"Jana Small Finance Bank Limited

Analyst Meet"

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Ajay Kanwal: Good evening, everyone. My name is Ajay Kanwal. I am the MD, CEO of Jana Small Finance Bank. And as most of you folks will know, this is Jana Small Finance Bank's first analyst meeting. So thank you, everyone, for coming here today evening. And before I start, I have been told to advise all the analysts here.

There are two golden rules for all analysts. The first rule is they are always nice to institutions who come for the first time. So all of you have to be very nice to us today. And the second rule is to remember the first rule.

Before I start, I will introduce the team from Jana. I will start from my left-hand side, Gopal Tripathi. Gopal is the Treasurer. Gopal is based in Mumbai.

Sudhir Madhavan. Sudhir leads our microfinance business, which we internally call as Retail Financial Services. Tamal Bandyopadhyay needs no introduction, which is why I decided he doesn't need a blazer today. Tamal is our advisor. And Tamal is very famous for writing on banking and finance for the last over two decades. He's been our advisor for the last few years. Abhilash. Abhilash is our CFO. And you will hear him soon.

Raman. Raman is the most experienced banker amongst the management team, roughly about 35 years in banking. And Raman Heads our Credit. Shrini looks after our branch banking and liability business. And of course, the flavor of the day, given all the conversation around the CD ratios. And Rincoo Vachha. Rincoo looks after our affordable and micro housing business.

And he's been with the bank since 2018. So we thought it would be nice if we can hear not just me and the CFO, but also meet and hear some of the key business leaders of the bank. So that's us.

And with that, I would like to take you through a few slides before we ask some of the colleagues to step in. So a few things about Jana. And very important for you all to kind of just soak in a bit of the background. Jana has been a turnaround and a transformation story. So after demonetization, we obviously had NPA's to handle, which I must say that this team has joined post that moment. And one of our first tasks as a management team was to fix that.

So that is when the turnaround happened. And second, the transformation story of how do you convert yourself from a microfinance institution to a well-diversified, secured bank. And some of the numbers here will show you where we are in that journey.

And we have made substantial progress. Very important, folks, is from being a single product company, which was largely MFI, we are now a customer-led organization, which means we are doing much more with each customer beyond one product. And you will hear that from the team very often as we go through.

And the final thing is all about digital and analytics. And you hear that from the team in general and specifically from Raman. Now to the numbers on the screen in our first slide, I really want to show that, see, for a bank like Jana, which is really serving the underserved, growth is not very difficult.

It is good growth which matters. And why I say that is our reason to turn secured is to really move towards a good growth agenda where we can have more sustainable and resilient balance sheet. And after the bank started in 2018, it's been now five years and nine months.

And where we have reached is roughly about 59% of secured business. What is the flavor of the secured business? I'll show you very soon. On the liability side, I should start with the growth rate first on the liability side because first, if you take year on year, our liability business has grown faster than the asset business. We may be the exception in the industry where the last nine months has seen a faster growth on deposits versus assets. And by no means is the asset growth slow, and by no means is the liability growth slow.

So again, it does show that while growth in asset is something that is eminently possible, given that we are serving underserved, we also have a very strong liability franchise where if required, we do outpace our asset growth. Our cost of funds, a question people ask, has it gone up? It has gone up in the last nine months by 40 basis points.

Having said that, I was looking for the net interest margin here. At the same time, it's gone up by 20 basis points in the last nine months. So our net interest margin is up 20 basis points. Our cost of funds is up 40 basis points. So while the cost of funds have gone up, we absorbed that both in the product mix and because the NPAs have dropped. So obviously, interest in suspense is lower.

Asset quality, again, a trend which is very encouraging for us. We are really back to the pre-COVID levels on net NPAs, and of course, PCR at 68%. But more on PCR when you hear Raman about what is the underlying composition of NPA.

Given that we are turning secured, the NPA number is very different from what it used to be. Somebody has to advance the slide. Okay. While that is going on, listen. Capital, again, this is capital adequacy before the capital raise because these are December numbers. So it crosses 20% comfortably.

But more importantly, there's a lot of room in our Tier 2. The Tier 2 is just about 1% - 1.5% of our total capital composition.

National franchise, 781 outlets all over the country. Works very well. And you will see that amongst all small finance banks, we have the least geographic concentration, something that we worked as a design. And I must say that when you spread yourself across geographies, it's a bit of hard work with all the travel and all the challenges.

But that's all behind us because now we are in 24 states. We have roughly about 180 cities. And we run a national franchise with a great amount of comfort. Now for us, there is less concentration geographically, but also more chance to expand because doing adjunct cities is a very easy concept. On the ratio side, ROA is improving to 1.7%. ROE has crossed the 20% mark. And net interest margin, as I said earlier, has improved to 7.9% from a 7.7% in March.

You look at the P&L metrics, it's INR348 crores PAT for the first nine months. It's the highest PAT for the bank, both for the first nine months as well as for the quarter of December. The happiness here is that our highest ever PAT comes in the quarter following the IPO.

Because before the IPO seeing our results, people thought that your results look very good. But I must tell everyone that our results after the IPO look better than the results before going into the IPO. So I think that should give a lot of confidence to people who are looking at the numbers pre-IPO saying, hey, they look very nice.

But we've got even nicer numbers post that. And that you can see both in ROAs, ROEs, as well as the PAT. Disbursement we'll talk of as we go along. But right now, fair to say that all metrics turning secure, liability growing very well, NPA being pretty much at the bottom, a good PCR, good ROA, good ROE. We've got all the metrics running in the right direction. Just a bit about the bank beyond the numbers.

National presence I did mention. I want to point out just a bit here on the unbanked rural centers, which are really 36% of the total network. Now, for scheduled commercial banks like Jana, they have to be 25%, like all other scheduled commercial banks.

We, when we became a bank, decided that our urban microfinance needs to move to the rural microfinance. And you'll hear a lot from Sudhir about how we have made the transition. To do that, we made sure that we opened more urban rural centers than required. Now, these break even very quickly. That's a positive advantage. The other positive which we ever want to utilize, which we can utilize, is we can open a lot more branches in a Mumbai or a Delhi, because we obviously are roughly about 11% higher than our required ratio of 25%.

So I can open another 200 branches in Bombay or Delhi if I do need to push the liability engine harder. We are not there. We have enough and more room to grow with our current network. But I'm just raising the possibility if it does come to that. The last piece is about how many branches are ours and by BCs. And I think the important thing for banking correspondent is we have done BCs as a way of a natural partnership and a strategic partnership in our MFI business.

We find the MFI business is very localized, especially when you go rural. It is obviously a lot more valuable to us. And one of the ways to execute that is to have strong partnership with BC partners. What you see on top, the 10%. So if you take the maths, 60% roughly is secured. 40% is MFI unsecured. Out of 40%, ~10% is with BCs. BC, as you know, give us service guarantees, are accountable for collections. So our real exposure to unsecured as we speak as of December, where we are accountable for collections and the health of the book, is really 30%.

So that's the most important piece when you look at, what is a BC's role with us. And of course, Sudhir will talk more of it. 12 million customers. As an institution, we have 16 years of history. And these 12 million customers are customers we have access, if you wish. And we do use it most times on the bureaus.

And these customers know the brand. They know the bank. And certainly our customers, if they do want the next need, they will certainly consider Jana as one of them. Active is 5.21 million, just so that you know the number. This was roughly about 4.6 million as of March 2023. So we are seeing a lot of active take up of the bank's products in the last nine months, from 4.6 million customers to 5.21 million customers. I've already spoken about our geographical presence. Now, this is a bit on the asset products of the bank, which we do have secured, is what we call it. And they are built like this.

You can start with December, right there, INR 4,419 crs. And that's our micro Lap. And there you see, again, is the average ticket size. This is the outstanding ticket size on our books, a little under 8 lakh rupees. This is the growth of 2 and 1⁄2 years, gross NPA, net NPA, and very important, what is the LTV on the books right now. So this is the LTV on the outstanding asset on the books, which is very comfortable at, or I should say, low at 34.2.

There is value in the low LTV. And you will hear Rincoo explain that when you have low LTVs, how does the bank work with customers. Next is ~INR4,000 crores affordable housing. Again, 11.4 lakhs is our ticket size. 69.5% is our compounded growth rate in the last 2 and 1⁄2 years. Now, these products have a five-year vintage with the bank. So they have been through COVID and the stress test.

Gross NPA, net NPA, and that's LTV. Same is MSME loans. In our case, MSME loans are largely LAP or overdrafts backed by mortgages. Average ticket size at 34 lakhs. And again, you can see a very comfortable LTVs. Term loan to NBFCs.

This is one of the businesses that we do lend to our key competitors who think are doing brilliant in the market. Something we've used as a balance sheet opportunity whenever we've got surplus cash. If one business has de-grown in the last nine months, it is our NBFC business.

Because as our natural products are picking up, that business has been detuned. Two-Wheeler is on a strong growth path because we only launched it just post-COVID. So it is around January 2021.

It's expanding number of cities. So for example, when we launch, we are in about 180 cities. To reach 180 cities takes time. We traditionally try and launch 30 cities at a time every six months and then keep growing it. So you will see a lot more growth coming in Two-Wheelers. So percentage is not relevant here because it's a new business.

This is gold loans. And we have seen a de-growth of gold loans post-COVID because a lot of challenges came in COVID. And finally, unsecured loans is our MFI business. We'll talk a lot of detail of MFI because I do think that you all need to see our MFI book in a fair amount of detail and how we are building it. And that average ticket size is 40,000. And again, agrosst NPA and net NPA of 3.8% and 0.7%. So that's roughly the last line is our unsecured advances. For the assets classified secured advances, as you can see, our secured means it is property. It is not commercial vehicles. It is not automobiles. It is hardcore property or, of course, cash and gold. So that's the real composition of our secured business. We do believe that in a down cycle, the most resilient class of secured will be the ones backed by property. And that is why we made a strategic choice in 2018 when we launched the bank that our focus will be on property. Not to mention that every property-related relationship on a contractual basis is at least about 10 to 15 years.

So you really get a very long-term relationship with the customer. Enough time to do more with the customer, get more operating leverage, get more advantage in terms of more products within him and his family. That's been our classical thinking when we launched the bank, and which is what you can see here.

Now, last slide for me before I hand over to Raman is de-risking. We have been working on de-risking all through. And one of the things that you should see here is how our secured advances have grown.

At a CAGR, and this is, of course, a bit slower during COVID, but then picking up after COVID in a very significant way. So folks who have questions around what to expect in the future, then I can say that, listen, we have grown secured very strongly in the past, right through COVID. Without COVID, it should be fair to assume that is minimum what we would do as a bank.

