"Suryoday Small Finance Bank Limited Q2 & H1 FY-22 Earnings Conference Call"

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MODERATOR:	**MS. DIVYA PUROHIT - ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Suryoday Small Finance Bank Q2 FY22 earnings conference call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Divya Purohit from ICICI Securities. Thank you and over to you, ma'am.

Divya Purohit: I welcome you all to Suryoday Small Finance Bank's results call. Today we have with us from the management Mr. Baskar Babu Ramachandran - Managing Director and CEO; Mr. Narayan Rao - Chief Services Officer; Mr. Bhavin Damania - Chief Financial Officer; Ms. Leena Devadiga - Head-FP&A; and Ms. Radhika Gawde - Investor Relations. I would now like to hand over the call to Mr. Baskar Babu for his initial comments. Thank you and over to you, sir.

Baskar Babu: Thank you very much. Good evening, everybody and welcome to our Q2 and H1 FY22 earnings call. I hope that all of you and your loved ones are safe and well. The COVID-19 cases have declined significantly on the back of increased vaccinations across the country. And we have crossed the milestone of 100 crores vaccination doses.

We would like to express our gratitude to all the health workers and the essential service providers for the tireless efforts in the pandemic recovery. I would also like to thank our employees especially for the dedication to our customers during this trying time. We are pleased to report that almost all our employees have now received at least one dose of the vaccine.

The underlying economic activity has gained momentum due to the unlocking of almost all the states, improved customer sentiments and the festive season. Our bank dispersed Rs. 1,067 crores in Q2 FY22 as against Rs. 360 crores in the last comparable quarter. We had disbursement of Rs. 362 crores also in the month of October, which indicates business recovery in all the sectors we operate.

The collection efficiency stood at 83% in October 2021. I hope you all have received our investor presentation and had the chance to go through it before the call. I will just give a brief about our performance for the quarter and also for the half year ended September 30, 2021. On our business performance, our bank disbursed Rs. 1,067 crores in Q2 FY22 compared to Rs. 360 crores during Q1 FY22 primarily due to business recovery post second wave of COVID-19. Disbursements for the month of October was Rs. 359 crores. On the collection front similar impact was seen. Collection efficiency on one EMI adjusted basis had improved to 83.3% for the month of September 2021 as compared to 70% for the month of June 2021.

Overall collection efficiency in the month of September was 108% as against June 2021, which was 89.3%. Our gross advances grew 20.6% year-on-year to Rs. 4,470 crores as on 30th September 2021. As of the end of September, inclusive finance comprises of 68.3% of the asset book, while affordable home loans, commercial vehicle loans and secured business loan comprised of 8.2%, 7.7%, and 4% respectively.

As market environment improves, we will focus on growing our book in a stable and sustainable manner across product portfolio and geographies. On the deposits and borrowings, our deposits were stable at Rs. 3,129 crores as on September 2021. Retail deposits stood at 87.9% of the total deposit as of September 30th from 85.8% as on 30th of June 2020. The balance comprises of bulk deposits.

Furthermore, majority of our bulk deposits were non-callable in nature. As on 30th September 2021, 97% of our bulk deposits are non-callable in nature. Our CASA improved to 18.5% as of 30th September compared to 16.2% as of 30th, June 2021, showing steady improvement in line with our strategy. Our borrowings as on end September from 26% of our total liabilities, majority of which approximately 68% was from refinancing institutions like SIDBI, NABARD.

Our total number of branches stood at 560 as on 30th September 2021 compared to 555 as of June 30th, 2021. The bank has 16.4 lakh customers as on 30th September of which total asset customers are 14.3 lakhs and total liability customers were 7.5 lakhs. Our GNPA as on 30th of September 2021 is 10.2% compared to the GNPA of 9.5% as at 30th June 2021. Net NPA was stable at 4.5% as of 30th September. Provision coverage as of 30th September was 71%. Our standard asset restructuring books standard 14% at the end of 30th September including restructuring done in the current quarter.

