May 10, 2019

To,

BSE LIMITED P J Towers Dalal Street, Fort, Mumbai 400 001	**NATIONAL STOCK EXCHANGE OF INDIA LIMITED** Listing Department Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051
Company Code No. 531595	**Company Code CGCL**

Dear Sir,

Sub.: Conference Call Transcript

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

Please find attached herewith Transcript of the Conference Call held on Monday, May 6, 2019 at 11:30 a.m. to discuss the Company's Q4 and FY 2019 results.

The above is for your information and dissemination to all the stakeholders.

Thanking you,

Yours faithfully,
For **CAPRI GLOBAL CAPITAL LIMITED**

CAPRI GLOBAL CAPITAL LIMITED MUMBAI

for **(HARISH AGRAWAL)**
SENIOR VICE PRESIDENT & COMPANY SECRETARY

Transcript

Q4FY19 and FY19 Capri Global Capital Limited Conference Call

Event Date / Time	:	**6th May 2019, 11:30 AM IST**
Event Duration	:	**28 minutes 24 secs**

Presentation Session

Company Participants:

- Mr. Rajesh Sharma – Managing Director
- Mr. Ashok Agrawal – Head - Accounts, Finance, Tax and Compliance
- Mr. Ashish Gupta – Chief Financial Officer
- Mr. Rahul Ojha – Vice President, Strategy

Presentation

Moderator: Good morning ladies and gentlemen. I am Priyanka, moderator for the conference call. Welcome to Capri Global Capital Limited's Q4FY19 Earnings conference call hosted by Go India Advisors. At this moment, all participants are in listen-only mode. Later, we will conduct the question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Ms. Tanya Khosla from Go India Advisors. Thank you and over to you, ma'am.

Tanya Khosla: Thank you, Priyanka. Good morning everybody and welcome to Capri Global Capital's earnings call to discuss the FY19 earnings. In order to discuss the same, we have on the call Mr. Rajesh Sharma, Managing Director, Mr. Ashok Agarwal, Head-Finance, Accounting, Taxation and Compliance, Mr. Ashish Gupta, CFO, and Mr. Rahul Ojha, Vice President of Corporate Strategy. We must remind you that this 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, after which we can open the floor for Q&A. Thank you and over to you sir.

Rajesh Sharma: Yeah, thank you. Good afternoon ladies and gentlemen and thank you for joining us on Q4FY19 and FY19 earnings call. I trust that you have had a look at our presentation and hence I have a brief overview about our FY19 results. I am happy to say that despite a challenging environment, we have delivered on our stated strategy and met our growth guidance. I would like to give you brief update on our FY19 performance.

During FY19, our loan book grew by 45% to INR 41 billion as against INR 28 billion in FY18. Profit after tax for the year was INR 1.35 billion, an increase of almost 109% as against our stated guidance of a 30% growth. Despite achieving a strong loan book growth, we have managed to maintain a strict control on the quality of our book. I am happy to report that we continue to maintain an industry leading GNP of 1.47%. For the same period, our net NPA adjusted for 90 days DPD were lower at 0.53% as against previous year of 1.32%. We have consistently remained cautious about short term assets and liability mismatches by insuring optimally matched balance sheets. We have a strong balance sheet with enough sufficient capital adequacies to support strong future growth. As of FY19, our capital adequacy stood at 34.2%. I will now briefly touch upon our key business segments and the growth outlook there.

Starting with MSME segment, which forms over 48% of our loan book, we have a very strong foothold in MSME segment and the same can be seen from our performance over the last few years. Our MSME book has grown 8 times in last seven years. We continue to maintain strong yields in this segment, over 15% of our NPA in this segments are one of the lowest in the industry. MSME segment in India is growing strong at over 20%, however still over 40% of MSME are outside of formal credit, and that really is our target audience and that offers a very good opportunity. We have developed low pricing systems and processes to assess financial profile of the audience, which has helped us maintain our asset quality despite a strong growth profile. Now, MSME FY20 outlook is really strong. This segment will continue to be the key growth driver for our future growth. We plan to grow in this segment through both geographical expansion and productivity enhancement.

I would now discuss the housing finance segment, which will be the next big component of our book. As most of you would be aware, we started the housing finance segment in 2016; it has delivered a strong growth in the last two years. Our book has almost doubled in the last two years and currently stands at INR 7.9 billion. Our focus remains affordable housing customer in tier 2 and tier 3 cities. The average ticket size in this segment is 1 million and the average LTV in the portfolio is 45%. We are extremely stringent about the quality of the property and the purchase must be for self-stay only. In our housing finance book, we have the entire portfolio of housing finance loan. There is no LAP portfolio; neither there is any construction finance sitting in our housing finance books. We are strategically focused in this segment, we believe there will be a strong push for affordable housing in the coming years and we are targeting loan book growth of 75% in FY20. We are enabling smart use of technology in software and providing mobility solutions to our relationship managers having already done that for our collection purpose.

