June 4, 2021

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: Transcript of Earning Conference Call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Dear Sir and Madam,

Further to our letter dated May 26, 2021 intimating scheduling of the Earnings Conference Call on May 28, 2021 to discuss the Company's Q4FY21 and FY21 Earnings, we are forwarding herewith the transcript of the said Conference Call.

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

Thanking you,

Yours faithfully,
for Capri Global Capital Limited

HARISH KUMAR AGRAWAL
Digitally signed by HARISH KUMAR AGRAWAL
Date: 2021.06.04 21:09:40 +05'30'

(Harish Agrawal)
Senior Vice President & Company Secretary

Encl.: As above

Transcript

Transcription of Capri Global Capital Ltd

Event Date / Time	:	**28th May 2021, 12:00 PM IST**
Event Duration	:	**46 minutes 59 secs**

Presentation Session

Moderator: Good afternoon, ladies and gentlemen. I am Bharathi, moderator for the conference call. Welcome to Capri Global Capital Ltd Q4FY21 Earnings Conference Call hosted by Go India Advisors. As a reminder all participants will be only 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 * and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Ravikant Bhat from Capri Global Capital Limited. Thank you and over to you sir.

Ravikant Bhat: Thank you, Bharathi. Good afternoon everyone and welcome to Capri Global Capital Ltd Earnings Call to discuss the Q4 and FY21 results. We have on the call today our MD, Mr. Rajesh Sharma; Mr. Raj Ahuja, ED and Group CFO. Before we move on to the main remarks, I would just like to remind everyone that the discussion in today's call includes certain forward looking statements and must therefore be viewed in conjunction with the risk that the company faces in the ordinary course of business. I would now request our MD, Mr. Rajesh Sharma to give us an overview on the quarter gone by which would be followed by a commentary on the financial performance by our ED and CFO Mr. Raj Ahuja. Over to you Sir.

Rajesh Sharma: Good afternoon everyone, it is a pleasure to catch up with you all once again to discuss Capri Global's quarterly financial results. As all of you are aware, we declared our audited consolidated results for Q4FY21 and FY21 yesterday. I hope you found time to go through the earnings release. I shall first dwell on the business and earnings highlights for the quarter gone by and then give you an overview of this business environment and our strategy to navigate the same in FY22. The gradual easing of lockdown in Q3FY21 followed by improved mobility in Q4FY21 enabled us to bounce back towards business normalcy in Q4FY21. As a result we achieved a strong momentum in disbursement leading to healthy overall AUM growth. However, the challenge from disruption due to lockdowns renewed in late Q4FY21 has continued in Q1FY22. All the geographies in which we operate are in fresh or extended lockdowns till May end to June first week. As a result we are already seeing Q1FY22 mirroring Q1FY21 in the terms of business momentum.

We have suspended fresh disbursals in Q1FY22. We expect meaningful pickup in business only in H2FY22. This is premised on expectation that better vaccine availability and faster pace of vaccination starting Q2FY22 shall eventually pave the way for business normalcy in late Q3FY22 to Q4FY22. Whether the much talked about third wave turns out a red herring remains to be seen. Therefore, at this point we do not want to hazard an estimate about the growth we are likely to achieve in FY22. As I mentioned earlier, we do believe growth like in FY21 shall be back ended and happened in the later part of the year although our near term stance is one of caution, we remain confident in our business in the growth path we see later in the year and over the medium term. The near term caution also warranted by the likelihood has increased the stressed level particularly in the MSME book. Our relationship managers have been collecting feedback from clients. We expect elevated strain in the H1FY22. Nevertheless, it is in evolving in dynamic situation and we shall be in a better position to provide an update post Q1FY22.

Our capital adequacy levels is one of the best in the peer group, ALM well-matched in all the buckets, and liquidity position extremely robust. Suffice to say our conservatism on liquidity management resulted in some negative carry on the liquidity during FY21. As part of liquidity management, we continued to prepay costlier borrowings and shall continue to do so in FY22. The treasury is tasked with short-term deployment of surplus fund and it tapped some credit worthy short-term opportunities although the yields are a tad unattractive. We are also looking at diversifying the source of liquidity and the strengthening capital base. In this regard the Board of Directors of CGCL have approved a fund-raising plan involving an option to raise fresh funding through a mix of convertible instrument or issuing the ordinary shares upto Rs 15bn. This is subject to shareholder approval.