The collections are improving across the states, which indicate reduction in delinquencies, going ahead. Our PAR 90 Plus portfolio as of September 2021 remain flat at 6.4%. 68.3% of our delinquent customer are paying to us over the two months in August and September. The bank carried out restructuring exercise during the quarter. Our capital adequacy ratio continues to be strong at 45.9% compared to 52.1%, as on 30th June 2021. Tier one comprises of 41.8% and tier two comprises of 4.1% of our capital.

On the earning side, net interest income increased by 19.2% quarter-on-quarter to Rs. 147.2 crores in Q2, and net total income increased by 24.1% to Rs. 180.6 crores. Our NIM increased to 9.1% during the quarter compared to 7.6% for the Q2 of FY21. Cost of funds reduced to 7.1% for the quarter compared to 7.4% compared in Q1 of FY22.

Cost to income during the same period moderated to 54.2% compared to 63.5% in Q1 FY22 which was primarily due to rise in income coupled with lower cost of borrowing. Our company incurred a loss for the quarter 30th September of Rs. 1.9 crores against the loss of Rs. 47.7 crores in Q1. Uncertainty in behavior of customers have led to volatility in provisioning during the current financial year.

And we believe that the clarity has started emerging in terms of collection efficiency and business growth. Our endeavor is to be prudent in recognizing stress upfront in the current financial year and return to profitability meaningfully in the next financial year though quarterly volatility will continue for a few more quarters. We envisaged to grow AUM by 25% to 30% in the current financial year, and likely to continue the same in the next financial year.

Just to summarize, at Suryoday offer a variety of asset and liability products and services designed for inclusive finance, and general banking customers. Our endeavor is to bring the best in banking solutions to the underbanked and unbanked sections of the society. We believe in the New Age world of technology where we have leveraged the use of technology across all aspects of our operations. In particular, we use digital technology for customer acquisition, and also for customer lifecycle management.

Our employees across used tablets to service customers in the unbanked and under-banked segments, which we believe has led to greater customer convenience and improved operational efficiency and controls. We also have a robust backend operating system supported by our CBS and document management system.

Going forward, we will continue to focus on customer acquisition organically and cross sell different products growing market share through increasing our presence in the existing geographies and expanding business through digital lending. Thank you everyone, and we can now open the floor for question answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepak Agrawal from Axis Mutual Fund. Please go ahead.

Deepak Agrawal: Sir, just wanted to understand your view. So, now I think restructuring book all put together is about 17.7% for us of its standard is 14%. So, in a way 14% is the standard restructured book. So, in your view, how much of that essentially slips and how much of that is likely to get upgraded in next couple of quarters considering obviously the economy is opening up and things seem to be coming back? Any views there?

Baskar Babu: So Deepak, we have done restructuring specifically for customers who have been exhibiting behavior of payment and who have been touch with us. So, that constitutes around 14%, remaining as you mentioned is part of the GNPA book. Approximately around 60% of our restructured book are paying customers, if you consider two months, which means that they are not necessarily paying month after month, they pay in one month and probably not pay the second month. Considering only the August and September figure, the percentage of customer paying out of the restructured book is 60%.

So, technically 40% is what we will have to really focus in terms of getting back into the paying fold. The difference in inclusive finance as you will obviously know very well is that they are short term loans and for short values. So, as long as the customer is in the paying mode at best, the loan closure gets delayed by a couple of months, maybe three months, six months, and sometimes as much as even nine months.

And the restructuring you have done has to be differentiated. In the sense they are not restructured loans with long moratorium or holiday period. They are kind of with a moratorium maximum of around three to four months. And which means in the month of October, majority of our restructured customers have their installment falling due, which means that the measure which we are doing 60% is on almost the entire restructured pool and not only of the customers whose installment has fallen due because majority of the customer installment have fallen due in the month of October.

So, we had to go mathematically 40% of the restructured book is what is technically under stress, and we will have to pull that back in.

Deepak Agrawal: And sir, how much provision we carry against the restructured book?

Bhavin Damania: So, we carried near to 16% of the provisioning at this point in time. And I am talking about the overall restructured book of Rs. 793 crores. Otherwise on the standard book we carry approximately 10%.

