"Suryoday Small Finance Bank Q4 FY22 Earnings Conference Call hosted by DAM Capital Advisors Limited"

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MODERATOR: **MR. PRITESH BUMB – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to the Q4 and FY22 Earnings Conference Call of Suryoday Small Finance Bank hosted by DAM Capital Advisors Limited. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pritesh Bumb from DAM Capital Advisors Limited. Thank you and over to you sir.

Pritesh Bumb: Thankyou Rutuja. Hi, good morning, everyone. We on behalf of DAM Capital would like to welcome the management of Suryoday Small Finance Bank represented by Mr. Baskar Babu Ramachandran – MD & CEO along with the other senior management members of the team, we will have opening remarks from the management and then move on to the Q&A. Thank you. Over to you Sir.

Baskar B Ramachandran: Thankyou Pritesh. Good morning, everybody on behalf of Suryoday Small Finance Bank, I extend a warm welcome to everyone to this Q4 and FY22 Earnings Call. I hope everybody had a chance to go through our Investor Presentation, which includes our strategy for making the Bank stronger, resulting in higher growth going forward, along with financial performance for the quarter and year ended March 31, 2022.

The fiscal 22 began against the backdrop of COVID and its relative impact on the business. geopolitical tensions combined with Omicron variant raised the challenging economic environment this year, specifically at the beginning of the financial year, despite plethora of adversities, Suryoday demonstrated a resilient performance on the ground, with a solid AUM growth of 20.4% and the disbursement growth of 59.2% in FY22 as against the previous year. We are pleased to share that our new to Bank customer base has grown by substantial 30% year-on-year, resulting in a total customer base of 19.2 lakh customers as of 31st March 2022. Our focus remains to acquire new asset customer and maintaining the existing good customers by giving them customized offers. On the industry front RBI. has recently increased Repo rate by 14 basis points to 4.4. This rate hike has come after two years along with the return of accommodative stance. We feel it the step in the right direction given the inflationary environment and the dynamic global economy.

Talking about the new initiatives in FY22:

Suryoday launched Vikas and Star Loan products to our existing microfinance customer offering an end-to-end digital product, which includes repayment through digital means. The pilot was carried out successfully and it is now live for 50,000 Suryoday customer. Intent is to really scale it up in a very sustainable manner over this remaining months of FY 23 and target around 2-5 lakh customers to these products.

The other product offering is a small ticket fix deposits, a minimum of Rs. 1000 to customers through customer service points. This is the first in industry initiative and the turnaround time for opening a deposit for even non Suryoday Bank customers is 100 seconds flat. These products provide a seamless digital experience and save time for the customer and increase the base of the customers.

Now let me throw some light on the key operational metrics of Q4 and FY22:

On the disbursement front, the disbursements for FY22 stood at Rs. 3,528 crores up by around 60% year on year. Subsequently, the Bank dispersed Rs. 980 crores during Q4 compared Rs.1,056 crores in Q4 of FY21. The disbursements were a little bit muted on account of a substantial focus in terms of collections. The company employed a very cautious and calibrated approach in dispersing loans to customers throughout emphasizing more in disbursing loans to existing customers with solid track record in spite of movement to COVID 1 and 2. The focus is on retaining microfinance customers while on boarding new customers in the micro and non-micro loan sector and expanding specifically the affordable and micro housing finance vertical.

The collection efficiency is improving sequentially on the back of opening of the economy and nearing normalcy. The Bank's One EMI adjusted collection efficiency stood at 87% as of 31st March compared to 84% for the month ended 31st December 2021. In March 2022 overall collection efficiency touched 116% compared to 109% in December 2021. The collections vertical being the most critical. We have created a special task force of 400 collection offices on a pan India basis specifically to target the GNPA, and write-off customers.

Our gross advances grew by 20.4% to Rs.5,064 crores on a year-on-year basis. At the end of March 2022 inclusive finance comprises 66.9% of the asset book while affordable home loans, commercial vehicles secured business loans comprise 8.8%, 6.7% and 4.7% respectively. As a strategy we have been increasing our non-inclusive finance portfolio gradually over the last few quarters, the mix of non-inclusive finance has risen from 27% as of September 2021 to 33% as of March 2022. Suryoday plans to have a portfolio mix of 45% of inclusive finance and 55% in non-inclusive finance book by FY25.

