"Equitas Small Finance Bank Q3FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen good morning and welcome to the Q3FY22 Earnings Conference Call of Equitas Small Finance Bank Limited.

We have with us today the Management, Mr. P.N. Vasudevan - M.D and CEO; Mr. Sridharan N – CFO; Mr. Murali Vaidyanathan – Senior President and Country Head, Branch Banking, Liabilities, Product, and Wealth; Mr. Rohit Phadke – Senior President and Head Retail Assets; Mr. Ram Subramanian – President and Head Corporate and MSE Banking; Mr. Natarajan M – President and Head Treasury; Mr. Dheeraj Mohan - Head Strategy and Ms. Srimathy Raghunathan - CFO Equitas Holdings Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the P. N. Vasudevan. Thank you and over to you sir.

P. N. Vasudevan: Good morning and wishing all of you a very Happy New Year. We are happy to see that the third wave led by Omicron has thankfully remained less dangerous. We also note that most governments have been able to quickly roll back many of the restrictions imposed earlier. And we are also very happy to share with you that the impact of these localized lockdowns on our borrower segment has remained very small. We continue to pray for the virus to fade away and keep all of us safe and healthy.

Coming on to the bank's performance during the quarter:

The quarter's focus continued to remain on collections across all the products. This was principally because all the restructured loans resumed their monthly billing during the 2nd and 3rd Quarter. We had already informed your earlier that the maximum holiday break that we gave in any of our restructured loans were only two or three months, which meant that all the restructured loans started their billing either on the 2nd Quarter or in the 3rd Quarter. And we were very keen to ensure that as the billing starts the collection efficiency remains very strong on top of this restructured book, so that we are sure that we are having everything under our control.

We are also happy to share that the largest book which is our small business loan continues to show very strong signs of stability and comfort. Micro finance and vehicle finance have taken a little longer to normalize, however we are seeing collections picking up quite well from the delinquent accounts.

The gross NPA slippage has been the lowest in many quarters, and the recovery continues to remain strong. The GNP has come down to 4.39% from 4.64% of 2nd Quarter. The 1 to 90 DPD, which touched the peak of 26% in June '21, has come down to 13.5% in December. Combined with high X bucket collection efficiency, we believe the COVID stress on our portfolio is behind us now. Further out of this 13.5% of 1 to 90 DPD 80% are from secured loans giving a further comfort on ultimate recovery.

The restructured portfolio was our focus as I mentioned for the 3rd Quarter, and I am happy to say that the portfolio is stabilizing quite well. Rohit will give further details on the same. On the liabilities the strong performance of earlier quarters continues. We continue to open record number of new savings accounts led by our digital acquisition channel. Our video based full KYC conversion has been rolled out and it is helping us convert this digital accounts to full KYC helping us create value out of these acquisitions.

Our CASA has inched over the 50% level and we will work very hard to keep it at this level even as our overall deposit is set for further growth. Murali will give further color on this.

The NIMs are just over 9% or back to our pre-COVID levels mainly because of lower NPA slippage and resultant reversal income. If you notice our gross yield has been pretty steady around the 18% level. Our new business lines of used car finance and affordable housing finance are doing well and scaling up quite well. Rohit will give further details on the same.

With a portfolio Performance settling down well GNPA under control, lower bucket DPD is coming down, the bank is well positioned to get back to its growth story. We believe that we should be back to our pre-COVID levels of growth from the next year.

On that positive note I would like to hand over the mic to Rohit.

Rohit Phadke: Good morning everybody. The YoY growth in advances has been at 14% and QoQ growth is at 4%. Growth could have been better but for the conscious decision to focus on collections in October and the squalls and rains that hit Tamil Nadu in November. December has seen good disbursements. We see strong demand coming back in the small business loan segment which contributes 45% of our book.

In vehicle finance, medium and heavy commercial vehicle sales have seen a strong growth after a long time. Last quarter saw sales of 64,000 units against 50,000 units over the same period last year. Freight rates have gone up substantially increasing the free cash flow of fleet operators. Truck utilization rates have gone up significantly, which is contributing to increase the income for them. These factors are driving the replacement demand. ICRA has estimated a growth of 40% to 45% for medium and heavy commercial vehicles for this year. This augurs well for us as a growth in the formal sector eventually propels growth in the informal and used segments.

LCV sales continue to grow as the load availability for last mile transportation continues to be strong. Growth in this segment is estimated to be at 9% to 10% for the year. Two-wheeler sales however, two-wheeler sales have seen a degrowth of 20% last quarter. This does mean that the growth in the formal sector has yet to fully percolate through the informal sector.

In MFI we have seen increasing overall collection efficiencies across geographies. However, the X bucket collection efficiency in MFI is still at 97% against the earlier normal of 99%. The increasing overall collection efficiencies across geographies gives us the confidence that the coming days will be better. The affordable home finance advances have seen a very strong growth though against a low base with hardly any delinquencies at all.

Sequential quarter growth is at 30% and year-on-year growth is more than 200%. On the restructured pool 67% of our restructured portfolio in small business loans is non-delinquent. In MFI 45% of our restructured pool is non delinquent and in vehicle finance 45% of the book is still below 90. And we are seeing increasingly better collection efficiencies in the last quarter.

Overall, the mood seems to be buoyant. And we are hopeful of both good growth in advances and healthy improving collection efficiencies. Thank you. Over to Murali.

Murali Vaidyanathan: Good morning and thank you for joining. I was just saying Happy New Year and healthy New Year to all and I was trying to give an insight. Before getting into the numbers actually what we have laid as a roadmap for us in terms of product, in terms of approach, in terms of pricing, and in terms of marketing and leveraging on digital which we have been sequentially talking for the last two to three quarters. I think that work trajectory of approach nothing we did change and we will stuck to that. And I think we are seeing only a continued pace of momentum gaining over this period.

So, if you see the savings account as a growth, it's predominantly driven by top-line that is acquiring the number of customers. And that coupled by enhanced relationship Management where we put physical that is branches and people over the digital mode of acquisition to deepen the value as an approach and targeting mass affluent and HNI that is one part of the story which is brewing and going well. Parallelly what we were focused on is how do we enter the house through product holding that has helped us to get three things right ,one is product holding, if you see where we have enhanced our portfolio close to 24% to 25% and active and primary account has moved up beyond 60%. These are two encouraging signs where people not only prefer us to park to only save, it's also they're using our relationship to deepen, to enhance the relationship value, which speaks very high about our relationship skills. And we backed in it by a spend segment for the first time for the last six months, our debit card activation and absolute realization in terms of unique customers added has actually helped us to get stability in terms of primary and active accounts.

