“Jana Small Finance Bank Limited

Annual Analyst Meet”

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Ajay Kanwal: Good evening everyone and a warm welcome to our Annual Analyst Meeting. We propose to have one each year and then conference call at each quarter. And of course I did meet many of you individually during the IPO and of course we did do a special first time December Analyst Meeting where I met many of you.

Okay, so what we have for you is, very similar presentation which we had last time with a few additions because we did receive many questions from you which we thought we can upfront address. Given that, it's an annual meeting and then we haven't met you all many times before, I did think it is better that we bring in a larger team this time. So that while not all of us will present because there is 10 of us, but who don't present you'll get enough time to interact with them during the cocktails and dinner later. You're most welcome to ask them any question during the Q&A session too of course.

Let me start with the introductions. CIO, Ashish Saxena. Ashish has been with us for a couple of years and is responsible for everything digital in the bank and of course anything which you want to ask about cyber security or resilience or etc, Ashish if you can raise your hand.

And then we have Sumit. Sumit has joined us again a couple of years back, runs our MSME supply chain and NBFC lending. Sumit has a very long history with banking, 30 years plus and so any questions you will have for Sumit, you're more than welcome to ask during the Q&A or post that.

You did meet Shrinivas at the last meeting. Shrinivas looks after our branch banking business. So all the liability deposit business works for him, in addition to that, he also looks after the marketing function for the bank. Shrinivas again has experience in banking for over 29 years. And of course he's done a stellar job, which you will see in the deposit growth rate of the bank.

Then we have our CFO Abhilash. Abhilash is the CFO of the bank, will be remembered for during his stewardship, the IPO happened and he's taken on the job since last year.

We have Raman. Raman is our Chief Credit Officer. He looks after credit and collections and Raman is part of the team which joined the bank in 2017. So when we were starting the bank, Raman helped set up the entire credit function, as well as the collection function. So what you see as good NPA, gross NPA, PCR numbers is all credit to Raman.

Then we have Sudhir. Sudhir comes from Bajaj when he joined Jana four years back - six years back. (I'm getting really old now) and runs our microfinance business and he joined Jana in collections and obviously given that microfinance is more operational and collection nature, he took over the microfinance business.

Rincoo, Head of Affordable Housing and Micro-housing, you also met him last time. Rincoo comes from ICICI Home Finance, joined us in 2018 and he runs, what I would term as the largest secured business of the bank. Roughly about INR9500 crores is our affordable housing, microhousing AUM.

And then we have Gopal, our Treasurer. Gopal is based in Bombay. Gopal has worked across various treasuries. He's got his training experience from State Bank of India and other banks and he's done a fabulous job in making sure that our treasury is always safe and profitable, though he doesn't do much of trading.

And finally, in the corner is Pradeep Rebello. Pradeep Rebello is in-charge of our two-wheeler business. He joined us from IDFC Bank, and he runs the two-wheeler business. It's a INR 500 crores AUM, but growing very well and very strongly, and all set up by Pradeep when he joined the bank. So there is all of us here. I will now switch over to the presentation. Thank you.

So let's start with -- we managed to double PAT and PCR and we'll talk about PAT. We'll talk about DTA more in detail in the next slide. But we did feel that since the bank was doing very well in terms of profits, we would take our PCR up this year. And we thought there's an opportune time to do it. Let's now look at the various important lines.

Our asset business has grown AUM at 24.9% and most importantly for us is the secured book has become 60% of the entire book. So if you remember last time, but let me say that out of 100%, 40% is now unsecured. I'll show you the composition by-product. Out of the 40% unsecured, is largely microfinance. 10% of this is sourced by the BCs. The remaining 30% is sourced and collected by the bank.

So as of end of March, 60% secured, 10% microfinance sourced with BCs with a service guarantee and then 30% is with the bank. So that's the basic plot. We moved from nearly 4% or 5% secured to 60% in six years. We expect the trend to continue and that's very important to us, more mirroring a customer's balance sheet, which should largely be secured.

Our deposit growth rate is at 38.2%, which is, of course, very different from the industry. Something that we chose to do, which is to really take up a lot more liquidity very early, as we did think it was a tight year coming up. It did put a bit of stress on cost of funds, which you can see is at 7.8%. But as you see, as you go a bit ahead, which is the second last row, the NIMs are at 8%. So we have absorbed the 80 basis point increase in cost of funds and yet our NIMs is higher by 20 basis points.

The reason it's higher is very simple. Our net NPA has fallen to 0.5%. So lower interest in suspense and as for the microfinance collectors, because of 99% collections has now become pretty much regular. They are finding more time to cross sell. When they find more time to cross sell, we tend to get lower tickets on affordable housing, as well as Micro LAP coming from that batch of our employees. So you will see a small drop in average ticket size, which of course means better yield for us.

So combination of two things and make sure our NIMs are better, interest in suspense and a small drop in the average loan size on both affordable housing and Micro LAP. But you must hear from Shrini on how in a very competitive and I would say one of our toughest years we have seen our deposit growth by 38%.

Asset quality back to, I think, better than pre-COVID levels, 2.0% Gross NPA and 0.5% Net NPA. And like I mentioned, we have taken the PCR up to 74%. I must say that when Raman talks about our net NPA, a large portion now is secured asset. So while we have raised PCR, we frankly won't need the provision as much because when you have a secured asset with roughly an LTV of 52, Raman, right? So again, PCR, please, for future, we have done it at 74% because everybody would like to see a higher PCR. But fundamentally, you know, it won't be used that's the one thing that you must carry away and you will see the breakup when he really presents the net NPA by various categories.

On the capital side, our net worth now is at 3,577 crores and capital adequacy at 20.3%. Now, when we talk about DTA in the next slide, and I'm talking a fair amount of detail about it, it will give you a sense because we did tell all the analysts and fund managers and investors that we don't see us raising capital in the next three years, even though we continue a good growth. And I think in our mind, what most people were not able to add back was the DTA impact on the networth.

But now hopefully that we think with the current classification, that will be much easier for everybody to then take a clear view now. We do have most of our capital in Tier 1, so which is 19.0% of the 20.3%. Operationally, we have grown about 50 odd branches. So 754 has become 808. Presence in number of states continues to be same and of course, we've had a very good growth, roughly 19% growth in active customers.

Now to us that is very important, but it does tell you that, while we do grow our asset business, there is an equal growth in customer acceptance. ROA is a 2.4 and ROE is a 26.9 assuming the DTA impact, if you take out the DTA impact, ROA is more closer to 1.8. Right? And we have that chart for you coming up. NIM is at 8%. That's no challenge there.

And finally, of course, I'll go to PAT in the following page, because I think that is relevant from what's a business PAT versus non-business PAT. But all other places, I think we have made tremendous progress and is pretty much ahead of what we had indicated during the IPO. We had signaled about INR450 crores to INR500 crores as PAT and we have come much higher. Roughly about INR514 crores is a business PAT and then if you add DTA, it goes up much higher to about INR670 crores.

I'll move on to the next slide. So let me explain and this is a very important page. First is as reported. So our PBT was 514 crores. So that's the money we have made through business. Deferred tax asset, this is what the auditors have signed off. They have signed off first time. We always had deferred tax asset. Auditors do sign out deferred tax asset to be included in a P&L unless they have a view that there is virtual certainty of profits.

And I think with our current numbers of 0.5% net NPA, with our PCR at 74%, with a secured book of 60%, they did feel comfortable signing-off of deferred tax asset of 155 crores. We are left with INR801 crores, which you can see in the headline. That is the amount of deferred tax which we have not absorbed in our P&L, which we hope to absorb in the next three years, depending on our profits. Hence, the PAT moves up to INR670 crores. ROA is at 2.4 and ROE is at 26.9. If you exclude the DTA and say, if there was no DTA, what would the bank have done? We would have done an ROA of 1.8 and 20.7. And then, of course, there is some question also saying, assume you were a taxable entity, so we can do like-for-like, how will it look? We also put the numbers so you can have a look at that. So we put all the three numbers. So it's very easy for us all to compare.

But I do think that the 801 crores, when you do your models on, what is the expected net worth, you will be now accounting for it because it is pretty much BAU for us. So how much deferred tax asset have we used up this year? We have used up roughly about INR 125 crores, which is against the profit of 514 crores and 155 crores we've added. So those are the two components we have finished using.

Let me move on then to, our branch slide which you would have seen last time, so number of states hasn't changed. We don't need to change that. We are already in 24 states. Our UBRs are pretty much around 36.8%. As you know, scheduled commercial banks have supposed to have 25%. We are at 36.8%. It allows us to open many branches in any cities we like because the ratio has to be 25%. So we can open about 100 to 200 branches if we do feel the need. For us, the unbanked rural branches or URCs or Unbanked Rural Centres, are profitable locations.

We do group loan agri model in these URCs. In fact, they would be the most profitable branches because they breakeven in a couple of months. Because they are really very low cost in rent, they are very small people in who manage and they do locally group loans. So this is one of the most profitable formats the bank has, which is why it is 36.8%. It kind of helps us move away our microfinance from urban to rural. But more importantly also, it's a very profitable format.

BC, I did mention it in the last presentation also, this is the partners we have. They are themselves MFIs or NBFCs or Professional BCs and they work with many banks. We have chosen select geographies where they don't overlap with our business. And they're very strong and good delivery locally, so we chose that we'll partner with some of them. They control about 10% of our book. Again, high level, 60% secured, 10% with BCs and 30% of microfinance with the bank. So if all things are pretty much behaving in the economy, our exposure to microfinance now is 30%. Because we do have a service guarantee on the balance 10%.

Next slide is on the asset book of 60%, like I said, 60% in six years. Our largest asset book is Micro LAP INR 4,738 crores. You can see that right here. So that's our Micro LAP book. Then you have affordable housing, which is the second largest book and then you have MSME. The three books combined together are all property-backed businesses that we have. Then you have NBFC lending, which is classified secured. It's in red because that's the only business which has got a negative growth over last year. Something I did mention in the last meeting that for us, it's a tactical business as our own growth rate picks up, we do tend to decide whether you want to grow or slow down this business. We chose to slow it down. The slowdown happened much before in the first half itself, so nothing to do with any other market movements.

And finally, you have our two-wheeler and gold loan program, which we all classified under others. That's our book, let us start with the individual loan business. We will go in detail. But individual loan customers are graduates of group loan customers. So they have seen a credit cycle with us only in a small cases with the BC and the second time one they are coming to the bank. It's a well performing book and you will see the details. Then you have, what is called Agri. These are basically group loan in the unbanked rural centres of the bank or these are sourced by BCs, but these are group loans, so essentially microfinance. And finally, you can see 686 to 803. This is the leftover of our original avatar of an urban microfinance company. So that's the basic balance sheet of how the asset business is constructed.

Here you can see ticket sizes. So Micro LAP is that 6.5 lakhs. Roughly about 11.8 lakhs is affordable housing, 40-odd lakhs is MSME and then two-wheeler at 60,000; gold loans at 50,000 and unsecured advances which is microfinance at 40,000. How did we become 60% in six years? Because the CAGR of secured business is very high. And we continue to focus on that and then there is, of course, gross NPA and LTVs for your consumption. We were unable to put Micro LAP LTV last time, so we did think we'll put it this time and we brought it back, that is a 32.8%. That's gold LTV at 62.2%. So that's a sense of what is secured, what is 60% and the various components of that.

And let me move on to the next one, which is geography. Geography is the main one on this page. I did show you secured. I think the important thing in secured is, even during COVID, it did have a very healthy growth and we have seen, I wouldn't say a complete cycle, but I think thanks to COVID, a fair amount of stress, which did point out wherever we had some challenges, which we had to tighten in the secured book. But it continues to grow very healthily. We are present in roughly about 180 cities where we do affordable housing and Micro LAP. We think there is enough room in these 180 cities that we can continue our growth path very comfortably.