Here is our geographical concentration. I mentioned this earlier. We are the least concentrated small finance bank. We only have 38% in the top three cities. Our top city is roughly about 12-odd percent, which is Tamil Nadu. We have a very strong middle order, and that allows us to grow as and when we wish because we truly have a very well geographically spread business.

We are not in a hurry to grow geographies, but if you do decide to add 10 cities, it is very easy for us. The person who's been really architecturing this de-risking of the bank is Raman, and I would like to invite Raman to take on the next few slides. You can start from there.

Krishnan S. Raman: You hear me? Okay, thanks, Ajay. Few things I just wanted to highlight. Can we move to the next slide, please? See, Ajay's introduced me. Before I joined Jana, which was about six years ago as the founding CRO, I'd spent about 30 years in multinational banks and other institutions in multiple geographies.

So one of the first things we wanted to do was to make sure that on day one, we had all the best practices that we had been exposed to in our previous companies. We wanted to try and make sure that we introduced them in Jana, and that was really our endeavor right from the beginning. So a few key messages on this slide that I wanted to cover.

Ajay already talked about diversification, but as far as this place is concerned, let me just focus on credit risk. Credit risk, we're looking at the underwriting piece, a combination of experienced underwriters, and our team has experience in multinational banks and private sector banks and public sector banks as well as NBFCs. So experienced underwriters as well as how do I make sure that I combine digitization into the whole experience.

I think that was one of the first key messages that I wanted to highlight. Digitization, infrastructure, investment in a loan origination system, investment in a data warehouse. So that's the first message. Second message is that in terms of our behavior, we are increasingly more and more behaving like a fintech. And let me explain what do I mean by that. Our smaller ticket sizes,i.e. microfinance loans as well as two-wheeler loans is entirely a digital journey.

As the ticket sizes go up, then we start combining it with experience and judgment. But even there, we are making sure that through APIs, we are getting digital inputs on things like bank statement, bank balances, GSTs, so that the underwriter can take an informed decision on the larger ticket cases. So that's the second message that I wanted to give.

Third message I wanted to give is that over time, we have increasing levels of sophistication. And what do I mean by that? We have a scorecard. Other than a scorecard for the unsecured individual loans, we are one of the few institutions, sorry, we are one of the few institutions who has a scorecard, probably the only institution who has a scorecard for secured lending, for the retail secured lending, both in home loans as well as loan against properties, we've got a scorecard which takes feeds from the credit bureau as well as demographics and other information.

And that has been proved to be very discriminatory on our portfolio. In fact, as we speak, we are now ready for the second generation enhancement of the scorecard. I just wanted to highlight that because that's one of the key messages, a key differentiator as far as Jana is concerned. The fourth piece, and that, whatever I've talked about covers the left-hand side. On the right-hand side, I wanted to talk about portfolio analytics.

We have invested in leading-edge portfolio analytics. We've got a team of 40 people. We've got a data warehouse. And some of the analytics metrics that we use, we use leading-edge flows, we use static pool analysis. We've got hurdle rates for delinquency by cohort for each product. So we've invested a lot in that, and that gives us our early indicators, early warning signals.

As we go up in terms of ticket sizes, we start getting the early warning signals take feeds from account management disciplines. So we do a bureau refresh. We do that every quarter. We look at honors performance. We look at current account churn. And all of this, combined with a personal visit by the account relationship manager, gives us all the early warning signal indicators that we are looking at.

So that's broadly what we wanted to, what I wanted to cover in terms of our risk management disciplines. The few other pieces, so risk management becomes pretty much the core of everything that we do. And all the asset management, asset growth is actually based on solid risk management.

So what I'd like to do is introduce you to Sudhir. Sudhir is second from the right. Sudhir Madhavan joined us as the Collection Head for five years ago. And he did a commendable job. He did a stellar job, in fact, in terms of collecting the post-demonetization NPAs. And therefore, the natural sequence for him was actually to go as the Business Head for the Retail Financial Services, which is what manages the microfinance.

Sudhir has, in Jana, five years experience. Prior to Jana, he has about 20 years of experience managing business and collections. Over to you, Sudhir.

Sudhir Madhavan: Thank you, Raman. Thank you for the kind words. Collections is still in my DNA. Just to give a brief background. Jana has been a microfinance institution primarily serving the urban and metro microfinance for the last 16 years.

We understand the urban space. They've gone through a lot of ups and downs, demonetisation, COVID. Post-demon, we realized that the behavior pattern of the urban microfinance customers was significantly changing.

The attendance in the group meeting started getting reduced. They all wanted customized offerings towards them. That's why we decided we will detune our microfinance portfolio, specifically group loan portfolio.

What you see on the individual loan book of INR5,000 crores, are primarily group loan customers who have got upgraded to individual loans. So when we do an upgradation from the group loans to an individual loans, they have to have a clean repayment track record. We make sure that they pass the credit bureau checks.

We make sure that they pass through our scorecards. Overlaying that, even if he's got a good repayment track record, we make sure that one of the credit person goes and physically meets the customer at the residence and checks his repayment ability. Even if the customer has got a very good repayment track record, we still have a 20% to 25% rejection rate on that.

So all these customers get upgraded. So that's the first structural strategic shift we did, moving away from urban areas to group to individual. Five years back when we became a bank, we had a regulatory mandate of opening 25% unbanked rural centers.

We saw an opportunity there. So we used this unbanked rural centers to get our rural penetration done and book in a lot of agri loans through a JLG kind of a model. As this model succeeded, instead of having 25%, we went up to 35%.

Currently we are at ~280 points. So to increase our distribution further, what we did was we went to the next level of putting in partners, which is business correspondents, which are highly local in nature. And understand the local geographies.

So they also do this agri-JLG kind of a group loans for us. We started this business partnership pre-COVID and they have survived the COVID collection issues, and it's been a highly profitable and a sustainable business model for us. So net if you look at, we did three things.

Point number one, we de-tuned our microfinance book in the urban areas, upgraded them to individual loans, but with a very strong credit underwriting process. Went deeper into rural areas through our URCs. And third, build a partnership model with business correspondents who are local in nature and building our agri-book there.

So the other part of the slide. The new microfinance, what we are re-imagining is completely paperless. Our microfinance onboarding is paperless. The customer comes to the branch, doesn't need to have any signatures done. It's all e-Sign. So it's become completely paperless.

The last part of it, of the microfinance book is the collection which is still primarily physical in nature. What we found that individual customers in urban microfinance have graduated starting paying us through digital means. That's what we see around 37% to 38% are still paying us in digital mode.

And that's what gradually when the digital penetration gets into the microfinance, the third expensive piece of getting the repayments back which was physically in nature through digital means it actually helped me to get my cost income reduced. The next slide. Yes.

Thank you, thank you Ajay. This is the way our book is being divided if you look at it. L1 represents the first time who borrows from Jana. L2 is the second time borrower. L3 is third time and fourth time. The individual book which is primarily 100% existing borrowers contribute almost 53% of the book.

And those are our existing customers who have been with me at least past the two life cycles with us. What you look at the first time borrowers are primarily what we book through URCs and what we book through business correspondence. So overall portfolio of INR9,500 crores is highly diversified and much more stable than that.

To go ahead, five years back when we became a bank we actually did a bureau run all of our customers. We found out a lot of our customers got loans with other banks like 2Wheeler or MicroLap or housing loans, gold loans with others. So when we became a bank it gave us an opportunity to offer a full suite of products for the customer.

And the customer was actually wanted to have a one stop solution instead of going to three or four different places. I got a base of four million active customers. Almost eight million close loan based customers who had a past relationship with Jana.

We are progressively migrating these customers from an unsecured base to secured base. Started the journey pre-COVID. Now the last two quarters the collection issues have got stabilized, so now rebuilding the focus back on how do we graduate good customers from me, from unsecured to secure and how do we offer them a full suit of products of housing, 2Wheeler, gold, savings account.

Let me introduce Rincoo, Rincoo is the person who sits at the last. He joined the bank six years back. He's the one who built the affordable housing and the micro housing book.

We both have been working together to build customized solution to how to upgrade these microfinance customers. We both believe and strongly believe that it's just the tip of an iceberg. We still have a long way to go. So over to you now Rincoo.

Rincoo Vachha: Yes, thank you Sudhir. A very good evening to all of you. It's been five and a half years since we started our affordable housing business. You will be seeing something stated as home 360 on the slide. Now let me just briefly explain what this 360 strategy is all about. I mean over a period of time, we have consciously moved from just selling home loans to a home 360 strategy.

If you look at the affordable housing landscape, competition landscape, who are our competitors? It would typically be the housing finance companies and most of these housing finance companies who specialize in lending to the formal, informal and semi-formal segment. Now these companies typically are a single product company.

And we right from the outset knew that we have a distinct advantage over the competition because we have a suite of products, be it on the asset side or liability side or insurance for that matter. I must say when we started, we started on the similar lines as these housing finance companies. But over a period of time, I mean this advantage had to be leveraged upon somehow.

So what we did is basically once we got a foothold in the affordable housing lending, we said no, let's not just sell home loans, we will sell HOME 360 to our customers. So this thought process and conviction led us to come up with the HOME 360 strategy. Now under HOME 360 strategy, housing loan acts as an anchor product. Now when I say anchor product, if you see any individual in the country or for that matter globally also, everybody has an aspiration to own a property or a home, right? So all his financial needs through the various life stages always revolve around the housing loans. So we thought why not align with the customer's balance sheet our strategy in sync with the customer. And at the same time, use housing loan as an enabler to sell multiple product offerings to the customer. So that's how HOME 360 came into being.

Now how does HOME 360 help the customer? He doesn't have to go to the multiple institutions for whatever financial needs he would have. Here we are explaining to the customer, Jana Bank is a one-stop shop for you, right? And you can actually bring your bank home. And that precisely is what the tagline is for the HOME 360.

Now how does it help our customer? A), like I said, he doesn't have to go to the various institutions. And B), ease of lending. I mean, every time you need some financial product, you don't have to go through the rigor of repeated onboarding exercise. And we know the customer. We take a faster and quicker decision. And I must say that the digital transformation that bank has gone through and the customer scorecard which Raman has built has really made this transition from housing loans to HOME 360 very fast, faster and better, I must say.

And if I can say that, you know, HOME 360 is one of the differentiators in housing industry for Jana Bank, the other big differentiator would be our customized scorecard. What this scorecard does is basically, you know, when you talk about semi-formal or informal segment customer assessment, there's a lot of human element involved. Now this customized scorecard has taken that human bias out of the picture. You know, the initial elimination happens through this customized scorecard. So it helps me take faster and better decisions.