This on one side digital we have two segments B2C that is Selfie and B2B2C where we have a FinTech Partnership, which is running. B2C, we consciously toned down to play down our expanded portfolio model to a restrictive and focused model. So, here we can proudly say that on the targeted segment, we have calibrated ourselves to target the correct demography and wanted geography. In NiyoX, so FinTech model where we are going to do the same thing in coming this days where so you actually multiply your quality at the sourcing stage itself.

Now in terms of mass affluent Elite has been a very successful story for us, I think now, Elite customers are seeing value in terms of not only product and proposition also in relationship Management and engagement skills. To enhance the proposition, we also launched ASAB feature, coupled with 3-in-1 account which was launched couple of quarters back. ASBA and 3-in-1 put together actually helped the customers to migrate towards investor and traders coming in. So, that's a welcome move in terms of expansion of segment.

Now, next comes the most important phase of investments and protection. If you see we have a pool of insurance and pool of investments as an approach, so that has actually helped us to expand the number of bases who we cover through protection as well as through investment. So, we are now been recognized by BSE as one of the top distributors for mutual funds. So, the expansion now is not only restricted to savers and spenders, it is also expanding into traders.

And last but not the least, while the inward remittances have come down at an all India level due to uncertainty. For us the NR segment has been a big gainer and we are opening up new pockets and insight, few of the markets, we are taking a strong foot forward and that's one good segment along with EVA as a woman segment, which has been a value growth.

So, overall, it's a good, sustained momentum we could see. And most importantly on marketing, which is actually playing a very active role, where we are positioning as beyond banking as a theme and few of our library collection of success stories which we keep putting into the stream has started attracting a lot of attention and a lot of purpose being attached towards the depositor because they could understand we also deploy to the deserving section.

With that note, I will hand it over to Mr. Sridhar who is our CFO.

Sridharan N: Good morning all. Now for a quick update on the financial performance during the quarter. Our net interest income came at Rs. 541 crores as compared to Rs. 484 crores during the same quarter last year registering a growth of 12%. Other income came at Rs. 134 crores as compared to Rs. 155 crores in the same quarter last year. The variance was primarily driven by lower PSL income and other Treasury operations.

Net income grew 6% and came at Rs. 675 crores for the quarter as compared to Rs. 638 crores during the same quarter last year. In the current year's presentation, we have your feedback and have also shown operating expenses after netting of digital expenses with digital revenues. This can be seen in Slide #16. We also have recaptured the cost to income based on this for the previous quarter in the same slide. Hence our cost to income based on this comes to 64.67%.

The total operating expenditure net of digital expenses came at Rs. 411 crores as compared to Rs. 334 crores in the same quarter last year and Rs. 391 crores in the previous quarter. Our Pre-Provisioning Operating Profit (PPoP) came in healthy at 3.5% of the assets, which is about Rs. 225 crores compared to Rs. 199 crores in Q2. On PPoP basis, we are quickly returning back to pre-pandemic levels as our NIM improved to 9.09% led up by improvements in cost of funds and lower income reversals due to slippages.

We have also provided the trend of a daily average cost of funds in Slide #14, for the current year it stands at 6.47% compared to 7.27% in the same quarter last year. On a quarterly average basis, it is 6.97% as shown in Slide #6. Going forward we will show only the daily average costs for the quarter to reduce confusion.

Now moving on to asset quality, provision and restructuring, our outstanding restructured advances as on December 2021 is Rs. 1,764 crores approximately 9% of our advances. We have provisions to the tune of Rs. 300 crores again this pool. During the quarter our overall credit cost came in at Rs. 78 crores, down from Rs. 142 crores of Q2FY22. We have also made an additional provisions of Rs. 28 crores towards micro finance over and above the bank's provisioning policy. Including this now we have about Rs. 315 crores of additional provision including floating and RSL provision.

The PCR contracted to 46%, as we wrote off ninety four crores loans during the quarter, which was 100% provided for. We expect to see the PCR to move up as our current provisioning policy had been accelerated last year. To give you some more color of, the overall 6.61% is 30 to 90 the NPA is 4.39%, which means approximately 7% is in 1 to 30 DPD. However, in our RSL book 46% is standard and 9% has moved to NPA. Overall delinquency at the bank level has reduced from the peak of 20% plus to current level of 14% to 15%. We expect this to further contract if we maintain the current level of collection.

Lastly during the quarter, the bank’s RoA sharply improved to 1.7% and RoE at 12.27%. We hope to see these numbers further improve as business environment clears up and there are no further pandemic led disruptions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Digant Haria of GreenEdge Wealth. Please go ahead.

Digant Haria: My question is on the small business loans portfolio, which is our largest portfolio. The way you know, things are going in COVID -- this is a segment, which should offer a lot of stress, because this segment has been under stress, but our portfolio has held up quite well over maybe last two years. So, if you can give just some color on how are we looking at growth and how did we manage so well over these last two years in this portfolio? Because I know it's a LAP portfolio almost Rs. 6,800 crores but how did you manage it so well in these times? That's my question number one.

Rohit Phadke: So, I will go to the evolution of the small business loan so we started way back with microfinance. And as we kept understanding the microfinance customer we also understood that he has many needs. And this was one particular need where we could help him grow his business, he could become an entrepreneur, he could employ people in his whatever small shop or a small business activity. And that helped us in growing the book.

So, the whole evolution started because we started understanding customers. So, that has helped us in very good way, because all our business, about 98% of our business is sourced directly, we go to the customer and source that business. So, that has really helped us to increase in the book.

You said, what is the plans for scale up, so currently, if you look at it, most of our business comes out of Tamil Nadu, but we are more focused now in getting business volumes up in the other states of Maharashtra, Gujarat, AP, and TG. So, basically, most of our business comes in South and we are looking at non-South geographies to scale this business.

Digant Haria: I just wanted to say this that even your competitors like say a Five-Star Finance or an Aptus Finance they have all been doing this business in Tamil Nadu and that part of the portfolio has held well for almost everyone, but how easy would it be to replicate this whole thing outside Tamil Nadu, because I believe this is still a people intensive business where your loan officers need to be on the ground, check the customers twice, thrice and so on. So, just wanted to know that part that you know is it scalable outside Tamil Nadu also?

