"Muthoot Capital Services Limited's Q4 FY'22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Muthoot Capital Q4 FY'22 Earnings Conference Call, hosted by Antique Stock Broking. 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, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vidhi Shah from Antique Stock Broking. Thank you and over to you, ma'am.

Vidhi Shah: Thanks, Inba. Good afternoon, everyone. We have with us the management of Muthoot Capital Services Limited, represented by Mr. Madhu Alexiouse, who is the Chief Operating Officer and Mr. Vinod Panicker is the Chief Financial Officer.

Without further ado, I shall now hand over to Mr. Vinod Panicker for opening comments. Over to you, sir.

Vinodkumar Panicker: Thanks a lot, Vidhi. Good afternoon, friends. Happy to be with all of you once again. We are here to share the financials that was approved by the audit committee and the board yesterday, and which we have published yesterday on the stock exchanges and today in the newspapers and wanted to share some of the highlights and then maybe once we finish that we will want to take your questions and address all the questions that you ask to the best of our ability, and whatever we can't directly answer, we will separately reply to you after the call end maybe on a mail or something like that or on a direct call.

Maybe to begin with, at the end of the year, we are in 20 states, we have overall loan book of about Rs.2,056 crores. During the fourth quarter, the new customers who came in was about 39,529, which meant that during the entire year, we had a total number of 145,000 customers who came in fresh, taking us to that total retail customer base to about 516,000. During the quarter, we had a total disbursement of about Rs.368 crores and for the year about Rs.1,147 crores.

Now, I start the financial performance which we have uploaded some time back on the website. During the current quarter, we have done a total disbursement of about Rs.368 crores versus about Rs.332 crores that we did in the immediately preceding quarter and the Rs 2 90 crores that we did in the same quarter last year. So versus the last year, there is an increase of about 27% and versus the current year, there was an increase of about 10% to 12%. That led to us taking our AUM including direct assignment AUM to about Rs.2,050 crores versus about Rs.2,011 crores that we had in the immediately preceding quarter, and it was about Rs.2,071 crores in the same quarter last year at March ending.

The income what we have generated is about Rs.108 crores which is higher than the immediately preceding quarter, then it was Rs.93 crores, and in the same quarter last year, which was slightly higher at about Rs.109.6 crores. So compared to the same quarter last year, there's a 1.5% drop.

On the finance assistance, we have been very lucky for the credibility that the group has with lenders, everybody with whom we and the group are working with. Muthoot Pappachan Group has a lot of credibility. In spite of this being a reasonably bad year, we were able to maintain the interest rates, we have been able to actually bring down the cost, the same quarter last year the cost was about Rs.42 crores, this time it is at about Rs. 34 crores, immediately preceding quarter it was at about Rs.36.3 crores. The drop is on account of both reduction in the utilization of fund and also because of the reduction in the interest rate, both being there, it was about 25:75 ratio. Therefore, net interest income was at about Rs.73.7 crores versus about Rs.56.7 crores in the immediately preceding quarter and Rs.67.7 crores in the same quarter last year.

Operating expenses in the immediately preceding quarter and in the same quarter last year, was about the same, at about Rs.42.3 crores in the current quarter, Rs.43.3 crores in the immediately preceding quarter and Rs.44.3 crores in the same quarter last year.

On the loan loss provision, we have taken a major hit, maybe when I go into this particular slide in detail in the next sheet, that time I will elaborate on that. We have taken a total provision and write-off of about Rs.236 crores, leading to a loss before tax of about Rs.205 crores and loss after tax of about Rs.154 crores. On a full year basis, we had a total disbursement of about Rs.1,147 crores, leading to a book of Rs.2,056 crores. Full year income was about Rs.398 crores versus Rs.505 crores for the last financial year.

The interest cost is lower by about Rs.37 crores from the immediately preceding financial year, interest cost of last year was down by Rs.25 crores because of reduction in the utilization and Rs.12 crores because of the reduction in interest rate. Operating expenses was broadly the same versus the last year and this year; at Rs.153.7 crores last year, and Rs.152.7 crores in the current financial year.

Loan loss provision which was about Rs.95 crores last year and this year is about Rs.324 crores for the full year which led to overall loss of about Rs.229 crores and loss after tax of about Rs.172 crores.