If you do want to expand, it is much easier for us because we just do a hub and spoke model, which is the current city, which we have grown very well within a 60 minute to 90 minute road transport journey, while the next town we will open a spoke, the original city becomes a hub. When the spoke becomes bigger, that becomes a hub and then we look at the next spoke. So for us, geographical expansion is not a challenge. But we do believe now that for our estimated growth in assets, we really have enough and more room to grow.

This presentation is available on the website. So any anybody wishes, you can happily download it or you can have a look at it later. We are the least geographically concentrated small finance bank and that was a design we began very early. Our highest concentration we began the bank was Tamil Nadu. We were roughly about 21 or 22, Raman?

Krishnan Raman: 22.

Ajay Kanwal: We chose after that, that listen, one thing we should make sure is de-risk geography by geography. It's a bit of hard work originally because you really get very thinly spread out, means all of us have to run all over and make sure that, you know, we are watching everything very closely. But those hard days are over because now we have a structure which really does it. And we are now well established in the number of regions and states and how we make sure that we have controls on what we do.

(Raman), You want to stand or speak from your chair, whatever you like?

Krishnan Raman: Hi. Good evening. As Ajay had introduced me, I joined the bank in 2017. I was a founding Chief Risk Officer, had worked in multinational banks in multiple geographies. One of the first things we wanted to do was to ensure that we implemented the best practices that we had seen in other banks from day one. So a lot of what we had implemented over the last few years were really the experiences, collective experiences, which we had picked up in other banks.

So a few points I just wanted to highlight. First is the underwriting organization and ensuring that you had a quality of people. So we have people who are experienced in multinational banks and private sector banks and public sector banks, as well as in NBFCs, coupled with infrastructure. So with Ashish's help and Ashish's predecessor's help, we introduced a loan origination system, we put in place rule engines. So those were all the building blocks in terms of how we wanted to grow. So first is people and infrastructure.

The second thing I wanted to talk about is that increasing levels of behaviour, like a fintech. And what do I mean by that? So if I look at our smaller ticket loans, it's basically rules, API calls, and then application of rules to decide on the loan, whether it's an accept or a reject, as well as a quantum. And as the ticket sizes go up, that gets supplemented with a lot of judgment and expertise. So that is as far as the behaviour like a fintech is concerned.

The third point I wanted to highlight was increasing levels of sophistication in terms of scorecards. So there are -- if I look at two portfolios that we have, individual loans and two-wheeler loans, we have scorecards which are working on that. Two-wheeler loans, as we speak, and I did talk about this the last time as well, we are introducing a second-generation scorecard and we have a scorecard on secured up-to-ticket sizes of 50 lakhs.

And this is something I wanted to, I did mention this last time, we probably are one of the very few organizations, maybe the only one, which has implemented a scorecard for housing loans. So there is a scorecard, this is custom-built, we are not using the standard CRIF or CIBIL score. It is custom-built for our portfolio. And in fact, there are a lot of instances where the CIBIL or High Mark's says yes and our scorecard says no, and vice versa. So this is something which has been developed exclusively for us. And we fine-tuned it as we get more experience from this portfolio.

The fourth piece I wanted to highlight is analytics. So there's very robust portfolio analytics, and many of these we implemented with the help of the data warehouse. We had implemented a data warehouse practically on day one. We've got a team of 30 to 40 people, analysts, portfolio analysts, who slice and dice the data and we are able to produce every month a deck which talks about the new originations, the quality of new originations, the portfolio, how the portfolio is segmented, what are the delinquencies for each segment, cohort-wise analysis. So we've put in place all of these kind of controls, and that forms the basis for any fine-tuning of our portfolios, fine-tuning of the decisions.

And the last thing I wanted to talk about is, we have the portfolio analytics for smaller tickets. We also have a – as the ticket sizes get larger, we implemented early warning signals where we ping the bureau. We look at the latest bureau information. We look at our performance of that customer on us and combine impact on us, not just in terms of loans but in terms of current account balances, whether there is churn, what has happened to his credit turnover compared to what he had projected. All of these then feed into our early warning actions that we need to do. So these are really the few points that I wanted to highlight in terms of credit and collections.

Now I just want to hand you over to Sudhir. Now Sudhir is – as Ajay mentioned, Sudhir had joined us as the Head of Collections and one of our philosophies is that the Business Head pretty much takes over the entire responsibility of early bucket collections and Sudhir came with a lot of collection experience. It was a natural choice to take over as the Microfinance Business Head. So let me hand you over to Sudhir.

Sudhir Madhavan: Good evening. Thanks, Raman for the introduction. Collection first is – that's the motto of Jana Bank and that was a natural progression for me from a collection person to managing microfinance, which is hardcore operations and primarily collections. This is a broad – sorry. This is a broad landscape of the unsecured microfinance piece. We have a portfolio of almost INR10,000 crores. We grew by 14.1% last year. We have been true to our strategic focus. Microfinance unsecured book will be at a slower growth rate as compared to the secured book. We will still grow, but it will be at a much more lower pace.

Post-COVID, we made very strategic calls. First, we decided we will detune our urban microfinance portfolio. Janalakshmi was primarily an urban microfinance company. We said, no, we want to go deeper into rural areas. So we said, we will detune our microfinance portfolio. What we did was the good customers in urban microfinance who has got passed through the cycle of COVID, we actually upgraded them to individual loans. There was a sense of behaviour which has changed in microfinance where the customers are not coming for the meeting centres and they wanted individual products. So we caught that boat fast.

So we actually migrated them to individual loans. So that's why when you see the individual loans, what you see are all mostly existing customers who migrated from the urban microfinance. Second, what we did is we started growing our URCs, going deep into rural and doing agri-group loans there. Third, we did, we did BCs, places where we cannot go geographically. We actually use the BC as a channel, as a partner and we had a partnership with them. They use my systems, follow my credit policies, and we are able to penetrate deeper into them. So that's for the four.

Lately, what we figured out that even the rural customers now want to come out of a group and want individual loans and so even my individual loans grew by 6%. It's the rural book of individual loans which are actually growing by 20% and the new fresh sourcing is happening on my rural areas, which is going to be the future growth driver for us.

Digital payments, we are a 100% digital company. My onboarding is digital. Customer journey is completely digital. The customer comes to sign the storefront. He does not sign the disbursal document. It is all through e-sign. And we then credit the money to the customer account. The last piece of the digital was the payment piece, where still you have microfinance, where you have to go and collect money from the customer.

So we have in the last two years have been constant endeavour to change that behaviour pattern. We have been consistently focusing on giving education to customers, giving education to collectors, saying that how do you make sure the customers start paying us back digitally. So 23% of all the payments what we receive are now digital in nature. It can be either through NACH or through SI or through UPIs. The upgraded customers actually show a much better behaviour, which is almost 50%. But I think the trend is improving, and we should see a much better trend of digital adoption going, and people coming back in place.

The ATS has almost remained constant. Because what we have done is, even if it's an individual loan customer, an existing customer of mine, we have a credit person who goes and checks the ability to pay, the customer passes through an individual loan scorecard. We do a bureau check of his leverage. So making all these three people -- three parameters, we're making sure that the customer does not get overleveraged, and that's why we're able to maintain the ATS at a much more less, so that the portfolio remains balanced, and there's not much of high overleverage of the customers.

We're still holding for the GNP at 4%. We have actually had a PCR of 85%. That's why we have a net NPA of 0.6%. The goal for us to be the anchor bank. Last year was the first year. We still had a collection struggle. In the second year, we realized the collection struggles are over. The customers want one-stop solution, plus my employees would like to sell more to the customers.

So the step one was seeing how much of my portfolio is existing customers. 52% of my portfolio of INR10,000 crores are existing to bank customers or already passed through one cycle. 20% of the book is BCs, which are new to bank customers. It's almost 70% of the portfolio time-tested with us. So it gives a very good balance on the portfolio.

Now the point comes in this. The portfolio is tested. Collection problems are away from us. How do I start doing more and more cross-sell? So now the anchor bank comes into play. What we are doing is, we are actually training our ground staff to be a relationship manager like a person for the bottom of the pyramid. They have a skill set to sell unsecured. You have a specialized skill set like Rincoo's team or Pradeep Rebello's team. Convince them, pass on the lead to these guys, and they become sort of a distribution channel. So the customer gets a one-stop solution. You have a relationship manager, and it becomes an anchor bank for everybody.

So with this, I'll introduce Rincoo. Rincoo joined us six years back. Prior to that, he was in ICICI Bank. He was the one who set up the complete secured vertical for us. Hi, Rincoo.

Rincoo Vachha: Thank you, Sudhir. A very good evening to all of you. Just to take the discussion forward, Sudhir spoke about becoming as an anchor bank for the customer. See, as a bank, we started our affordable housing business some five and a half years back and this business has over a period of time, evolved as Home360.

So let me just briefly explain about what Home360 strategy is all about. If you look at affordable housing competition landscape, it is typically dominated by single-product housing finance companies who specialize in underwriting and then lending to semi-formal and informal customers. But these are all single-product companies and although we started on the same lines, but we very well knew that we have a distinct advantage over these HFCs, these Housing Finance Companies, because we have multiple products to offer to the customer, which are relevant to our customer segment.

Sorry. So over a period of time, we decided that we will sell multiple products to the same customer, and that's how the Home360 strategy evolved. Now under Home360 strategy, housing loan would act as an anchor product and a very strong enabler for selling multiple products to the same customer.

Now if you see for an individual, owning a home or a property is an aspiration, and all his life's decisions would typically revolve around his home. And we thought, if home loan is an anchor product for a customer balance sheet, why not align with the customer's balance sheet, the bank's strategy as well? So if you serve a customer for 15 to 20 years, that's typically the length of the loan, although industry average is seven to eight years, the loan extinguishes because people come forward and foreclose. They don't want to keep the obligations.

But home loan, -- life of the home loans could extend up to 20 years. And if you nurture that relationship, you know that relationship can extend to the next generation also. Who knows? How does Home360 help the customer? A, he doesn't have to go to multiple banks or NBFCs for his varied financial product requirements. Here we are explaining to customer how Jana Bank is a one-stop shop for his all life's financial needs, and how he can bring the bank home. That's the tagline of Home360.

Now, ease of lending. I mean, you take multiple products from one bank, your track is established, need for repetitive on-boarding and due-diligence is done away significantly. I would not say completely, but it's done away significantly. And of course, the digital transformation and customized scorecard, which Raman and team have designed, has made this transition from housing loans, affordable housing to Home360 very fast and much, much better.

Now, all the products you see here complement each other, giving us a big competitive advantage. For example, a two-wheeler loan with 100% LTV. This is a one-of-a-kind offering across the industry. We saw at the outset when Ajay showed the first slide, our LTVs are in the range of 50%. So we can very well afford to extend this unique offering, which is unheard of in the entire lending industry, 100% LTV. Notwithstanding, we do keep in mind the repayment capacity of the customer. He should be capable enough to repay the EMI when he takes the multiple loans from us.

Then there is this pre-approved business loan, which we offer to the customers who have exhibited excellent repayment behaviour on us as well as off us. With LTV supporting, we offer a pre-approved business loan of up to rupees five lakhs to the customers, which again is cross-linked to the parent loan. This helps both customers as well as us in many ways.

A, for us, the bond with the customer becomes very strong. And other risks which mars affordable housing industry is a BT out risk. So when your bond with customers becomes better, the customer has a tendency to stick around with the bank for a longer period.

Now the proof of pudding is in the 18 eating. If you look at average number of relationships a housing loan or Micro LAP customer has with us is 3.6, which means every customer who has taken a home loan or LAP with us has 3.6 products on an average with them. CASA penetration to the tune of 98% and if you look at the bottom right graph, it tells you about the average bank balances maintained by these 98% housing customers.