During Q4FY21 we initiated distribution of third-party products in the car loan segment. We currently have tied up with the three leading commercial banks to distribute their car loan products for a fee consideration. We are distributing these products in all our locations from the initial momentum we have achieved, we see immense potential for the scale up through new alliances. CGCL shall not carry any credit risk for the loans which originate in this category. A sustained improvement in the course scenario in the late Q3FY21 and Q4FY21 offered renewed hope on business normalcy. We decided to move ahead with the planned additions to our frontline staff. The CGCL family now comprises of over 1,900 staff compared to a little over 1,500 at the end of Q3FY21. We have not added any new branches during this quarter. We continue to operate from 85 branches spread across eight states in the North, West, and South. Planned addition to new branches is being delayed to H2FY22. Apart from natural attrition, there is no plan to reduce the staff count.

To sum it up, we are happy to have navigated an extremely challenging year well. We understand the current year with the second wave and the much talked about third wave could be similarly challenging. However, our balance sheet is well prepared to weather another stormy year. I am hopeful we shall have stories of progressive improvement to share in our future conversations this year. With this, I would now like to handover the call to our group CFO, Mr. Raj Ahuja.

Raj Ahuja: Thank you Rajesh. Good afternoon everybody, this is Raj Ahuja. I am the group CFO of Capri Global. I shall be presenting the quarter performance highlights of Quarter Four FY21 and the full Financial Year FY21. Wherever I will not be specifying, all references will be to the consolidated financials and not on the standalone financials. I will start with the biggest highlights first. Our consolidated disbursals increased 2.9x QoQ and 2.4x YoY to Rs9.7bn in this quarter. Our total AUM stood at Rs48.5bn which is up by 19.4% QoQ and 20.1%YoY. We do not securitise our loan assets, so as such we do not carry any off-balance sheet AUM.

MSME AUM increased by 22.7%YoY, Housing Finance increased 20%YoY, while Construction Finance AUM showed a decline of 9.2%YoY which is well within our strategy. Indirect Retail AUM increased 2.4x YoY to Rs3.1bn and in that area the growth is inflated due to exposure to Loans Against Securities of Rs2.5bn. This is a short-term deployment of funds and shall run-off in the first half of FY22. You can access it on the slide 5 & 6 of the investor deck to understand the trend in disbursements and AUMs respectively. During the quarter we purchased PTC worth Rs1.73bn. This represents a pool of affordable housing loans primarily. The PTCs carry credit enhancements of Rs596mn. The outstanding in this pool has since come down and the current outstanding as on date is Rs1.5bn. PTC was shown as part of our investments portfolio in the balance sheet. We continue to maintain granularity in our business segments in terms of average ticket size, LTV ratios and geographical distributions. Overall, there is no chunkiness in the exposures and the individual data is clustered around the mean values. Please refer to slide 12 to 14 for the segmental information in this regard.

The consolidated borrowings stood at Rs37.7bn; which is up by 12.6%QoQ and 32.8%YoY. This compares to 80% bank loans and the rest in the form of the non-convertible debentures. We did not access any money market instruments during the year to fend our balance sheet. As a prudent measure, we still continue to rely on medium term borrowings in the form of term loans and to a lesser extent, non-convertible debentures for funding our balance sheet. We shall continue to avoid money market instrument in the near future.

I shall now speak on the core earnings. Our Q4FY21 consolidated net interest income was impacted by interest reversals as well as the negative carry on the funds hovering at 3%QoQ and 2%YoY. We are reporting an overall yield of 15.5% in consolidated AUM. This compares with 16.3% in Q3FY21 and 16.6% in Q4FY21. On a full year basis, the yield was 15.6% as compared to 16.5% in FY20. The decline in yield was owing to overall decline in the interest rate scenario. Slide 8 carries the periodic trend in the sequential yields. We took benefit of the soft interest rate environment during the year to actively manage our cost of funds through pre-payments. The cost of funds during quarter four of FY21 declined 70bps QoQ and 200bps YoY and now stands at 8.5%. On a full year basis, we improved our cost of funds by 140 bps. Spreads weakened by a marginal 10bps QoQ to 7% and improved 100bps YoY to 6.9% in Q4FY21. On a full year basis, spread improved 50 bps to 6.9%. Our well-matched ALM book has ensured that we run minimum interest rate risk and the short-term spread volatility is now more episodic than structural.