Deepak Agrawal: Standard 10% of the book. So, essentially the way to see is 40% of the standard right out of the 14% versus that it will look more like?

Bhavin Damania: So, we have a standard book, which is restructured of Rs. 625 crores. Till date this is outstanding, including what we have did in March and June put together. Against that we hold approximately 10% of the provisioning. And if you do 40% of that, then roughly around Rs. 250 crores would be under stress, against that we are holding really Rs. 65 crores sort of a provision.

Deepak Agrawal: And Baskar sir, in your view so obviously you did guide that we are looking to do 25% to 30% of this year as well as next year. So, is it fair to say that in terms of the pain and all it is largely through and things seem to be substantially improving on the ground and hence our confidence to grow much faster?

Baskar Babu: So, what Deepak, COVID one and two are for approximately 13 lakh customers who are there as on 31st of March 2020. Around closer to six lakh customers have exhibited a good behavior and continue to be with us is around four lakh customers. So, what we are growing is in terms of growing on the back of very good excellent customers who have passed through both COVID one and two and exhibiting good behavior as well as acquiring customers who maintain a good track record in the market.

And since early on, we recognized what would be and which was where our GNPA was a little higher than probably what comparable were. So, we kind of started focusing on these customers as we identified the problem in terms of getting them back without giving long holiday period which only kind of you know pushes the problem down without even us getting an opportunity to recognize it.

So, on that basis, what we started building up we are not getting very aggressive but purely on well-chosen customer base what we have grown is at approximately Rs. 250 crores to Rs. 275 crores is what we are dispersing from on the inclusive finance segment. Rest of the segment like affordable home loan and we also introduced micro home loan which is in the segment of Rs. 5 lakhs to Rs. 10 lakhs in our existing customer segments not necessarily existing customer base, which is a very open kind of new market, because even the affordable home loan companies have inched up their ticket sizes to Rs. 10 lakhs to Rs. 11 lakhs.

We are kind of growing pretty well on that and the intent to grow from our current Rs. 25 crores per month run rate there in the product to probably close to around Rs. 50 crores run date by end of March. These are long tenure products and hence the runoffs are lower. So, even though our disbursements currently constitute 80% in terms of inclusive finance, they are short tenure products and the rest of the 20% of the products are long tenure products and hence the adjustment in terms of the AUM is tilting favorably towards the non-microfinance assets slowly but steadily.

Deepak Agrawal: And how should we look at credit cost from here? So, obviously last couple of quarters we have taken a lot of provisions and in a way net NPA has been projected that 4%. So, your thought there in terms of do you want to take it down to more like 1%, 2% in next couple of quarters in terms of the net NPA or you think a lot of this will get recovered and hence from here credit costs start normalizing in second half?

Baskar Babu: As of now the way we are seeing it is that which is what internally and as well as we are kind of expressing is that the next three to four quarters at least you know three quarters will be where we started generating the profit of around closer to Rs. 24 crores in the last quarter.

And back on the disbursements momentum that we see it is kind of grows to Rs. 30 crores, Rs. 35 crores, that would be the cushion for absorbing all the provisioning that we need to do. And that would continue for the next two to three quarters. And we clearly see an enterprise profit level for FY23 starting probably towards Q3 and Q4 to all the absorption that we need to do probably will happen over the next three quarters.

Deepak Agrawal: So if my understanding is correct, so you are saying for next three quarters still that credit cost will remain high, but not as high as what we have seen QoQ, right?

Baskar Babu: Yes, it will be. That is why we also said we have kind of a description that it will be volatile, and we are recognizing that volatility but however the volatility will not exceed the PPOP broadly.

Moderator: Thank you. The next question is from the line of Harshvardhan Agarwal from IDFC Asset Management. Please go ahead.

Harshvardhan Agarwal: Sir, I just wanted to look back on the earlier question, wherein you said that 60% of the MORAT book, the restructured book sorry, the restructured book has come for repayment in October. So, if you can share some repayment trends in that book?