And look, our processes have become so robust that we are capable of delivering a sanction within a day's time. Today morning, I signed an application, which is again digital. It's absolutely paperless. I take an application from the customer. By evening, I could have, you know, sanctioned the case. And I will follow each and every, step for due diligence, whatever is required to underwrite that customer.

I mean, I log in the file. It goes to the underwriter digitally, whosoever in the proximity of the customer. He will do the personal discussion. He'll follow the complete rigour. And then it will go to my centralized unit wherever the sanction happens. And by evening, the sanction will be given to the customer. So that's how fast and robust our system is. And this customized scorecard, which Raman has created, has really given us a very strong edge over the competition.

Now on this slide, you will be seeing two-wheeler loans at 100% LTV. Sounds very aggressive, right? Now if you go to any institution, they may give you, what, 85%? Or even if a standalone customer comes to me, 85% LTV. Or 90% LTV, for that matter, if you are an affluent customer. Now I'm giving 100% LTV to the customer, two-wheeler customer. How am I able to do that?

You heard Ajay say at the outset, our LTVs on property back loans, be it housing loan or micro-labs, are in the range of 35% to 45%. So I have that room with me. I'm just giving 15% additional LTV on two-wheeler to the customer, which is very nominal. And at the same time, I'm cross-linking that loan to the parent loan. So I'm covered. And imagine the kind of, you know, wow factor it creates for the customer.

If you pay 0.5% fee, you will get a helmet more expensive than that at, –so for the price which you would have bought a helmet, you can take a two-wheeler home. That's the kind of pitch. And the acceptability has been tremendous as far as this product is concerned. And likewise, you can see several products mentioned here under HOME 360, be it health insurance, current accounts -- asset-linked current accounts or savings accounts, gold loans. I mean, everything has a relevance. All these products complement each other.

And on the left-hand side, you will see this pre-approved loan. Now, what is this pre-approved loan? Again, that LTV cushion comes into play. I offer pre-approved top-up loans up to INR5 lakh to the customer who have exhibited good repayment behavior with us, good repayment capacity with us, on us and off us. There is a thorough due diligence happening around it, which is, again done by, analytics team led by Raman, which helps us do that. So we are able to decide very quickly whom to give this pre-approved top-up loan and whom to not.

And how it helps the customer is basically this pre-approved top-up loan he can use as a business loan or he may want to construct one extra room. He would use that as a home improvement loan. Now, the customer from this segment, if he goes out to another institution to borrow a loan of INR3 lakhs or INR5 lakhs, he would get it for rate of interest not less than 30%. And if you look at local moneylenders who are still very, very prominent in Tier 2 and Tier 3 towns, they would charge you to the tune of 45% to 50% also. And we've seen that.

Now, I am here offering him pre-approved top-up loan proactively because he has shown good character on my books at, let's say, 18% or 19%. That's a big, big benefit for him. And how does it help me? See, for affordable housing industry, again, there are two prominent risks. One is the fraud risk, which, again, like I said, Raman's efforts have helped us to ring-fence our business against the frauds. And second is the BT Out risk.

The moment customer creates a, you know, vintage of, let's say, one year or 18 months, there will be other lenders coming in to picture and offering him extra top-up. And there's always this, you know, lurking risk of customer moving out of the bank. Now, when I give him the pre-approved top-up loan, the bond becomes even stronger. And the propensity of that customer to stick with the bank goes much higher.

Can we just move to the next slide? Okay. Now, the proof of the pudding is in the eating. You can see the numbers. Now, what does the first chart tell us? 3.5 average relationships with one customer. So every housing loan customer or micro-lap customer who is on board, as we speak, post-HOME 360 initiative has minimum of 3.5 relationships with the bank. And look at CASA penetration, 98%. So this means 98% of customers who take a home loan from me open a current account or a saving account with me. And it's not just a dummy account.

Look at the last chart at the bottom right. Average monthly balances are to the tune of 21,000, which is quite significant. When you, you know, multiply this with the average CASA penetration we have, you can do the math. The kind of CASA objective of the bank, how housing loan customer helps us fulfill that. Health insurance, penetration is as high as 91%.

This health insurance is not something which is bundled with the loan. It's a tailor-made product for our customer segments specifically to shield them from enforcing health-related issues within the family. Let's say, for example, he would have to pay a premium of 6,500 and he would be covered for two years with a cover of 50,000 or 60,000. So there are various, various aspects to it.

Likewise, if you see pre-approved top-up program, which I just spoke about, 13.3% of our customers are already having this pre-approved top-up program, and book is behaving excellent. Absolute top-notch book. And two-wheeler, like Ajay mentioned, is still in an infancy stage and it is on a growth path, and I'm sure we'll have a similar kind of acceptance as far as two-wheeler is also concerned.

Now, for me, to grow my housing business, there's one man I look up to within the bank who's sitting to my right, Mr. Shrinivas Murty. He gets more funding, cost-effective funding, I grow better. And Shrinivas has been with the bank for the past three years, and he's really given a positive spin to our CASA initiative. Over to you, Shrinivas.

Shrinivas Murty: Thank you, Rincoo. My job is very clear. I have to keep my CFO happy by making sure that I get low-cost funds. I have to make Rincoo happy, so that every customer that he gets for the bank doesn't go back, he gets his money, and I have to keep Sudhir happy that he can continue his business. That's my job.

Ajay Kanwal: I have to keep him happy.

Shrinivas Murty: I'm very happy to hear that. And that's exactly what we are trying to do. If you see here, for the last two years, when the entire system was struggling with liquidity, we've been able to grow the book at 28% CAGR, 27.8%. For the current year, Y-o-Y, we have grown the book by about 36%, which clearly tells us that there is leverage that we have, that we've built with the help of the branches that Ajay talked about, the cross-sell that Rincoo does, and all of this has led to an incremental LDR of 85%. Ajay talked about it, that for the current year, our deposit book has grown more as compared to the assets. This has also resulted into lowering of the LDR, overall LDR from 108.5 to 104.5 for the current year.

Now I said, I have to keep the man sitting in the middle, our CFO happy, which is exactly what we are trying to do with the help of CASA and retail deposits. Our CASA and retail deposits combined are at 68% thereabouts. We have been also able to keep our cost at bay. For the current quarter, for the quarter between September to December, our cost of funds is stable at 7.6%. For the two-year period, we have brought down the cost from 8.1% to 7.6%, and that's exactly what I said when I began the discussion, that that's, I think, my core job.

Ajay talked about the vast geographical network that the bank has. Incidentally, we are the most diversified bank in the SFB space as far as branch network is concerned. Now that gives us leverage to grow further. We started with 39% in top three states; Maharashtra, Karnataka, and Tamil Nadu, and I'm happy to tell you that we brought it down to 30%. That brings our reliance down from these states, and we've been able to grow new markets.

We've been able to grow NCR (National Capital Region), which is a large deposit market. We've been able to grow UP, which is emerging as a large deposit market. We've also grown West Bengal, and the other states have also started growing. So clearly, we are able to now leverage our network. We are able to make sure that we get deposits, not just from three, four states, but across the country, you know, across our branches.

I would call out -- next slide, Ajay. I would call out four key enablers for our deposits, and one of them is the optimization of our branch network. The other is, of course, the productivity initiatives that we've taken. The third is launching of new products and segments for the bank, and fourth, of course, is the digital way of life in Jana. Now, this largely talks about how we are leveraging our branches. If you leave aside the UBRs, which are 280 in number, out of 781 branches, we have 501 here, and they are plotted against their vintage.

As the vintage of the branches grow, we are getting exponential improvement in the CASA balances, exponential improvement in the deposit book for the bank. For example, from three to four years to four years, there's an exponential rise in the deposits. Now, when we shift branches, we have legacy branches which are engaged -- which were engaged in assets, largely. We relocate them to a deposit-centric market, a high-street branch, where we can also leverage the deposit opportunity in that market. Now, that gives us two, three advantages.

One is that I'm not incurring a large amount of cost vis-à-vis opening an entirely new branch. I'm just moving the infra from X location to Y, probably the rental costs are going up, probably some of the other elements of costs are going up, but I'm able to move the largely asset-centric branch to a deposit market, and I'm able to leverage the deposit opportunity in that market. Now, we've done that in the last year, and I'm happy to share with you that we are getting excellent results. Similarly, we have opened new branches as well, but large focus is on moving these legacy branches to new deposit-centric markets.

We have a runway of about 215 branches that we've identified, which will be moved over a period of next few years. Now, why I'm saying that is because we also have to keep cost at bay and make sure that we are leveraging the branches. All these branches will move into one-year, under-one-year bucket, and they'll start performing as the vintage is gained. Now, I talked about productivity. Jana has one of the highest business per employee as far as deposits are concerned. We are in excess of INR10 crores, and if you see, our four-year-plus branches are at INR13.64 crores, right?

And as the vintage grows, the per-employee business also grows, signifying that we are able to leverage the catchment opportunities on the deposit business side and make sure that our people posted in those branches are producing more and more as compared to the competition in our catchment. We are doing another thing. We are expanding the segment of business that we cater to. So we are -- apart from TASC, NRI, we are launching a new initiative, which is probably one of the few SFBs which have done this. We are reaching out to mass affluent opportunity in the country.

We are calling it Exclusive and Premier. This is aimed at acquiring new customers from these segments and also making sure that our existing customers who get better services or superior services from their existing bankers, they continue to bank with us. We reinforce them. We also move their family business to us, and therefore, we've hired 121 RMs who will cater to these set of customers, both new and existing. We are seeing amazing results out of this initiative, and I'm sure we will continue to do well in this segment.

We've also added 78 new relationship managers to make sure that we get current account business from current account-dominant markets. There is a huge, large opportunity there that we believe in. So a combination of productivity improvement, optimized branches, and the new product initiatives, I think we are very well poised as far as our deposit journey is concerned. The last element of our deposit effort is digital, which is, in a way, the DNA of Jana. And Ajay talked about it, and we have really invested extremely well in our digital infra.

I am happy to tell you that 99% of our onboarding happens digitally. Okay, so if I walk into a customer today, and if I want to open her account, I'm able to do that in three hours, less than three hours. And the whole journey happens digitally. I don't have to move paper, and that brings cost efficiency, also turnaround time. I'm able to give the customer the account number and the ability to transact with me on the spot in three hours if everything being in place as far as documentation is concerned.

Now, 98% of our transactions happen online, and that's really amazing. 92% of our loan origination happens digitally. Nearly 90% of our people have mobility solution, which they use to onboard new customers. So that's as far as the digital infra of the bank is concerned. We are seeing amazing results around this.

Our mobile app, I was talking to a few gentlemen here, and thank you for your appreciation of our mobile app. We are either at par with the large banks or better as far as our mobile app is concerned. I'm a user myself, apart from being an employee. I'm extremely happy, and I'm sure if you try, you will realize this. We have app store rating of 4.6 to 4.7, which is probably one of the highest in the banking space. We are growing our digital transactions extremely well. We are registering more mobile customers every day.