Rohit Phadke: See today a significant portion comes out of Maharashtra also. So, we are already scaled up in Maharashtra, where we need to scale up even further geographies in West is Gujarat, Madhya Pradesh. This business is scalable across geographies, but we need to understand, see over the years we have understood to the customer, we have developed a USP of appraising that customer, understanding his needs, assessing his cash flow, which is all informal, and which is completely assessment based.

So, yes, to answer your question specifically, yes, this business is quite scalable outside Tamil Nadu also provided we can assess the cash flows of the customer properly.

Digant Haria: My second question is mainly on the operating costs; we have probably reached a run rate of around Rs. 1600 crores per year, like if we just take this quarter, entire operating cost. So, just wanted to check that at what stage saying the next year or two years, do we reach a stage where the income growth is significantly higher than the cost? No, because last three to four years, we have been plugging a lot of gaps, like initially we started investing in branches, then liabilities scale up, now digital acquisitions. So, we have done a great job there, but just like, is it fair to expect that in the next one or two years or is it still a little more away that, OPEX growth comes much lower than the income growth?

P. N. Vasudevan: If you look at our pre-COVID position, that is 2018, 2019, 2020 our major investment was really in the ’16 and ‘17, when we became a bank 2016-2017 and 2017-2018. That is when our major investments took place both on IT and opening almost all the 375 liability branches, adding on nearly about three and a half crores on staff on the liability side. So, the all the real cost really incurred between two years after becoming a bank.

Now if you if you look at the data points, let's say 1920, you would see that the income generally the income growth per annum used to be around the 30% level. And the cost growth used to be around 15% to 16%. So, we were able to show that after the initial investment that we went in, we were able to show that the income can actually grow at nearly double the rate at which the cost could grow.

And I think that's a model that we have created. If you analyze our cost, practically everything is a fixed cost. We don't really generate too much of business through DSA except very small volumes in the new commercial vehicle. But for that where we source through the dealerships, otherwise practically all our businesses are sourced directly. So, we don't have a DSA cost, which means that there is no variability in the cost. So, it's all about our own staff cost, which is fixed. And on collections, we don't employ any agency at all. So, all collections are done by our own staff. So, again, it's a fixed cost structure.

So, in the last two years, due to the pandemic, the growth in the NII has actually come down because the volumes, the AUM growth has also reduced. And because of that the increase in NII actually not been much. But cost wise, it continued to remain and grow a little bit because there's the salary and the rental increase, which keeps happening yearly. So, that's why in the last, this year in fact, if you see our NII growth was only about 9% or 10% in the quarter on a year-on-year basis.

But going forward, as Rohit was mentioning that the portfolio is now quite stable. And hopefully I am assuming that the COVID is more or less something that's behind us at least we have learned to live with it or be alone to manage it now, I believe. And so, we should look for getting back to our pre-COVID levels of growth.

And when we do that the NII growth, vis-à-vis cost growth should be back to your earlier levels as I mentioned. And from further investment perspective, if you look at it, we do have 390 branches now on the liability side and more than about 450 odd branches on the asset side. And now there will be an increasingly large amount of effort being put in by the team to try and make liability available at asset branches and vice versa. And so, we will continue to expand by ensuring that all the products are available at more and more branches which itself is an expansion from a geography perspective. We will continue to add branches, but it may not be very significant, growth in branches may not be necessarily a very significant driver of our volume growth while we will continue to add branches here and there from a strategic perspective.

But we will continue to add people both on liabilities where we have seen an extremely good traction on the relationship Management team. We have seen a very strong growth in terms of the deepening of accounts which are mapped with the RMs in the bank. So, that's one area, the VRM Virtual Relationship Management team, which has also done an extremely good job over the last two years of pandemics. That's again, an area where we want to expand that team VRM.

These are things which will help us deepen the value from accounts which grows through digitally. And on the asset side, we will continue to keep adding largely the field staff, be it the sales principally, and to some extent collection. So, this kind of a little bit of growth will be there in cost but our NII growth is what we should be really focusing on. And I think that should come back to a pre-COVID levels very shortly.

Digant Haria: So, just like summarizing, your point is that maybe cost will continue to grow at 15%, because we are investing but the moment growth is back the NII line will exceed the cost significantly.

P. N. Vasudevan: Exactly.

Moderator: Thank you. The next question is on the line of Amit Nanavati from Nomura. Please go ahead.

Amit Nanavati: Question firstly on the asset quality part, your X bucket collection efficiency, if I compare it with September has come off. So, just wanted to understand the movement here? Is it because the billing for the restructured book has started happening and that gets consolidated here or if here is any underlying stress that you are seeing incrementally?

Rohit Phadke: So, collection efficiencies across has gone up. You are asking about X bucket specifically, X bucket collection efficiencies, as I mentioned in my opening notes also except microfinance, which is at 97% against a normal of 99% and small business loans are at 98% and then your vehicle finance has also moved from 93% to 95%, and this is despite the fact that our entire restructured portfolio as a it started it billing in December, because we had given only a moratorium of two to three months so some of it started in October, some of it started in November and some of it started in December. But as of now, the full RSL book, the billing has started and despite that, in both small business loans and vehicle loans, we are seeing increasing X bucket efficiencies.

Amit Nanavati: So, if you can give some color on the restructured portfolio side across segments, what's the NPA levels across MFI small business loans vehicle finance that will be helpful?

Dheeraj M: So, just to give you the breakup, like Sridharan mentioned outstanding is about Rs. 1,764 crores. Right now, at the bank level, that restructured portfolio, about 46% is standard, about 19% is 1 to 30. Generally, you don't look at 1 to 30 because you know this is the high cheque bounce business. So, we tend to collect most of it. 31 To 60 is 15%; 61 to 90 10% and NPAs is 9%. So, that's the mix of Rs. 1,764 crores.

In specific if you are asking about small business loans, was taking you through all products that I will be rattling out too many data points but the largest product small business loans, about 66% is standard about 14% is in 1 to 30, 11% is in 31 to 60 and 4% is in 61 to 90. And the NPA which has slipped into that is about 5%. This broadly is about double the other books so far from a comparison SBL is performing quite well in the RSL pool.