On the deposits front, our total deposits witnessed a growth of 18.2% to Rs. 3,849.8 crores. Retail deposits currently comprise 78.1% and bulk deposits comprise 21.9% of the total deposits. Furthermore, 100% of our bulk deposits are non-callable in nature. CASA which is excluding the CD improved to 20.2% as of March 31, 2022, compared to 15.4% during the previous year, resulting in a steady improvement in line with our granular retail strategy. Our borrowings as on end of March from 31.2% of our total liabilities clearly in designs with our asset liability management.

On the distribution front, Suryoday is spread across 565 branches of which 98 branches are specifically focused on deposit mobilization while 360 branches are asset focused specifically in terms of inclusive finance business and the balance comprises of rural centers. Through this branch network, the Bank service 19.2 lakh customers of which total asset customers were 16.5

lakhs and total liability customers were 15.8 lakh customers. The GNPA as of 31st March stood at 11.8% compared to GNPA of 10.5% as of 31st December. The net NPA stood at 5.9%. The provision coverage as of March 31st was at 69.8%. The delinquency in the portfolio increased due to the impact of multiple COVID. PAR 90 Plus portfolio stood at 7.4% Total standard restructured pool is currently 10.4% of over advances as of March 31, 2022.

The collection efficiency on the restructured books stood at 45% as on date, we intend to increase the collection percentage to closer to 60% in the coming quarters. We continue to monitor restructure portfolio for collections.

On the earnings update, on earning side net interest income increased by 53% year-on-year to Rs. 460 crores in FY22 and net total income increased by 39.3% to Rs. 678 crores. NIM stood at 8.6% for FY22 compared to 7.1% for FY21. Other income mainly included income from sale of investments are Rs. 14.7 crores.

Cost of funds reduced to 7% in FY22 compared to 8% in FY21 and 8.6% in FY20. Cost to income during the same period moderated to 60.9% as compared to 67.5% during the previous financial year, which was primarily due to rise in income coupled with lower cost of borrowings. The company incurred a loss of Rs. 93 crores in FY22 as of March 22, we continue to hold a floating provision of Rs. 91.3 crores on the books.

Our capital adequacy continues to be very strong. Our capital adequacy of the Bank currently is 37.9% compared to 51.2% as on FY21. Of this Tier-1 comprises 34.4% and Tier-2 comprises 3.4% in the capital adequacy calculations. There is a significant trust on digital front with the technology transformation program being on track and expected to be completed by Q2 of this financial year.

We have done a collaboration with Lendingkart leverage digital partnerships to provide value added products and services to our customers. The overall digital transactions have been increasing sequentially with the rise of UPI transactions as well as online transaction through the net banking.

To summarize, the business had witnessed earlier an adverse impact due to COVID induced lockdowns. However, we see a return to normalize scenario to pre COVID levels. Our endeavor is to grow the loan book by 25% every year, not just the loan book we intend to grow our customer base by closer to 15 to 20% in this financial year. Suryoday plans to progressively increase the share of non-inclusive finance product makes from 33% currently to 50 to 55% by FY25. This increase will happen in terms of delivering secure loan products even to our existing inclusive finance customer. Suryoday targets to disburse Rs. 400 crores per month from this quarter from Q2 of FY23. On the deposit front, we foresee a great opportunity in leveraging our JLG customer and offer them liability products. Suryoday aims to expand its presence very cautiously in new states and focuses on strengthening its foothold in existing states. Going forward, the company will target closing Rs. 40 crores of PPoP on a monthly basis from Q2 FY23 onwards along with maintaining a GNPA below around 8%.

This is from our end in terms of update. Look forward to our interactions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask question may press * and 1 on the telephone. Participants are requested to use handsets while asking a question. The first question is from line of Ashutosh Adsare from SBI General Insurance. Please go ahead.

Ashutosh Adsare: Hi Sir, firstly on the disbursement front, you said the Q4 was muted due to focus on collection. So, going forward in earlier interaction you had guided for in 30% to 35% loan growth in FY23 and now you are saying loan growth of 25%? So, do you mean that your focus will shift on collection and disbursement will get impacted going forward for FY23.