We have three enablers as far as the customer's transactions are concerned. Two are physical and one is digital. When a customer is onboarded, we give a cheque book, a debit card. And the digital enabler is mobile app, because today's times, you can't do anything without a digital app. So that is what is resulting into multi-fold improvement in our UPI, NACH.

I would like to call upon another initiative that we've launched and which is really successful. This is around Merchant QR, and there's a lot of talk around this in the recent times. We all know why. But the Merchant QR is a huge success for us. We have installed excess of 12,000 Merchant QRs. 79% of them are active, and we are witnessing five-fold improvement from the balances of these customers.

Now, how is this possible is once the customer is onboarded, the next morning, customer can download the QR code to make sure that the payments are made through the QR code into our account. And this is revolutionary, because the moment the customer has QR code and the customer can start using the bank account, this really helps us to build CASA balances in the account.

I talked about physical enabler of debit card. We have seen 27% improvement in our debit card penetration. On the stock, we are at 65% penetration on debit card. Incrementally, we are doing 75% of debit card in the current financial year. So on a net basis, I believe, with the help of these four enablers that I just talked about, we have a huge runway of opportunities available on the deposit side, and I'm very sure that we'll continue to grow at the pace that we really want to be able to meet the requirement of every other gentleman in this dais. Thank you so much.

So with that, I would like to introduce the youngest colleague and our CFO, a homegrown talent and a very competent CFO, one of my favorites, Abhilash. Over to you, Abhilash.

Abhilash Sandur: Thank you, Shrini, for the introduction. Key message, so I'd like to reiterate, Ajay mentioned about the ROE, ROA, also mentioned about the GNPA in the initial slide itself. So this is basically what we have put in the efforts to move towards secured business, which gives us the improved yields, also reduction in the NPAs, also has led to the reduction in the interest reversals, which had led to all the improvement in the NIMS and the yield on advances.

So we've also seen the ROE, ROE, which is highest ever historically, which has crossed 20% for the YTD nine months, and ROA at 1.7%. The cost-income ratio -- we were not fully invested during last year, , so Shrini mentioned about various initiatives which has taken, so there is a slight up in the cost-income ratio, but current year is more real is what I can say. And if I look at the revenues and also the operating income, which has grown approximately 90%, which is 90% of our FY'23 numbers, actually. So we have achieved 90% in the first nine months itself. That's the other thing which I wanted to highlight in this slide.

So next slide, moving on, I wanted to cover two key messages. So our PAT has grown 99%, highest ever PAT, quarterly as well as for YTD. This is after doing the listing, so we just concluded the listing two weeks ago, and after doing the listing, we have achieved the highest ever PAT quarterly as well as the YTD PAT. So that's the other message which I wanted to highlight. This is just based on a trend line.

Also, one other important element is, we have reached to the levels, pre-COVID levels in terms of GNPA and NNPA. The PCRs is at 68%, which is very high. Also, NNPA and GNPA of both secured and unsecured products is around 0.7%. So I would like to give it back to Raman, who will talk more about the GNPA and NNPA at our product level.

Krishnan S. Raman: Thanks, Abhilash. Very quickly, Abhilash talked about the steady reduction of NNPAs and a steady increase in PCR. Ajay talked about the split between secured, unsecured, and the BC portfolio. On the portfolio level, he said 60-30-10. Now, as far as secured is concerned, your biggest NNPA of INR88 crores out of the INR156 crores is in secured.

Now, we've got an LTV of 40%. Everything -- this is entirely property-backed assets. We've got enough experience over the last few months, years, in terms of realization, regularization, and given our experiences in terms of low LGD, I don't see any incremental -- I don't expect any incremental losses coming from this portfolio.

On the unsecured book, our net NNPA is INR59 crores. There is a PCR of 80%. And recoveries are pretty robust. And on the BC portfolio, we have the service guarantee, which Ajay alluded to earlier. So that's really the story on the GNPA and NNPA, where both have pretty much reverted to pre-COVID levels. The restructured book post-COVID based on the RBI schemes, we had offered a lot of restructure, but right now, only 0.5% of the book is lying in standard restructured assets. So these are really the two -- and these are mostly secure. These are really the two messages that I wanted to highlight on this slide.

The next slide is about the credit cost. The credit cost, I just wanted to highlight a couple of observations. There is a reported credit cost in the credit cost line, and there is any asset where the asset has been written off, any recovery that I get from that goes into the other income line. So what we've talked about on the first line is credit cost and the second line is what are the recoveries which are reflected in other income.

And therefore, the net credit cost is what we have expressed as a percentage of the AUM. And the key messages here are that, after COVID, in March '22, our net credit cost peaked at 3.4%, which came down to 2.5% in FY'23, and for the nine months annualized, December '23, it has further improved to 2.3%. So these are really the few key messages that I wanted to highlight on this slide. After that, I just wanted to hand you back to Ajay to bring up the last few slides.

Ajay Kanwal: Thank you, Raman. And as this is the Board, your left-hand side is the independents, led by Dr. Khuntia. Dr. Khuntia used to be the IRDAI Chairman. And on the right-hand side, you have all the non-independents led by me, and Raman's joined the Board in Jan as the second ED. Ramesh, our Founder, and Rahul was the TPG nominee on the Board. So that's a good, well-rounded board. And with strong independents, you will see that you also have Mr. Vijaya Kumar, which is the last box in the corner. Mr. Vijaya Kumar has been a lifer with RBI, retired from RBI, and he joined the Board. He retired as an executive director of RBI. So good Board, very professional board, very engaging board.

I'm pacing a bit because I do realize that I do want a lot of time with Q&As, and we are a bit first analyst meet, so we have probably spoken a bit too much. Again, no particular order, but I've done this by age. So Abhilash, the youngest, so that is a 35 to 45-year-old column. Sudhir leads the second column, which is 45 to 55, and the last column is 55-plus. Raman and I are not on this page because we don't want to reveal our age, but roughly tells you that we've got a bank with a management team which is more than 24 years of experience.

But also has a very good mix of folks who are coming up the curve as well as folks who've been there and done that. Our bias originally was to have a lot of people who've been there and done that, but incrementally we are now, of course, going for the future talent as we're building up the bank.

On this page, I think we have covered everything that we should have covered, which is 16 years as an institution. And of course, for us, the very important milestone, which is why we are all together as IPO, which was last month. Our strength, I mean, I'm just reiterating what we've been saying all along, but I would really bring out a few things, which is the last one first, which is the proven execution ability. We have done our turnaround and transformation organically, and we have done it through one of the most difficult periods.

We started with the ILFS, went into COVID, and yet we are here sitting with a bank which is transformed. And I must tell you, during the journey, enough times to go back to the old ways. Let's do more unsecured at 24%. And we chose to stay where we are because we did know that we were on the right path and we were where we could be core in our strategy of building a customer-level franchise. So I think what you see here is a management team as well as full support from the Board to really execute, digitize customer organization, pan India, you heard Shrini.

I mean, Shrini has done a wonderful job of growing deposits. And he's bang on saying, one way to grow deposits to put another INR20 crores in advertising. But then you folks will not be happy with cost income. So how do you grow deposits in a very measured way, just right for purpose? And I think you need somebody with that level of experience. Shrini has done 29 years in banking, so he has that background. And what can be done, what should not be done. Strategies, folks, listen, it is going to be more of the same. We are serving middle of India. It's a very large, underserved market.

Our model is working. We just want to stay core to the model. There's huge room for us to grow. So we are not in a hurry to launch commercial vehicles or anything else. We are very core to where we are. And we will continue on the same path with, of course, making sure we do all the right things, whether it is going more rural in microfinance, improving risk profile, more retail deposits, more customer relationship, more digitization. So it's about just executing more because truly the size of the pie that we are addressing is very, very large and clearly underserved.

CSR, listen, one thing I did want to talk about CSR is all our CSRs are employee led. These are schools, institutions, which need help near our branches, where our staff personally executes along with the institutions, the CSR events. I think it gives our staff a lot of happiness because ultimately we are helping the communities, but also give us true bonding with the communities that we are in.

We've been recognized, and I did want to put a few awards that we got, but you see from our data quality, we've got the best FinTech only last week, which Gopal, our treasurer, went to receive. And we've also got the National Best Employer Award. And these are the three awards we got, but see the diversity of awards that the bank has received. It also tells you things that we haven't covered here, but haven't missed out. And these are critical when it comes to data quality in a digital life cycle, or when you have 20,000 people getting the best employer.

With that, I would like to stop here, and I will open the floor for questions, and thank you so much. Please, somebody has got a mic? It's okay. I can repeat your question.

Manish Ostwal: Thank you, sir. This is Manish Ostwal from Nirmal Bang Securities. My question on your HOME 360 strategy, and your comments, you said that while taking the two-wheeler loan, you'll be having the risk through HOME. Could not understand, because if somebody takes a two-wheeler loan from Jana, why would HOME collateral come with that auto loan or two-wheeler loan, basically?

Rincoo Vachha: See, we basically do the cross-collateralization. That housing loan is there with me. And if you look at the industry average, the housing loan runs for the average life of seven and a half to eight years.

And if all goes well, it can run up to 15 years, 20 years also. And when a customer takes a two-wheeler loan, and I cross-collateralize, I'm saying, if he wants to take his property papers back, at that point in time, he has to foreclose a two-wheeler loan also. It's not like I foreclose my property loan, take my property papers back, and two-wheeler lies with me at 100% LTV.

So that's where the cross-collateralization comes into it.

Manish Ostwal: Am I correct? You have only those two-wheeler customers who have a home loan with you?

Rincoo Vachha: Yes.

Ajay Kanwal: Sorry, I just want to add to that. So we do two-wheeler as a business, and also home loan customers or micro-lap customer or MSME customers will also be offered two-wheeler loans. The difference is if you're a home loan customer, you'll get 100% LTV, and you'll also get a fee off, because you're my existing customer.

Cross-collateralization, anyway, under bankers general lien, all your assets are cross-collateralized. That is a regular law. But in this case, because we are specifically making an offer 100% LTV and giving a price off, we're making sure he understands that, that listen, if you do want to close your home loan, your two-wheeler is outstanding, that is not good enough.

Similarly, very important, when he said 13% of our home loan and affordable housing customers have business or personal loans outstanding, they're also cross-collateralized. And I must tell you from experience, when we call up the customer and say, you've got a pre-approved loan waiting for you, normally they're very delighted, because the informal segment doesn't really get a pre-approved offer. The bank is calling them, here it is.