Amit Nanavati: Yeah so fair to assume vehicle finance is where you would be seeing a higher NPA level in the recent performance?

Dheeraj M: Yeah you are right, about 11% is slipped into NPA, and from a restructured book out of the Rs. 1,764 close to Rs. 900 odd crores is in vehicle finance.

Amit Nanavati: Secondly, on your RoE trajectory right into next year, if I look at your margins its back to pre-COVID credit costs at 1.6% is nearly back to where the business profile will allow you to. OPEX obviously, will grow as it's growing, it's largely an outcome of growth profile. So, just wanted to understand what levers beyond growth you have in terms of improving your RoE profile or it’s just an outcome of growth that you would hope the ROEs to improve?

Dheeraj M: For us right now it’s only growth, the asset growth cost of funds has come down well, so that will cushion some of the NIMs. So, apart from the asset growth, the other line item is a fee income. So, if you look at it about five quarters back it was the liability fee income, and the digital fee income was almost non-existent and today it’s growing quite fast. So, that will grow not in line with how the other book growth but it should grow exponentially. And most banks that contributes a significant revenue line item.

And if you are talking of long term, I am assuming that we will not be a small finance bank for long so, as we become a universal bank, there may be other factors which will come into play, which would help build up the fee income. So, I think RoA will get supported primarily through loan growth, second would be the fee income coming from our existing liability channels and I think the third one would be if and when we convert into universal bank.

Moderator: Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: So, coming back to the point on our operating expenses, if I look at YoY comparison, we have gone up from Rs. 150 crores to almost Rs. 210 crores if I look at the presentation of last three to four quarters, the banking outlets which we refer has remained stable 861. So, just wanted to understand that where actually are we spending this amount because this is nearly 30% increase. So, number one, on Opex, side number two, even on digital spend, when we talk about spends on technology or digital, what exactly are we spending on and why are we not capitalizing it. So, just wanted to understand that?

Dheeraj M: I will take the digital part first, so, we have when we say digital these are all business related expenses. So, if you are earning Rs. 10 rupees, Rs. 8 is passed on to our partners. So, either if it is on the prepaid side or on the ATM or the micro ATM side or the FASTag side, all of those partners tend to take about 80%. And then lastly the marketing expense I think as Murali has spoken about, when we talk about our Selfie we ramped up how we acquire customers digitally. So, that in involves a lot of online advertising and online marketing.

So, these are some of the spends which come in from the digital space.

The other digital expense which is actually captured within our OPEX is more from I would say digitization. So, some of the large projects we are running is revamping our loan organization system, we are revamping our entire CRM from a sales and service perspective. We are putting a state-of-the-art platform, we are embarked on enterprise data warehouse to help us on the analytics journey, especially in AI and ML. So, those are some of the large projects we have taken up, which is also coming in the Opex either in the form of a capital expenditure or in terms of revenue expenditure.

So, these are some of it, but it is not on branch additions you are right. The branch count has not materially moved, we have opened a few branches. I think Murali had spoken about it in last quarter in Kerala. But those really won't move the needle. On the Opex the other color I think what Vasu had touched, the last almost 18 months to the manpower we have invested in apart from the housing which I think we did mention that last quarter, about 200 odd people which are in frontline, which is actually being put on productive use, which is why the housing portfolio is growing. The remaining team is broadly not doing origination because we have deployed them from a collection perspective.

So, some of those strengthening is what we did, even as a pandemic focus on collections and additional manpower was put there. And as and when we switch on the growth mode, which is likely to happen from this quarter, they will get redeployed to frontline staff and then they start helping in origination. So, there is also some bit of that operating leverage which will come in. So, that's the color of the operating expenses we are sitting on.

Harsh Shah: So, one line item we have employee expenses, which has gone up from Rs. 205 crore to Rs. 240 crore YoY. So, that you explained that the employee count has increased. So, below that if I look at other expenses, it has gone up from Rs. 110 to Rs. 152 crores that’s like 40% YoY increase. So, my question is where is that 40% increase coming from, if our branch count is almost same YoY then what is leading to a 40% jump in expense? And this is ex-technology as mentioned in your Slide# 16.

Sridharan N: See in addition to the employee expenses which has gone up from Rs. 204 crore to Rs. 240 crore, compared to last quarter there are other expenses, that is a rent expenses have gone up, because of the incremental increase. And also the technology expenses, it is almost because the AMCs are coming, and it's all five year old. So, on that account, the IT expenses is up by almost 70% to 75% more than what we spent in the same quarter last year. Also rest of the other expenses if you look at, they are moving along with the business, actually. And have mentioned most of the expenses are almost fixed actually.

Harsh Shah: Yeah, but 40% increase, because I am referring to expenses without technology. As you have mentioned in Slide# 16, you have mentioned this is excluding of digital expenses. A jump of

40% is something which is very high. I mean rent expense would increase by 5%, 6%, 7%, but 40% jump is something which I am not able to interpret. I mean, where is that increase coming from, because employee expense has been explained in separate line item that I buy your point that you have increased the count. Digital expenses you have excluded from this other expenses. But this Rs. 110 crore going to Rs. 152 crore, 40%, because our loan book has grown by 11% to 12%, but other expenses has gone up by 40%.

Sridharan N: I have briefed you that the other expenses, there is a rent -- electricity and other things gone up closely, actually 25% and IT expense is one of the major expenses, which has gone up actually. I told you around 65% to 70% actually. There are two major expenses. And also if you look at the last year same time because certain lockdown and other things and the business growth was less at that time actually so the DSA expense has little bit gone up now maybe as per this one is 26%.

Harsh Shah: I think I will take this offline, there is still some clarity that I would like to have. And also for this quarter, can you explain what is the prepaid card fee income and what would be the expense for the same?

Murali Vaidyanathan: See like Dheeraj was saying like branch banking is a fixed expense model. This entire digital banking is a variable cost model. So, which means it is based on the number of transactions and that is dependent on the circulation of AePS, ABPS, and the demand for prepaid cards. So, as of now issuing close to two lakhs of prepaid cards month-on-month and out of that 60% is active, and 70% has a transaction. So, this is on a 13 bps model. So, it is directly proportional to the cards we issue, cards that are active. So, it is absolutely variable by nature. So, this quarter, if the market opens up, we should see at least this going up by another 10% to 12%, but the realization will remain the same, 13 bps. It can't change because of switch costs, interchange cost, and MDR being fixed at the beginning of the contract.