Baskar Babu: So Harsh, what we are saying is that almost 90% of the book has come for payment. We are talking about 60% of that 90% making payment. Whatever the one that has not kind of is less than 10%.

Harshvardhan Agarwal: Okay so that 10% will probably also be coming up for repayment in the month of November or December. Is that correct?

Baskar Babu: That is right.

Harshvardhan Agarwal: And sir, one last thing. I was calculating the repayments number based on the AUM and the disbursement data that you have given for our inclusive finance books. So, on that basis, the repayment number for inclusive finance seems to be hovering at Rs. 480 crores, Rs. 500 crores for the last two quarters, both in 1Q and 4Q. Now considering the 2Q the economy was opened up there was hardly any lockdowns in total. So why is that number too low for us like just as the level of 1Q?

Bhavin Damania: So, if I understood the question correctly, you are saying the repayment you are deriving from the collection efficiency, the repayment amount for the inclusive finance customers, right?

Harshvardhan Agarwal: Right. So, I am taking the AUM and the disbursement number and balancing it to calculate the repayments number?

Bhavin Damania: Okay, see, maybe I will try to answer in a different way. Maybe that answers your question. So, our overall collection efficiency, when you include the arrears etcetera, is continued to be greater than 100% in the month of October as well in the month of September as well. And so that means the runoffs are higher compared to the billing, which we generate during the particular period. What we publish is the one EMI is 83%, which is related only if I restrict the billing to only one EMI then it will be lower.

So, when you add up the disbursements in the AUM, the run-offs will in fact higher because we are getting the arrears even paid during the current month. It cannot be lower.

Harshvardhan Agarwal: Okay, sir maybe I will just check my calculations.

Baskar Babu: But Harsh, overall at a billing level we will look at it. Our billing per month has been continuously going up. So, because there is no holiday period given at a long moratorium, and there is no adjustment in the EMI amount, even on a holiday period of three months or four months, the installment on the fifth month becomes the same as it was earliest.

So, our billing overall gross billing month-on-month on the increasing AUM continues to be higher. So, 83% of what would have been say six months back and the 83% now the amount which we are collecting from the customer is much higher or proportionately higher to the AUM.

Moderator: Thank you. The next question is from the line of Isha Savla from Arya Securities. Please go ahead.

Isha Savla: I have a couple of questions. Can you throw some light on our disbursements? Like, how do you see it panning out over the coming quarters and it is the demand on track?

Baskar Babu: Yes, so currently we have kind of a disbursement run rate is around Rs. 360 crores consistently for what we saw in Q2 as well as we saw in October, likely to kind of increase during November, December, marginally. But what we are really planning is around Rs. 375 crores to Rs. 400 crores of disbursement for the month from starting from November through March.

Isha Savla: Okay, so are we seeing like a demand back on track?

Baskar Babu: There is an increase in demand, but we are kind of still continue to be reasonably be prudent in terms of we do not kind of our overall disbursement per customer or the average outstanding per customer continues to be much lower than the overall average industry figures and will continue to play out on this strategy.

So, and what we are acquiring now is around approximately closer to around we do closer to 90,000 to 100,000 disbursements per month in inclusive finance, of which around 40,000 loans are to new to bank customers and 60,000 to our good existing customers. So that constitutes around 90,000 to 100,000 and we expect the trend to continue and little improving month on month basis.

Isha Savla: Okay, sir good to know that and how are the collections happening currently?

Baskar Babu: We have disclosed whatever figures we have given is 83, but specifically in terms of the new funding, which we call as post-COVID funding especially in the last one year, have kind of exhibiting a much better performance than the overall portfolio.

Moderator: Thank you. The next question is from the line of Madhu Dev from Alta Vista Capital. Please go ahead.

Madhu Dev: Yes, so, I just want some, you know, some numbers for clarity. See, you have a GNPA of a little over 10.2% or something of that sort. And then you have a standard restructuring portfolio of 14%. So, in all ballparks this is about 24% of the book. So, against this book, what is the total provision that you are carrying?

Bhavin Damania: So, overall, we are carrying a provision of roughly Rs. 350 crores in NPA plus restructured book put together and this is I am referring to on the standard restructured book because the NPA restructured is already into part of it.