Baskar B Ramachandran: Not really Ashutosh what we have guided earlier is around 30% to 35%, we continue to kind of hold that range 25% to 35% is our guidance. But on the lower end, it will be likely to be not less than 25, but at the current pick up of business as you really see it, including our own kind of you know liabilities which are substantially in surplus, we are kind of aiming towards more of a 30% growth for this financial year, and that growth will be predicated both in terms of not just the loan book, even last year, we exhibited a very robust growth of closer to 30%, which is actually higher than the growth in the books gross advances in terms of customer acquisition. So, the higher customer acquisition done in the previous year will reflect robustly and substantially in terms of increased disbursements during FY23 as well.

Ashutosh Adsare: Okay and sir on the collection efficiency, if you could throw some light, you said on the restructured book, your efficiency stands at 45% and you are targeting at 60%. So, how you intend to increase this and how the book in the restructured has been performing, currently.

Baskar B Ramachandran: We cannot mention it is 45%. Why we said 60% is not just an increase in a mathematical number, it is we have put in a collection force of 400 dedicated only in terms of collections. The team's job, the executor’s job and the collection team is to only get in touch with the customers who are restructured and even within that the customers who are already NPA and the write off customers. We have seen a very good traction in the last two months in terms of the focused collection effort and the reason why it is really accelerating is that the customers, many-many customers, even though they are not paid for sequential four to five months, the moment the touch point increases, we have seen the kind of accounts getting activated with as low as an amount of around Rs. 500 and then slowly moving towards one EMI. Earlier our intent was to really activate the customer in terms of getting them into payment mode and as we kind of stabilizing we are looking at in terms of taking a collection of minimum of one EMI and we are fairly seeing a good traction on that front and based on that we are looking at activating at least another additional 15% and hence closer to 60% of the restructured portfolio.

Ashutosh Adsare: Okay and on the standard book, you had mentioned that 60% of the customer we are paying, and the GNPA book, so on the standard book if we could throw some light on that.

Kanishka Chaudhary: So, far as the standard book is concerned, it reflects the full normalization. Our PAR in the standard book is less than 3% and we will continue to focus on bettering that number and keeping it as low. Our focus entirely is on the restructured book, and they are of the nonpaying part to ensure collectability and pull back of the GNPA.

Ashutosh Adsare: Okay and on the cost to income ratio from FY21 you have significantly managed to cut down your cost from 67% to 60%. So, going forward, how much scope do you think left or it will remain at this elevated level in the cost to income side?

Kanishka Chaudhary: Yes, so, a lot of this has been possible because of the growth in our pre-provision operating profit, which has grown by about 70%. As guided previously, for the current year, we would be targeting a 55% cost income ratio, while our steady state long term goal will be to go back to the 50% levels where we were pre COVID.

Ashutosh Adsare: Okay and in terms of provisions you maintain your guidance of Rs. 200 crores of provisions for FY23?

Kanishka Chaudhary: Yes, given the kind of growth in book that we have and the overall collection efforts that we have in mind, what we had advised is that we will look to have about Rs. 100 crores of final cleanup in Q1 of this year and a total provisioning target of around Rs. 150 to Rs. 200 crores and we stick to that guidance.

Ashutosh Adsare: Last question from my side in the PAR 90 segment. On a sequential basis, there is an increase from 4.6% to 7.4%. So, do you think that you will be able to cut back this PAR 90 level to your erst while run rate of 3% and 4%?

Kanishka Chaudhary: Yes, I mean, that is the specific challenge that we have taken upon ourselves then Baskar talked about the dedicated team of collection agents that we have put in place. This increase in PAR is largely due to the restructured part of the book, and that is what is the primary focus of our collection efforts.

Moderator: The next question is from the line of Nandan Madhiwalla from Punctilious One Capital. Please go ahead.

Nandan Madhiwalla: I think in the Q3 presentation, we had mentioned that by Q1, we are looking to bring down GNPA to around 8% or so does that continue to hold, or you think it will take some more time.