Harsh Shah: What is the amount for this quarter, prepaid card fee income?

Dheeraj M: It's about 20%, about 80% to 90% is the expense towards it.

Harsh Shah: Actually, can you repeat that --

Dheeraj M: Rs. 20 crores is the gross revenue.

Harsh Shah: And 80% would be in expense.

Dheeraj M: 80% to 85% would be the expense.

Murali V: 13bps is our realization, 20, 17 and 3, is the thumb rule.

Harsh Shah: I think this number dipped quite a bit right, because we are going at a run rate of around Rs. 50 crore to Rs. 60 crore and right now this is dipped down to Rs. 20 crore.

Dheeraj M: You are right. So, this was, your numbers are right, it was close to about Rs. 40 crores, the previous two quarters, the number has dipped. It may be also with some restrictions, but I think this will come up.

Murali V: And we have started calibrating on half KYC cards. We are focusing more on full KYC cards. So, in the half KYC cards we have a settlement of risk categorization we have done. And we have exited few markets and segments, consciously.

Harsh Shah: And is it also a function of our take rate coming down, because a lot of competition is building up in this space.

Murali V: Yeah, that is also there. See but that is a relative effort, but the absolute reality, we exited few segments and few markets consciously on half KYC prepaid cards.

Harsh Shah: And what is the run rate that we should work with for next say once everything opens up?

Murali V: See it is directly proportional to migrant labor population and migrant salary which goes through this, okay if Corona settles down and no Corona situation happens, we will go back to the earlier days.

Harsh Shah: And last question is on Slide# 11, can you explain that collection efficiency table, because if I look at various segments, the collection efficiency has come down from October and November level.

Dheeraj M: Yeah so this is on your EMIs so the reason and like Rohit had mentioned, if you look at September, about 10% of the portfolio was in restructuring. So, they were broadly under a two to three month moratorium. So, there is no billing for it. So, as October, November, December, came up, more and more of these restructured loans come for billing, because the moratorium like I said, is between one to three months. So, as the restructured book came for billing, and we have shared how the restructured book performance is so it's lower than the non-restructured book hence the collection efficiency started to dip. This collection efficiency is including the restructured book.

Moderator: Thank you. The next question is from the line of Renish Hareshbhai Bhuva from the ICICI Securities. Please go ahead.

Renish Bhuva: So, first question is on the credit cost part. So, is it fair to assume that Q3 annualized credit cost should be sustainable in FY23? I mean, considering the customer behavior in the restructured portfolio?

Dheeraj M: So, we had given a credit card guidance of 2.5%, at this point in time, I think we will stick to that 2.5% overall, for the year.

Renish Bhuva: No, I am talking about FY23.

Dheeraj M: Oh sorry, FY23, we are hoping that it should start normalizing and our normal range is between 1.25% to 1.5% and then I think that should be next year, medium term, I think with the portfolio also moving to products like housing and more prime, it should then finally settle at 1%.

Renish Bhuva: Just last question is on the CASA front, especially on the saving rate, so our peak SA rate between five lakh to 50 lakh is at around 7% versus peak TD rate at 6%. And we have already witnessed the interest rate benefit playing through the increased CASA ratio. So, when do we see rationalizing rates with the TD rates on this SA front?

Murali Vaidyanathan: See we have done three course correction; you have to see your average ticket size of SA as put into discussion is Rs. 67,000 okay. And up to one lakh, we are paying only 3.5% which means all these customers in a laddered approach contributes, so our 3.5% bucket is close to grown up by in fact close to 50% to 60%. And second bucket 6% is in par with most of the SFBs and most of the big private sector banks, 5 to 50 is a segment where program customers are coming in, as I said through engagement till the time we are able to get the investments, insurance and protection and primary accounts right, it will justify by itself. So, it's a market driven and the supply driven.

And the main intent of doing all these things is are we getting the cost of funds down, in month or month sense we are getting down by three to four bps sustained way for last 14, 15 months we want to accelerate that. So, based on that we will keep calibrating and recalibrating over a period of time.

Renish Bhuva: Just last data keeping question so of our total SA portfolio, what proportion of portfolio will be, let’s say having 7% interest rate?

Murali Vaidyanathan: See, now let us put one perspective all 100% of the portfolio will have 3.5% interest rate. So, that would give Rs. 1,400 crore, okay. The total book is Rs. 9,000 crore. Now, second part is we have to go to the next segment which is called one lakh to five lakhs which is 6%, that contributes to 34% of the book. So, one lakh is contributed by all immaterial of whoever comes in, whoever keeps one lakh or 10 lakh or one crore. And now between 35 and next, say 84 that contributes to close to 50% of the book is an absolute 7% bucket, which is five to 50 lakh, because greater than one crore is 16% of my book. So, 45% to 48% it keeps fluctuating.

Renish Bhuva: So, 45% to 50% will be between 7%, will be fluctuating between 6% and 7%, basically.

Murali Vaidyanathan: Correct. So, that is why we consciously kept it for savers then.

Moderator: Thank you. The next is question from the line of Sharaj Singh from Laburnum Capital. Please go ahead.

Sharaj Singh: My question is on the provisioning, you mentioned going forward the provisioning should improve. But currently, it's very low, especially on the VF and the MFI side. So, where do you look at the provisioning normalizing? Can you give me your thoughts on the LGD as well?

Dheeraj M: So, the LGDs on vehicle finance eventually if we recover, and write-off, it's about 30%. On small business loans it's much lower, it's about 15% odd. Microfinance, historically, you don't recover anything. But this time, I think we have seen collections even from the delinquent accounts. So, I think that's broadly how the recoveries have been. In terms of normalized provision coverage, if that's what you are asking I think our aim is to one go back to where we were earlier so hopefully, we will cross the 60%. And I think from there, then we will come back.

And also, one more data point, so, from a provision, I think, in Sridharan's opening remark, about Rs. 300 crores is what we have, which is provided from the restructured pool, the floating provision and the additional provision which we also have done.

Sharaj Singh: Right, but then as you said, the MFI book, we don't see much recovery. So, the coverage here facility is very, let's say 40% something right. So, where do you see this normalized? I mean, our credit cost that also continued to be the same. So, do you expect the book to pullback or gradually to just recover the provisions to catch up?