As part of managing our cost of funds and given our considerable liquidity position we shall continue to identify opportunities to prepay obligations in FY22. Employee cost was the major driver of opex as we pushed ahead with our planned recruitments in Q4FY21. The cost to income ratio stood at 39.2% in Q4 and 35.2% in full year FY21. Consolidated credit cost including write-offs stood at 237mn and Rs535mn for Q4FY21 and full year FY21 respectively. Credit cost for the full year on an average AUM was 132 bps. The full year net profit was Rs 1,770mn, a softer growth of 10%YoY owing to a dip in Q4FY21. Now coming to the asset quality, the most important piece in our business. Our consolidated Gross Stage-3 ratio stood at 3.32% and Net Stage-3 ratio at 90bps. We consider the entire stock of ECL provisions to calculate Net Stage-3 ratio. After the Supreme Court ruling on March 21 on asset quality classification there are no accounts in standstill classification now. The Gross Stage-3 ratio is reflective of the stress from erstwhile proforma NPAs. Our consolidated restructured book stood at Rs1,840mn of which Rs 20mn belongs to housing AUM or Rs11.6bn, that's 70 bps of housing AUM. The balance Rs1,820mn belongs to MSME AUM and constitutes 7% of the same. There are no restructured accounts in the Rs11.8bn Construction Finance and Indirect Retail lending book. Of the total stock of Rs1.2bn retail provisions, Rs220mn are held against these restructured accounts. We do not have any pending request for restructuring or MSME or housing. However, given the scenario on the extension of forbearance scheme given by RBI recently, we are estimating likelihood of another 100 to 200 basis points restructuring at a consolidated level mostly concentrated in the MSME portfolio.

In summary, FY21 was a challenging year has left challenges for the current financial year. As elaborated by Rajesh Sharma earlier, H1 FY22 shall be the one of managing P&L challenges while we expect H2FY22 to present better growth opportunities. The first half of FY22 shall be one of managing P&L challenges. We expect credit cost to remain elevated during the first half. Lockdowns have hurt small businesses and it is likely to show up in earnings in the shorter run. CGCL has amongst the strongest capital adequacy ratios at 37.7%, a healthy core operating profit, and multiple liability relationships to fund its growth. We remain confident of the growth opportunities over medium term.

With this I shall conclude my remarks. We can now take 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. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone telephone.

The first question comes from Arun Somani from RMS Capital. Please go ahead.

Arun Somani: Hello? Thanks for the opportunity sir, am I audible?

Moderator: The next question comes from Alaya Patel from Excel Investments. Please go ahead.

Alaya Patel: Thank you for the opportunity sir. First, could you describe what is our digital strategy? Will our target customer adapt using smart devices? How do we compete with new age fintech start ups who are all well advanced on analytics?

Rajesh Sharma: Thank you. Our digital strategy is that while the customer segment we cater to are MSME, Affordable Housing, we do rely on a lot of processes and data analytics piece. Further, we have already had Boston Consulting Group to strengthen our core business in MSME and Affordable Housing and to suggest improvement in [not clear] stack along with the artificial intelligence and data analytics piece to strengthen which currently we are using. So we believe that with their advice we can cut short on the turnaround time which is going to improve our productivity. Also, to help us to cross-sell our home loan in future, any product we add which we are contemplating. So that business strategy is going to be in place by three to four months' time. But as far as digital is concerned, in our customer segment we cannot take data analysis we cannot expect these customers to be [not clear] the kind of no income proof customer in Tier III or Tier IV towns we are targeting where property is collateral and underwriting is happening through personal discussion based. So what can be done is, and what we are doing currently is, we analyze the data and the geography, the collateral, the income profile, which are the segment throwing higher CBR, which are the particular geography or branch which is behaving in a particular manner. So we navigate and tweak the underwriting policies or legal policies or technical valuations and all that.