You look at the health insurance, which is not a bundled product by the way. There again our penetration is 96%. Then we have gold loan and two-wheeler loans, which my colleague, Pradeep has recently started the business. Although penetrations here you would see to be on a lower side relative to CASA or health insurance. But we are confident that these numbers will definitely improve going forward. So this is all about Home360, ladies and gentlemen. So on this note, I would request Shrinivas to take over the mic. The person who I really look forward to bring the better cost of funds for us so that I can grow faster and better. Over to you Shrinivas.

Shrinivas Murty: I think if you notice the presentation from three gentlemen, three of my colleagues here, they all talked about one common theme, which is cross sell to the customers that they serve. Sumit here handles micro and small enterprises and when Sumit's team does a loan, it is disbursed through a current account. On the top of it, all other liability opportunities from that customer is explored.

Now the good news is that, with the help of my colleagues here and the team that drives liabilities business, we grew about 38% for the current financial year on a CAGR of about 29.1% in the last two years. Now we all agree here in this room, and Ajay talked about it is the tough deposit environment in the last three years, now clearly the bank is defying that trend. There's another trend that we've clearly defied, which is basically the drop in CASA ratios for many of the organizations. We accept humbly that we are at 20%, but if you look at our growth for the current financial year, it is at 35%.

So both deposits, as well as a subset of deposits, CASA have shown remarkable growth at 38% and 35%, there's another trend that we witnessed in the industry, which is in terms of advances growing more than the deposits and for the current financial year, I'm happy to share with you that as a bank, we've grown deposits more as compared to the advances.

Now that has clearly helped the bank to bring down CD ratio by 640 basis points, which is really remarkable. Now, if you look at the retail and bulk ratios, largely they stand where I last presented to you 61% retail and 39% bulk.

But here, one element of bulk I would like to share with you, which is in terms of the composition of bulk, 96.5% of our incremental bulk deposits are non-callable, which clearly means that the customers, once they agree for a contractual term, they have to keep the deposits for that term. On the top of it, 91%, nearly 91% of our bulk deposits on the stock, not just incremental, but on the stock are of the maturities exceeding one year, one year or more. Similarly, on the retail side, we have about 98% of the retail deposits, which are exceeding maturity of one year.

Clearly, this tells us about the quality and the texture of the bulk deposits and the retail deposits. On the cost of funds, we have 20 basis points more, but we are largely stabilized at around about 7.8%. So that's the quality and the growth of the deposit side. Where is this growth coming from? Now, if you see on the right-hand side - on the extreme right-hand side of the slide, you see that the reliance on the top seven states has come down from nearly 69% to now 60%.

The rest of the states have started growing very well, which clearly means that we are able to leverage the branch network across the 24 states that the bank operates in. Within the top states, there is a change in the composition. For example, Maharashtra has dropped from 14% to 10%, while Maharashtra continues to grow, which means that Maharashtra is augmented by Punjab, West Bengal, Delhi, Uttar Pradesh. So basically all states which are top states, and even if you look at the deposit market share of these states, they are large states. I mean, Delhi, NCR, Maharashtra, Bengal, UP, there are large deposit markets. So this reflects the market realities, but also at the same time gives a picture of how we are able to diversify our geographical concentration as far as deposit business is concerned.

The next thing that one ponders over is as to what are the key enablers for the deposit growth for the bank. Now clearly people and productivity is one element of our enablers. Cross-sell that everyone has talked about, right from Rincoo, Sudhir, Pradeep, Sumit does a lot of cross-sell on the MSE. We have product offerings which are clearly resonating well with the customers that we cater to. We have branch network, and this slide talks about our branch network. We presented this slide last time as well and of course the digital offerings of the bank and the digital adoption.

Now here what we are saying is that if you go, as the branches mature from one year to four year or four years plus, there is a clear attraction in terms of CASA as well as the total deposits. I would like to draw your attention to the last one, which is four years plus, where you see a huge upsurge from INR3 crores to INR19 crores as far as CASA deposits are concerned. These are average CASA deposits per branch for 159 branches.

Now imagine if each of these branches start acquiring that kind of maturity, and imagine the opportunity of CASA growth that we have from these branches. Of course there are islands of excellence for each of these buckets. There are odd branches which are just one year, but growing extremely well. But this is on an average, and this clearly, we witnessed these trends for the last many quarters.

Similarly, on the total deposits, branches which completed four years plus have shown a remarkable change from INR15 crores to INR115 crores, where on an average, these branches do INR115 crores of deposits on the overall basis. The other element, so this is basically the optimization of our network, the leveraging that we have as far as our branches are concerned. We are probably one of the highest deposit per staff banks at INR9 crores. And this number is only growing and when I presented to you last time, it was a little under INR9 crores. And now it is exceeding INR9 crores. And there also, if you see the, with the vintage of the branches, the average productivity goes up.

The numbers in yellow on the top is number of people in those branches. So one can really divide the number of branches with those yellow boxes and know how many people operate in those branches. So four years plus branches have an average productivity of INR15 crores, right? So that's a remarkable number for any bank branch.

So how do we want to leverage our existing branches, bring out new branches? As I talked about the opportunity that we have in terms of 200 new branches that we can open without even worrying about, you know, meeting the statutory requirement of 25% in the urban and the Unbanked Rural Centres.

We've added, last year we've added about 17 new branches and we have relocated the existing branches, which are probably the second floor branches and not a branch which is very visible on a high street. So we relocated those branches to a high street branch and that is also helping us because that's a new branch as far as the deposit customers are concerned, that's probably a new branch because he's not seen a Jana Small Finance Bank branch in the manner that we would like to present to him. So that is as far as our branch strategy is concerned.

We have a runway of 209 new branches, which we can relocate in addition to 200 that Ajay talked about, which can be an additional branch. I'm not -- here, I'm not saying that we'll move all the 209 or we'll open all 200, but what I'm talking about is the opportunity that we have as a bank without doing much of a change in our, Yes, so we just cost and then we just move the branches.

I also talked about the opportunity of the launch of exclusive and premier programs. I'm happy to inform you that we have launched this program in the month of February. A large number of people here do bank with some bank or the other. I take this opportunity to invite you to join us in exclusive program.

Okay, do experience these programs. These are really, really good. And wherever you reside or wherever you operate, I'm sure you will find a Jana Small Finance Bank branch or else I'll leave my numbers with you. We can get you on boarded. But this is an amazing program and I'm seeing extremely good results as far as the relationship program is concerned. I mean, a lot of banks offer relationship programs. I'm sure you will find something very unique about us and we are really seeing good traction there and this is one of the other elements of our future plans on the deposit side.

We are also bringing in reward points, something which is not mentioned here. We are bringing in reward points for your debit card spends. And we are changing the composition of our NR program. We are upgrading the NR program as well. So that is as far as the product strategy and the people and productivity part is concerned.

One thing that I missed out is digital, which is covered in the next slide. Now, here, if you notice, there are two portions. So on the right-hand side I talked about how Team Jana is leveraging digital as a culture. So if you see, 99% of our accounts -- saving accounts are open digitally, right? If you were to open a saving bank account with Jana Small Finance Bank today, we are in a position to give you a bank account number in just one hour in 25% of – 25% to 30% of the instances. We will give you our bank account today only in at least 85% to 87% cases, that's a large number. It's a very fine turnaround time.

Each of the people that we have whether on asset side or liability side, they have the ability to on-board a customer digitally and you don't have to fill up paper documents, etcetera. The whole on-boarding process happens digitally with the help of the staff's mobile app. We have 98% of transactions which are happening digitally right now and 92% of the loans are originated digitally. So that is as far as the digital ecosystem on the adoption side is concerned.

How are customers receiving our digital offering? I mean, if you go on Google Play Store and check for our app and some of you possibly bank with us and I would request you to do that, our rating on the app store is 4.6, which is really commendable and a large number of banks and competitions don't -- to my understanding, don't have that kind of rating. This is a testimony of our ability to resonate well with the customers as far as their transactional banking requirements digitally are concerned.

We have seen a 53% increment in the transaction volumes on the digital channels. We have seen 59% jump in the mobile banking registrations, right? So if you on-board a customer in times today and don't offer a debit card and mobile app, I mean, you are virtually leaving the customer with no choice, but to leave the bank account un-dealt, right? So gone are the days when you can just draw a cheque and transact in the bank account. You definitely need a debit card. You definitely need a mobile app.

We are able to leverage our mobile app and like I said, if there's a 59% growth as far as mobile app registrations are concerned. There's a 23% increment as far as mobile banking transactions are concerned. So it's not just registration, but also incremental transactions which are happening through mobile app. There is a 47% increment in the transaction volume. So those are the numbers which probably talk about how, whether the Team Jana or whether our customers that we serve who are using our channels.

One of the important products for us is QR, which helps us to get current account. We have incrementally done 13,955 QRs in the last financial year. When I do a QR with a customer, what it definitely does is that, you know, it increases the customer's balances subject to usage. Now I also mentioned about how many QR codes we are able to activate. We have 81% QRs which are active, which also means that 19% QR codes are inactive, but there is a process for activating all QR codes.

On the UPI side, we have seen huge jump. I mean, this is a combination of the overall ecosystem on the digital banking, but also, you know, the push that the bank has as far as UPI transactions are concerned. We have seen a large increment. This is probably a high number because of initial surge, but 507% increment in the NACH transactions. For us, for the customer to do a mobile banking registration, debit card is a mandatory instrument. And therefore, and additionally, because the customer has to do various e-com transactions, he has cash requirements, etcetera, we've made sure that the debit card as a product is cross-sold to the customer and the cross-sell last financial year is for 74% customers.

So basically what it tells you is that 74% customers opted for a debit card, one of the variants of a debit card and we have seen 79% increase in the last three financial years. As a result of that, we have 66% customers on our base who have one debit card or the other from the bank. Now it also gives us fee income as some of us know, but largely it is a transactional banking enabler, which obviously results into incremental balances in the accounts of the customer.

So to sum up, I talked about how the bank has grown as far as the deposits are concerned, what is the growth in retail and term deposits and the key enablers thereby. I think we will continue this journey and I'm sure we'll have in the slides ahead, we are showing some guidance as far as what is our understanding of the deposits growth is concerned.

Now with this, I'll hand over to the youngest man on the dias. He's the man who brings down the average age of this table. Yes, that's correct. And he's the CFO of the bank and home-grown, talented. Abhilash, over to you.

Abhilash Sandur: Thank you. Thank you Shrinivas for that introduction. Okay. So as I covered initially on the ROE and ROA slide itself and also we mentioned about with and without deferred tax asset. So here, if you see the ROE and ROA, both the numbers have been improving for us without considering the DTA as well. We had given a guidance of around INR450 crores to INR500 crores, while during our road show and also in our previous meetings. So that number has been reached and our ROA, ROE also the numbers that is above the estimated numbers what we have given earlier.

The improvement in ROA and ROE both measures is mainly due to the improving NII with the mix changing towards secured. Also reduction in the NNPA, which is leading to lower reversal of the interest income due to the new flow into NPAs. So that's the increasing trend which I wanted to highlight about, which is the ratios.

Second part, which is important as well is on the cost income ratio, our operational efficiencies. So we have seen a slight increase in the cost income ratio. However, this is more real because we have done some trend. The market has been tight, like Shrini mentioned in terms of liquidity. We had to spend some dollars on marketing and get the good quality deposits, which we did over the last year. So that's the reason there is a slight increase in cost income ratio.

So what is the results of what we have done? The mix changing, going towards secure, that is clearly visible in terms of the NPAs, which is the Net NPA, GNPA, as well as the PCR. We have 81% is our PCR ratio for our unsecured book. And we have an NPA of similar of 0.5% and 0.6% for both secured and unsecured and our PAT growth, considering DTA is INR670 crores, but one important element which I wanted to highlight here, without the DTA effect also, we have grown 101% year on year. Our PAT was INR256 crores last year. We are at INR514 crores. So essentially PAT has doubled. So that's the other key highlight which I wanted to make in this slide. And our PPOP also continues to grow at a healthy rate of around 20%.