Baskar B Ramachandran: The intent in terms of putting up the collection force is what whatever slippage has happened as kind of KC mentioned was in terms of restructured advances, and we have not done any restructuring with the high long moratorium. If they were a couple of months and then kind of move into some of them have slipped as we said the collection efficiency is at 45%, sub-**8% is our target and I think for the way we are building up the momentum clearly that is where it is. So, maybe now it may change by a couple of months, but clearly that's the intent in terms of reducing it to 8%.

Nandan Madhiwalla: Okay, and just on the Q1, I think we had mentioned that elevated provisions would continue till Q1. So, that still remains right. You do not see provisions going up beyond Q1.

Baskar B Ramachandran: That is right. Yes. What we have done is that in the last two years, we have not increased the ticket sizes beyond what we are kind of we were comfortable with including for our existing good customers. So, that is where you will see a very moderated principal outstanding for customers. So, one of the ways in which obviously, the GNPA come down is a bit higher base, including higher funding to the existing customers, we have been very prudent and will continue to be prudent and what we have kind of a clearly seeing is a portfolio built with approximately closer to Rs. 2,000 crores in the inclusive finance portfolio post July 2021 continues to be near 99% in terms of collection. So, we will continue to be very prudent in terms of increasing that loan ticket sizes even to our existing customers and our focus will be in terms of building a customer base increase as well last year, while the growth or the entire advances were only 20, we had a growth in terms of customer base of 30%. So, the increase in customer base, the last year will reflect in terms of very robust disbursement and to the extent the base impact itself will reduce the GNPA marginally, but our intent is at an absolute level itself. We want to reduce the GNPA amount.

Nandan Madhiwalla: And just one last question I think in the last call, we had mentioned that from July 2022 onwards, we are looking at a monthly PPoP of Rs. 40 crores is that correct and does that still hold?

Baskar B Ramachandran: Yes.

Moderator: The next question is from the line of Varun Ghia from Dimensional Securities.

Varun Ghia: Could you explain why the yields were lower, was there any interest reversal or is this due to some other reason?

Kanishka Chaudhary: These were essentially on account of some excess interest capitalization reversed these related to restructurings done in September. So, on a full year basis there is no impact, but on a quarter-on-quarter basis, there will be a bit of a distortion

Varun Ghia: How much was reversal for full year?

Kanishka Chaudhary: It was about Rs. 25 crores of adjustment.

Varun Ghia: And going forward, what yields do you target?

Kanishka Chaudhary: So, on a growth book basis, we will continue to target around 18% given the mix. As indicated by Baskar our focus is to grow the secured lending book, which will have a comparatively low yield as compared to the inclusive finance book. So, 17% to 18% range is what we would be comfortable at and that is the corridor we will work in.

Moderator: The next question is from the line of Pritesh Bumb from DAM Capital Advisors. Please go ahead.

Pritesh Bumb: You said that you will be limiting moving to newer geographies and focus on the geographies which you are in. Can you give some or you can share some areas where you do not feel like where penetration in newer geographies is done or is that the penetration in the existing geographies where your end is very less, and you want to focus on the same and how will you increase the customer base from those kinds of areas? That is the first question.

Baskar B Ramachandran: Sure. So, we have we do not have a deep penetration in many of the states where we entered and some of the states where we are actually been present for long. One of the states is Karnataka, we have been present for closer to around eight years, but our penetration is very, very marginal. So, our intent is to really focus deep into Karnataka, the other couple of states where we have recently entered in the last couple of years and again very low penetration is the state of Rajasthan and Uttar Pradesh. So, the intent is to really penetrate a little more into this market before really expanding into the other new geographies. In inclusive finance, we are kind of not watching out in terms of some of the states, which are getting highly penetrated where we may not even have a presence, but consciously in the past, we have stayed away and currently also even in the present, wherever we see even when the markets are performing very well like the state of Bihar, but we will see a huge increase in the portfolio base, we tend to kind of defer our plans in terms of looking at those markets. So, we are not looking at some of these markets which our performances are extremely good where our presence is nil. But we will kind of not really look at entering those market for inclusive finance. In terms of the rest of the other products our penetration even in terms of our existing branches is very low like affordable home loan or commercial vehicle and operate at no more than 30% of our existing branch network at this point of time. For those products, the delivery would be in terms of increasing our presence. For instance, our commercial vehicle presence or an affordable home loan presence in very key states like Karnataka and Tamil Nadu is very-very low. So, intent is really put the business force there and increase it rather than geography spending on this point of time for our size of business.