Alaya Patel: Okay. Thank you, Sir. I will get back in queue if I have any follow up questions.

Moderator: Thank you ma'am. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. Next question comes from Radhika Lohia from Mirae Asset. Please go ahead.

Radhika Lohia: Hi Sir, just two data keeping questions. Just wanted to know if you can tell me the Stage-2 assets and what is the write-off amount for the quarter?

Rajesh Sharma: Raj will you take this question please?

Raj Ahuja: Sure. As on March 31st 2021, our Stage-2 assets stand at Rs171 crores which is a publicly disclosed number also. This represents a little less than 5% of our total asset book. And the total write-offs which we have taken in this particular quarter…total amount written-off is around Rs2.6 crores in this quarter and for the total year we have written-off Rs5.4 crores in FY21. This is as compared to 35mn written off in FY20.

Radhika Lohia: Okay thank you so much that's all from my end.

Moderator: Thank you ma'am. Next question comes from Shripal Doshi from Equirus Securities. Please go ahead.

Shripal Doshi: Hello sir. I was going through your presentation wherein we have seen dip in collection efficiency in January and then we are seeing again that sort of reviving. So what was the reason like any qualitative expense that you got to have for the day?

Moderator: Rajesh sir?

Rajesh Sharma: Tell me a little louder please?

Shripal Doshi: Sir my question was with respect to collection efficiency across our MSME and housing finance book as we saw a dip in the month of January and then we again saw it reviving back to the same levels. What was the reason behind this?

Rajesh Sharma: I am not able to attribute any specific reason. Let me just look at that.

Shripal Doshi: It is slide number 19.

Rajesh Sharma: I can see, there is a collection dip in January and then…. I am not able to give you an exact answer. Maybe we will note your contact details and get back to you by the evening.

Shripal Doshi: And sir how are we seeing the trend now, say in the month of April and May for both MSME and Housing Finance?

Rajesh Sharma: So April and May, collection efficiency is definitely down because this time the lockdown was severe and more in terms of there was more fear on the ground and the people and business was impacted so collection efficiency has come down. RBI has already opened up a restructuring window for them, so anybody who approaches us we will analyze their business and we will give restructuring basis three months or six months deferment that their business would warrant. But we hope now the numbers of COVID positive patients are falling day after day and vaccination drive this government is focusing on, I think business should come back to starting from June mid or maybe July 1st week onwards….business should come back to normalcy. So collection efficiency April was….May looks better and then I think June and July should come back to the previous normalcy of February and March.

Shripal Doshi: So Sir just some number…color if you can…tentative number you can share?

Rajesh Sharma: So April collection efficiency was in the range of about 75%.

Shripal Doshi: This is for MSME?

Rajesh Sharma: Yeah for MSME.

Shripal Doshi: Okay for Housing Finance?

Rajesh Sharma: Housing Finance it may have been around 82%, 83%, exact figure we will get back to you.

Shripal Doshi: Okay. And Sir we have not restructured any of the Construction Finance cases, so how do you see that? Post the second wave maybe we need to do any restructuring in that segment?

Rajesh Sharma: In Construction Finance, we have not received any request for restructuring even in last year and since we are funding smaller project where every ticket size is less than Rs8 crore and depending on cities, where underlying ticket size of apartment is between Rs3mn to about Rs4.5mn, and these are the smaller projects, affordable home loan or the, I would say, in the larger cities, they are outskirts. So, I believe, there promoters' skill is deep, land is fully funded, construction started after all the approvals. And we have seen that with the focused approach of these smaller developers, we have not seen much restructuring request or delay from their side. So that portfolio, which we are doing in a very retail way of doing Construction Finance, is doing better despite it is tough thing to be little riskier, but almost we are handling this business for last nine years and this continues to behave in a very predictable manner.

Shripal Doshi: Okay Sir, one last question. With respect to Housing Finance disbursement, so how are you seeing that trend in the month of April and May and if you can just give some color as to how would the share look like, disbursements for fresh approvals versus disbursements for stage-wise construction that is going on. So Sir, how would that be looking like?