Rohit P: See, MFI as I said in my opening remarks also, so you look at the formal economy is doing very well. Now, whenever there is a recession is the formal economy which starts picking up first and then the informal economy starts kicking in. So, in the past also, this has happened, particularly during the demon stage, where you know, the informal economy got hit, but after that, the business came back and we could see earlier pre-demon collection efficiency rate. We are experiencing the same thing now.

In fact, in the second wave also we saw the same things. On the second wave, we saw collection efficiencies improving. So, to answer your question yes we feel that the business will be back, will be back to the normal collection efficiencies, delivering normal ROA, particularly the MFIs, that was your question.

Sharaj Singh: And the vehicle finance, we also expect the book to pull back?

Rohit P: See, vehicles finance as I explained, for the first time, see vehicle finance, the peak sales for trucks was in FY19. So, we have still not reached the peak sale of FY19. But the peak freight rates were in FY21, and we have already reached there. The free cash flow margins of fleet operators has increased so, what has happened is you know, automatically when replacement demand starts there definitely is a lot of activity in the used vehicle segment also so obviously, as business picks up, collection pickup.

So, the second point is earlier load availability itself was a question. Now, here, load availability is much better. So, truck utilization has gone up significantly in the formal sector. I sincerely, I mean, I do expect that in the next quarter, this will percolate down to the used vehicle segment also. There is enough activity in the used vehicle segment now. So, that business will also come back.

Sharaj Singh: How much of our vehicle finance would be HCV?

Rohit P: HCV would be 30% to 32% as of now.

Sharaj Singh: And in the MFI space given the competition has gone, couple of competitors have come under stress. So, can we expect some accelerated growth here, and the economy pickup?

Rohit P: See, MFI business is a different business, you can definitely grow that business, but there you know, the focus should be on discipline, which is maintaining your center meetings. There was a survey done by MFIN recently, and MFIN said that post-COVID, because of COVID, the center meeting attendance has dropped to 67%, but 67% we are saying is good because the remaining 33% did not happen because of two reasons. One was illness and second was business disruption. So, the survey itself says that the center attendance meeting rates are going to go up so that itself will improve the MFI business volumes.

So, volume is not an issue in MFI, it's just that we need to ensure that, we need to continuously assess whether the parameters are good, whether the collection efficiencies are good. As formal economy keeps kicking again the benefits will percolate down to the informal economy.

Sharaj Singh: So, are we looking to grow this book then at an increased pace or we will be conservative and stick to the growth seen in the past, recent past.

Rohit P: So, yes, we will grow the book, but we will always, we have already indicated earlier also, that it will be 15% of their total book, despite the fact that there is enough potential for us to grow more than that and that's a conscious call.

Sharaj Singh: Can you give us some timelines on the merger, I mean, any update on that?

Dheeraj M: Yeah, so, we are hoping that post this results, we can complete that QIP process. So, we had to take a bit of a break because of New Year and Christmas, and results. So, we are hoping that if with all your support, we should be able to do this in February. And if we close this in February, then we are looking at completing the reverse merger by December of 2022.

Sharaj Singh: December of 2022?

Dheeraj M: Yes, yes.

Sharaj Singh: In the vehicle finance space there is increased competition as from what we could understand. So, what are the sectors that we will focus on, what are the strategy here in the vehicle finance space?

Rohit P: So, the used commercial vehicle space itself is a humongous space. As you know there are very few players here because it's a very difficult business to be in. So, our focus one is obviously to one to grow the used commercial vehicle. In used commercial vehicle, we have focused primarily on used LCVs and used small commercial vehicle. And both the portfolios are doing, I mean small commercial vehicle is doing exceedingly well. So, we intend to increase both the LCV and the small commercial vehicle, not so much on the HCV but more on a LCV and SCV. We also intend to focus on the new LCV book, the new LCV book as of now is only 19%. And the new LCV book is one place that we will focus on. Then we have entered in used car, used car has been a phenomenal success for us, though the asset is low. And there are hardly any delinquencies there. So, that is another focus area for us.

Sharaj Singh: So, my question actually was, I will break it into two parts, in the new CV space there were incumbents which were very strong and you were trying to break in there, so an update on that. And in the used space, we have heard from a lot of players that there is increased competition new players coming in. So, there I mean, how are you looking at the competition going ahead?

Rohit P: See, if you are talking about competition, competition will be there in every product because many people are entering the financial services industry. What augurs well for is we already have a distribution, we already have a customer base, and we have been in the used space for a long time and that gives us ample opportunity to go into the new space also, because a lot of our existing customers as they mature, they are going for new vehicles and that itself gives us a huge replacement demand. So, I think we are well poised to take that growth in new LCVs, used cars and the used CVs as well. In the new small commercial vehicle, we already have a 7% market share. So, that's one space where we are quite dominant.

Sharaj Singh: So, new small commercial vehicle isn’t there some specific OEMs or the overall market you have a 7% share?

Rohit P: Yeah, basically in Tata.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: I have two, three questions, one and two are data keeping question. So, first is out of your restructuring book of Rs. 1,764 crore if you can give, I think you mentioned about Rs. 900 crores is from vehicle finance, but can you also specify about SBL and MFI?

Dheeraj M: Yeah, so, microfinance is about Rs. 340, small business loans is Rs. 440, the remaining is the MSE finance.

Jai Mundhra: And this is the gross number, right so 9% of NPA which is there --

Dheeraj M: These are the gross numbers, breakup of Rs. 1,764 is what I have given.

Jai Mundhra: So, 1764 also includes 9% NPA?

Dheeraj M: Correct, Rs. 162 Cr is NPA.

Jai Mundhra: And secondly on provisioning, I mean the same thing that you have around Rs. 400 crores of a specific provisions. And then you have restructuring provisions of around Rs. 300 crores. Is there any other provision which is outside of restructuring provisioning any specific provisions?

Sridharan N: Over and above the normal provision we have Rs. 202 crores on restructuring provision. And we have a floating provision of 19, and balance of around Rs. 94 crores is the over and above the IRAC provisioning.

Jai Mundhra: This Rs. 94 crore over and above IRAC is already there in the PCR, right, because that is how it should be.

Sridharan N: Yes.

Jai Mundhra: So, Rs. 400 crore of a specific provisions, and then Rs. 200 crores on restructuring, and Rs. 20 crores, which is let's say over and above, which is not there in both of them, is that the math?