With this, I want to hand over to Raman.

Krishnan Raman: Thanks, Abhilash. We talked about 0.5% as the Net NPA, which is one of the lowest we've seen so far. But there are four stories which I wanted to highlight from this slide. First is the headline itself, which says that my Net NPA is INR130 crores, more than half of that - 55% is in the form of secured loans. And the linked second point I wanted to make there is that, these have an LTV of about 51% -- 52%. So what I'm really saying, there is actually over-provision in a manner of speaking there, that is one part of it.

The second part, I'll take you to the right-hand side. We did a lot of restructuring during COVID. At our peak, we were at about 6% or 7% of our AUM. Today, we are down to 0.4%. And again, the most important aspect here, as in the Net NPA is that it is substantially secured. Out of the total of 96 crores -- 84 crores is secured, which has an LTV of 51%. So which means that, again, whatever pain has to have come through the books has already come through. There's very little left. That is a key point I wanted to make on this slide.

The next slide is on credit cost. Again, the highlight I just wanted to make here was in terms of the reducing trends of credit cost. Net credit cost, 3.36% down to 2.1%, down to 1.96% in March 24. And the credit cost here we are talking about, the computations have been given. Whatever is the credit cost as reflected in the balance sheet, in the P&L, I mean, along with accelerated provision that we took and recoveries, some of which is sitting in the other income line because where the account is written off, any recoveries from that sits in the other income line. So netting off all of these, we presented the net credit cost and expressed it as percentage of AUM and that is a reducing trend.

Back to you, Abhilash.

Abhilash Sandur: Thanks, Raman. So just wanted to bring out the balance sheet itself as reported. So key highlight amongst that, we have covered most of the other elements of the balance sheet except the borrowings. I thought along with the balance sheet, we'll also represent the borrowings part, what constitutes our borrowings. Borrowings mainly for us constitutes two important elements. One is the refinance element. Second one is the Tier 2 capital.

So Tier 2 capital, as I mentioned about Tier 1 capital of 19% among included in 20.3% of capital adequacy. So Tier 2 capital for us is only 1.3% of our capital adequacy. So we have room to take more capital, but as of now, it is not required. We are adequately capitalized. Other part is the refinance part. We have around INR4,000 crores of refinance. This is from developmental financial institutions, NABARD, SIDBI, NHB and MUDRA. These are long term refinances as we are growing towards secure businesses where it is longer tenor. So what happens when you take refinance from these institutions, they give a refinance loans for a longer tenor.

So for me, the ALM mismatch in the buckets reduces and we have asset against the liability in respective buckets. So refinance plays an important role for us and also the rates which these refinance agencies are offering is very competitive and comes without any CRR and SLR. So this is the one thing which I wanted to highlight in this slide, in the balance sheet slide. Other components we have covered in the respective slides. I'll move on.

Ajay Kanwal: So we have prepared our first guidance and I thought while numbers are easy because everybody can multiply, I think more importantly it is to make sure that we talk about what we are really going to build over the next few years. So number one really there is a lot of underserved needs both on the deposit side and the loan side.

When I say on the deposit side, obviously there are a lot of depositors who would like more yield. They would like it from a scheduled commercial bank and which is why you see that even in a difficult and a competitive year, the growth of deposits had been at 38%. So there is clearly a large market and one thing that I can tell you from our average deposit size, the average depositor of Jana, the size compares with that of any private sector bank. So we are really seeing affluent depositors work with the bank. So that's the very important piece and that shows that underserved doesn't mean that he has to be economically backward. It does mean that there are a lot of banking needs in every segment which is open to us.

On the loan side, we are very clear in our minds. We are serving the middle segment of India that's where we think there is a need for an anchor bank and a customer doesn't have to go to either four banks or four NBFCs to get differential products. He really comes to one place like Rincoo explained. We have the advantage of LTV. We know the customer's cash flows. We have the property with us as collateral. Why would he then go out and have a business loan at 24% or 36% anywhere else?

We should offer him that business loan because we know the customer. We have good experience with him. We've got the property. We've got the cash flow in our books. We've got the savings account. Why don't we give him? We give him at 18%. Instead of giving him two years, three, we can go up to four years because ultimately the business loan is also cross collateralized with the property.

The 100% two-wheeler loan is cross collateralized with the property. So really you have a middle of India looking at a bank which they can come for all their needs, assets and liabilities. So that is the second most important piece. Secured is a natural progression from zero to 60 and at 60 will continue progressing because customer's balance sheets are secured.

They're typically home loans, LAPs, car loans, two-wheeler loans, gold loans. Customers who would like to have large unsecured exposures are not our favourite customers. We are not saying it is bad business. All we say is for us that is not our customer because we prefer customers of more secured nature and probably more conservative in the way they are approaching their own personal finances.

By turning secured and being very sure that we are building a very narrow product set so we are not launching products outside our narrow set. We don't do credit cards. We don't do credit card not because we don't want to do it. Our customer segment doesn't want it as yet. We've done two wheelers and not four wheelers because our customer segment is more tuned to the two wheeler segment right now.

We will certainly as our segment grows, move towards four wheelers. So in our heads, we have very clearly chosen what we will do, what we won't do. It has to meet a segment need and turning secured. We are very focused as our real bottom line interest is to be very sustainable and predictable business model.

I'd rather grow 1% less, but rather have a safe book. Rather than trying to grow a fast year and a slow year, I'd rather have a very even keel growth. And I think banks who build very gradually and sensibly over a period of time tend to have much better returns and much better ROI. So our bias is just to move in that direction.

And so we have given very simple high level numbers. You've heard from Shrini on digital, we have our CIO sitting here. And one investor asked me, how good are you in digital? The reality is there is no benchmark. But all we can tell you is, you're always investing in digital because frankly, anything that can be digitized, our aim is to digitize it.

At the back end, we've got robotic processes, everything that can put on robotic process, we do put on robotic process. We have roughly about 120 robotic processes operating in the bank today. In our minds, we have robotized everything we can possibly robotize, right Ashish?

Ashish Saxena: Yes.

Ajay Kanwal: And we continue to look for more. Finally, I think customer is the business we are in. And I think a lot of times you talk about loans, LAP, housing loan. If you did see Rincoo's slide, we have an anchor bank. And that anchor bank strategy you heard from very simply from Sudhir also, saying, my collections have now become 99%, I'm very comfortable, I'm now moving towards my microfinance customers at the top end to other products. Not every microfinance customer can take multiple products, but a good 30%, 40% to our mind, gradually two wheelers, gold loans and gradually into affordable housing and Micro LAP.

Every two-wheeler customer who comes through a dealership has a savings account, average balance INR1,500. At the end of 12 months of a two-wheeler loan is offered a business loan again. Every two-wheeler customer is looked at for affordable housing to Micro LAP. Making sure customers treat us as anchor bank is primary in every single business of the bank. That is where we'll get better credit and we'll get operating leverage.

It's a bit of hard work because really the bank has to work as one bank. And as we know, that's not the normal way most banks have trained us to operate. But fortunately, Jana is a fresh start. We have put this in our culture very early. And I can clearly see good signs of progress. On governance I won't spend much time on as all of us are bankers, 27 years is the average experience of the management team. I think this would be one of the most, if not the most experienced management team in our small finance banking world.

And we have done that by choice because we do believe that we want people who've been there, done that. And finally, some simple numbers. 20% on both asset and liabilities. PAT growth we expect to be 30% to 40%. And you should expect that certainly because the cost of credit will come down even more next year. ROA should be around the 1.8% to 2%. This is assuming no tax impact. So if you load up the tax, we probably will be around 2.3 to 2.5 range. And then ROA is in the 19% to 21% range. So that's our expectation that we would like to leave. I have not put in a year. Ideally, I would like to sustain this for some time. So that's our guidance for future.

That's our board composition. Left hand side are the independents led by Dr. Khuntia. Dr. Khuntia used to be the IRDA chairman before that, Chief Secretary Karnataka. On the bottom on the same side, you see Mr. Vijay Kumar. He retired as an ED from RBI. And then of course, on your right are the non-independents. Raman is one. I am the second. Ramesh is the Founder of the bank. And Rahul Khosla has been in the past or rather is there with us as a TPG nominee. So four non-independents and five independent directors. That's a team for you.

In the Management team, left hand side is the youngest, which is next to me, Abhilash. And on the right hand side, most experienced is Ram. Ram retired from HDFC Bank as a senior in audit. We felt that he had seen 30 years or more of HDFC Bank and he had learned how branches grow, how controls have to be maintained. He would be a super addition to our team. And then the rest of us here. So average experience, 27 years. I can tell you that we are very well geared up for next few years of growth with the same team as we have done bigger jobs in their past lives.

Something on history, I think for us, 2006 is when we began. So while we have seen a big change of urban microfinance moving to rural, that is a lot of good work, good experience, challenges in demonetization. We put all the learnings together to come up with what we think is a future model of microfinance emerging. We do feel it will be more digital, it will be more individual in nature. And that's the future. What was possibly a good model in the 80s is seeing a rapid change now.

Also, I must tell you, having seen the industry now for six years, being in Jana, the loss rates of the old days, where microfinance was a 0.5%, 1% is probably not real anymore. I think 1.5% to 2% of loss rate of microfinance industry seems more likely to me. And depending on which player you are, it could be one or three, but average would be 1.5% to 2%. So there is a clear change in the way industry is operating.

Not mentioned as a milestone, but we have said it to a few press interviews that we will prepare this year for applying for a universal bank, which the RBI has come with a clear guideline on. The one point in that guideline that we don't meet is net NPA. It has to be less than 1%. In our current results, we are at 0.5%. So the one year is done. If you do the same 0.5% for next year, because it has to be less than 1%, then all conditions from net worth to profits, etc. all have been met. We are very keen to apply for a universal bank.

So we'll use this 11 months, of course, not only to perform, but also any preparation that is required in advance, because there's a lot of work involved in converting to a universal bank. But that is something we will do. And something I would think that going forward, if I were to add the next milestone, that this would be a key milestone for us to accomplish.

I think we've spoken of our strengths, and I just want to tell that all of us have enough banking background. Our bias really is to bring the best of what we have learned, and not to bring any of the mistakes that we have committed or learned in the past. And we've built a very open, transparent, new bank culture. Our culture is very simplistic. It's a culture where everybody has independence.

There are good guardrails. Simple things like we don't have cabins in the bank. All of us sit in open space, because we do believe that as a bank grows, it's important that we grow in a culture which is open, transparent, approachable, and not in a culture where people have to take appointments and everything is being exchanged over emails, etc. It's a more faster, it's a more collegiate culture. Everything else here we have spoken in great amount. I would only point to the last one, which is proven execution ability.

I think as a management team, we have heard most of us have been around for a few years. We managed to solve the challenges of demonetization. This team has handled COVID. At the same time, we've all helped grow businesses in a very organic way. Rincoo joined us, when we didn't have affordable housing, and we started the first loan from scratch. The first gold loan from scratch, the first two-wheeler loan, the first Micro LAP, so on and so forth. So we've really learned to execute, both in difficult times and in good times, and I think we are very ready for the environment, which of course is very conducive for growth.

Strategy, all I can tell you is, there is no change in our approach. We really need to get to the top three players in whatever we do. So we are not attempting to launch any new business in the foreseeable future, because we really want to get really in the top position on the affordable housing, micro housing space, and accompanying that, the real amount of cross sell with the customers. Our happiness would be when there's 3.5 products, it becomes 3.6, 3.7, 3.8, 3.9. That is much better than trying to launch a credit card or a commercial vehicle, and there's nothing wrong with the businesses, but that's not the strategy that we have following. We really want to be deep with our customers, and we are very sure that will give us the better operating leverage as well as better credit.