Rajesh Sharma: So, we are not funding under construction properties in home loan. Whatever we have done earlier, but now we are looking at the COVID situations and all, affordable home loan side, we are funding only ready properties. So, now if you see the disbursement trend in April, May…April and May practically there are no disbursements happening, there are very few, negligible disbursements are happening in several segments, but we are being cautious, so I think June onwards some disbursements will start again. April, May we were very cautious, and our entire focus, entire team, even regional team, sales and credit and collections were working together to continue to be in touch with the customer and focus on collection and also remain in touch in getting a sense. So, the disbursements have not happened in April and May by and large.

Shripal Doshi: Okay, got it. Thank you so much sir. I will come in the queue if I have additional…

Moderator: Thank you sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Arun Somani from RMS Capital. Please go ahead.

Arun Somani: Hello? Thank you for the opportunity again sir. Am I audible now?

Rajesh Sharma: Yes.

Arun Somani: So, I have a couple of questions now. The first one is how are the things shaping on ground for MSME during the ongoing second wave. Any sort of feedback we might have received from our customers in terms of how the business are faring for them and how soon do we expect this to be normal again, like, Jan-Feb months?

Rajesh Sharma: So, as I told, our team on ground is in constant touch with the customers and the sense we are getting in this time… COVID has impacted even rural areas. So, definitely their businesses are impacted, but since they are very small businesses, the moment economy opens up with the result of lockdown and vaccination drive picking up, we hope these businesses will bounce back faster, because these are the light businesses we fund…of daily essential items…maybe a kirana store, maybe a garment shop, maybe a bike repairing shop, maybe a job work small business, and these businesses essentially are small in nature and run very efficiently by owner-driven small set-up. So, we believe that these businesses will bounce back and there is an adequate demand in this segment because this low-income group customers, there are very few players who are catering to, and there is a huge gap and there is a good opportunity that exists. So, I think, by July onwards enough demand should be there in place.

Arun Somani: And my last question is in terms of asset quality. We have seen some increase over there as well.

Rajesh Sharma: Can you be a little loud please?

Arun Somani: Yes. In terms of asset quality, this is my question related to that, we have seen some increase over there as well. So, with the ongoing situation how do you see the credit cost shaping up for the next couple of quarters, is there any internal assessment done for the same value?

Rajesh Sharma: See, if you see in this year, we have done almost 50% more provisions to address the potential rise in delinquencies, and we believe that we are into secured space where most important collection is mortgaged to us, while in between delinquency may rise because of the current quarter situation. But if next nine months go well, which looks like as of now, in that situation our collection efficiency will bounce back to normalcy and cases which have faced difficulty they should also with the resumption in economy activity at ground level, should start bouncing back. If you look at our NPA, which has grown to about 3.3%, I think next year end, it is difficult to predict, but we should not see much surprise in this. We are keeping a very tight control on this, recently we hired a new collection head also, and we have about 180 plus collection team on ground. The entire regional team relationship manager, credit team is also given the responsibility of managing their one plus and collection. So, with this focused approach and increased efforts we believe that yes, there will be some in between rise, but it should come back to normalcy there. So, we don't expect that our net NPA will grow, gross NPA will grow significantly from the current levels.

Arun Somani: Okay, that's all sir. That's all 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. Next question comes from Preethi Singh from Value Investments. Please go ahead.

Preethi Singh: Hello? I just have a couple of questions from my end. So, what is the potential of loan growth from an existing branch infrastructure and what are the cross-selling opportunities that exist?

Rajesh Sharma: So, if you have seen even in the most difficult time during last year also, when only second half was functional, even the last months, March 15 days is impacted by the COVID, we have grown almost about 20% and we believe that second half of the year, hoping that normalcy will be back, we will add few more branches, and with that we should be able to achieve a growth despite assuming that first quarter is completely gone almost. We should be able to grow 25% to 30% hoping that nine months remain stable, and business may bounce back and there is no much impact of the COVID in lockdowns. So, this is where, we can easily our current branch potential has to deliver that 25% plus growth, even though we don't add much significant branches. Yes, you asked the cross selling opportunity. So far, our customer segment remain the same, whether MSME or home loans, and recently we have started new car loan origination to capitalize our understanding of these small customers. We have tied up with nationalized banks and we are able to generate very good traction in that, and that should add some fee income in the year end. Besides, we are evaluating few more product addition and I think next three months that strategy will be cleared, and when we announce our next quarterly results, I believe, by that time we should be very clear which are the products we want to add, that will remain of the same kind of customer, cross selling ideas. It can be potentially used car, it can be potentially short-term loans, or it can be maybe gold loans, so we are working on that. That strategy is work-in-progress and once we freeze it, we will share with all of you.