But look at our side. I'm getting a home loan or a business or a personal loan at a 17 to 19% range, cross-collateral with the home. The customer is able to save 7% to 10%. He's getting a much larger amount, plus his tenors are 36 to 60 months. So from his perspective, it's low cash flow, low interest rate, and pre-approved at home, delivered in one day, which is what digitization has done.

Now that wow factor will make sure that he will never leave us and certainly become our ambassador to other customers, both in his office or his neighbors. That's the basic idea.

Manish Ostwal: The second question on the overall increasing share of secure mix in the business. So it will have some impact on the margins, but obviously, credit cost will be lower for those segments. So on an overall basis, how do you see the ROI impact because of increasing share of the business?

Ajay Kanwal: That's a fair question. So before I let Abhilash give you the numbers, let me tell you the big picture first. From zero, we have reached 60. So the big portion of turning secured is already over, already in my margins.

The second thing in my margin is having a BC book of 10% because obviously, they take more revenue from us. So two things are pre-baked in my 7.9% NIM. Now what is left is from 60 to 80, or 85 or 75 or 90, as it may be.

So now left is a tail, which is not the big piece. And you rightly mentioned, it will reduce cost because secured does end up being a low-cost income business. And second, it also reduces gross NPA and net NPA. Numbers are what CFO will share.

Abhilash Sandur: So the NIMs currently, which is at 7.9%, will be going towards 7.8% or 7.7% for the next two years. There will be ~20-basis point impact. However, the CASA, which is currently at a 20%, 21% sort of a CASA ratio, that will also go up. So that will give the benefit on cost of funds side. So overall basis, the NIM will, when we grow the secured side of business, also the CASA will improve, which will offset the cost, basically will offset the impact.

Manish Ostwal: Lastly, on your deposit slide, which is you mentioned the vintage of the branches. Can you go through that slide? So it is not mentioned whether it is numbers in crores or nets.

Shrinivas Murty: I realize that. I'll just explain that. Yes, I'll explain that. So the first picture there, the extreme left, extreme left number of branches is number of branches. Right, that number totals to 501. And that is the vintage.

And these are in crores. These are deposit books in crores, CASA in crores, average deposit in crores. In the business per employee, the graph is business per employee. And the numbers given on the top of it is the number of employees engaged in liability.

Manish Ostwal: So this is, you said in your talk, it is INR13.64 crores?

Shrinivas Murty: Yes, so the last one, four years and above, it's INR13.64 crores. So that is in lakhs. That is in lakhs. So INR1,364 lakhs is INR13.64 crores. Overall, it is INR10 crores. Like I said, overall INR10 crores per month.

Ajay Kanwal: Just to add, the key piece here is this one. There are 215 combo branches he has to relocate. So what basically it shows is there's enough dry powder. As he relocates his branches, the liability growth is very obvious to come because I do think one of the questions you all will have is as you grow the asset book, how sustainable is your liability growth? And both the combination of branches, RM, segment launches, marketing, and digital, we are pretty ready. Nine months, of course, you have seen the results of nine-month deposit growth, but we're also sharing with you what you should expect as you go on because we are fairly comfortable in VCR deposit growth. That was the idea.

Manish Ostwal: One question on the philosophical level. You said the growth is not difficult in the current environment, but the good growth is what matters. So let's build a scenario where the deposit mobilization getting difficult for the smaller banks, then will you grow or grow slower or you will still grow the balance sheet through other ways of financing instead of retail, core, granule deposits?

Ajay Kanwal: Right. So two, three things. One is while we would have, we will spend next time when we meet more time, we also have multiple de-risking strategies to fund growth. So for example, we do have a DA book where we are selling down assets, roughly about INR1,400 odd crores we have sold down. So if we do feel that we are growing a bit faster than what we had planned, then we certainly have a plan to sell down our assets. That's number one.

See, but the philosophical, since you said it's philosophy, if I have a choice to do 22% versus 20% and I feel 20% is more comfortable from a risk perspective, I'll do 20%. When I said that, what I did mean is we will not compromise risk quality for the sake of growth. I'd rather grow less, but I want to grow well.

My bias, again, of turning secure, being a customer at balance sheet is to give sustainability and reliability. To be having a very consistent quarter-on-quarter, year-on-year growth is the right answer. But really not trying to jump up performance.

Even you see CASA, can I push it harder? I can, but I do know cost income will take a blip. We have seen people have higher CASA, it falls down again. We don't want to go that mode. Let's go steady. There's enough and more room in the business and touchwood folks, you know this. Economy is doing very well. So there's enough and more tailwind we have. So let's be as steady as we can.

Manish Ostwal: Sure, sir. Happy team delivered to the happiness to the investors. Thank you.

Ajay Kanwal: Thank you. Pass the mic around.

Kunal: Hi, Ajay and team. Congratulations in the first place for turning around, as you said, building organically the secured book, right? So this is Kunal here from Carnelian. I have this question on seasoning of the book, you know. So there's been a growth in the secured piece, which has come in the last three, four years. You did mention that LTVs are pretty comfortable.

So loss given default chances, which is obviously the case with a lot of housing finance bank is not there, but still the large part of the growth has happened in the last three, four years. So what's your take on seasoning of the book and specifically the MSME book? That's the first question.

The second question is, how do we see the eventually ROE settling down once the cost to income ratio kind of settled down a bit because a lot of branches are yet not seasoned, right? So how should one see that, you know? And third thing also linked to that is we have a long runway to go on the CASA piece, which I think is, so also in relation to that, how do you see the cost to income playing out?

Ajay Kanwal: Okay, so let me take one-by-one. See, the first one is a very good question and we got that from the rating agencies also. So I'll just make a few very high level points and Raman you can add in.

See, first is we have a scorecard, which is implemented more than two years back and we are coming with the next version. Now, what does a scorecard do? This is a very specific scorecard for the product, which means Bureau is yes, more than 680 or 700, you can choose.

The moment you put it to your scorecard, in at least 10% to 20% of cases, no, because the Bureau is very generic, right? One scorecard is good for personal loans, the same scorecard is good for home loans. But once you narrow it down, you get much sharper results, which is what Raman has created and we are now going to version 2.0 now because now we have so much more history, so that's one. Two, we took a vintage off because 2018 is when we began our business. So we said 2018, 2019, 2020, what did we book? How much of that has run off?

Either pre-closed, right? Or they have repaid. 70% of the first two years asset booking, both in MSME and in MHL, which is micro-housing, affordable housing, has actually run off. So it tells you two things. If such a large book has run off, that means you have seen the performance that you should have seen. Typically, if it takes longer to run off, which happens when you have a 15-year loan, then you don't know.

But we have already seen from practical, and we have done that data for our rating agencies saying, what is a run off based on year of booking? The second very important thing which comes out from that is the affordable housing actual behavior is equal to prime mortgages. We are clearly seeing a seven, eight year trend line on an average basis for housing.

So I think comfort level on seasoning of secured book is good. We did see a small blip in MSME post-ECLGS banded came off. And that is already visible in our numbers. If you see our gross NPA of MSME is slightly higher. So that is already taken in. But remember, our MSME is fully secured by collateral, which is property.

So while it may have a slightly higher gross NPA, like Raman said, LGD chart probability is very low. ROE settling down, listen, for us, consistent ROE over a period of few years is more important. So I think a 15% to 20% range is good for us.

Now where will it finally end? I think it's both a function of how we operate and how the environment operates. So I would rather be in the 15 to 20 range. Bias would not be to kind of make it as high as possible because I'd rather come to you and be a very consistent player rather than be a high-end and low-end player. So that's how we typically are thinking. See CASA, this 215 branches which you see, these branches exist, you know?

They're just not in the right spot. So when you move the spot, you will have higher rental. But they will not be new rental. So let's say I'm paying INR80,000 to the rental. It'll go to 120,000, maybe 150,000. But I already have a network. I've already invested in the branch infra. They'll get transferred. So our incremental branch growth is going to be more of a marginal cost and not a new cost. That's one. Two, as the book size grows, we'll be able to absorb. So my bias really is I don't see a significant need to get worried on cost.

We think cost in the mid-50s is more like it. And as you grow the secured book, that is most natural to see. See, secured book doesn't run off very fast. Two, it doesn't have a collections cost. So if you just take two parameters, you should normally expect, and if you take productivity per employee, that's much higher in secured. So all things put together, I think cost will be on the more improving side in my head. And that's what our plan shows. Sorry, I know you want to say something, but before that, Raman, did I miss something?

Krishnan S. Raman: I mean, the only other point I would add, Ajay, is that we have our static pool analysis. I mean, seasoning is one thing, but I actually get a good sense of early delinquencies at four months after booking, five months after booking. And barring any event shocks, I mean, that will give you a predictability of what that cohort is likely to be. You're right.

Ajay Kanwal: Anything I missed on the ROI or cost income?

Kunal: Pretty helpful. Just one thing more. I mean, some data point as to how is the per same customer ticket size, right, moved basically to see, basically because we are doing a lot of cross-selling, right? As you said, that 360 degree. So some data on that also probably can kind of help as to how, you know, the same customer is moving along with the Jana journey?

Ajay Kanwal: So I don't have the data, but I'll tell you principle. You're 80% LTV or 85% LTV, you will not get an offer from us for a business loan. You are at 60 to 65, you'll get the business loan offer. So that's rule number one, which is based on your loan-to-value and based on your ability to serve an EMI, I will either make you an offer or not make you an offer. So if you're high LTV, no chance. Over-leveraged on Bureau, no chance.

If I think your cash flow is not enough to serve another loan, I will not give it to you. See, the point is we can pick and choose our customers where we think they are good credit, but they have a need and are available. Customers where I think they're over-leveraged, where we think they're not on solid footing even in their business, I will not make them move.

I will hold back. So rest assured that we are there for customers, but we are also making sure, like I said, there has to be good growth. It is not growth for the sake of growing. I don't have the exact data, but the list of who gets what is released by credit.

Kunal: Got it.

Ajay Kanwal: The people on the ground will say no, saying, yes, sir, your statistical model is good, but every time this customer comes, we have a problem, so we don't want to give the money. So we actually have a pushback. Even in Sudhir's case, in MFI, we release a list of a group loan customer who can graduate to an IL.

We get pushback from the branches, saying, yes, sir, he's good on performance, but he always makes us wait. He always asks us to come the next day before he pays. I think we should not give more money.

So the branch then pushes back on anything that is pre-approved by us, which is a good way I think our model works, because a branch knows whether it is housing or it is microfinance, if you have delinquency, the first person who goes to collect is a salesperson. There is nobody in the bank who doesn't collect. Sorry.

Kunal: Very interesting. Thank you.

Ajay Kanwal: I really want to go here to the gentleman in the, please.

