want to do, this is one step towards where we want to be in the banking side.

Preeti Singh: Thank you, sir.

Rajesh Sharma: Yeah, thank you.

Pavithra: Thank you ma'am. We have next question from Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Yeah, hi. Thanks for the opportunity. Just a couple of questions. Now, you know, if I look at your slide on moratorium, you know, what has been clearly visible is, if you look at slide number 7, you know, your loans under effective moratorium has come down from 45% in April to 38% in May and in think 28% in June, which I guess is a function of the fact that you have been educating the customers and telling them that, you know, that they should not opt for a moratorium. Having said that when look at the percentage of loans and moratorium which is the third line that actually been kind of growing up from 50% to 55% and to 57%, so I was wondering why people are kind of, you know, on one side more people are signing up for moratorium on a month on month basis although, you know, after signing up the moratorium they are paying EMIs as well?

Rajesh Sharma: So, that is a trend we have also seen, so on our portal at the moment they write a letter to us. We for the regulatory compliance purpose, we record them under moratorium. However, the moment we receive the letter than our relationship manager makes the call, our customer care makes the call that in case they choose this moratorium of three EMIs or six EMIs, you have to pay may be 10 EMI or may be 15 EMI, so when they realize this then they start paying based on their capability, so initially I think they may not be aware that may be the reason, but we follow a simple procedure that anybody who written us a letter or a mail officially with us that I want to opt for moratorium, as per RBI directive we put them on a moratorium, but we persuade them to pay. So, that is the reason we have come out with an effective moratorium calculation.

Nischint Chawathe: But I wonder why would people, you know, more people kind of, you know, write letter for signing up as the months progress if ideally, you know, collections are picking up or things are getting better, you know, you would have lesser people signing up, right? So, why people are approaching you in the first place as month progresses, more and more people are approaching?

Rajesh Sharma: That kind of customer we deal with, they are not that savvy in their financial terminology and, you know, we deal with all the customers who don't have income proof, so I do not, we are not able to figure out this way, but we have say clearly seen they simply receive a mail or simply we receive a letter that they wanted a moratorium. Maybe they think by not paying, they have to pay exact number of same EMI, but once they are educated, we have clearly seen the difference that even after customer who opted for moratorium, they start repaying the EMI. So, perhaps they are not aware of this mechanism, so they write the mail and letter, but as a matter of RBI compliance we have to register them the moment we receive a mail, we have to record the

moratorium report to RBI numbers also.

Nischint Chawathe: Sir and this advance EMI that they are paying, you know, one EMI, two EMI, three EMI and I think you have explained it well in one on the slides, so can these EMIs later on be adjusted against installment for September, October, November?

Rajesh Sharma: If somebody is paying then we don't want to give a message to the customer that okay we will give moratorium now and then we adjust later. We have clearly seen that in tier 3, tier 4 town, there is drastically difference than the major town. Their business operations are back to normalcy. So, they are paying then why we should educate the customer that you don't pay now we will adjust in the future EMI and continuing the moratorium, we are not doing that.

Nischint Chawathe: Fair point. Just moving on to the undrawn lines of credit, you know, which is slide number 12 I think, just wondering how much would be the undrawn line of credit let's say last quarter or let me put me it this way, how much will be sanctioned line of credit last quarter, as against around 6000 crore this time around?

Rajesh Sharma: So, which slide you are referring to?

Nischint Chawathe: Twelve.

Rajesh Sharma: Twelve, so we have given, so about 799 crore in CGCL and about 275 crore in Capri Global housing is about 1074 crore rupees undrawn line.

Nischint Chawathe: So, how much with the number we like last quarter, that's what my question was.

Rajesh Sharma: Do you mean to say in the March, March ending?

Nischint Chawathe: That's right, that's right.

Rajesh Sharma: Yeah, just a minute.

Nischint Chawathe: I am just trying to understand how much was the increase in sanction limits line between the March and the June quarter.

Rajesh Sharma: We will explain that also.

Nischint Chawathe: Sure.