Preethi Singh: Okay, thank you. And another question is all our loans are pretty secure, so what has been our past record in recoveries of bad loans through sale of assets?

Rajesh Sharma: So, recovery of sale of assets happen through three means. We agree to the customer to find a buyer to dispose of the property and repay our loan in case his business is not able to regularize the loan. Second can be, we can invoke arbitration and through that we can attach the property and auction the property and recover the loan. And third mode is we can use the SARFAESI notification under which we can take over the assets. Now, during last year budget, SARFAESI limits have also been reduced from 50 lakhs to 20 lakhs and our majority of the loan are covered in that category. So, we believe, combination of this depending on what tool we are able to implement, if it is SARFAESI, within 12 to 18 months we are able to dispose off the property and realize the loan, and that is what our experience is. Arbitration, if in case we are not able to invoke SARFAESI because of the lower amount of the loan, then it takes almost about 2-1/2 years to auction the property. But our experience is that majority of the time, we are able to make customer agreeable to find a buyer and dispose off his property, so that he can fetch a better value rather than we attach a tag of sale by auction by a lender and thereby his value get eroded. So, with this our experience is good that except fraud cases we are able to recover money in all the NPAs, most of the time it is principal plus interest, and some of the cases we have to take a slight hit in maybe the interest and some cases even the principal depending on the situation. So, depending on litigation if it can drag many years, we settle the loan. So, case to case basis approach is adopted.

Preethi Singh: Okay, thank you for the detailed explanation. That's all from my end. Thank you.

Moderator: Thank you ma'am. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad. I repeat, participants, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Rajagopal Ramanathan, an individual investor. Please go ahead.

Rajagopal Ramanathan: Thank you for the opportunity. I have a few questions, when I say few questions, probably four or five, you can jot them down and then respond accordingly. The first one is what are your expectations from the various product offerings. What (not clear).

Rajesh Sharma: I would suggest if you can be little loud because some background noise is also coming.

Rajagopal Ramanathan: Okay, is this better?

Rajesh Sharma: It is not better, but you can be little more louder, maybe that would be helpful.

Moderator: Sorry to interrupt sir. Mr. Rajagopal, this is moderator here. Sir, can you speak little louder? Can you come close to the speaker and speak?

Rajagopal Ramanathan: I am not using a speaker.

Moderator: Yeah. It is better now sir, you can proceed now.

Rajagopal Ramanathan: Okay. What are the expectations of the three or four product segments that you offer, that's the first question. The second one is, I actually wanted to understand your Construction Finance business a little bit better. You did explain certain aspects but typically what would your typical customer be like, the added tenor (not clear) with these customers, and what are the security structures, and what has been your NPA experience in this segment? That is as far as the Construction Finance business is concerned. The third question relates to the risk-weighted assets, which get applied on the various product segments. If my understanding is right, the home finance would be 50% or sub 50%, so what is the RWA that is applied on your MSME loan segment and Construction Finance. And couple of other questions, what is your aspirational ROA, ROE for…obviously these are conditions which are not steady state, but let's say if I go to take an investment bet on you, what should be the ROAs, ROEs that I should be building in when I would be taking an equity exposure on a company like you, and lastly what are your value unlocking plans in your housing finance segment?