Here, I would want to elaborate on the loss figure and permit me to take a bit more time. We were looking at a normal year without considering the impact of the two RBI circulars that I would be talking after this; then we would have possibly in the fourth quarter versus Rs.108 crores, reported an income of about Rs.117 crores. And we would have had a loan loss overall provision, which, all put together, would have been of about Rs.22 crores, and we would have possibly reported a bottom line positive of Rs.13.5 crores after that. That would have been the scenario and the two circulars that I'm now going to talk about was not there. So, on a full year basis, we would have possibly reported a loss of about Rs.4.6 crores. That would have been the normal business. The provisioning that we are talking about is basis the ECL provision that we follow and we have been consistently following and something which we have been doing. This is the trend over the last several years. We have taken the trend and quality of the portfolio from 2014 onwards to determine what is the ECL provisioning.

Now, the circular which I would now talk about, one is the PCA circular. Now, based on the figures that I told you just now with the bottom line of about Rs.13.5 crores for the quarter and a negative bottom line of Rs.4.6 crores for the year.

The GNPA at the current year end at about 18.7%, down from 20.5% in the immediately preceding quarter, but higher from the 11.7% that it was in the same quarter last year. So after making the provisioning, the NNPA came to about 9.9%. And because it was 9.9%, to ensure that we don't come within the PCA categorization, it meant that provisioning has to be there.

Also, wanted to mention that on a regular basis, capital adequacy ratio was at about 29.5%. Now, to get out of the PCA on a normal basis, we have made a provision of about Rs.81.3 crores, taking the current quarter profit to a negative of about Rs.63 crores and loss after tax of about Rs.47 crores. On a full year basis, the figure became negative of Rs.87.6 crores before tax and Rs.67.6 crores after tax. At this stage also, the NNPA intention was to come below 6%. NNPA was at about 5.8%. Capital adequacy was at about 26.8%

Then there was this other circular on the 12th of November, whereby RBI had said that any account which goes to 90-plus has to come back to 0 DPD, for it to be called a standard asset. So, last quarter, we had very clearly mentioned that and including that we had reported a gross NPA of 27.8%, but the stand that we took and as permitted under Ind AS, there was no additional provisioning required because all other companies have done the same. The provisioning was basis the bucket in which they actually fell, because while they were in S3 as far as reporting it as NPA is concerned, strictly speaking, they were in S1 or S2 and so provisioning of S1 and S2 is applicable.

Subsequently, RBI came with the relaxation saying that they give time up to 30th of September 2022 for companies to implement it. Effectively, implementation meant that the companies were given sufficient time to go to the market and get the customers to make the payment and do everything else that needed to be done to ensure that you implement the circular.

There are different stances taken by different NBFCs. We thought it was prudent to upfront recognize it as an NPA and then correct it over the next two, three quarters and therefore, bring it down that way. That is the reason we took an additional hit of about Rs.141.5 crores. Actual provisioning would be higher, but then because you already made some provision on these accounts, basis the lower bucket, that would get netted off. So the hit of about Rs.141.5 crores was taken, which was including income reversal of Rs.8.7 crores. Based on that, we reported a figure of Rs.204 crores negative for the quarter and Rs.229 crores negative for the year, and Rs.153.5 crores negative after tax for the quarter and Rs.171.8 crores after tax for the full year. Basis the entire provisioning that we have now done, capital adequacy was at about 19.8% and

GNPA was 25.9%, because we took this additional Rs.148 crores as NPA. The NNPA then has now come down after the provisioning to 5.7%.

I will pause over here for a minute and I would maybe wand to ask Madhu for his opening comments before we take questions.

Madhu Alexiouse: Good noon to all of you. Thank you, Vinod for your initial presentation. I think I'll give a perspective on how the two-wheeler market has behaved last year, what are the expectations in the ensuing year briefly and then probably after that, we'll open up for Q&A because it would make sense in picking up the questions and giving more in-depth insight.

Last year after the second wave, we have witnessed two-wheeler industry actually bouncing back and till September, October, and that's the festive season, we saw sales touching about 15 lakhs per month. Subsequently, we saw that around Q4 the industry had stabilized to 12 lakhs unit sales per month and Q4 sales, if I look at wholesale numbers, it was at about 34 to 35 lakh unit. Still the work from home was on and a lot of schools, colleges are yet to open, so that impact was seen during the Q4. Retail registrations had been stabilizing around 12 lakhs and in Q4 retail registration was about 32 lakhs.

As we go forward, we expect the sentiment to improve in the ensuing months, especially from the fact that and I had been giving you in my earlier commentaries as well, schools, colleges need to open which has happened across the country and work from home facilities being withdrawn in a lot of organizations. So, these are the initial sparks, which is now seen in the industry, it is now slightly moving on the northern side.

We also see there are challenges related to geopolitical crisis in terms of inflation and everyone reads every day in the newspaper. But that I believe is a temporary issue because there is a impending demand of last two years which consumers have kind of kept on hold, they will have repaired their vehicles and used it again and again, because the usage would have been less. We believe that with opening up of the market I think, as we go forward, numbers should look better as far as industry sales is concerned.