Yes, our CSR is very simple. They're executed by all our employees. So rather than cut a cheque to any NGO, we have 808 branches spread in 24 states. We have 21,000 employees, and we encourage them to visit the nearest hospital, school, whatever it requires help, and personally make sure that whether it's a computer or it's a water purifier or anything else, it is installed and used, and then we get the necessary appreciation as well as acceptability by the communities we do business in. To us, it's an important piece of giving back, but also very important how we execute it as an organization.

Finally, yes, I think the latest one was the Best Employer Award from the World HRD Conference. Sorry, the latest is the last one, which is Regional Winner Asia for IBS Intelligence. This was the Digital Banking Awards. That was the latest one. So yes, I do think that we do take pride that a lot of the work we do is getting recognised. I don't know whether this award means we are good or the best or not, but it does mean that we are fairly valued among the better peers in the industry.

With that, a big thank you, open to all questions. I just want to add, yes, we'll go there. So we have our CIO who hasn't spoken, Ashish. So technology questions, Sumit MSME who hasn't spoken, Gopal, Treasury, as well as Pradeep who is from Two-Wheeler. So you can ask the entire gamut of people all the questions you want.

Manoj Alimchandan: Ajay, excellent presentation by you. Very clearly eye on the ball and KRAs which the fund managers and analysts expect. Now for a couple of questions, and it's really delight, you have put all the nine CXOs, CFO, and the team members and committed to the guidance. The way it is, apparently the valuation should be maybe upgraded to three to four, price to book of projected FY '25, '26. But a couple of risk factors to this, main thing is today what is happening, we talked about digital, digital, it all looks rosy on the slide, but today that is a big risk factor. Overnight valuations collapse by 10%, and it is happening with the best banks who have invested a lot of big money.

So how do you, take care of this risk? It's very, very vital. There are customers who interact, who raise red flags, but often they are ignored. The Ombudsman is not aware of, the nodal officer is not even aware of the ground realities, because access is not there. But you are at the forefront, and you said you have an open culture, and how do you address this is one important question.

A second one is, we talked about deposit growth, it is wonderful. The main thing which is coming here from your insights is one is business per employee, and also deposit per branch, which adds to the profitability, and at POP we talked about operating profit growth of 39%. How do you look at this coming out, particularly deposit per branch, and business per employee scaling up, with operating leverage coming in?

And next is, Abhilash, we talked about improving asset quality, and also 40% CAGR and operating profit. These are actually wonderful indicators, a delight for any analyst. Here again, how do you address this concern, digital, you have talked about the office, digital head, how do you ensure that this is integrated together, and then these are sustainable KPI indicators. Next is, I would just add, our bank, Jana Small Finance Bank, has an excellent Chairman.

We talked about everybody else, but chairman is excellent, and when he interacted with me much before the IPO, very, very clear vision in one line, best in class type of a five-star quality team, and it's all showcased here, but if you can address specific question, answer very, very specifically, it would help our bank, and stakeholder expectations.

Ajay Kanwal: Okay, thank you. Lots of points.

Manoj Alimchandan: Manoj Alimchandan.

Ajay Kanwal: Manoj, thank you so much. First, thank you for the valuation multipliers. I will take that, and I do hope you remember that, when we meet next time, and I must say this, having seen all the newspaper articles, we did want to bring our CIO today to you all, because we did want you all to get the absolute comfort. We are relaxed of letting our CIO speak to you, and we did bring him by design, and so Ashish, first let's start with the digital, and you want to stand up or sit, it's up to you.

Ashish Saxena: Yes, hello, good evening everyone. So, thanks for that question. Actually, I've been, in my mindset, thinking that somebody will ask, and as I represent bank technology, I must share that what makes me feel confident, that everything is going good, and fine, and in control.

As we all have been watching the news on major tech failures with banks of all size, it raises evident question how stable is the tech set up of our Bank.

A Bank like us, who is building, the important, and most efficient process is that, being sure that we are very strict in governance. A change needs to pass multi-level checks before it is set production ready. When we onboard a partner, then when we consume that partner in our organization, and when we really build design, and take it to the production, all that has to pass multiple level of checks, and this could be not limited to only doing VAPT, of the application.

It is much more than that. We ensure that any critical change is first launched to Closed User Groups (CUG). These groups may span upto a zone, or some branches across multiple zones or limited users. The feedback is collected from the CUG, absorbed for improvements and of course, the issues / bugs if any identified are addressed / fixed before formal launch is corrected.

It's about that, what quantity and quality of the solution I will take for my bank, and that will help me to negotiate, but solution remains same. But the implementation may differ. If I need to be much more oriented and focus on the design from the day zero, that will help. So that's what we are doing to control any un-planned down time of our IT systems.

So, governance is the key and design is another key. When we implement such solution, we ensure that it fits into the predefined layered architecture, which was not designed today. It was designed when we were doing the bank, and we, at that time, we onboarded IBM as a consultant who really designed the portrait, that what would be the future looking bank.

Our Bank has a multi layered enterprise architecture, which need to be scalable, flexible, and of course, adaptable. So, when we, you heard my colleagues talking about cross-selling, you heard my colleague, Raman talking about the scorecard, how it is working, and you are seeing the numbers and output, because the underneath technology stack is working fine, and that gives us confidence, that the prudent design, stringent governance, IT resilience plan is effective for us.

In our Bank, even a small change is to pass multiple level of review, to move to production, that definitely, you know, undergoes and pass that whole process, and that is the only way. I have 24 years of experience in technology, both pure tech and VFS side. I can tell you it is about the discipline in designing the solution, and then assessing it before you launch it to production. That is the only key to ensure that you don't end up moving an open vulnerability to production.

Ajay Kanwal: I just, Manoj, I will just add a few things. So, one is Ashish was a CIO for AU Bank, when AU Bank was set up. He has done his five, six years there, and I forgot to mention that earlier. So, we have had a RBI C-site audit in ’20, ‘21, All points that they could have found, and there were a lot of them, have been fully covered and addressed. There is no open point. So, that is a number, they will be back to audit us, and they do a fairly very robust audit. That's one. Second is, Ashish shares with me what is known as a resilience plan. And we have been doing that now for two quarters. Because we want everything should be resilient in the bank. And one of the advantages of being for us is, we don't do too many things.

So, I'll give you an example. Our affordable housing was launched 5.5 years back. So, every time we had a problem, we sorted it out, but we cannot get new problem, because actually the product is the same. All our products have at least a vintage of three with no new products coming. So, that's the other piece which is, we have resilience and we keep monitoring resilience, what can go.

The third thing we do is, we've got an incident reporting group in the bank. This is nationwide, with simple parameters. During customer's hour, if within 15 minutes, the system doesn't work, on the 16th minute we'll report. And the report comes to me and, all other incident reporting group, which includes the entire bank. There are more people beyond this table also. So, there is no chance that we have a problem in our country, of any nature. So, after customer hours, it is

30 minutes. Nothing can be hidden. And you know, half the time, the problem is knowing the problem and accepting it. Problems are not complicated.

Once you accept the problem, then solution is not difficult, it's a technology solution, it takes a bit of money and you're done. But I think the bubbling up is very important. And technology, we are more than aware, because one thing we haven't spoken is cyber security. You know, that is one thing that you can never sit and say, my cyber security is solved. You have to be alert, there's some new idea will come for hacking, then you have to make sure we are doing the next level, and the next level, and the next level. We spend a lot of time on these matters.

And I must say that, the technology person is very well challenged. I must also tell you that, since you mentioned the board, we have somebody who spent all his life, in technologies also on the board. I didn't make a mention due to time constraint. So you have Mr. Nayak here, the second last Mr. Shrinivas Nayak. He spent, 35 years of technology in banking. And, actually Ashish does get challenged at the board, from somebody who I think knows, probably more than him for sure. So, that's the answer on technology.

Never say never, but as we speak to you, and the reason we got Ashish, was to make you all feel comfortable, given all the news that is happening around. Now, I'll move on to customer service. Same, you know, a branch has a problem it raises a ticket. Which, customer needs this, or customer complains about that. It is tracked through a CRM system, there is a turnaround time, and it is closed. We don't encourage email requests, we don't encourage WhatsApp requests, no verbal. Because, the challenge in any services, is a turnaround time, and fulfilment. And frankly, in a bank there is not much complication in customer service. Not much.

The challenge is, it gets lost in transit, and there is no accountability for the person who is doing it. Because the person at the branch, is facing the pressure from the customer, not the guy sitting in the back, and trying to solve it. Which is why measurement of turnaround time is a solution. We have very good service unit, we have a proper CRM system, it works very well. We have a very good, internal banking ombudsman, who spends four days a week, in the bank. And he knows as much about complaints, as any bank officer. He is retired from a PSU bank, and I think he is one of the best bankers I have met. Because not only does he address complaints, and take an impartial view, he will also tell us, that what can be done better. RCA as we call it, which is Root Cause Analysis, this is done, by most of the top complaints, and we try and address it. So customer service, is nothing that we take lightly on, and frankly I must admit, it's not a very difficult one to do, just a matter of focus, and getting some systems to do it. So that answers the customer service piece. On deposit per branch, I think Shrini did a, very good start, I want to go back to it.

Management: See, we are conscious that, as we grow branches, and RMS, it's a cost. We also know that, we need to grow liability. So there is a balance between, so can we open 200 branches, next year? Of course we can. Will it bust my cost? Yes. So why will I do it? I don't need it. So we are very measured. Even if you see this line here, can you give me the pointer please? So if you see the line here, 17 new branches and 39 relocations. Relocations are much cheaper.

New branches are more expensive. Right? And I think so it's a conscious effort, saying listen, if we don't need, let's not spend the money, but if we need, we won't stop. So like Shrini was saying, you must try our exclusive, and premier offering. We spend good money on it. We think that's very important.

It will raise CASA very well. And that is where we spend the money. So we are very conscious on, branch versus cost and where we need to spend money, where we don't need to spend money. Our bias is that as we turn secured, and looking at our deposit per employee, we should see a declining cost income, not an increasing cost income.

So, and you have seen that in the past also, our cost income used to be, closer to the 80s and 90s. And it's down to the, late 50s now. And in a peer group sense, I think we are probably among the better ones. And again, all credit to digitization, putting robotics in the back end. And of course, being very conscious that, everything has a price. We have to always do risk reward analysis.

Finally, we spoke of digital risk, and you asked a question to, you…

Abhilash Sandur: So, your question was on the PPOP side, which is grown at a 40% pace. See, 40% is a CAGR from 2021 to '24, which we have mentioned here in the slide. So 40% growth is not, because there was a lower PPOP in 2021. So currently we have done 20% this year. So expectation, like we mentioned in the guidance also 20%, 30% to 40% impact. So, PPOP will reflect around 20% to 25% in that range.

Then we'll have a reduction in credit costs, because we are moving towards more towards secured. So my credit costs will reduce. So that will flow to the back number. So that's the expectation, which you can give on PPOP.

Ajay Kanwal: And I think you did say resilience on digital, and I just remembered something. So in microfinance, we decided a few years back, given all the challenges microfinance faces, that we will not onboard any customer, unless you get a eKYC.

So no chance of fraud risk, because unless no eKYC, no customer onboarded. Now in the resilience conversation we had, we said, listen, if for any reason, for a few days, if UIDAI doesn't function, what will happen to our business? Because all our systems are on eKYC. But what if we can't do eKYC? Having thought of that, we've now built an alternate program, that if there is no eKYC, how will the bank work? And that has been tested and been ready.

So in a resilience manner, maybe our volume may dip marginally, but if key things do stop, the bank will not stop. We have a backup to everything we have built, realizing that there are dependents outside, which may not work. Hopefully it won't happen. But if it does happen, we have to be prepared.