Sridharan N: We don't include the restructuring standard provision. Because that is as per the RBI guidelines, we cannot include.

Jai Mundhra: Yeah. So, is there any other provisioning which is outside PCR, and restructuring that is what --?

Sridharan N: No other provision.

Jai Mundhra: And the third question is on your restructuring pool, right. So, I heard you that you are saying that that the credit cost remains at 2.5%. And I think nine months is basically 2.5% around. And while this pool clearly these customers had slightly weaker profile, and they were already given two, three months of moratorium. And this pool is clearly delaying payment by let's say one to two months, 37% of them. So, how confident are you regarding the credit cost from slippages and credit costs from this pool, even from near-term perspective? And in that context, do you think your policy of 90 days moratorium max was slightly stringent or you know, slightly more extra conservative?

Rohit P: I can only tell you that the trend that we see today in both X bucket as well as 1 to 90 DPD is very good across businesses. I mean we are seeing a reduction in 1 to 90 DPD bucket. So, that gives us a comfort that despite the fact that some of the RSL pool particularly in vehicle finance is in some buckets, that collection is happening and the credit cost will be lower, that is the intent. That is what gives us confidence.

Secondly, in the vehicle finance as I said, as the economy improves and benefits keep trickling into the used segment, we will be able to get better realization in sale of used trucks. So, that is the second point which gives us confidence that credit cost.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: On the asset quality, if you look at restructured book, and X bucket collection efficiency, still the numbers are a bit elevated, the GNPA, the collection efficiency all the numbers are bit elevated. So, what give us confidence that from this quarter we will be able to redeploy our collection team to sales and we will be able to show growth, or we will do that from next year onwards?

Rohit P: As I said in my opening remarks, if you look at the restructured pool, in small business loans 67% of the pool is non-delinquent. In vehicle finance, about 39% of the pool is non-delinquent and 1 to 90 is 45%. In microfinance, about 45% of the pool is non-delinquent. So, this is one reason immediately how does the pool behave. So, despite the fact that the entire RSL book has come into collections and lot of customers are paying. So, that is why I am saying that, that this pool might behave better, this is one.

Secondly, when we look at collection efficiencies in the higher bucket, there also we see that despite the fact that customers are in buckets, particularly in vehicle finance, they are at least paying us one EMI, two EMIs so it's moving, it's not deteriorating, it's improving. So, this is the second reason why it gives us the confidence that collection efficiencies in the restructured pool will be better.

Dheeraj M: And Nidhesh the redeployment will be calibrated, it is not one day that they will have no collections team and they are all in the frontline. So, it will be calibrated. And we also have a fairly strong collection vertical, which in our assessment can take care of the current overdue in terms of number of customers.

Nidhesh Jain: Secondly, whenever there is an issue on the collection side, what we have seen that our incremental growth tends to suffer. Because we need to redeploy people from sales to collection, despite we are having almost 17,000 people in the organization. So, if let's say we would have reported strong growth in this quarter, all our numbers like profitability, GNPA would have looked much better. Even the collection efficiency numbers would have looked much better versus what we have reported. So, do you think this is the right strategy that we always prefer to redeploy people from sales to collection? And how you measure the effectiveness of those people in terms of collections?

P. N. Vasudevan: I think it's a question of how do we manage and balance between percentages and the actual amounts. There are times when you can ignore the actual amounts, just look at the percentage, and keep growing your book and expecting that at some point down the line the percentages will be able to cover up the asset quality issues and help you overcome that over a period of time.

See it's very difficult to give a one kind of one answer to that question. At what point does a company focus on collection? At what point does the company say that I am okay with some level of increase, in the actual quantum of over dues and NPA, but I will grow my book so that my percentages appear to be under control. So, at what point do companies take this kind of calls? I think it's not something where we can say that generally there is one clear guideline on which everybody will act. So, it's not going to be possible to answer that question.

I think we have to take it based on so many factors, finally you make a call. And we took that call, in the last two years, both the pandemic, except, of course, during that brief lull between the wave one and wave two, I mean, we didn't know wave two existed, right. We thought that we are all finished with Corona in India. And so there was a brief period of Jan to March where everything looked good. And we just were back to normal. But again, the wave two hit and it's been quite different after that.

So, we have taken this view that we will continue to focus on growth, but at the same time, we want to also keep the, the overdue amounts under control, and the actual amount of write-off etc., under control. So, it's very difficult to give a one-word answer to that, it's a factor of so many things that you take into account. And also, it's a question of the Management's views and the confidence in the market to kind of behaving and coming back. So, I think it's a question of that.

And from our side, what Rohit has been mentioning to you, is that from our side, we believe that the Corona effect is actually kind of behind us on our portfolio, if there is still this remaining restructured loans, which are already in overdue, half of them is in X bucket, and about 20% of them are and 1 to 30, which is okay. The balance 30% are really in the 30 to 60, or 60 to 90 or 90 plus, so that is still there. And that will be continuing to be a focus for the collections on the legal team to pursue. But we believe that the Corona effect more or less on our portfolio is behind us. And so we should be able to get back to our normal growth starting from next year.

Nidhesh Jain: And lastly, from a productivity perspective, how should we see the productivity of our sales force, collection team. So, I am trying to understand from the same infrastructure that we have, what sort of disbursement run rate or loan book that we can build with the same infrastructure on the asset side that we have.

Rohit P: Yes, you are right, productivity is a focus area for us. And we have benchmarks for our productivity, and we every month, like monitor those benchmarks for productivity. And this will be one of our focus areas of improving and increasing that productivity as we go along.

Nidhesh Jain: I was just trying to understand that whether we are running at 50% capacity or if you want to grow, let's say disbursement by 50%, we have to add 50% more people. That's what I was trying to understand if that's possible to answer?

Rohit P: We are at about 85% capacity. And as we keep redeploying people as the business grows, that additional need will be fulfilled.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: So, my first question is just on disbursement, if you can give a bit of a trend that you have been seeing in January. And just approximately how much of the sales or how much of the sales which has been put into collection have been redeployed or sent back to sales. So, just to try to get an understanding of how this trajectory is behaving now?

Rohit P: As you are aware January, we have a one-week holiday, because of Pongal. So, considering that, the logins are better, but it will not be as great as December was, so this is one.

Dheeraj M: Just for context, December, we have done about Rs. 1,200 crores. So, October and November were actually very muted. We started to calibrate in December. So, our hope is that on an average, we should be better than December.