Rajesh Sharma: The new line sanctioned, limit sanctioned in Q1 is about 1050 crore rupees, 650 crore rupees a new line we received in CGCL, 400 crore rupees as new line we received in the Capri Global Housing during this Covid time and that is the reason that we decided rather than keeping the money in mutual fund at 5.5% let us repay to the banks advance, so what we did is effectively we paid ahead of a schedule to the banks their future EMI up to 1st April 2021. One bank which was Yes Bank the rate was high, the entire amount we have prepaid to them, so that is the reason we have done the prepayment because we have got healthy credit line during this quarter. In terms of Q4, we had about 605 crore rupees credit line...

Nischint Chawathe: And sir you have sanctioned...

Rajesh Sharma: Undrawn credit line at the end of the March 20 was 605 crore rupees.

Nischint Chawathe: And gross, I mean total sanctioned amount?

Rajesh Sharma: Sanctioned amount, you mean to say this

Nischint Chawathe: As against 6000 crores, yeah as against 5900 crores, how much was the sanctioned amount in March?

Rajesh Sharma: So, March you are asking, new sanction, March quarters?

Nischint Chawathe: No outstanding, sir this is outstanding number, right? Sanctioned 6000 is outstanding?

Rajesh Sharma: No, no, you have asked me what is the undrawn line? So undrawn line....

Nischint Chawathe: No, no, sorry

Rajesh Sharma: Yeah

Nischint Chawathe: I understood that, I am just saying that I wanted to ask actually what is the gross sanctioned amount as against 6000 how much was in the March quarter, was in March end?

Rajesh Sharma: So, as against the 1050 crore rupees sanctioned during this April to June quarter, what was the sanction limit in Jan to March, that is what you are asking, right?

Nischint Chawathe: That's right, that's right.

Rajesh Sharma: Yeah, just a moment.

Nischint Chawathe: Sure.

Rajesh Sharma: Just, our details they are taking out, so I will come back to answer this question, yeah.

Nischint Chawathe: Sure. So just then kind of, you know, moving on, on the emergency line of credit, sir you mentioned that you are disbursing around 1500 crore or you have already disbursed 1500, I didn't get that.

Rajesh Sharma: It is 1500 million, 1500 in INR I said...

Nischint Chawathe: Yeah, I was just wondering, okay, yeah, that's right and this is something that you have already disbursed or you are planning to disburse from the year or this is something that you have got permission from SIDBI or how does it work?

Rajesh Sharma: So it is like this, these are the amount we expect to disburse because as we said we have a INR 2,000 crore of portfolio of MSME and INR 1,000 crore is home loan, so if we come to MSME, INR 400 crore comes as per the government regulation, however, we have decided that we will offer this to about 180 crore rupee to 200 crore rupees customers, 50% customers will not be opting this product. Now along with this eligible customer we hope two third will take, but it will depend on the customers whether they really need the money. We expect about INR 150 crore we may do under emergency credit line. Assuming that now individual borrowers are also allowed.

On consolidate basis against INR 1050 crores rupees new sanction in April to June quarter last quarter it was about INR 485 crores. So, again I want to clarify to you that this money which we raised INR 1050, lot of money came by your TLTRO. Now TLTRO money gets disburse immediately. Rather than putting money in mutual funds we decided to prepay to our loan, so we have done that and we utilized judiciary our credit line to pay ahead that have also resulted us to negotiate with the lenders with better interest rate, so there is a drastic difference you will see in our cost of fund coming down.

Nischint Chawathe: Okay. So just coming to the emergency, you know, MSME credit line, you know, I was just wondering how does the system work, do you need to especially for individuals now do you need to go to SIDBI and take a permission or how does it really work?

Rajesh Sharma: No, no, no. We need not to take permission. We have to upload the data on their portal. So, while sanctioning you have to upload the portal and how we have done that with the technology help, this money we can disburse withing three working days. So, it doesn't require any security creation. It is a simple, how, whom we want to give, we send an offer letter, our relationship manager makes them a call. In case client needs the money then immediately we sign the agreement, which is very simple agreement and we disburse the money and then up to, these data are uploaded on the portal of National Credit Guarantee Trustee Company.