Madhu Dev: So, NPA plus standard restructured which is 24% against that you are carrying Rs. 350 crores provision, right?

Bhavin Damania: Correct. Roughly around 25% of both portfolio put together, we are carrying the provisions.

Madhu Dev: Okay. And given the collection trend and given what you are hearing from the ground, from your collection team, what kind of an incremental provision that you would be required to make on this portfolio?

Baskar Babu: So, overall 60% of our 14% of the customers are paying customers at this point of time. And we are kind of seeing in sustained increase in that percentage between the customers who started paying. So, we have to mathematically take it around 40% of our 14% book, which is around closer to 5% is kind of technically on a high stress basis may be in the provisioning.

Madhu Dev: That is what is required provisioning, okay. And on the GNPA book where you have a partial provisioning, what is your sense on the recovery, you need to step up provisioning there?

Baskar Babu: So again, another look we have already provided for 50% and around closer to 40% of the book is paying. So, I do not really think that we need to really provide for anything substantially more on the GNPA book. And while on the GNPA, we did 10.2%, the percentage of customer who are in 90 plus. So, which means that they became NPA GNPA, but not in 90 Plus at this point of time, is approximately 40% of our GNPA customers.

So, if you add these two, that is percentage of customers who are paying out of the 10.2%, as well as the 4% of the customers are already come below the 90 plus though they continue to be in GNPA as they touch 90 and not come back to current date. So, we may not really required a substantially larger provisioning in the GNPA book. The provision that will be required on a high stress analysis basis would be 40% of the 14% book, which is approximately 5%.

Madhu Dev: Okay, that actually clarifies this provisioning thing. In that case, I mean, are you worried about incremental slippage because you made a tacit mention that credit costs would continue to remain pretty elevated? So, do you still see a lot of slippages happening from your portfolio?

Baskar Babu: No, we are not really seeing slippages. There could be recovery back into it. And what we said is not a kind of elevated provisions, we said our PPOP currently, it is around Rs. 80 crores, assuming that even if it continues as it grows there will be an increased income. So that will take another two quarters, max three quarters to cover up the entire thing on assumption that they continue to be as stressed as they are.

Madhu Dev: Okay. And my last question is, what is the normalized credit cost for your business because you know, you have a shorter listing history, we are not too familiar with your normalized operations? So, just wanted to get a sense of what, according to you is a normalized credit cost?

Baskar Babu: Having seen cycles in terms of demon, and thereafter, COVID is kind of extreme stress event. I think we will have to put a real prudent number to kind of you know for the kind of portfolio that we have in terms of 70%, inclusive and 30% would be I think the meaningful would be to think of a credit cost of around 2.5% to 3% on a continual basis.

In the years that it does not really have that kind of an impact at all, you will have to kind of add up to the provisions and continue to build that buffer. And in both those instances, we really see and one was a 5% impact event this one seems to be a 10% to 15% impact event.

And we kind of considering this 20% happened in four years, five years' time, around 4% seems to be extreme. If ever, God forbid a COVID kind of an event were to get repeated in four years' time, is I think a 2% to 3% credit cost would be meaningful and conservative on the kind of portfolio proposition we have at this point of time.

Madhu Dev: So, even if suppose the delinquency is low, you would like to create that kind of a buffer even in a good year, and the credit costs would continue to be around that ballpark figure just for future contingency is what you are trying to say. Right?

Baskar Babu: The clear learning, I think around 2.5% to 3% is what we will have to maintain, irrespective of the actual credit cost remaining even less than say 1%.

Moderator: Thank you. The next question is from the line of Nidhi K from MK Advisors. Please go ahead.

Nidhi K: My question is that our NPA numbers, they appear to be a bit on the higher side. I just want to understand if there are any specific steps that we are taking to bring them down?

Baskar Babu: I will kind of Bhavin to add a little more, but the fact that I think as you would have seen that we recognize early on itself kind of starting from March and then continue to kind of do it. So, while overall the figures out of the credit bureau do really indicate the 30 Plus portfolio all the way including 180 Plus happens to be around closer to 25% to 30%.