Rajesh Sharma: So, your first question, I am not able to hear clearly, but I will answer whatever I understood, and anything is left, you can ask again. How do we run our Construction Finance and what is our experience. So, Construction Finance, our approach is to lend to small developer and do Construction Finance also in a very retail way. So, if you see our ticket size is less than 8 crores, find a developer who is having experience of delivering at least 300,000 sq. ft., operating in the geography more than five years, and most of the time these are family run businesses, small developers, family members are doing that business since last one or two decade, and they are building small, small project in one very specific geography. So, for example, a developer operating in the outskirts of Pune, he is only in that surrounding area keep buying land, taking approval, launching projects. So, and they are doing four storey to seven storey or ten storey buildings, but the apartment size is small, in terms of cost-wise, so they are sometimes Rs30 lakh to Rs75 lakh value of apartment, and land is fully funded, approval is in place, and they need money so that they can complete quickly their construction and get out of the project. Now, these projects, being they are four-storey, seven-storey, or ten storey project, they don't take normally more than 18 months to 36 months, maximum to complete. So, our entire Construction Finance book if you have seen, always see at least 40% of prepayment than we give them the sanction. And always generate lot of cash every year and give lower OPEX and better yield. So far, our experience in Construction Finance is, except one or two cases, where ticket size was larger and then we modified and corrected our course that we will not give loan more than 25 crore to any developer and most of the time they are less than 15 crores, and by the time we disburse the last two, three, five crore rupees, because of his sale of apartment, we are able to get back three, four, five crore rupees out of the escrow cash flow sharing mechanism, and his loan peak exposure never cross eight, nine crore rupees, despite sanction of Rs15 crore, so that is done in a very focused manner by our experienced team, and we have very strong monitoring and risk management. Every project is monitored closely, the progress, the sale of unit, and we constantly push the developer. We don't leave the larger developer, our size of ticket of the loan is more important for him, so we are the largest lender. We don't share pari passu charge with any of the lender, and entire Construction Finance book is only residential, there is no commercial, there is nothing else. So, this is done in a very focused manner, and we have kept this book focusing on the profit margin, we have never chased the number. If you have seen, compared to last year, this book have de-grown by 25% because we were very cautious last year. Last year lot of repayment and prepayment have happened, and we have decided to go slow because of the COVID situation. We have not seen any NPA or not even restructuring request in this portfolio last year. So, this book is doing quite well. And what would be the value unlocking for our housing finance company? I think we will continue to grow this book for next 2-3 years and once it reaches some size, that is the time we will think, there is no concrete plan yet. Might be we can attract some strategic investor, maybe we can list it separately. But this is too early to say because next 2-3 years I think we will be able to infuse adequate liquidity in this. This company is already having 4-5x leverage and generating ROE of about 17% kind of an ROE. So, this business has continued to do well. This book is having only home loan, there is no developer book, there is no LAP account in this book. So, this book is focusing on only home loan and this book has our MSME home loan synergy, same geography, same customers, same underwriting, so operating cost also remains well-balanced. And can you repeat if any of the questions left because first question I was not able to hear very clearly.

Rajagopal Ramanathan: (Inaudible).

Rajesh Sharma: Your voice is not coming audible.

Moderator: Sorry to interrupt sir. Mr. Rajagopal? Hello? Mr. Rajagopal, we request you to join back the queue for further questions since we are unable to hear you. Mr. Rajagopal? Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Thank you sir. That would be the last question for the day. Now, I hand over the floor to Mr. Rajesh Sharma for closing comments.

Rajesh Sharma: Yes, thank you. You would have noticed from the presentation that we remain very focused on the segment we operate in and the liquidity position, last year also we have done a lot of prepayment and negotiated a better interest rate, and from 10% plus consolidated cost of fund, we have brought it down to about 8-1/2%, and resultant is that while we have passed on this benefit to our customers also by lowering yield, still we have improved our overall spread by 50 plus basis points. We believe that we understand this business very well. There is a huge growth opportunity. Our entire business is having collateral assets, so there is no much concern on these kind of times that which an unsecured portfolio might face. We believe that there is a huge growth opportunity lies ahead. We have added 400 employees in last quarter keeping in mind the potential, and we are able to grow about 20%. I believe, in next year, despite first quarter looks like it will not be seeing much of business traction, rest nine months we should be able to come back to growth. And we continue to grow our books for next three, four, five years, add few more products, and maintain our liquidity position very well. So, with combination of this, we see that there will be constant improvement in our ROE, earnings, and remain a very predictable well-managed asset quality in place. Thank you. Thank you so much.

Moderator: Thank you sir and thank you everyone. 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 evening.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible speech.