Nischint Chawathe: So, okay it is based on the criteria that whatever I mean based on the internal criteria you will approve or disapprove the loan. And just one last question was, you know, on your loans, are the MSME loans guaranteed by real estate or are these that kind of loans or what is the underlying security over here?

Rajesh Sharma: Yes, can you repeat the question again please?

Nischint Chawathe: Yeah, yeah, sorry the last question was on the MSME loans, these are guaranteed by, you know, by I mean are these LAP kind of loans? Are they guaranteed by underlying security or what is the underlying guarantee in MSME loans?

Rajesh Sharma: By the government?

Nischint Chawathe: No, no for your MSME loans.

Rajesh Sharma: Every loan of MSME is secured by underlying property of self-occupied house or self-occupied business premises. However, if we give emergency credit line to these customers that is guaranteed by government, the additional top up loan under ECLGS may not be having that security cover.

Nischint Chawathe: Sure, got it and just one final one, are the repayment terms on your loans MSME, I am not talking about the government scheme right now, but generally the repayment terms for MSME, do they have a flexi component or you know, where you can change the repayment schedule if the customer has been a honest customer or is it kind of, you know, watertight?

Rajesh Sharma: So, we give our loan to MSME customer which ranges from 7 years to 15 years. However, we have seen the trend that most of the loan are closed within five years' time. Either they are transferred because they have clear repayment track record to a lower rate of interest or because their income level are so small that they change it very fast and they are able to prepay the loan. Now we have seen a clear trend that these MSME customers, if you talk about our 2014 book, 2014 book is 98% rundown today. No one stays in our books more than five years.

Nischint Chawathe: Okay, but if the customer is good would you change the term of the loan in terms of increasing his duration or you know?

Rajesh Sharma: We cannot increase the tenure because the moment we increase the tenure it tantamount to restructuring.

Nischint Chawathe: Okay, even for a good customer?

Rajesh Sharma: You cannot increase, you can reduce the tenure. You cannot increase the tenure.

So, suppose a good customer means he wants to prepay you or he wants to repay you more than what is due.

Nischint Chawathe: Hmm, hmm.

Rajesh Sharma: You cannot give a loan eight years and then convert into 11 years reducing his EMI burden because that tantamount in RBI and accounting view, it is restructuring of a loan.

Nischint Chawathe: Sure. Great. Those were my questions. Thank you very much sir. All the best.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Next, we have a follow up question from Raghav Kabra from Excel Investment. Please go ahead.

Raghav Kabra: Thank you sir for giving me the opportunity again. I just need to ask one last question like was short of asset quality stress do you see building in your over next couple of quarters when the moratorium is over?

Rajesh Sharma: So it is very difficult to predict what could be the stress, but being our portfolio is entirely secured by collateral of property and loan to value is about 50% in MSME and about 70% in home loan, even though for a temporary period if some of them shift into the NPA, may be the moment business operation comes back we should be able to bring it back to normalcy. There may be a temporary spike in the NPA by half percent or 1%, at this moment we are not able to judge it. I think clear picture will emerge in September, but we are not expecting that it will be very disproportionate, it will be something which we can tolerate. We have already made the adequate provision about INR 339 million rupees towards Covid provision. We consider that whatever provisions we have made that new spike of the loan we will be well within this range and we should be able to handle it.

Raghav Kabra: Thank you.

Pavithra: Thank you sir. We have next question from Shripal Doshi from Equirus Securities. Please go ahead.

Shripal Doshi: Hello sir. Good afternoon. Sir my question is with our collection efficiency. So, we have highlighted what is our moratorium and that has sort of, you know, changed or moved, but what was our collection efficiency viz a viz our receivables? So, what was your monthly receivables for April, May and June against which how much you have received?

Rajesh Sharma: Yeah, so assuming that no customer has opted for any moratorium. Let us we assume that. In that case in MSME out of whatever was due we received 47% in terms of POS in April, which

has improved to 62% in June. In home loan April it was 67% which has improved to 76%. So, in terms of MSME 38% customers are not paying and in the home loan about 24% customers are not paying, rest all are paying. This is assuming no moratorium has been given. If you give the moratorium effect then it will be much higher.