Manoj Alimchandan: Thanks for a wonderful answer by the whole team. And I would suggest if you upload the video recording of this meeting in the Exchanges website, it will surely improve your valuation multiples and governance point of view. Nothing to hide. And you do it by the end of the day, and also on the website, but send it to Exchanges. And this will really communicate the way management is focused and thinking. And the world stakeholders would know. There are crores of stakeholders. How many of people are here? And you are communicating with everybody.

Ajay Kanwal: Of course. Thank you very much.

Unknown Analyst: Hello.

Ajay Kanwal: Yes, please go ahead.

Unknown Analyst: Thank you, sir. First of all, from the December quarterly meeting to this meeting, you delivered the numbers and your long-term guidance is very encouraging to us. Going deeper to your long-term guidance. So first of all, what is your macro assumption and the economic growth and the credit growth for the system to build this long-term guidance? And secondly, when I look at your profit growth assumption of 30% to 40% and your trajectory of secured book is moving higher and higher, then your ultimate credit cost should be 125 basis point. Am I reading right way?

Ajay Kanwal: Okay. So let me tell you this. Our forward projection of secured growth, and we have just done an analysis. Let's say 60% goes to 80% in three years, right? And that is a trajectory. If it works, it could be 80%, it could be 85%, 75%. We've used 80% as an example. Our NIMs will compress by 50 basis points, because of moving from unsecured to secured.

In the same time, when CASA in the same timeframe of three years move from 20% to 30%, the compression will instead of 50 basis points will become 30 basis points, right? So because 0% to 60% compression, we've already absorbed in our NIMs at 8%. They're already in my numbers. 60% to 80% is left. That's about it.

And so if the CASA goes from 20% to 30%, secured goes from 60% to 80%, compression in NIMs is only 30 bps. However, as you turn secured, your cost income will improve, right? So just back up the envelope calculation in our head. Roughly, if you take the AUM today and you take our total cost, it comes around 5.6 to 5.7. We see that going down to 4. So whatever we give up in NIMs compression, we will make up in the cost save.

I won't say the savings on NPA and gross NPA, because that will only happen when things really, economy goes south, right, which we don't see happening but we are preparing for it because as a bank, we have to prepare from a through-the-cycle performance. So I will just count two. If you use those two, our numbers of guidance will sustain.

On the economic side, I think 7% GDP is what people are guiding at. We are pretty much as you can see, we grew our assets 25%, deposits 38%. We are in 180 cities. We are in 24 states. We have fair idea what's happening on the ground. I think economy is very robust.

Unknown Analyst: One more thing here. When you said 20% balance sheet growth, because this year we have grew our loan book 25% approximately and our opex growth is close to that number. So in that way, your PPOP growth by looking to the balance sheet growth should be trajectory of 20% only. So when you say your operating efficiency will come through opex, the current trend does not indicate that trajectory.

Abhilash Sandur: So just to address that point, see this year, like I mentioned, market was tight and we have spent something on marketing dollars for deposit raise as well as the relocations, which Shrini was mentioning and the new items which were built in. So those costs were baked in. So that's why you see a higher cost during this financial year.

So you don't expect a similar 25% growth in terms of opex the next year as well, because this has already been considered. So there's no every year growth of 25%. So more likely around 8% to 10% opex growth is expected, so not more than that. So this is a one-off year where we have spent a lot, because we had an IPO. We had spent on like the marketing dollars on the deposit side. That's why the cost has grown up.

Unknown Analyst: You're talking about 8% to 10% of opex growth versus your 20% balance sheet growth?

Ajay Kanwal: Yes. That's right. So over a period of time, like I said, 58% cost income, we're more closer to the 52 to 53 range. And we're talking about three-year timeframe. Purely to do with secured, more digitization and of course, Abhilash mentioned that this year was a bit of a slightly more heavier year in terms of cost. Shouldn't be what we should use in our modelling going forward.

Unknown Analyst: And the last question I have is your microfinance business. So first of all, from the quarter three to quarter four, any kind of iteration of collections in any of your geography? That's the first thing. And secondly, can you highlight your overall credit cost behaviour historically from your loan from BC channel versus your own underwriting in the microfinance business? What is the credit cost differential between the two channels of underwriting?

Ajay Kanwal: So first is the favourite question is Punjab, Haryana. We don't have a Punjab, Haryana problem. Our collection in Punjab, Haryana on record for March for the B0 bucket was 99.5%. The reason why it is not a challenge is very early, so here team figured out that it was not going to look very good in the collection side in those two states. Around November, they basically pulled back the disbursals and put the entire team in collections. So typically we do in Punjab, Haryana about INR20 crores, INR23 crores a month of disbursals. We dropped it to INR5 crores and moved the entire staff into collections from November itself.

So while everybody thought things will get okay, we said, listen, because you know when you're in 24 states, slowing down two states and speeding up two states is very easy. So wherever we think there is no reason for us to kind of feel comfortable, we just detune this growth and move all the resources to collections.

And you see what the customer does, if he has paid one MFI, six EMIs, the other MFI he has paid 12 EMIs, the chance that the one he has paid 12, and he knows he can close the loan for sure, he'll pay first. So as long as you focus hard on collections, customers are always very good. They understand they need to continue to have a good CIBIL score. They certainly will continue paying.

On BCs, we have seen three BCs having slightly elevated NPA cost. And what we do with them is the same what we do internally is wherever. When we see the delinquency rising, we shut down disbursement in the branch and we put all the boys and girls in collection. We make sure that they fix it. Until not fixed, they can't do business. And then once they're ready, they can come out. Once they're ready, then we take a strategic call saying, is it only our problem or the entire district is overrated? Or is my geography or pin codes overrated?

If the answer to that is yes, then that goes slow, goes on for a very long time. And we try and figure out if we can grow somewhere else. See, if you take 2018 launch of bank to 2024 March, six years, our CAGR on growth is 3% in the six years in unsecured lending. You only grow 14%, because now we are very comfortable what we can see. But if you take a six-year CAGR, so for us, pulling back, if you're uncomfortable is very real and we absolutely are relaxed about it. And we watched that.

Raman mentioned there is 30 to 40 people in analytics. That coupled with the MFIN and Sadhan data is like a monthly exercise. Where is it heated up? Where should we go slow? Where we should go fast? And we keep monitoring that. So nothing extraordinary to report, honestly, from a microfinance perspective. Yes, during COVID, we did find that our BC performance was better than our own performance. And that is rightly so, because they're much closer to the ground.

It was not a significant difference, but clearly there was a difference because they are much more localized. And they are, of course, very effective because the answer was running the businesses. Much different answers you get when you've got streams of layers doing it.

Sudhir Madhavan: So BCs, what we do is when we select the geography and give it to BC, he has to be localized in the area. He has to understand that area specifically. So it's not that somebody from South can go and open in North. He has to be local. So at the post COVID, their collection efficiency was better than ours, but now it's normalized. It's both of them in the same panel.

Unknown Analyst: And one small suggestion, presentations should include other income breakdown as well as the PNL details.

Ajay Kanwal: We will do that next time.

Unknown Analyst: On the strong note, the bank has closed the year on a strong note and hopefully perform better in future. All the best.

Ajay Kanwal: Thank you so much. Thank you.

Unknown Analyst: Yes, please. Market is given a salute to your results. Can you bifurcate today's profits and everything in a full format of net NPA recovery, how much it's -- and also LTA and what percentage wise in a year?

Ajay Kanwal: We have the recovery.

Unknown Analyst: Why don't you please help us? There is a PBT of INR514 crores. So out of that, any NPA recovery figures, because just a previous gentleman also told that bifurcation can be given if it will help to understand it.

Ajay Kanwal: Done. So we have given a bit here, but I think what we would also do is in the first line, break up into what was total provision versus total recovery. We will do that from next time.

Unknown Analyst: NPA recurring and current, because at INR90 EPS, I think we have also not -- did we approach the RBI to give or distribute some dividend or we did not get a permission from the RBI?

Ajay Kanwal: No, we have not approached the Board for a dividend declaration.

Unknown Analyst: So what is your future plan?

Ajay Kanwal: So something that we will always keep evaluating every year as the bank progresses. As you know, we just raised capital at IPO. So it was not in our mind right now to go for dividend, but something that we'll certainly consider each year. It's something that we didn't think was right now, because we just raised some capital from the market, did want to use it for growth, but something we'll certainly consider each passing year.

Unknown Analyst: Also we are planning for a universal bank in current year, most probably.

Ajay Kanwal: So, like I said, we can only apply after next year's audited results. So more likely the May-June timeframe of next year, we'll apply for universal. What we will do in the following full one year now is be prepared for it, because there's a lot of preparation work that will happen. So I think we'll do the entire detailed planning. We'll also have to submit a plan. If you see the guidelines, they've asked when you turn universal, what you will do.

Unknown Analyst: So there will be some extra facilities to the customers or I think at many facilities, we are not currently offering to the customers.

Ajay Kanwal: So here is how I feel, there are some segments as a bank we don't address. Like I said, we don't have a credit card, something that we could certainly think of saying two years, three years out as a profit moves up, and we have more investment ability available. We could think of other businesses, but right now we are not at all in that mode, which is why I said we will use the next six, eight months to prepare the clear plan. When we are ready after next audit results, we'll approach for universal.

Unknown Analyst: And if it is possible, can you just name the NBFC customers?

Ajay Kanwal: So from a customer privacy angle, I don't think so we can name the NBFC, sir. But certainly, if you visit any NBFC's balance sheet, they will tell you all the banks. And as you know, but all I can tell you these are not large exposures. And that is a design that we follow that we really want to be de-risked. You've heard the word so many times and you may not think that, why do these guys say it again and again? That's how our mind works.

Unknown Analyst: So any reason to reduce it?

Ajay Kanwal: Sorry?

Unknown Analyst: Any reason to reduce, we are planning to reduce it?

Ajay Kanwal: So our average ticket, I'll go there. Our average ticket size is about INR13 crores rupees. It's not a big, large exposure. And if I remember right, these are roughly about 40 customers. So spread across evenly, just small, small exposures. With people we think are good players. So none of our players are challenged.

The reason we slowed it down, because we had such good asset growth. And we said, listen, our MSME LAP, if you look at the growth rates, like 56%, 67%, 33%. When we are able to consume our own liquidity and our capital for our own growth, then we would like to then do a NBFC lending on a slower basis.

Unknown Analyst: What will be lending rate?

Ajay Kanwal: Yes, this one is about 11.5% to 12%.

Unknown Analyst: If it is, which are, if all the lending rates are given, it will be very much helpful?

Ajay Kanwal: Right. I think we had that chat internally, and we thought competitively is best to not show it. That's the only reason. But we did think about it.

Unknown Analyst: Thanks. Thanks for.

Ajay Kanwal: No problem, sir. Thank you. Yes, please. Can you give him the mic, please? Here you have the mic.

Ramesh Bhojwani: Ramesh Bhojwani from Meta & Vakil. First and foremost, sir, your all-encompassing presentation and results have exceeded the guidance which you had given, which is full marks to your team, which is working incessantly and continuously. And fortunately, you have brought out this page, which shows that your gold loan is the only one item where there is a negative CAGR, whereas the price of gold is touching 75K.

So this is one area with the kind of graduating a microfinance lender into a microfinance, into a loan taker. If we can focus, obviously, you are a banker. This will do wonders to your balance sheet. And yet again, next year, you will far exceed the guidance which you have given for the next year.

Ajay Kanwal: So first, thank you. And I fully agree with you. You have made my job easier with Sudhir, who's the business head, and I keep telling him that. But first, let me tell you why it is negative. It's a three-year CAGR. And during COVID, second phase. Our book was around INR650 crores. And second phase happened. And post the second phase, a lot of the gold loans are in urban and metro customers.