Abhishek Murarka: So, what you are saying is, roughly if you take three weeks, then approximately you should do Rs. 900 crores because one week lost into holidays and stuff, you should be hitting a Rs. 900 crores kind of disbursement

Rohit P: Nearly between Rs. 825 crore and Rs. 900 crore.

Abhishek Murarka: And how much of this bounce back have you seen in SBL? This is just to get a sense, because it's a larger segment. So, I am just trying to see how growth is panning out there.

Dheeraj M: 30% is SBL.

Abhishek Murarka: And secondly on OPEX so Sridharan was suggesting that the IT costs which is part of that Rs. 411 that has grown about 70% to 75%, YoY. Just wanted to get a sense of how much that is. So, that is like 10% of 411 or what order of magnitude is that?

Dheeraj M: I think the variance between last year same time, and this quarter is about Rs. 15 to Rs. 20 crores. And this is not digital, so let's not mix it. This is technology cost.

Abhishek Murarka: So, I just wanted to get a sense of your hiring plans in the next say a year.

Dheeraj Mohan: Yeah, we are actually in the business planning period right now. So, I think we will all speak out of turn if we try to give you some idea, but next quarter, I think we should give you some sense.

Moderator: Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

Vijay Karpe: My first question is what was your X bucket in September '21, because according to the Q3 presentation, it was 80%, and according to Q2 presentation it is 85%. So, what is it exactly is September 80% or 85%?

Dheeraj M: September is, 80% only, that's what we had given, that 80% in September X bucket.

Vijay Karpe: Okay. And according to the Q2 presentation it is 85%.

Dheeraj M: Okay, let me just check that, sorry.

Vijay Karpe: My next question is how much of the write-off was in the MFI segment and do we see any major write-offs in the future?

Sridharan N: In MFI it is Rs. 55 crore is write-off.

Vijay Karpe: And do we see any major write-off in the future?

Sridharan N: Future, see we have put in a policy actually. So, as per the policy whenever 100% provision is there and we have certain other parameters as per that we will go by it.

Vijay Karpe: And where do we see the collection efficiencies moving in the Q4 quarter for both the normal portfolio as well as the restructured portfolio. The MF disbursement also saw traction in the Q3 quarter, what was the mix of the new and existing borrowers? And what do you feel is the asset quality of this new disbursement?

Rohit P: I don't have a breakup for the new and existing customers in MF. You are asking me about where the collection efficiencies will be. So, as I said our current collection efficiency in MF is 97%. Our normal collection efficiency used to be 99%. But when we see the collection efficiencies across geographies, which means taking each state, we find that the collection efficiencies across states, overall collection efficiency has improved, which means our X bucket collection efficiency in MFI will definitely be higher than 97%. It might not touch 99% immediately, but it will definitely be higher than 97%. That is our expectation.

Vijay Karpe: Our disbursements were also impacted during the quarter. How much was this attributed to deploying the sales team to the collections and also how much is attributed to the floods that happened during the quarter?

Rohit P: No, it is not attributed to redeployment of people because if we find that the demand is strong, and we just want to focus on sales that we would have deployed it, but actually what happened was in November, we had a storm in TN and we had a lot of rain. So, business activity had come to a standstill for quite some time. That did impact the disbursement.

Vijay Karpe: And lastly, I think we have made some changes to our savings account segmentation, earlier we used to keep them one lakh and below and the rest of the rates for one lakh and above. So, I think we have made some changes over there, less than one lakh, between one to five, and between five to 50 lakh, so how much will this help us reduce our funding costs over here on the savings account side, that is one. And the second question is I think we have seen a good fall in the MF AUM, why is it so?

Murali V: Two things, first is, we have now categorized based on mass, mass affluent and HNI. So, that is why, 0 to 1, 1 to 5 and greater than 5 to 50, it is categorically decided between product and program. Earlier, we kept only a value as a program, there is if anything above one lakh is 7% type. So, we have consciously done that. So, that it helps us to reduce overall, in a yearly sense by 24 to 28bps which depending upon which cycle you are catching up, that is on that. Second it is not fall in AUM, it needs to be corrected, it should be 139 moving up to 170. So, we will correct that and we will reproduce it for you.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: I just wanted to check the two pie charts from Slide# 24, on saving and TD that's the identical as the previous quarter so just wanted to confirm that.

Dheeraj M: We will just double check that and then we will update the PPT, there is a mistake in it.

Moderator: Thank you. The next question is from the line of Harish from Harish Swaminathan Family Office. Please go ahead.

Harish: I just have one question on the Universal Bank License. So, where are we on the application, if you can give any update? And secondly getting the license, how will it change our strategy or focus as a bank?

P. N. Vasudevan: See as per the guidelines of RBI up to five years, there have to be an SFB after that it is not an automatic upgrade to Universal Bank License. After that we have to apply and it has to be approved by RBI based on the regulatory comfort that's where guideline of SFB. So, we have completed our five years. So, we are in discussion with RBI. And as and when they allow us to apply then we will be applying. So, right now we are not in a position to really talk of timelines.

But the second question is something that we can clearly talk about that as and when we get Universal Bank License, it actually will not really mean any change as far as the business model is concerned. We are very comfortable with the model that we have got so far, we have created, it's a very strong, stable and robust model. We can really build a good amount of volume on top of the model that we have created. We have distributed presence and products, distributed presents in customer segments, and a very strong liability traction that we have been able to see to support the asset growth.

So, we are very comfortable with the model that we have got, including the fact that a significant part of our loans are to the informal economic customers, where the unmet demand continues remain very large, and not only an easy area to lend. And we have been able to establish a good amount of capability to lend and collect from that segment. So, I think we have built a good amount of moat in many of the business lines we are in. And so whenever we became a Universal Bank, I don't think that's really going to change our model in any significant way.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I now hand the conference over to Mr. P. N .Vasudevan for his closing comments.

P. N. Vasudevan: Thank you all for joining us and it's been an hour and a half, pretty good, pretty long marathon session. Thank you for staying with us and asking us all these questions. It always helps us to sharpen ourselves and improve ourselves, the more and more you ask us. So, please continue to ask us as many strong and searching questions that you can please go ahead and keep asking us, it will always help us strengthen ourselves. Thank you so much and wishing you all the very best.

Moderator: Thank you. On behalf of Equitas Small Finance Bank Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.