So, the way we recognize as banks are expected to do is in terms of once account becomes and our customer becomes an NPA till it comes back to current even if the customer starts making the payment month on month basis, they will continue to be counted as GNPA customers and hence it will be calculated as a percentage. The best way to really look at it is that our 90 plus is 6.5%.

And our GNPA is 10.2%, which means 4% of this GNPA has already paid and come below 90% plus, but however continues to be tagged as GNPA as the way of recognizing the GNPA in the banking system.

Bhavin Damania: Just to add I think on a comparison basis, even to the peers I think, few of the players have also declared a suddenly rather shown a spike into the gross NPA from less than 5% to more than 10% in the current quarter.

And while as Baskar mentioned, we have already declared that from the December quarter onwards even though it is a proforma NPA of more than 9%. So, our ratios remain even in the range of 9.5% to 10.2% in the last three quarters, which I think most of the other players have started recognizing mainly in to Q2.

Nidhi K: I have one more question. I just want to understand what is the strategy going forward in terms of diversifying the loan book and where do we see our inclusive finance percentage as a percentage of overall book for two, three years down the line?

Baskar Babu: See as I have mentioned in terms of JLG while the disbursement continues to be 75% to 80%, because they are short term products and the rest of the other products specifically in terms of affordable home loan, unsecured business loans, secured against property, business loans, they are long tenure minimum tenure of around 7 to 10 years.

So, the portfolio composition purely on this disbursement basis would kind of tilt closer to around 55:45 in a year to 15 months' time. So, around 50:50 is what it is likely to kind of come to in probably in 18 to 24 months. JLG or inclusive finance done well, except for this extreme event like this is as explained in the previous question is around 2% to 3% normalized basis credit costs, if we can do it and structure it, that is the kind of business but for three years in a row, it can be less than one, and probably one of event based on history, it could be higher, but on a normalized basis annually it will be around 2% to 3%.

And what this pandemic has really also has given us data is in terms of the good customers who kind of moved both through the COVID one, two continue to be current have paid and are not even taken a loan, either from us, or from the market, that constitute around 60% of the portfolio that we have. For instance, we do not have 3 lakh of our 13 lakh customers we had as of 31st March, who have repaid in full, and have moved on.

So, based on our own analysis and analytics we are saying that no, hey, why do we really lose our good customers who have been with us, and for various reasons, either we have not got in touch with them, or they have not got in touch because the focus in the last 18 months shifted more in terms of getting in touch with the customer to collect rather than to do business.

So, we have put all of those activities together it is a business, which will be profitable, done meaningfully. But the learning out of that is that get to understand the customer far more deeper than understanding them only by the past few payment track record and building a higher loan over and above that. So, that segmentation and kind of capturing the profile is what we are really focusing on.

And that also becomes now a segment for affordable home loans which is between Rs. 5 lakhs to Rs. 10 lakhs, small ticket secured business loans while we do not have a small ticket secured business on it. So, this is a potential customer segment for these two products.

So, we do not really need to go out and look for those customers for affordable home loan or small ticket secured business loan. But that requires an intensity of looking at the customer far more deeper than we have done in the past.

Moderator: Thank you. The next question is from the line of Franklin Moraes from Equentis Wealth Advisory. Please go ahead.

Franklin Moraes: So, what is our Write Off policy?

Bhavin Damania: So, we do not have a specific policy in a way. Just for information for the last nearly more than two years in fact now we have been doing only technical write offs, rather than the actual level. That means a fillip team still see the customers into their due sheet every month.

As I said, we do not have specific policy. What we do is we go by our internal analysis where the customers behaved based on the customer the customers are paying or not. And then we take a call whether to write off the customer. So, we do not have any specific policy unlike other entities where 90 plus, 180 plus have been written off. We take a call only if the customers; prepayment behavior is completely gone divergent or not paying in a specific period of time, then only we do write off.

So, in current quarter, we have not done any kind of write off. Till last quarter we used to do the write offs again based on the nonpayment behavior repayment behavior of the customers.