Ankit Pande: Thank you, thank you. Thank you for taking my question. I'm Ankit Pande from Quant Mutual Fund, and thank you to all, and a very good evening. I think a couple of questions. One is if you could throw some numbers around your PSL book, priority sector loans, how much qualifies, etcetera, etcetera. And second is a more conceptual question, I suppose, where, I mean, the RBI DG recently made comments saying that microfinance rates are too high, and things of that sort.

And I suppose that's a very subjective element also, but also fair in many ways, 20%, 50%, borrowing rates for those kinds of people. It's tough to take. So conceptually, how do you counter that risk, or how do you even put counter arguments to them?

And if you say that risk is too high, therefore my interest rates are high, but how does that argument go beyond that? I mean, they can probably say, look, I'll securitize X percentage of it, and you've got to reduce the interest rates by that percentage. So how do you conceptually, as investors also, how should we think about it? Your comments, please.

Ajay Kanwal: Okay.

Abhilash Sandur: Yes, on the PSL book, most of our assets qualify for PSL. It's around 90% of our book qualifies for PSL. Okay, and we also, in our P&L, you would have seen there is income, which we, based on sale of PSL, we earn revenue out of it. So that's the background.

Ankit Pande: How much is that last year?

Abhilash Sandur: So we have done around INR45 crores to INR48 crores of revenue in PSL, so which we continue to earn every year, because most of our assets qualify. Our requirement is 75%. We are at 90%, 91% of our assets qualify as PSL.

Ajay Kanwal: Right. On the issue on interest rates, listen, there are a couple of facts, you know, which is we moved to a deregulated environment on interest rates, and that has been a conscious decision made by the industry, as well as, of course, with the blessing from the regulator. To the industry, it's very competitive.

Right, and in a competition, price discovery is on market forces, which is happening as we speak. Number three, very important, is people are looking at through-the-cycle losses, and we're talking of ECL in banking. So it is not difficult for anybody to imagine that all our numbers are public, and certainly no to the regulator, for sure, and so also NBFC, right?

So they will have a look at what are the through-the-cycle losses, so what looks like a reasonable cushion to keep. So our understanding, as we speak, is listen, the decisions have been made. It continues on that path.

Having said that, look, what are we looking for? Rather, I give you a motorcycle loan of 50,000 or 70,000, rather than give you an unsecured loan, because why am I happy with that? I know the end-use is perfect, right?

You take a motorcycle, you will use it to bring your goods home, or you'll take it to sell your goods, you'll drop your kids to school. It becomes a productive asset at home, both for business, as well as personal life. So our bias really is to turn to equally good ranges of yields, but more defined end-use, right?

If you take a micro LAP, it's giving very good yields. Our micro LAP average yield on the book is about 16.5%, right? So our bias is moving towards there. MFI industry, I think we should just wait, but to our minds, I think we are in a very competitive market. I do know that MFIN industry, MFIN's body itself, has roughly about 90 registered players, and I can tell you that, Yes, it's a full house there. So market forces will determine, and I think that is where we are right now.

Ankit Pande: So your argument is basically that it's a competitive market. Whatever holds through, holds through. But don't you think it makes us all nervous? And the RBI makes comments like that. This is obviously well-quoted and well-understood, and they're obviously aware of the ground realities. It's not as if it's something new. How at all should we conceptually think about that? I'm still struggling. I mean, this is, RBI will make you nervous even as good a job as they have done, of course. So how do you think about it? This is something very difficult to understand.

Ajay Kanwal: So listen, what we want to do and what we are doing is making sure we are preparing for every reason why costs should come down. And Sudhir did speak about digitization. He said, today, a microfinance customer gets a loan with no document signature because the last piece of e-signature also is introduced. The last, the real cost is the cost of collection, right, where the physical person goes and needs X number of customers is equal to one person, right? That we're trying to bring down. So my bias to you is, listen, we ourselves will work on cost to make sure that costs become more affordable.

If anything happens which is outside our control, then I wouldn't know what to say. But fair to say that we are preparing for a moment where we get as optimized as possible. And as you know, it's not the largest portion of our book. Having said that, of course, it is material if it does happen.

Ankit Pande: Thank you.

Ajay Kanwal: Yes, please. Sorry, okay. Sorry, let him, since he stood up. Please, sorry.

Analyst: Thank you for the opportunity. I have two questions. First is, correct me if I'm wrong, your total number of branches are roughly 500 branches, am I right?

Ajay Kanwal: Total branch, 781.

Analyst: Okay.

Ajay Kanwal: The unbanked rural branches, Shrinivas has left them out of the count for growing liabilities. We do grow liabilities there, but they don't form a significant portion for him. So he's used a non-unbanked rural branch, which is 501, to explain his strategy on liabilities.

Analyst: So out of 500 branches, roughly 215 combo branches, you are planning to relocate, correct? So my question is, that seems very high as a percentage of the, so is it more like a trial and you are just, or is it location-wise we are going wrong by identifying where to put up a branch? Because that number seems very high to me, that's number one. Number two, on the digital side, if you can just tell us in terms of the total manpower, how many employees are looking for the total digitalization-related efforts, and in absolute amount, how much you are spending on a yearly basis? Thank you.

Ajay Kanwal: So first, the good question on, are these 215 branches wrongly located in the first place? So I'll add the, you have to just add up two things. We were an urban microfinance institution, and we still have some urban book left. These branches were open for microfinance in urban locations. So for example, near Sion in Bombay. But the location in Sion is not an affluent neighborhood.

It was open for microfinance. Relocating that branch from Sion to a more affluent location, say in Matunga, somewhere else in Sion is what? We want to do. So these 215, and because as you know, urban microfinance, we've already compressed, and we don't exist much. So those are the relocation branches. These are microfinance branches in a Bombay, or a Pune, or a Delhi, or a Bangalore, which needs relocation, where there's not much customers left, right?

We have done a few, some more on the way. So that's the 215 answer. Second is on digitization. I've never measured how many people work on digital, but I mean, we have a core team which does digital. But I think more importantly like that, you know, see, anything we plan is first digital. If we fail to do something digital, we will introduce paper.

So it actually works the reverse way. And a bit easier for us, because we have no legacy. Suppose I decide to launch used cars tomorrow. Everything will be like, what is available digitally from our employees' mobile to the credit manager's tab, to self-directed by customer, to registration at the dealership, connection with the, everything will work like that. Wherever a digital connection is not possible, we'll introduce paper. That's the way we work.

So I think if you ask me on digital, everybody works on digital. I'll give you one more data point. When we started the bank, in CPC, which is known as Centralized Processing Center, where we centralize process all the backend for asset and liabilities, we had roughly about 400 plus people.

Our balance sheet has grown 6x, 7x since we launched the bank. Both assets plus liabilities combined. We have roughly less than 200 people now. We have 90 robotic processes at CPC, which is Centralized Processing Center. So which is why the, when you say how many people in digital, I really want to say everybody, because there's nobody who gets to work on paper, really. Whether it is a backend person or a frontend person.

And the whole design is about digital. Nothing else comes to our mind. And listen, we are also blessed. The customer take-up on digital is so good. You know, we are not pushing against any friction. We are pushing against good experience, and the customer is absorbing it very well.

Analyst: Will it be within, say, one kilometer radius? That's what basically you are trying to say?

Ajay Kanwal: Sorry, what did you say?

Analyst: These 215 branches relocation, is it basically within one kilometer radius kind of thing?

Ajay Kanwal: So there is no restriction on where I can locate it. There is no one kilometer restriction.

Analyst: No, because what I'm trying to say is that your branches are not 20 years old, correct? The demographics of any cluster, whenever you've identified a particular location, correct, doesn't change meaningfully in five to eight, nine years. The entire demographic pattern of any cluster, be it Sion or be it Matunga, correct?

So that ratio still, I'm still not able to figure it out. You know, what makes you to change 40%? And if it is already identified, then why to do it in a phased manner? Why not do it in the next 12 months?

Shrinivas Murty: Right, so first of all, Ajay did clarify this, but let me also clarify again. These are our legacy branches, which were largely dealing with microfinance customers, urban microfinance customers, something that Ajay clarified. So I think that is where the, probably there's a communication gap.

So I clarify again that these are our legacy branches where we largely used to do urban microfinance, right? Now, we want to be in a place where deposits are concentrated, and that's what Ajay also clarified. To be able to do that, we will have to really move them from, let's say, a first floor or a third floor to a ground floor, prominent location.

You would like to visit a bank branch which is prominently visible. You can walk into there very easily, has a parking space, etcetera. So we want to make sure that without incurring much of cost, we tap the liability opportunity in the catchment itself. It could be one kilometer, it could be two kilometer. Like Ajay said, there's no restriction, right? So probably that clarifies the question. So these are not the liabilities, and these are legacy branches.

Analyst: And my one question was…

Ajay Kanwal: Let me finish the other question you asked, which is why don't you look at them all together? See, we've already grown 38% year on year, right? There is also a cost income you have to manage. There is also a management. Bandwidth, right? So let's do what we think is right to do, and no need to overbid cost or put management under undue stress. So which is why there's a phased plan how we do it.

Analyst: And how much we spend yearly basis on the digital development side?

Ajay Kanwal: See, there is nothing- Which is why I'm trying to like- We don't have a digital development cost, which we monitor specifically because digital goes in everything. So we don't pull out the digital cost per se. But listen, if I get a more specific answer, then maybe next time I'll help you. But for me, digital is like- There's no digital cost is what I mean. If you start with sales, a guy has to have a front-end app. His app has to have a app which doesn't allow him to make sure the data doesn't leak.

It starts from there, goes to the credit guy, goes to everybody else. So we haven't really pulled out digital, but when you have 90% odd using tabs and mobile phones, you can imagine it's everywhere.

Analyst: Thank you.

Kush Tandon: Congratulations on a successful listing. This is Kush Tandon from Ananta Capital. I have a couple of questions on the MFI business. I'm just seeing slide seven, which was presented. Individual loans have been largely flattish, INR5,100 crores AUM over the last nine months. Whereas the BC book is the one which is growing significantly. So is the strategy shifting towards the BC book? And if that is the case, what is the economics of the BC book? And is there concentration in the BC book also? That's the first question.

Ajay Kanwal: Okay, so Sudhir can add in, but let me first take off, or you want to start, Sudhir? Go ahead.

Sudhir Madhavan: No, the strategy would be the individual loan books will be almost a flattish. But we would have good customers coming in from my Agri booking, which is coming there. And subsequently, the existing urban microfinance book, which is individual, they can have a repeat loan from there. So book would more or less be flattish. The growth primarily will come from two drivers, the URCs, which is growing, which grew around 10%, and the BC grew around 24%. So that would be a continuous growth pattern much more in this case. So next year, we expect the growth to come from these two channels. That's it, sir.