I will very briefly cover the construction finance business. During the year, we have become extremely cautious on the segment. Our book grew nominally at 28%. Our asset quality remains very strong with GNPA of 0.14% which has driven by the granularity of our construction loan book and strict credit appraisal loan. Our average ticket size in construction finance is about 8 crore per order. We will be approaching this segment cautiously and we will be targeting a nominal growth of 25% next year.

FY20 outlook, we are confident of a strong business prospect in MSME and Housing Finance business segment. We have the balance sheet strength to move to a high growth trajectory and will be targeting an AUM growth of 50% in FY20.

CGCL 5-year vision continues to remain an AUM of INR 25,000 crore with portfolio yields at 12% to 15% in each segment. In order to achieve this goal, we aim to reach a target of 230 plus branches over the next five years as well as diversify into a few new but safe lending lines. I would now like to open the floor for the questions.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 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 * and 1 again. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

The first question comes from Raghav Kabra from Excel Investment. Please go ahead.

Raghav Kabra: Good morning sir and congratulations for the good set of numbers. I have two questions, first question is what kind of adjustments you have made in regards to financial statements now that your profitability have significantly impacted for FY18 as compared to the accounting done vis-à-vis with GAAP.

Rajesh Sharma: And second question is?

Raghav Kabra: I will ask second question after this.

Rajesh Sharma: So, as per the IND-AS, which is introduced first time, as per the new accounting guidelines, there were certain risk-related adjustment and guidance on the risk probability were adjusted in the books. Accordingly, the profit which was 104 crores last year was re corrected to 66 crore rupees in the consolidated basis. The main assessment for fair value for our investment, which we are holdings of CARE , the rating agency and there were some processing fees, which you cannot account at one go now, it is aligned with the tenure, it is amortized over the period of tenure of the loan. So, that got amortized and their expected credit loss account adjustment amounting to 6 crore rupees. So, ECL loss of 6 crore rupees amortized, the fees of 12 crore rupees, and fair value of CARE shares, combination of all three have resulted, this is one time, so the next year onwards this will be in line with IND-AS and that was the result that the profit was resurrected at lower level for 2018.

Raghav Kabra: Okay, sir, fine. And the second question I wanted to ask is, what can be the expected cost to income ratio moving forward, given the fact that you are projecting high growth. Can you also throw some light on productivity of employees now and moving forward how it will impact?

Rajesh Sharma: Yeah. So, cost to income ratio this year will be around 44% in FY19. We, because, since we are opening more new branches, already we have head office and regional level teams in place; that will gradually keep bringing down our cost to income ratio. We are hoping that by 2023 our cost to income ratio gradually will come to about 33%.

Raghav Kabra: Can we expect moving forward that the cost to income ratio will gradually keep on going down or if there will be any up movement in that thing?

Rajesh Sharma: No, cost to income ratio will continuously go down. Logically what happens, when you set up a regional team, you employ the same number of people irrespective of whether you have seven branches, or you have 30 branches. When you add more branches, the volume and the feeding, the disbursement increases, but there is no pro rata cost increase. So, efficiency and cost of operation on a scale basis will bring down the cost to income ratio. This year also it has come down. We expect next year also to come down another 4% to 5% and gradually we aim to reach to 33-34%.

Raghav Kabra: Okay sir. That's all from my side.

Rajesh Sharma: Thank you.

Moderator: Thank you sir. Next question comes from Pankaj Shah, individual investor. Please go ahead.

Pankaj Shah: Yeah, hello, good morning.

Rajesh Sharma: Yeah, morning.

Pankaj Shah: I would like to understand that what's the need for raising money through diluting equity by rights or by QIP, because we have lot of room to raise more debt, as we have debt equity of 1.5 and capital adequacy of 35. So, if you can explain.

Rajesh Sharma: These are enabling resolution. It is not that immediately we would like to raise the money but may be nine months from now or 10 months from now, when the time becomes opportunistic, rather than waiting for the capital adequacy to go down to 20% and then raise the money. It is more of looking at the right opportunity and raise the money. And number 2, there can be some good opportunity coming in our way where we can consider to acquire some of the good NBFCs. While there is no such opportunity today available, but in case available, at least we are better equipped capital-wise, that we can negotiate a deal and close it.

Pankaj Shah: So, we are looking for the opportunity inorganically also.