Pritesh Bumb: Second part of that question was at what cycle will you start increasing the ticket size in the FI/MFI book? You said that right now you are not increasing any ticket size? So, at what cycles of the customer lifecycle, do we want to increase the ticket sizes?

Baskar B Ramachandran: Yes, so what's happening now is not we are not clearly going by only the cycles and increasing it. The customers have multiple footprints in terms of retail asset exposures. So, around close to around 28,000 of our customers in inclusive finance, have an average home loan taken of around Rs. 6.5 lakhs on disbursement and Rs. 5 lakhs in terms of principal outstanding and our current in those loans and there are around Rs. 4.5 lakh of our customers in the overall customer base who are on excellent track record and retail assets. So, analytics comes into play in terms of understanding the profile of the customer apart from the primary data we gather from the customer and we are shifting to a mode where not necessarily only by the number of cycles they were with us we are going to increase the size or probably will not increase the size yes because the customer has been with us for three or four cycles with an excellent track record. So, we will use all of that and to the extent where the customer can handle the EMIs and there is a clear business requirement for taking a loan of size of around one and one and a half lakh. We are kind of a will certainly look into it which is our digital offerings will be all about and for the rest of the customers will moderate it out at currently at around which is a first cycle is around closer to around Rs. 35,000 will read in around the same range and the max we are comfortable whether it is cycle two or three, if you do not have any other substantive data that they can handle a higher loan would be closer to Rs. 60,000 to Rs. 75,000 at max.

Pritesh Bumb: Sir I just wanted to check, are we in line with the RBI guidelines in terms of household debt and are we having things in place to know what is the household debt, in terms of the software or whatever the market insights are required on that?

Baskar B Ramachandran: We have invested post COVID, the counter intuitively in terms of heavy investment in analytics. So, even before any of the new norms came in place, we had a full visibility in terms of the customer and the guarantor in terms of their composite outstanding and their monthly EMI obligation. So, given that perspective, we had what we are kind of doing is more in terms of getting the income data of the entire household, earlier it was restricted only to the borrower, which is the lady of the household and the guarantor, which 95% of the times happened to be the spouse of the borrower. So, today we will have to also gather data in terms of unmarried children. So, that is an extra piece that we have built in and which will kind of go fully automated end of this month and as of now, we are collecting it through our own mechanism of Kaizala.

Pritesh Bumb: And another question was on collection efficiency that seems to be lower compared to peers in most of the segments like MFI or even CV or even if you look at some of our peers like Credit Access has done well on collection efficiency in Karnataka, what seems to be issue for us and why is the collection efficiency still lower when people have almost reach about 99% including on NPA or on arrears basis, so what is the issue with us?

Baskar B Ramachandran: You are correct, but I will not be able to comment in terms of the competitors data performance, but what we can measure ourselves is in terms of one EMI that is for the EMI generated for the month, how much of EMI is paid, and it includes all the customer where the EMI is generated, whether it was a GNPA customer whether they are customers with the moratorium with respect all the EMI that are generated against that we kind of only measure. So, the one data which kind of gives us a qualitative outlook in terms of where we stand, is it the book built after July 21 is around Rs. 2,000 crores of inclusive finance book is that 99% in terms of 98.5% in terms of collections and with the one which we are kind of working out in terms of getting back on track is a pre-COVID portfolio. So, we kind of first one of us was the recognition in terms of a collection or repairing it is to understand the problem. So, we have not resisted from funding any customer who are an overdue with us, even for a 60 day we have not done any of those fundings or tried to activate. The models can be very-very different. So, to that extent, we recognize as it is a couple of the NPA stamping is also an account of we had given a small OD product at that point of time and even though the customer is regular in the regular loans and then the OD has not served as a small interest for a period of three months, which still gets tagged as an NPA. So, to that extent that maybe not necessarily comparable, but our one EMI computed, has been marginally going up and currently at 86% as a new portfolio builds up. We clearly see that now inching more towards 90% plus and above by probably the end of this quarter.