Kush Tandon: Okay, and so how is the economics of the BC business work? How much do you share in terms of interest income? I have the business, so we...

Ajay Kanwal: I'll give you a range, not very specific. As you know, this is something which is pretty much competitive information. So broad range, it is very good for both the sides. For a BC, it is more about, for him, it's a profitable venture. For me, it's de-risking, as well as being profitable. So I think for us, these are two parts to it. The customer is mine, the credit is mine, the system is mine, the liquidity is mine, the capital is mine. And there is a fair reward for that. For the BC, he is sourcing and he is collecting, and there is a fair reward for him. And being competitive, I'm just a bit shy of telling you what the commercial side is.

Kush Tandon: Does that mean that the overall yield in the MFI business will come off a little bit because of the mix changing towards BC?

Ajay Kanwal: So wonderful question. Listen, it's already in my 7.9% name.

Kush Tandon: So I'm just saying that the growth rate is significantly different.

Sudhir Madhavan: It won't be much.

Ajay Kanwal: It won't be much of a difference because...

Sudhir Madhavan: On the BC model, I don't have a cost. My technology is already invested. My sourcing is all digital. So I don't have an infrastructure and manpower cost to manage a BC. I have staff across all the zones to manage the BC network, but not a full-fledged cost. So the cost-to-income of the BC ratio will be very low.

Kush Tandon: This INR2,500 crores AUM – odd AUM, is it concentrated across a few BCs or?

Ajay Kanwal: Very good question. We have BCs by state. And within BCs, we give them, within each state, we give them districts. So that A, Jana and the BCs don't compete. And the BCs don't compete. And also, we would like them to be a certain size. So we are very clear. Also, in Sudhir's unit, there is a particular head of BC, which has a national structure, which really looks after the BC business, including making sure what they are sourcing, doing random checks there.

If there are some collections, even though he's responsible, we do go out and make sure that these are genuine issues. So there is a proper structure, which manages BCs. We began BC business before COVID. So we have a good experience during COVID, how the BC business behaves. And our experience has been very positive. And a lot of work also happens in choosing the BCs. So yes, very conscious strategy, something we have seen through COVID, and we are comfortable with that.

Kush Tandon: And so just the last question on the macro in the MFI space. I was just hearing a few noise areas in Punjab, or some pin codes of UP, Rajasthan, getting affected because of election, and because you are being one of the most diversified companies from an asset perspective. What's the on-ground reality you are seeing? Are you seeing some stress in some pin codes in terms of GNPA, PAR-1, PAR-90?

Ajay Kanwal: All difficult questions to Raman.

Krishnan S. Raman: First, the portfolio, let's take Punjab as an example. There's a very small portion of the total portfolio. As you rightly said, we are well diversified. The NPA on that book is actually similar to what we are seeing on the overall microfinance book. Our most recent, we've actually been monitoring bucket zero collections over the last few months.

And up to and including February, we are trending at similar 98, 99 kind of percentages for the previous months as well. So just, but of course, what we've also done is, how do we make sure that we don't get further exposed? And then that's, those are some of the things where we're going a little slow in terms of disbursals.

Kush Tandon: Have you stopped disbursals in some pin codes? Something like that has started to happen?

Sudhir Madhavan: No, we have gone slow in Punjab.

Kush Tandon: Sorry?

Sudhir Madhavan: We have gone slow in Punjab for this month. Now, for the last two, three months, we have been watching the situation. So this month, actually, we have gone slow in Punjab. We're just doing, just to make, give to existing customers and just to make the branch active. But we're not going very full hog on Punjab at all.

Kush Tandon: All the best. Thank you, sir.

Ajay Kanwal: Yes, and listen, Punjab for us is very similar. Listen, wherever we think there is a reason to be precautionary. So Punjab is, some external agency trying to, make some point. But let's say, even in a case where we think there is too much lending happening, and the data comes from MFIN and Sa-Dhan, where you can see exposures are going up in a particular district or a particular area, we start going slow.

See, like I said, between 2018 to '20, December 2020, this year, or rather 2023, our CAGR is only 3% in unsecured. So we are not in a rush to grow unsecured. So for us to go slow in a particular district or a particular area is no big sweat. Because we are there in 24 states, we can try and do somewhere else. But even if we don't do it, it's fine. It's not our single biggest focus. Sorry, I must take your question. I'm so sorry, yes.

Gautam Jain: This is Gautam Jain from GCJ Financial. First, congratulations for listing of the bank and Q3 numbers post IPO. My first question pertains to, you got the capital even before the IPO and in the IPO, and you have good deposit growth. So what kind of growth you can have in terms of loan book for next three to five years? I'm talking about good growth.

Ajay Kanwal: Gautam, listen, I'm trying to go back to a slide which gives you what to expect. I don't, we are also debating forward guidance or not. We are not there as yet. Maybe it's our first quarter and we are kind of just getting there. Listen, we are in 180 cities doing secured business, which is tried, tested, digitized model.

We are not right now worried about whether we can grow because we know our disbursements today. We know what happens if we do the same disbursement next year. Very healthy clip, right? All our bias always is like, what we are growing is the right growth or not. But growth is not the issue. Also I mentioned, see, it's very simple. I'm in 180 cities. Suppose I want to do 20 more cities. I would tell everybody that, listen, any next city 60 minutes away from your city, if the answer is yes, this city becomes up, that becomes spoke. When the spoke becomes big, that becomes up, we go to the next spoke.

So geographical expansion is very easy for us. Our choice is geographical expansion is better than taking any additional risk or opening a new segment we don't understand. So our bias is, listen, take the risk of traveling, but don't take the risk of let me try this segment or maybe this property repair is okay. Those kind of stuff we don't like.

Gautam Jain: Range you want to give or you think 20% to 30% is something which is very much possible?

Ajay Kanwal: You are better than me making number guesses. You can decide. All I can tell you is we are going full on. We are clearly in our heads that we know we will not have a growth problem for sure. But listen, when we do the full year, which is March results, we'll hopefully meet again. We will then prepare more guidance which we can then be happy to share. But I think this is, like I said, if we can do this through COVID.

Gautam Jain: This is fantastic. I mean, you would be the one of the best bank who has grown the secured book very fast. And so on this slide, the question is, the way you are growing the secured book much faster than unsecured, any optimal level you want to have in terms of mix between secured and unsecured down the line?

Ajay Kanwal: So listen, I have a more principled thinking, which is you take any normal customer, 70% to 80% of a customer's balance sheet is secured. Home loan, car loan. If not car loan, two-wheeler loan. I don't think your customers should have 70% to 80% unsecured loan and personal loan on the credit card, right? That's how we understand.

So I think as long as we are customer focused, we will ultimately reflect the balance sheet of our customer, which will be either 70%, 80%, maybe 90%, I don't know. We'll figure that one out. But our bias is very simple. Our bank will reflect that of a customer. And to our mind, most average customers will not have anything significant unsecured.

Gautam Jain: It's safe to assume that your secured book percentage will keep growing?

Ajay Kanwal: Sorry?

Gautam Jain: Your secured book percentage will keep improving from here also?

Ajay Kanwal: Of course. See listen, from zero we have reached 60% in six years. We'll finish six years in March. So every year we have made a positive move. Zero to 60 in six years, you can do the maths.

Gautam Jain: So coming to the credit cost, I was coming to the credit cost. So credit cost is generally, I mean last three years on more than 2.5%. Now the secured book is growing and it is significant part of broader book. Generally secured book will have lower credit cost. So it's safe to assume that you will have much lower credit cost going forward in 2025, '26?

Ajay Kanwal: So you should expect lower credit cost? Absolutely yes. For two reasons. A credit cost, see, you go back to March '20. In March '20 before COVID, we had like net NPA was like less than 1%. What really spiked it up was COVID. So a non-COVID period should see very good numbers from us, both in unsecured and secured. But as we're turning more secured, even if something unexpected happens, we'll be very resilient. But also I must add this. Even during COVID, we never had a year where we didn't make profits.

We were able to pay for my provision from our own people. We were able to generate profit to pay for our own provision. We never dipped into capital. So if you didn't do that during COVID, then you can be rest assured that as we have done more secured, we obviously become smarter. We have learned a few things in COVID even in secured. I think we should be fine.

Gautam Jain: Can you give me the breakup of your credit cost between secured and unsecured?

Ajay Kanwal: I don't think so we have it, but why don't we bring it back to you in March, if that is helping somebody. Yes, it is here, though. Maybe I'll try and when we come back in March, we'll break it up secured, unsecured. But you know the answer. It'll be 80-20. 80 will be unsecured. That's my rough guess. But we'll give you the exact numbers when we meet you next time.

Gautam Jain: Also, just a suggestion. I haven't found your balance sheet in the results. So please.

Ajay Kanwal: So you have it here. Yes, listen, thanks for asking that. Somehow, trying to save number of slides to present, we thought that that is one we don't. But to take away that complication completely, here is the balance sheet. I'm showing it to all of you. I will load it in the website of the BSE NSE today evening. But thanks for letting us know, because in our minds, we were like, what is more we want to show the businesses more. So we kept this away, but we'll bring it back.

Gautam Jain: In banking, this is the most important part.

Ajay Kanwal: You will get this certainly every time next time.

Gautam Jain: What is a written-off book, which is completely written-off? A written-off book. The writer book?

Ajay Kanwal: You mean from demonetization days?

Gautam Jain: Yes, whatever written-off book you have in hand, which is still to be recovered?

Ajay Kanwal: INR3,000 to INR4,000 crores. That would be a fair range. Maybe around INR3,000 crores. I'm talking of de-mon onwards. I'm talking of everything we have in the last 16 years total. That's about INR3,000 odd crores. Given we have 16 years of existence.

Gautam Jain: Can you guide us about any expected recovery in the next three years or one, two years? From that book?

Sudhir Madhavan: Typically, I cannot give the numbers, but we do still do a lot of recoveries from the old book of de-mon also. We still do a lot of recoveries. We have a specified collection team only focused on recoveries.

Gautam Jain: I'm asking this question because this quarter recovery was a bit lower side compared to first half and even last year.

Ajay Kanwal: Yes, I think that's a fair observation. Because see, listen, the last 18 to 24 months coming out of COVID, recoveries have to be better. Fresh provisions equal to faster recoveries. As the provision gets older, recoveries get slower. So that's a fact. Having said that, because we have an old book, what happens is the day the customer wants a next loan and he gets rejected, he comes to us.

All Sudhir and team try to do is they keep in touch with customer and make sure that we are not getting any arguments with him. Because very soon as the next loan is rejected, we come back. So I'm telling you there are moments even now, and it's not a small number, we're even getting pre-demonetization recoveries.