Franklin Moraes: But on a historical basis, you know, if we see the write offs, which are being done, what would be the average tenure before which, you know, we actually write off the loan?

Baskar Babu: See in case of natural calamities if they have not paid for four consecutive months as well, we have taken write off in terms of Orissa or Tamil Nadu where we clearly not the customer has not made a payment and not in touch and kind of and it has been a huge natural calamity there.

But broadly, I think we have to providing for fully is more important because once it is written off, it also goes off the radar in terms of collections. So, it kind of reduces our GNPA per se, but what it kind of does is that it has got collateral damage in terms of customer going out of the radar from a collection point of view. Our focus in terms of adequate provisioning rather than rushing into write off the loans.

Franklin Moraes: And sir, on restructured book, what would be the moratorium being offered?

Baskar Babu: **Max three** months and for us is 90% of the quarter we did restructuring in the last quarter. The installments have commenced either in October or latest in November.

Franklin Moraes: And in terms of the recoverability from you know these around 25% in your assessment, you know, what percentage of this could actually be recovered in the next, you know, say about six months' time?

Baskar Babu: 60% are paying customers in the 14%. Okay, and as far as the GNPA is concerned, 10% of the customer 4% are already paying and or rather are already sub 90% plus and around close to 35% of the customers are paying in this. So, as explained earlier, the max I would really like to compute is in terms of 40% of the 14% book, which is around 5% to 6%.

Franklin Moraes: So, in terms of your advances, what would be the growth outlook there?

Baskar Babu: We have guided around this year; we are likely to end up anywhere between 25% to 30% as you would see. Already, we are at 20% in terms of year-on-year growth, likely at the current run rate. As we are clocking at this point of time, we will end up with around a little higher than 25%.

We see the same momentum continuing as this for the next year as well as we speak now. If things become much better, and for momentum in the non-inclusive finance kind of takes up the probably the growth rates maybe marginally more higher than even 30% for next year. This year anywhere between 25% to 30%.

Moderator: Thank you. The next question is from the line of Rhea Verma from Purple Box Securities. Please go ahead.

Rhea Verma: I have two questions. Firstly, what are our plans in expanding our branch network? Are we going to venture into new geographies? And are we looking to reduce concentration in the states of Maharashtra, and Tamil Nadu? And the second was, in terms of our collection efficiencies. Are we seeing any stress in terms of the COVID-19? And are we seeing any intent issue in non-repayment?

Baskar Babu: In terms of our geographical presence, we have around 560 branches. Many of them which are close to 70 branches, which we open during the last one year have not been fully activated till about a quarter back.

So, the focus is in terms of growing this more intensely. The new states which we entered already are Rajasthan and a little deepening into Uttar Pradesh and even Karnataka. We do not have a large presence in Karnataka, though we have been present there for more than eight years. So, the intent is to really grow deeper into these states before we really look at any new geographical state at this point of time for our asset business.

For our liability business, we may open a few branches in Telangana and Andhra Pradesh, where we do not have any presence at all meaningfully now except of two branches in Hyderabad for deposit focused branches.

So that is what our expansion strategy will be. In terms of our reducing the concentration in Maharashtra, Tamil Nadu, we may not grow that substantially. But Maharashtra having seen two hits and having stabilized, we probably think that it is a market where if you know the depth of the market, we can actually grow meaningfully there, rather than kind of trying to reduce it because of the experience of the last two events.

Rhea Verma: In terms of our collection efficiency, are we still seeing any intent issue in non-repayment intent issue? And is there any COVID 19 related stress?

Baskar Babu: I think what we are seeing obviously, it happens in every event is that the circumstantial default. Part of that gets converted into intention at a point of time, either due to not being intensely covering the customer on a continuous basis because they have not paid for a month or two or three.

So, we are not seeing any deterioration in the intent at all. But we are seeing a pullback and how intense the pullback could be probably will be clearer in the next three months.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Baskar Babu: Thank you very much for participating in our investor call. And we will continue to kind of keep you updated. Thank you very much for your support. Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.