Moderator: The next question is from the line of Rini Singhal from LOK Capital. Please go ahead.

Rini Singhal: Couple of questions, one out of all the non JLG product. Which is the product when we are seeing more traction in terms of good unit economics, and we are bullish on and we are looking to grow at maximum in the next financial year.

Baskar B Ramachandran: We are looking at affordable home loan and secure business loan backed by property as a key driver. We have built a small but a very robust used vehicle finance portfolio in the last one year on strong underwriting and that portfolio is kind of collections is very close to 100% and 30 Plus itself is sub 3%. So, intent is to really build a very strong used vehicle portfolio at less than around 5% in terms of 30 Plus and probably around 2% in terms of 90 Plus. So, that will kind of keep adding but it will not add substantially to the overall volume at this point of time. But the key driver in terms of value would be mortgages which is both home loans affordable home loan as well as in terms of secured business loans. Our current cost of borrowing including the excess liquidity which will carry over Rs. 1,000 crores is at 7%. As the interest rate cycle is kicking up, we clearly kind of see a very competitive advantage in terms of playing that mid segment, which is currently priced anywhere between around 11% to 14% would be our growth driver for this year and for years to come.

Rini Singhal: Second question in terms of just the yields within the JLG segments, given the new guidelines for the MFIs I know that this is not applicable to us, but are we seeing some sort of at least reversal of yield compression that was happening in the last two years have we taken some interest rates in the JLG segment.

Baskar B Ramachandran: The yields been as of now, it has not come down. In fact, probably in the market post this where there would have been an increase in pricing to cover the credit losses and so on, we are continuing to maintain the same pricing, which we are kind of having, either before the repo rate hike, or before the new unified norms came into picture. Our intent over a long term is to as we convert the customers to repaying us also through the digital means, and use analytics and offer products both to in terms of disbursement as well as in terms of collections back digitally and that should lead to a substantial drop in operating costs, which we intend to kind of pass it back to the customer and ideally, a good inclusive finance model at the current cost structure would be beneficial both to the institution and to the customer. At least well-paying with a good track record should be priced closer to probably around 18% to 19%. So, that that convergence is what will happen as things become more digital and customer become more aware and start paying even without a touch point being in place for every installment. So, that is where we are launched two of the products, one is called Vikas loans where we are on closer to 50,000 customers. Another loan is a Star Loan, which is a pre-approved product for an existing customer based on all the scrubbed data done, except for income capturing at the field level. If these two products were to really skip, we believe that the operating cost will dramatically come down probably not immediately in the next three or four quarters.

Rini Singhal: Thank you. Very last more of a clarificatory question. The GNPA percent of 11.8% on slide 22, versus the PAR 90 of 7.4%. What's the delta between the two?

Kanishka Chaudhary: Yes, so as Baskar explained, that is largely on account of customers to whom we would have offered our smile OD product right. So, they would be current on their principal loan, which is the term loan, but at the customer level, they would have been tagged as NPA because their payment would have been irregular on the OD.

Baskar B Ramachandran: It is also possible that there is another one which is a customer touches 90 that gets stamped as GNPA for banks and even if the customer starts paying one-one installment thereafter and saves in the bucket of 30 for a moment, it will still be considered as a GNPA till the entire amount is repaid and they become regular all over again and in the microfinance segment when the customer slips to any particular pocket, while good customers continue to make one-one installment or one-two installments, clearing up all three installments built up generally the challenge is to get done only towards the end of the tenure. So, that would be the difference between the divergence between our 7.4% and 11% plus. Thank you.

Moderator: The next question is from the line of Aman Mehta from Haitong Securities. Please go ahead.

Aman Mehta: Can you help me with a breakup of restructured book and the total provision on it?

Kanishka Chaudhary: Yes, so, our total restructured book as of today stands at Rs. 700 crores out of the Rs. 5,663 crores book that we have and if you are looking at in terms of the standard part of the restructured book, so the standard part of the restructured book is around 10%.

Aman Mehta: Okay, and about in standard restructured book, there are various segments, JLG, CV HL, can you provide data for that?