Because the customer is like finding nowhere else to go, he's coming back to you. So yes, we do get that. We are focused on it. We have dedicated people who work on it with a clear task around what are the cost, income of a single collector at it. But fair to expect that we will slowly, as you see, we still are in a significant number, if you see, recoveries in the under, if you see this slide itself, December '23 is INR95 crores.

It's not a small number. I know it's lower than last year, but INR95 crores is still a very good number. We will keep at it. Our eyes, we don't take our eye off the recovery machine at all, but we're conscious that it'll now come a bit more slowly than the past.

Gautam Jain: Any sort of comment on cost to income ratio going forward, which is around 58% right now?

Ajay Kanwal: I think it should get better for sure. Like I said, wait for March, and we'll come back with more definitive numbers. But I don't see why it should get anything but move towards a better future.

Gautam Jain: And the last question is, what is the cashless collection in secured book?

Ajay Kanwal: Last 10%?

Gautam Jain: Secured.

Ajay Kanwal: Did you say cashless?

Gautam Jain: Yes, the collection, digital collection in secured book?

Ajay Kanwal: That I would think is closer to 99%, because the guys who don't pay, they pay through UPI. So even if my collector goes in the end to collect, I get the money through UPI, so I hardly take any cash. But if you're asking how many people my collector has to visit to collect, that is 8% to 10%.

Gautam Jain: Okay. Thank you so much.

Analyst: Yes, I'm just interested in understanding a little bit more about the components that contribute to the other income. And I mean, as we move from a more secured to an unsecured, some of the older dynamics probably change, right, in terms of the lumpiness of other income across quarters. So would you be able to help me understand that a little bit more?

Abhilash Sandur: So primarily, other income components includes processing fee. We have liabilities income, which is coming in now. We have recoveries, which are the three major components, and PSL income. On an annual basis, we sell PSL, we earn commission on it. So insurance, cross sale of insurance, that's the other piece which is added. So liability income, which is on an upward trend now, because we have more and more customers to charge to.

Then we have processing fee. Yes, when we move towards secured, there's a reduction, because unsecured may have slightly higher processing fee than compared to a secured business. But that is being offset now with the income, which is growing in terms of insurance, as well as the liability fee. Then we continue to have the recoveries. There is a decline as compared to last year, as I mentioned about that. And also we have PSL income, which has been around INR40, INR45 crores range on an annual basis, which continues to be there. So these are the five major components in other income.

Ajay Kanwal: But see, absolute will not fall, because even though secured is growing faster than unsecured, unsecured is not degrowing. See, now his book is more than last year. Now to manage attrition and small growth, he has to do more disbursement than he did last year. So the fee income of sourcing or processing fee will still remain the same. The difference between the two is processing fee in microfinance roughly about 2%, and in the non-microfinance is about one and a half.

But he's not getting less income. Only that 1.5% is higher now, and 2% will be less as a percentage. But value-wise will still remain slightly better than last year. Because he has to grow more to remain steady, because microfinance is typically a two-year book. The runoffs are pretty high. Just to stay steady, he has to do more than he did last year in terms of disbursement.

Analyst: Yes, but I mean, is there some sort of quantitative indication as to how much was the recovery portion, how much was the PSLC portion? And then I think for PSLC, it typically picks up in the fourth quarter, right? I mean, when banks need to address that. So, I mean, this year's lesser growth of other income, does that get made up in fourth quarter?

Abhilash Sandur: So PSL typically happens in the first quarter, not the fourth quarter, because all other banks who are purchasing will take the benefit of the PSL certificate for the four quarters. So last quarter, there'll be a lot of transaction which will happen, but the earning commission on that will be lower. So that is one part of it. Second part you are mentioning was about the, sorry.

Analyst: Quantum of recovery?

Abhilash Sandur: Quantum of recovery, see, the last year's quantum was elevated because we were coming off COVID, and there were a lot of customers who are coming and paying. So this year is a sort of a normalized, and it will tend to be at this level or slightly lower levels going forward because more and more customers are paid, and there'll be less probability from other customers who will come and pay. But this is a sizable amount still. Like as I mentioned, it's INR95 crores in nine months period. So we continue to get to those levels. So that's the kind of recovery we are expecting.

Ashlesh: Hi, team, good evening. Ashlesh here from Kotak Securities. Firstly, a few questions on the individual loan book which is about INR5,000 odd crores for us. Can you shed some light on what is the range of ticket sizes which you offer on this book and the average ticket size of disbursement?

Ajay Kanwal: Sure, Sudhir really do come here. I'll just put the slide on.

Sudhir Madhavan: Next slide, sir. So the average ticket size on this loan book in the portfolio size outstanding is around INR45,000 to INR46,000 crores.

Ashlesh: It's right here. The range?

Sudhir Madhavan: Yes, INR45,000. That's the portfolio outstanding of that. Onboarding ticket size should be around the range of an average gross of INR60,000 crores. But these are all graduated customers and the initial lending was 35 to 40 and then we went up to 60.

Ajay Kanwal: So just to add to what he said, see the highest loan amount, and correct me if I'm missing the facts, if you are literally a homeowner, which means you're a resident in your property, you need something for home improvement, but you don't have any property papers to show me, we call it a home improvement loan and that is the maximum amount of the loan we go because that is the best loan. The person is staying there, but the property paper belongs to his, maybe his father, grandfather, unable to pledge it, right?

That is when he gets individual loan on the highest amount because his permanent resident there has an asset. And then if you take for consumption, for example, I want to use it for school, education, etcetera, then you get the least amount. So which is why he tailors it based on what is the end use. What you have here is the average outstanding of an individual loan.

Ashlesh: And what was the maximum that you said?

Sudhir Madhavan: Sorry?

Ashlesh: The maximum.

Ajay Kanwal: Maximum is one lakh?

Sudhir Madhavan: One, if it's an existing housing loan, it goes up to INR1.25 lakhs. If he's willing to give him, he's staying in the same property and gives it for a home improvement. Then if he's going to use it for business purpose with Indian certificates, it gets reduced. If he's going to use it for consumption purpose, it goes lower than that.

Ashlesh: Understood. And the INR644 crores which you have on the next slide, slide number nine.

Sudhir Madhavan: Sorry, go on. Next slide.

Ashlesh: The L1 part, that would be completely an open market customer?

Sudhir Madhavan: This says basically we have some business correspondents whom we have allowed them to do business loans. They're primarily diary-based for cattle purchases, cattle maintenance. And the second part is, when it's a good business correspondent, he wants to retain his own existing customers, so he gives them individual loans on that. There's a part of two different portfolios. So they would be new to bank, but not new to the business correspondents. So that's that kind of a portfolio system.

Ashlesh: Understood. And can you shed some light on your total micro-banking customer mix? How many of them are unique to you? How many have one other lender or two other lenders?

Sudhir Madhavan: Sorry?

Ashlesh: The proportion of your micro-banking customers who are unique to you, who would have one other lender, two other lenders, and so on, if you have that ready with you?

Sudhir Madhavan: That's a tough one, because mostly now, you have to check the data again. But it's a tough one. I will come back to you on the data for that.

Ashlesh: Just lastly, if you can shed some light on what is your average cost of SAR deposits and TD?

Sudhir Madhavan: Average cost of deposits?

Ashlesh: SAR and TD separately?

Abhilash Sandur: So average CASA percentage is around 5.6%, and overall cost of deposit, you mentioned 7.6%, and cost of deposits hovering around 8%. Cost of term deposit, I mean.

Ashlesh: Perfect, thank you.

Ajay Kanwal: I think you're all following that rule number one of being nice to the institution when they come first time. But please go ahead. Yes, please.

Mangesh Kulkarni: Hello, so this is Mangesh Kulkarni from Almondz Global Securities. My question is regarding your guidance on the PCR fund. It is around 67% currently. So how we are going to take it further?

Ajay Kanwal: So, I think, I first want to go to that page, sir, on NPA. And yes, we have been improving our PCR, as you know. But very important is, what is, while we have PCR of 67.9, a large proportion was used to cover the secured book, which is an LTV of 40%. So we'll improve it further. But at least all of you as analysts should know that there is really not so much to worry on the NPA front because a large proportion is anyway secured.

You can see this first column where LTV is 40%, which means I have a property mortgage to me and which I can sell. It only will take a bit of time. So PCR will improve, but fair to say that we will not have much reason to have used the provision because a lot of the book is already secured.

Mangesh Kulkarni: Thank you.

Ajay Kanwal: Sir.

Analyst: Yes, sir. You have changed, I think, 29 branches, which has shifted or something like that done, or during the year. So what's the cost of it?

Shrinivas Murty: You're asking me about the cost to income for those branches, is it?

Analyst: Yes, no, you changed or moved the branch?

Shrinivas Murty: Right. Cost of shifting.

Analyst: Yes.

Shrinivas Murty: That would be a very tough one, but I don't know. So I'll explain you the elements of cost, which will change between the branch which was being shifted and the new branch.

Analyst: Relocate it?

Shrinivas Murty: Yes, so the large element of cost is change in rental, something that Ajay talked about. So if you're moving a first-floor branch to a ground-floor, high-street branch, there'll be an incremental rental cost, and there'll be some incremental cost on account of implements for the branch. But barring that, there'll be nothing much. So most of it is already accounted in the existing branch. I'll not be able to give you quantification of how much is 29 branches, but Yes.

Analyst: If I speak specifically, there was one branch in Ghatkopar area which was moved from one area to a same area within one kilometer. So is it a cost reduction or it's a cost increase, rental?

Ajay Kanwal: Definitely increase, but like I mentioned, existing branch will be, say, 50,000, new will be one lakh. So it'll be a marginal cost increase, not a one lakh increase, because one we have shut down and the other we have opened. It'll certainly be a higher cost, but a marginal cost.

Analyst: But rental cost?

Ajay Kanwal: Rental, I'm talking of rental cost.

Analyst: It will increase?

Ajay Kanwal: Of course, sir. See, we are moving from less affluent areas to more affluent areas. Rental will go up, but all I'm saying is, currently where I exist, I'm already paying rental. So it's a marginal cost increase, not a new cost by itself.

Analyst: So it will be 215, which we plan to move, it will be within one year or it will be?

Ajay Kanwal: No, it will be over at least two year time frame, because we don't need so many branches so quickly.

Analyst: Thank you.

Ajay Kanwal: Okay, folks, first, thank you so much. And I'm sorry for the delay, but I really appreciate your presence, your questions, and your patience. We'll certainly hope to see you all again in March. And if you have anything else in your mind, which you think, hey, I couldn't ask this, I didn't understand this, please reach out to Abhilash. We'll certainly do our best to answer all your questions. And again, thank you so much. Bye-bye. And of course, there is high tea served outside, so we will catch you folks there. Thank you.