A lot of medication costs, a lot of deaths had happened. People needed the money, didn't have the cash. And our average ticket size is INR40,000, INR50,000. Yes. Right? So a lot of customers said, listen, we can't pay you back, please sell my gold. That INR650 crores, by September, if I remember right, had dropped to INR200 or INR300 crores.

We sold nearly INR200 crores of gold post-COVID wave two. And it's sometimes very tough to recover back, right? So, I mean, full sadness with our customers because they went through a tough time, but we had no other choice. It took us a bit of time to come back.

Ramesh Bhojwani: Very true.

Ajay Kanwal: We have seen, actually, if you ask me, last financial year, the first year of growth. Yes. But I think also, our own team, it's a bit of a heavy heart approach that we're really going back to gold because we've seen a very tough year. But now we've grown last year. We will see a lot of growth. I also think, like I mentioned earlier, when the microfinance boys are collecting and unless 99% is not reached, they have no other interest. Because that is like, grating criteria.

Now they are able to do 99 much earlier, so then they can go and sell gold and cross sell. We can talk to them. They are responding. In the past, they are not listening because they were like, sir, sorry, 99% not reached, we'll talk about gold later. Now that they are, so we should see gold grow and I absolutely agree with you. We have got a huge opportunity there. I must also tell you that we are very strict when it comes to valuation of gold. If our valuation goes wrong, our valuer has to pay. And we have debited our valuer every time we find a valuation problem.

Ramesh Bhojwani: Excellent.

Ajay Kanwal: And that is why our valuers make sure that if it is 18 carat, he will write 17.5, he will not write 18. Because if it turns out bad, he's got to pay the bill. So on the gold side, yes, we are a bit tight. Have been so all along. But now I think we should be able to grow. But thanks so much. And I completely agree with you. Sudhir, unless you want to add that.

Sudhir Madhavan: So last, start of the year, we had a balance sheet of INR230 crores. Last year we closed at 298. The first time we actually grew by INR60 crores. So the trajectory started. So we built up a new, hardcore gold loan vertical. The gold loan structure itself. So there are two kinds of vertical. One is a cross sell which comes through the microfinance team. And there's a gold loan vertical which does open market gold loan so both of this combined together. So this year, I think we will have a much better trajectory on the gold.

Ramesh Bhojwani: You can see a four figure AUM only from gold. Hopefully. Hopefully.

Ajay Kanwal: Yes. So basically about 350 branches do gold.

Ramesh Bhojwani: Yes.

Ajay Kanwal: If you did about INR3 crores to INR5 crores average per branch, INR1000 to INR1500 crores book he has to do. So please remind him every time you meet him, right?

Ramesh Bhojwani: But the other thing is you are doing very well in two-wheeler loans. And there was a passing reference in your presentation to introducing four wheeler loans. Four wheelers have seen a phenomenal growth in the current closed financial year and in the year previous to that. And there is no letting up going forward. So four wheeler loan segment should be the next logical step according to me.

Ajay Kanwal: Okay. So one is I must give credit to Pradeep. Pradeep has built his business and I must say that it's been a tough life for him because he just began when COVID began. So never an easy time when you want to grow and you want to keep the book healthy. Our bias I'll tell you. You heard

Rincoo saying, I have LTV. I'll give him a 100% LTV. I'll give him a two-wheeler. Our next bias is to do a used two-wheeler and a used car.

Because I have the property LTV available for customer convenience. I know his cash flow. I can get better margins and more importantly the customer needs seem to be pointing out towards this. So our bias is used two wheeler used car and then cars in that order, but we are also a bit conservative. See sometime good things also have some pressure points. We are in 180 cities. We never launch 180 cities one shot. We do 30 cities settle it down then we do 30 cities, settle it down. So we are a bit of a slow burn.

So example two wheeler now is in how many cities? So when we launched two wheeler, we have done 102 cities. We are actually present in 180. So Pradeep has to take two wheeler business to 80 more cities which means his business will keep booming and growing very fast because as he opens cities his volume will keep growing. Then we'll do the same with used two wheelers, 30 cities, 30 cities, but we don't try and make things go wrong.

Our bigger bias is that. But yes, that's how we are thinking right now from customer survey it is two wheelers, used two wheelers, used cars and then new cars that's our hierarchy from affordable housing, micro housing customers. We don't want to put up a new used car refinance separately and standalone. That is not our interest because that will be very difficult one to sustain.

Unknown Analyst: Sir, one last observation. You said with respect to branches the branches which are not doing well in certain areas or territories you move them to the areas where there is excellent and adequate growth prospects. So you just shift instead of adding branches you shift the branches from a non-performing zone to a very extremely well-performing zone is a very well thought out and a very innovative strategy according to me.

Management: So two things have happened to be also candid. See one that is a very natural thing to do, but for us what happened we were an urban microfinance. What that forces us to do is we are in cities but not in spots where there is money. We started detuning urban microfinance. So what should I do with the branch?

I already have the branch manager, but of course I do have to have different liabilities up. We then start relocating these branches. What happens is you're spending say INR50,000 in the rent. You move to a different you spend 1.5 lakh. So incremental cost is a lakh, but then all the network, etc. all the hardware gets used up.

So we are doing that consciously and with Shrini's and Sudhir's help what they do is we have got a branch committee. So Shrini's team along with premises will look for a branch. Sudhir will agree or Sudhir will say, listen it is a city branch, I'm not interested. Then Rincoo, who's our Affordable Housing Head will say yes or no I want some space or not. So it works very well. Touchwood we are very conscious. It's basically you can expand fast, but it's a cost. So we are very careful on cost.

Unknown Analyst: Thank you and all the best.

Management: Thank you so much. Okay, who would like to go next?

Unknown Analyst: Congratulations on a good set of number. My question is just I wanted to know about your balance sheet is likely to grow by 20%. Your operating expenses is likely to go by 7% to 8% if not wrong. So how are you going to manage when we are in a growing stage? We need to invest on opex also, digitalization also. First question. Second question is I just wanted to understand more about your return on assets. How the return on assets profile would be over the next 3 years to 5 years?

Management: Opex question, I think the growth rate we said around 8% to 10%. So that's the number which we had mentioned. So that is the trajectory which we are looking at. So like I said this year was an aberration because we had a higher opex this year, which FY24 year gone by. So next year onwards, it will normalize around 8% to 10% growth. So that's the number which we are looking at.

Unknown Analyst: This is only for next year?

Management: So growth rate is around 8% to 10%.

Unknown Analyst: We are already in a growing stage 20% growth for the next 5 years. It's a very significant growth. The bank would be almost 3x from this level. And for this, we have to invest on digitalization also and already we are more into retail loans. So that also requires significant investments for your marketing promotion and all. So I just wanted to understand how this is possible when this according to me if 20% balance sheet growth then there should be a 25% or 30% growth in opex. So that will push up your COI, but the same time according to you COI will come down. How it is possible, that's what?

Management: So one interesting observation in this slide, you look at the first that left side of the thing. Whatever branches we open, we open 246 branches and if you go to the average casa book and average deposit book that is only 1.8 crores and 9 crores for deposit. As you move to 3 to 4 year that grow exponentially. So my liability business will be funded by that, although I don't have to incur any cost on that. So that answer, that is what Abhilash is trying to say.

Similarly, on the liability side as I mentioned that we are moving progressively in pilot basis. We are not launching the product in 180 cities we operate. In some product, we are at 102 cities, in some product we are at 50 cities. In some product, we are at 160 cities. So that will take care because we have already absorbed the cost. So that is how we are showing a 20% of growth for next 5 years on the balance sheet size. However, on opex side we are not showing that growth.

Ajay Kanwal: See the other piece on the asset I must, so Gopal has explained and I think your cost of the branch remains the same, but as a branch matures your size goes up. So second box casa will go from 1.8 to 3 just on same cost, same number of people. As the customers get more confidence as they experience you, as you collect more customers, the balances grow both on casa and deposit. That is one.

Second, remember, I must tell you from where we are, roughly we grow secured assets about on a net basis which means total new sales minus runoffs, minus pre-closures between INR400 odd crores, let's say on an average, even as we speak. So you do, this is net, not gross. Gross is about INR600 crores to INR650 crores. INR250 crores is about runoff. If you multiply 12 into four, it's INR4,800 crores, which is roughly 20% of our asset book. That we do as we speak with no cost increase. So in a way, if you want to grow beyond 20, we will invest in more asset people. Otherwise, right now, as we speak, we could very well end with a salary increase, we are flat and we are out with 20% growth.

Where we need a bit of money and hopefully less of that is on the liability side marketing. But we will certainly see a slowdown in the cost growth next year, like Abhilash mentioned, because asset doesn't take too much marketing. And where we are in a volume sense, 20% is current run rate. So we should be fairly okay on cost.

Unknown Analyst: How would we see a return?

Ajay Kanwal: ROAs. So, see, as your credit cost comes down, which it will, right? And if you see a credit cost last year, it's taken away all the, like Raman showed you, restructured unsecured, which used to be 6% or 7% of the book, is down to like INR12 crores. So all the stuff that has to flow through, had to provide is all done. We don't have any big ones coming in because there is nothing left there. So you'll see a change in the credit cost.

You will see cost income ratio get better. And hence you will see an ROA, which we have given you a guidance, which will not be difficult to sustain. We would be very careful to come here and tell you a number we won't do.

Unknown Analyst: Okay. Understood. Thank you. One quick question. I think we registered a very robust growth in deposit. What was the incremental cost of deposits?

Ajay Kanwal: Yes. So it is there in this slide.

Unknown Analyst: Understood. I'm sorry. Incremental deposit cost.

Ajay Kanwal: Yes. So it's not a small increase. If you see this line, 80 basis points. Okay. Now this is very close to where the new money is coming. So because deposits typically end to be like, your average maturity is about 1.4 to 1.6 years. So as the jump in deposits began, most of the deposits matured and repriced. So now we are seeing a similar level. We don't see a jump from 7.8. The other piece really mentioned is very important. See, 90 plus% of his bulk and retail are more than one year tenors.

Now that's very important to us because you all need a good night's sleep. In bulk, his entire increase is from non-callable deposit. That also costs money. But that's the money we want to spend. Because what it buys us is de-risk. Nothing can happen on a liquidity side. And nothing can happen on a capital side. On both these, banks have to be comfortable. At least we would like to be over comfortable slightly. We have finished March with a INR2,422 crores of surplus cash. We do that because that kind of amount of surplus we would like to maintain. It is a cost of carry we are aware. But I rather have that, rather than not have it. So there is a bit of conservatism there. It could help me in the P&L if I was less conservative, but we don't want to chance it.

Unknown Analyst: Thank you so much, sir. And all the best.

Management: Yes, thank you. There are two gentlemen here.

Unknown Analyst: Thanks. Ajay, firstly, thanks to you and the entire management team. And thank you for taking the initiative to invite everybody to join you. My question is very simple. Are there any things that you worry about?

Ajay Kanwal: So I would invite you to my office in Bangalore. I sit at a desk because like I said, it's open office. Everybody's got a simple desk. There are no cabins. But my right-hand side, there is a cabin. And that's the cabin where all my meetings typically happen because I'm sitting just next to it. The name of that cabin is Paranoia. It has been there for two years. And if you are running a bank, you should always be worried. And if you are in 180 cities with 21,000 employees running a retail business of 54 lakh customers, there is no dearth of excitement. But Yes, I mean, we enjoy it. But yes, we are always anxious.

When I say we are conservative in liquidity, there is also a sign of anxiousness there. Otherwise, I don't have to be conservative. I must tell you that in a way we are blessed because if you see the bankers, they're all 27 years of experience.

And the question is, why would they want to come and work for Jana? They're all working in other big banks. I think all of us share a passion that we are building a bank, which we can all look back and saying, we are very proud of what we've built. And the same amount of worry, I guess, in different quantities and different natures are there in the entire management team. Now specifically, we do what is the top five risk. So I think one is always technology. We haven't changed. We haven't had a problem. But it's never been out of my top five risk because that is one thing I can't predict. So we are always worried about cybersecurity, digital resilience, and operational risk.