Baskar B Ramachandran: Predominantly JLG segment, and the rest of the segment will be very-very small. So around, Rs. 550 plus Rs.50 crores so around 600 crores happens to be from JLG. Rs. 100 crores of which Rs. 65 crores happens to be from CV and around Rs. 12 crores happens to be from HL.

Moderator: Next question is from the line of Pritesh Bumb from DAM Capital Advisors. Please go ahead.

Pritesh Bumb: Sir just wanted to check on the scenario in the Bank. Now after the RBI rate hikes, what will be our stance on the deposit side in terms of rates and will we be able to pass on some of the rates on the non-MFI portfolio? You explained on MFI side, but do you think that we can pass on some of the rates of deposit rates have to be hike and what would be the stance on the deposit side?

Kanishka Chaudhary: So, in so far as our home loan and lap portfolios concern, a significant portion of that portfolio is, variable linked, and it is linked to the repo. So, to that extent, yes, there will be some amount of transmission in the rates, especially as the new disbursements take place and as the old disbursements come out of the first three year of fixed rates,

Baskar B Ramachandran: Very-very marginal in terms of a bottom-line Pritesh. So, even of a Rs.1,000 crores portfolio, which is of 40 bps is around closer to around Rs. 4 crores. So, on of comparable overall number, it may not be as significant mover of the needle.

Pritesh Bumb: The CV portfolio also will be linked to repo rate?

Kanishka Chaudhary: No, that is a fixed rate product.

Pritesh Bumb: Yes, I think that is the second largest segment, I think we have loan book so what can be I mean, of course, as you said, that is not a very significant thing. But as you go ahead and build a little bit of non-higher portfolio, which is on CV as well along with affordable housing, do you see any risk to pass on yields there over time on the new loans as well.

Kanishka Chaudhary: That won't be the case, at least at this particular point in time, because most of our borrowings are multiyear with rates locked in. So, to that extent, for the time being, we are fairly comfortable, we are also sitting on excess liquidity that will help us in terms of, you know, rate management. As I said, home loan, lap is the segment that we are focusing on and we will grow it significantly and in that particular portfolio, we certainly will have a variable rate product.

Pritesh Bumb: And the questions on rates on deposit, I mean, can we conclude that, you are not going to change any of the rates immediately as you have excess liquidity?

Baskar B Ramachandran: Yes, broadly yes, on even on a particular spot, which is a three-year deposit, we are offering 7, so which happens to be as competitive. So, we will kind of hold on our deposit rate at this point of time.

Moderator: Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to the management for closing comments.

Baskar B Ramachandran: Thank you. So, as stated last quarter, we continue to kind of maintain that the growth will be in the range of around 30% till upwards while our guidance is anywhere between 25% to 35% intend at the current growth pace it will be closer to 30% equally driven by the increase in customer acquisition, even when across industry we see a flat of marginal negative growth in terms of customer base specifically in inclusive. As our engine in terms of the non-inclusive finance product have stabilized specifically the last one year, we intend to grow home loans as mentioned by Kanishka as well as in terms of secured Business Loans far more robustly and specifically in terms of our excess liquidity which we had maintained all along and currently our cost of funds being at around close to 7% we will diversify the portfolio in a very meaningful manner. We do not intend to kind of increase the ticket size in terms of inclusive finance substantially without clear backing in terms of analytics data of the household economic status and we do believe that FY23 will be a year of enterprise profit and Q4 as we guided kind of endeavoring to deliver a Rs40 crores PPoP starting from Q2 and we have will stay focused on it intended to reduce the GNPA to 8% and we are fairly confident that we will be closer to that number by end of Q1. With this we intended in coming back swinging back into sustain profitability and with that we built in terms of managing the portfolio in the right mix, we will not be doing that by reducing the growth in terms of inclusive finance, but the growth in terms of the other products will be much higher, considering that they are at a small base at this point of time, in terms of overall other key things in terms of our borrowings, in terms of asset liability matching, in terms of governance, we continue to be pretty strong, including capital adequacy and we believe that that will come into a big use in a very volatile year, like what we are probably entering in terms of FY23 to look forward. Thank you very much for your cooperation.

Moderator: Thank you and On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect the line.