Rajesh Sharma: Yes, we are open to that…not that we are aggressively looking for, but the way small capital-based companies are finding it difficult to pave the way, I think, smaller companies might sooner or later get consolidated with the companies who are well-capitalized. So, we can see that phase to start in next six months to two years' time and this proposal will only enable us to raise the money. We are not going to raise in next three to six months, but we will see.

Pankaj Shah: Okay. The other question is, what's the status of our other subsidiaries, like Capri Resources, Capri ARC?

Rajesh Sharma: So, now, we will be continuing this company, only two businesses, one is lending to MSME and another housing finance through subsidiary all other subsidiaries will be merged in the main company and there will be no other businesses of ARC or anything else.

Pankaj Shah: Okay. I would like to understand another thing, what's our turnaround time with regards to different businesses, as in, for housing finance and for the MSME?

Rajesh Sharma: You mean from receiving the application to disbursal.

Pankaj Shah: Yeah, response from customer loan request till disbursement.

Rajesh Sharma: If customer is able to provide all the details, which we require in time, on an average within 15 days we can, from the application received we can disburse the loan. But his paper work should happen, that will depend on the turnover from the customer as well.

Pankaj Shah: Okay, that's it from my side. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next question comes from Shraddha Gandhi, individual investor. Please go ahead.

Shraddha Gandhi: Hi sir, good morning. Hi, am I audible?

Rajesh Sharma: Hi, good morning.

Shraddha Gandhi: Yeah. Sir, as I can see, your borrowing is inclined towards bank lending and not too much exposure to CDs, NCDs or any other sources. So, just want to understand, for such a high growth being projected, what can be the borrowing mix be going forward and also if you can tell me, if you are looking to raise any other funds through securitization?

Rajesh Sharma: Next year the entire borrowing program will be comprised of raising term loans from the banks, along with the securitization of our pool. These will be two main source of raising the money. Besides we are also in discussion, where we got some initial sanction of external commercial borrowing, so that window also should open this year. So, we believe that we are quite comfortable. We have almost about 20 lenders who have given us repeated sanctions. We should be able to raise the long-term money from banks.

Shraddha Gandhi: Okay. And sir, what would be your outstanding unutilized banking limit as of now?

Rajesh Sharma: We have about 250 crores of unutilized and since the bankers were waiting for our financial results to come, now we will be approaching banks. In another two months we should be able to raise almost 800 to 1000 crore rupees by way of securitization and fresh term loans. So, raising money because of our consistent profitability, low ticket size, good asset quality, and good capital adequacy, we will not face any problem in raising the required term loans and borrowings to support the growth.

Shraddha Gandhi: Sir, I had one more question. In terms of strategy going ahead, what would be the portfolio mix in terms of overall book.

Rajesh Sharma: So, on a consolidated basis, we believe that 50% will be MSME, 25% will be housing finance, and 25% will be comprising of construction finance and indirect retail.

Shraddha Gandhi: Okay. So, in that sense, CF business is coming down, why, given the fact that your asset quality is str, how do we plan to address this?

Rajesh Sharma: Sorry, your voice was breaking; can you repeat it again, please?

Shraddha Gandhi: Sure. Sir, in terms of you were mentioning that your CF business will be around 25%, which means it is kind of coming down?

Rajesh Sharma: It is not coming down. Consciously we are growing more focused on MSME when we are adding more branches. The growth keeps coming from there more. We will continue to do the same way we are doing. But since the MSME portfolio is growing, and construction finance average period is only three to four years. So, that portfolio rundowns also faster, when the MSME runs down gradually. So, when you grow the book, MSME book will always grow better and faster than construction finance.

Shraddha Gandhi: Okay. That was very helpful, especially the last explanation. Thank you so much sir.

Rajesh Sharma: Thank you.

Moderator: Thank you sir. Next question comes from Dr. Ajit Kaushal, an individual investor. Please go ahead.

Dr. Ajit Kaushal: Good afternoon everybody. My question is that in the past two years, Capri Global has opened many branches. So, may I know that, what is the plan of the Capri Global to open the branches in next five years maybe?

Rajesh Sharma: As you can check it in our presentation also, we will increase our branches to 235. 2021 we will open branches in southern market also, Southern India.

Dr. Ajit Kaushal: Sir, is it a strategic decision taken by Capri Global that no branches are coming to Eastern India, Do you plan to expand even in Eastern India?

Rajesh Sharma: At the moment, we do not have any plan to expand in Eastern India.

Dr. Ajit Kaushal: Okay, thank you so much. It was very helpful.

Rajesh Sharma: Thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. Next question comes from Mandip Singh. Please go ahead.