We are always, digital has been our single steady one. Used to be NPA and COVID, now it is gone. Before IP used to be capital, now that is also gone. Now we are focused a lot on operational risk and frauds. Well, as you see, if you're in 21,000 employees, to say that all 21,000 are perfectly honest is unlikely. Now we have to figure out who is that one odd person, half % who thinks he can get away. And we have to keep looking for him every day. So we have a full-time fraud control unit. We have full-time vigilance unit who keep looking for the folks in the system who want to take a shortcut or be corrupt, so to say, right? So that's the other piece you're always watching, where is the moving parts in the business, whether it is an outside value or an inside salesperson, we have to be very conscious of that.

The final piece is just to make sure that everybody does, we measure everything on a very regular basis. So Raman mentioned that the deck, it's a deck of at least 40, 50 pages per product per month, slicing, dicing, everything, so that we know where are we making mistakes, so we can correct. It's unlikely we won't make mistakes. Making small mistakes is better. And when you make a small mistake, you find that this particular area or district or particular criteria or particular valuation agency, any parameter is bothering you, you just say sorry, you just cut it off and move on. You will take a marginal loss, but that's part of the business. But that we do literally just every month. So, yes, we are always looking for problems. And in our business, we always get them. But I guess we're used to it.

Unknown Analyst: Got it. Thank you for a very detailed and candid comments and all the best to you and the entire team. Thank you so much.

Unknown Analyst: Thanks. Excellent result, congratulations. I have once, you mentioned on the liquidity side and see your, I observed your AD ratio, advance to deposit ratio is in excess of 100%. 102%, 103%. Plus your long, the secured assets, which is more long term, which is now going to go from 60% to 80%, right? What is the guidance on the AD ratio? What because that will be a big challenge for you because that is going to cost you also from a cost point of view as well as from liquidity point of view. This is a very, since what is the guidance on that? That's okay.

Ajay Kanwal: So I will take again a bit slightly longer answer, but I'll try to explain. So I think Avinash has tried to allude to it saying, I'll give you a real example. National Housing Bank has given us refinance. They have given us 10 year loan at a price which is lower than a deposit price of a one year deposit. We tend to borrow from three refinance agencies, which is NABARD, SIDBI and NHB. And roughly that's about INR5,000 crores of my book. And that amount of asset is allocated to them. If you add that into my CD ratio, my CD ratio is 86%. Now, second choice.

We say, no, we will not count refinance. We'll raise, bring down the CD ratio, say to 80%. Then I'm forced not to borrow from them because then I have so much surplus cash. Because if I borrow from them, INR5,000 crores plus CD ratio 80%, there's too much money, right? So our bias is let's keep the borrowings live. Let's make sure that we are bringing a CD ratio below 100. But if you bring significantly down, then we only have one choice. You have to return back all the refinance, which actually is very good for the bank because longer tenure is really helping us on the ALM maturity side. So that's the one piece.

The second challenge is can we grow fast? Yes, we have proven that in the most difficult year, we can do 38% growth. So when the years are not so difficult, we can do much higher. So I think deposit growth rate is not a problem. The third very important piece is the actual life of deposits, right? The actual study done by us is showing that our deposits have 90%, right, Raman? Can you just talk about that?

Krishnan Raman: Basically, each of the deposits we measured actually, it can extend by up to one year beyond the original maturity. That's really the way that-

Unknown Analyst: What do you mean core deposit, like 12 months?

Krishnan Raman: Yes, 90. Core deposit, right? Yes, core deposit is about 90% and is rolled over.

Unknown Analyst: Do you have benchmark of advances to core deposit in future? Like how do you want to- Sorry?

Krishnan Raman: Sorry? Advances to core deposit in future.

Ajay Kanwal: We haven't looked at that, but clearly see parts of deposits are clear in our minds, which is if we choose to grow another 38% this year, there is every ability for us to do it. But then my decision point is a 10-year refinance with no SLR CRR at 7.5% versus a one-year deposit at 8.5%, right? So where is the banker's answer here, right? And two, we are also talking of an institution which is a government institution, which we have seen perform absolutely fine during COVID. So that is where the real need for should we really drop CD ratio beyond a point and just pay a price for it? Because it'll also spoil the ALM maturity. It'll also increase the price. And should we go there? Our bias currently is not.

So we wanted to talk about surplus liquidity because it tells you that we are very comfortable and we have a conservative bias. But where we find that 10-year money is available, now about a seven-year money, should be a seven-year money, then walking away from it is not, I think, the ideal thing for us.

Unknown Analyst: Sure. So one more question on the Q4. I understand you have a significant SR on your books.

Ajay Kanwal: Yes.

Unknown Analyst: Do you have any guidance on collections on the SR side?

Ajay Kanwal: So you want to go ahead? Okay, please.

Krishnan Raman: We've done our analysis by cohort of origination of SRs. We've looked at the SRs and what kind of collections. We track that on a regular basis. The oldest SR, in two years, we've collected about 60%. Collected or normalized. So we believe that that's the kind of collection trends that we are getting. Plus, most of the SRs are secured where my LTV is pretty much in line with the LTV on my NPA book, around 51%, 52%.

Unknown Analyst: And you have taken an adequate haircut on the SR?

Krishnan Raman: We have taken an adequate haircut.

Unknown Analyst: Thank you.

Management: Anymore online questions left in the audience.

Management: Yes.

Management: You want me to read them out? I can read them.

Gautam Jain: Hi, good evening.

Ajay Kanwal: Good evening.

Gautam Jain: I'm Gautam Jain from GCJ Financial. Can I get the slippage number, sir? The slippage for each of these four quarters of this year?

Ajay Kanwal: Not ready with the answer, but let's see if we can put it together and put it on the website for all of you, yes.

Gautam Jain: Okay, and secondly, can we get the breakup of non-interest income again for the last four quarters?

Ajay Kanwal: Okay, that was other request also from the gentleman up front. We didn't bring the other income. So, let's also see if we can put that up, either today or at least we'll try and put it up by tomorrow on the website.

Gautam Jain: Okay, and the third question is, when we gave our guidance in the slide, so we are saying 20% balance sheet growth, deposit and loan. So, this is for the next one year, two years, or it's a long-term guidance we are giving?

Ajay Kanwal: So, okay. Now, I will also try and address something which was probably why you want to...

Gautam Jain: And the related questions are why we are saying 30% to 40% PAT growth and why still after 30% - 40% PAT growth, why the ROE remains at 21, 19 to 21?

Ajay Kanwal: Okay, fair. So, let me start with slippage ratio. We don't have the slippage ratio, etcetera. But all I can tell you is that we, if you look at the NPA of what Raman has shown, where I think 58% of all net NPA secured, you should not expand. And we did talk of our collections, even in the month of March being 99% plus, you should not expect any negative surprise on the credit quality of the bank. So, that's the first thing.

While give you the slippage ratio, but I think with that you will find out what is my credit quality expectation for next year. I'm already giving you the answer. You can, the number will also convince you of that. So, that's number one. Secondly, on other income, there is no significant other income which will drop off next year. So, our other income that we have seen this year, we have seen no significant one-off.

So, other income will sustain and get better because a lot of the other income is insurance sales, etc. So, you will see a trend line of other income growing up. There is no surprise in other income saying, oh, this is true this year, won't be true next year. We'll give you the breakup, but I just thought I'll give you that comfort since we are together. Now, the final question was on? On my ROE, which you just asked.

Gautam Jain: Now, what I've said here, I'll just put it up and see where we are off?

Ajay Kanwal: So, I think this is fairly good growth to expect, 20%, 20%, right? Can ROEs do better than this? Possibly. We just want to put this number up front because that's a base minimum that we would like to do.

Gautam Jain: The Horizon of this growth, I mean, time Horizon. This is the horizon.

Ajay Kanwal: So, our horizon is near term. We are looking at the next three years.

Gautam Jain: Okay. So, impact growth for next three years, 30% to 40%?

Ajay Kanwal: Which is why I mentioned earlier, I didn't put a guidance here. I left guidance as a word.

Gautam Jain: Okay.

Ajay Kanwal: But remember, more than the numbers to us is the top piece here. I should grow my secured business proportion each year. To me, that is more important than the 20% growth. If I have to grow 18%, I have to grow secured higher. I will go for secured proportion as to grow up. It is the nature of the book that is more important than the pace of growth. I will still try and do this in my best effort, but I really want us to remember that for us, I'd rather do a 15% consistent ROE than I do a 20 and a 14 and a 15 and a 17 and a 21.

Our bias is to bring consistency and predictability in our business. So, to me, the numbers are numbers, and we will meet the numbers, but I have to meet them in this manner. I could grow, for example, microfinance industry grows at 30%. It's very easy for me to grow 30%, but that is not our bias. That's all I'm just wanting to add to that.

Gautam Jain: Okay. And the final question is, we have said that we'll maintain margin around 8% despite our secured book growth, right?

Ajay Kanwal: So, I said this, three years out when secured becomes 60 to 80, and we're assuming these all as a number that you could test out. 80 could be 85 or it could be 75. We don't know how the customer need pans out, but directionally, we are moving to more secured. We've used 80 as a benchmark.

So, in three years, the NIM drops by 50 basis points if I turn 60 to 80 basis points, 80% secured. But at the same time, if CASA goes from 20 to 30, then the NIM drop is only 30 basis points because the cost of funds will come down. If you add to that, then our cost income improving, then most of the negativity will become a positivity in terms of what it can do to PAT.

Gautam Jain: Thank you and all the best.

Ajay Kanwal: No worries. Thank you so much. I will now read some questions from online audience.

Sudhir Madhavan: Just a statistic, sir. There are about 63 plus participants who have joined us online as well.

Ajay Kanwal: Okay, so the 63 participants have questions, but I guess the people who have come here physically have covered some of them. So, I think we've already given a guidance on growth. This is from Shailesh from Centrum.

Growth, credit costs, return profile. I wanted to understand tax benefit in detail, which also we have given a slide. And the highlight of that slide really is that you've got another INR800 crores of deferred tax asset which you have to absorb till 2027, which something all of you can now comfortably decide how much you think we can absorb and build that in our network upfront or as time passes as you may choose, but that's very clear-cut now that it is coming our way.

ROE guidance, we've already given. Without taking into account the impending DTA benefit of INR800 crores plus, this is from Rajkumar. Rajkumar, so my CFO is challenging all of us. He's saying that the guidance we have given is without the DTA impact, so we have to work harder.

So that is the answer to that question. Anything which happens on DTA is going to be on top of what we have told you, which possibly means that 1.8% or 2% will look like a 2.5%, correct? Okay, some people are complaining that they can't hear much, so apologies for that, which is Utpal Mehta and Sanjeev Damani. And I think we are more or less, all other questions are covered. Okay, so we are done here. Any last questions or you are most welcome to talk to any of us, 10 of us? There is a question, okay, please. Yes.

Unknown Analyst: Hello. Sir, just wanted to know your MFI book exposure in top five states and percentage in those states?

Ajay Kanwal: Top five states, Sudhir?

Sudhir Madhavan: Top five states are Tamil Nadu, Maharashtra, Karnataka

Unknown Analyst: Percentage of exposure?

Sudhir Madhavan: Not a single state is more than 13%. The maximum is Tamil Nadu, which is around 13%, rest everybody in the range of between 10% to 12%.

Unknown Analyst: Okay, thanks.

Ajay Kanwal: Okay, sorry. I know it's five minutes to seven. All of us are here for both cocktails and dinner. You can talk to any of us, ask any question that you do feel necessary. And thank you so much for coming and do have a good holiday tomorrow and catch you at the next conference. Thank you, bye-bye.