Shripal Doshi: Yes, yes, yes. But you mean no moratorium is given.

Rajesh Sharma: Assuming there is no moratorium concept. Then how many customers are not paying is 38% in MSME and 24% in Home loan.

Shripal Doshi: Okay, okay, okay. And sir what would be that sort of a scenario for our construction finance segment?

Rajesh Sharma: Construction finance segment about 54% customers are paying, so 46% customers are not paying.

Shripal Doshi: Okay, okay, okay. Means how will we change this trend like from say April to May to June the construction finance would be talking about?

Rajesh Sharma: So, construction finance, in April it was 56%, who were not paying, so I know that 10% customers improvement there are 46% not paying from 56% it has come down to 46%. We expect the July and August month it will go down further.

Shripal Doshi: Can you just provide one data that I am seeing in around slide number 7, and also slide number 8, I see the total number of customers dropping say I mean marginal drop, so it that just a closure of loan account or is it something else?

Rajesh Sharma: Yeah, they are some few loans accounts have been closed and that is the reason there a fall of number of counts of the customers.

Shripal Doshi: Okay, okay, okay. So then my next question is on the construction finance segment, so I mean as I know that we have broadly present in the western geography wherein the impact of Covid has been high and although we in like say smaller sort of a tier 2, tier 3 geography, but how has been the trend there? Like I understand 70% construction activity has relieved, but so like whatever, what are our coverage levels for our exposures? How are we seeing the new enquiries for our developers? So, what are some of the trends that you would be getting to know post your interaction with the developers?

Rajesh Sharma: So, we have realized that the location specific these are the trends. So, MMR and Pune is the worst affected, but all other centers like Chennai, Vijayawada, Surat, Baroda, Ahmedabad, Jaipur these are the places where construction activity on the site have resumed. They are able to

mobilize the worker, they are resuming the operation. With the progress happening and those customers will sanction and part disburse and when we see the activity is there and they are getting enquiry of the loans on verification of that we are disbursing those customers towards the further construction activity. So, we are supporting them also in terms of that they can start the construction and complete the project quickly. It is only Bombay based and selectively Pune is affected more, but rest of the location where resumption of the work on the sites have already started.

Shripal Doshi: Hmm, hmm. Sir, so like since we are one of those lenders who are into last mile financing, right for construction finance, so but so how will it be different for somebody who has a say, who is in the advance stage of construction viz a viz somebody who is at 50-60% of construction on the site, so are we seeing some difference in terms of enquiries or conversion of actual sale happening in those sort of scenarios for the developers?

Rajesh Sharma: So project to project if we analyze differ from town to town and site on site and location to location, but some of the customers are seeing some enquiry and the sales has started, but I think that is not much. What is really important for the customers and for our customers that once the work start on the project, then the enquiry convert into the sale transactions. So what is really important that they should see consistently the site work is going on, then only enquiry will convert into the sale and we are ensuring that the locations which are not impacted and which is work is started we should support them so after one month or so they start work. All the enquiry they will be able to convince and convert into the sale.

Shripal Doshi: Hmm, hmm. Okay sir. Those were broadly my questions. Thank you, sir, and have a good luck for the next quarter.

Rajesh Sharma: Thank you.

Pavithra: Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. There are no further questions so I handover the floor to management team for closing comments. Over to you sir.

Rajesh Sharma: Yes, thank you all. Thank you for joining the call. I think at Capri we will continue to remain focused on lending on MSME and affordable housing segment. They are the same category of customer, same income level, same geographies and we have built the expertise in ground understanding of them, so our focus is going to remain the same. We have as I mentioned with the various technological initiative and with the sharp focus on bringing our cost to income ratio down. We see that we will continue to do well and we will continue to work on our stated strategies. Thank you so much.

Pavithra: Thank you sir. Ladies and gentlemen, this concludes your conference for today, thank you for your participation and for using Door Sabha's conference call service. You may disconnect your

lines now. Thank you and have a pleasant day.