Mandip Singh: Hello, good morning everyone. I have two questions. One is that, there is a dip in the employee benefit expenses on quarter-on-quarter basis. Can you give the reason for that?

Rajesh Sharma: There were some ESOP-related expenses debited in one particular quarter, so that was the reason that one quarter, last quarter was up, and this quarter has come back to normalcy.

Mandip Singh: There is no attrition rate in the employee?

Rajesh Sharma: No, the employees keep growing because we are adding more branches.

Mandip Singh: Okay and second question is what is the cost of fund for FY19 and the future ahead for the cost of fund?

Rajesh Sharma: The future cost of fund is going to be in the range, looking at the current scenario, in the range of about 10%.

Mandip Singh: Okay. And the third question from my side is, is there any plan for the parent company Capri to go for increasing the stake in the company and getting the company delisted from the market?

Rajesh Sharma: I am sorry; can you repeat it again please?

Mandip Singh: Is there any plan of the parent company Capri to increase the stake in the company and getting the stock delisted from the market?

Rajesh Sharma: No, no. Absolutely not.

Mandip Singh: Okay, thanks a lot from my side.

Moderator: Thank you sir. Next question comes from Aalok Shah from Monarch Networth. Please go ahead.

Aalok Shah: Thanks for the opportunity. A couple of questions on my side. You have talked about increasing your branch leads to 165 in '21 and 235 in '23. Would you give some colour on how do we look to penetrating into our existing areas at present and what are the new targeted geographies that we want to grow our business and what all products do we look to sell in those markets?

Rajesh Sharma: What happens, when we open one region, we set up the team, we have already added MP and Rajasthan, so one state has the potential of 40 to 50 branches. So, when you grow, first you start by putting the regional team, regional legal, regional technical, regional sales, regional credit, regional operation, and we build the entire team, then in first year we add five to 10 branches, then every year keep adding the branches, because this business requires lot of local understanding. So, once we grow, there is a lot of scope existing to grow the branches in MP and Rajasthan. Further to add in Maharashtra and Gujarat. And then we are going to open southern markets also, Karnataka, Tamil Nadu, and Andhra Pradesh. These are the three states which also has a lot of potential.

Aalok Shah: So, that's the plan that we look to do in the near term, in FY21 and maybe the longer term, which is FY23? Is that right sir?

Rajesh Sharma: Yes, you are right.

Aalok Shah: And sir, on the incremental cost of borrowings for us, what's the change in cost that has happened for us, say between September to now and are we seeing that cost stabilizing?

Rajesh Sharma: So, from September to now, earlier the cost had gone up by about 75 basis, but if you look at our spread, we are able to pass on the entire cost plus additional cost, because there was less competition in the market, and that has enabled us to, not only pass on our cost, but also add some more margin. So, our spread this year, if you have seen, have improved from 4.93% to 5.73%.

Aalok Shah: Yeah, the margin spread has seen an improvement on YOY basis. Sir, my question is on the borrowing side. You have talked about close to 800 to 1000 odd crores of ability to raise funds through banks and securitization route. What's the target for FY20 disbursement number? I mean, will we see 3000 crore disbursement this year. Should that be a number closer to 3000 crore next year?

Rajesh Sharma: Next year, disbursement will happen basically, whatever fresh disbursement we will do, and the repayment comes. So, from the funding perspective, next year requirement of the fund will be in the range of 2000 crores. And we are quite confident that we will be able to raise that kind of money.

Aalok Shah: Okay, right. And would you like to give some number for your disbursement target for next year? Or should we just go with the AUM target?

Rajesh Sharma: No, this is a different target already given, if you look at our presentation also, it is mentioning about 3000 crores will be the fresh disbursement, 1000 crores will be repayment. So, net disbursement will be happening 2000 crore.

Aalok Shah: Noted sir, sure. That's it sir. Thank you. I will get into the queue.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. There are no further questions. Now, I hand over the floor to the management for closing comments. Over to you sir.

Rajesh Sharma: Yes. Thank you so much. So, looking at the segment, in which we are operating which is MSME and Housing Finance, we see this is a huge growth potential. We have already aligned our entire credit underwriting, our legal team, our technical team, our local understanding of each geography, because in our business, besides the pan India policy, the local policies also play an important role. We are quite confident in next four years' time, we should be able to reach our growth target of 235 branches, and reaching to an AUM of 25000 crore, where our profitability will also be pro rata based and it will be grown to almost crossing 500 crore amount. So, we believe, we are quite excited about our journey and we are quite confident to maintain a healthy asset quality because of our secured lending as well as our understanding of the markets which we acquired. Thank you so much. Thank you all of you.

Moderator: Thank you, sir. Ladies and gentlemen, this concludes the 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.