I have always maintained that India is the largest two-wheeler market and also it's a primary mode of transport for common man. Last year was the lowest where the overall sales was about 145 lakh unit and India has about 100 two-wheelers of every 1,000 people which is very low compared to even developing nations. So, we believe that this has to go double given the bottlenecks in terms of commutation that is in our country.

From MCSL perspective, our overall disbursement was about Rs.309 crores for Q4 in the hypothecation loan business, which is about 39,000 units, we had been benchmarking ourselves for the year 2020. I think this was the first step of crossing Rs.300 crores which for the last almost three quarters we've been doing more than Rs.300 crores disbursements

And also I mentioned that with the opening up of the market, we have been able to reactivate a lot of business touchpoints, lot of dealers, and, of course, our own in-house MFL branch network that would actually help this year.

For the year, two-wheeler disbursement was Rs.1,080 crores which is about 1.42 lakh unit which comes to about 1.18% market share of the retail registration of two-wheelers in the country, which is about improvement of close to 0.35% from last year. So, we are seeing that the numbers are bouncing back positively. It is about this year when things open up and the sales start picking up from let's say 35 lakh and it crosses 40, 45 lakhs, I think things should look much better.

From collection perspective, we have seen the collection picking up across all buckets. If I were to tell about generally X bucket for two-wheeler industry, it is about 93%, we were around 97% , and collection efficiencies were also above 100%, which is very welcome sign. And when we look at our March soft bucket collection, we were 90-plus. So these are positive signs for us. As far as bouncing back is concerned, it is a one-time hit that Vinod had mentioned that we had to take and being conservative and being an organization, which has believed in being upfront, we have done that. But if you look at the trajectory that last three quarters that we have shown, we have been kind of improving quarter-on-quarter.

I think we'll open it up for Q&A, we can get into more insights as the participants want.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Vinay Jethwani, an individual investor. Please go ahead.

Vinay Jethwani: Actually, I'm highly disappointed with the results. The other companies are also struggling, but our performance are really bad I think. From 2017, company opted not to pay dividend so that it can retain it for future growth. That also didn't work well. So in between others were also paying dividend and still have better place. By when would we see real turnaround and back to create a kind of a performance and how much conviction you're having on the turnaround since we are listening to the concall for last year, I'm feeling a little bit hope, but still, the performance is not rising? The second question is how much it would be recovered from the amount which has been written off in this quarter?

Vinodkumar Panicker: Thanks for your call. Honestly speaking, we are equally disappointed. And obviously, when we put it up to you, it is your company, because you are the shareholder, we are not. So obviously, we feel far more disappointed to even present these numbers to you. Having said that, let me try to put into two, three perspective.

First and foremost, the major hit on us came after the second wave, where the NPA shot up and then NPA continue to shoot up for the next three to six months. Between the last quarter and the current quarter, the GNPA had come down, in fact, we reported a negative of Rs.15 crores at the bottom in the first quarter, Rs.8 crores in the second quarter and then we showed a positive of

Rs.4 crores in the third quarter, fourth quarter, on a normal business basis, we would have reported a Rs.13 crores positive and on overall basis we reported a negative of Rs.4 or Rs.5 crores. So that would not have possibly disappointed you or for us for that matter. Because the way we look at it is we are improving on a quarter-on-quarter basis, but then obviously, the yield is not good to satisfy you or us and we're definitely not satisfied with this. But then, Vinay, there was this two circular which we had to adhere to. We're working with our team very closely over the last several months, saying that even before the PCA norm actually kicked in, saying that NPAs have to go down and then while December was a month when the NPAs did go down a little bit, January was also good, February was a bad month. And because of this toxic kind of a ride, GNPA at the end of the year remains at about 18.7%. If we consider the longer term, the provisioning basis is that longer term and therefore, whatever provisioning is needed, we were doing plus some bit of management overlay also we were providing even in the last quarter. The team is always confident that we will bring down the NPA to the threshold demanded by RBI. But they were not able to do that in spite of their best efforts. And when that happened, at the end of it, like I pointed out in the presentation that we had to actually charge off Rs.81 crores purely for getting out of PCA. On the second part, which is the 12th November circular, RBI had given time, but then the management felt that it is appropriate that we don't take the benefit of the relaxation given and we actually made provision for it, tell the regulators and everybody, in spite of the provisioning being there, we agreed to the threshold of 6% that the regulator has demanded. Even on the capital adequacy, we are pretty comfortable being close to 20%. And then work on the next couple of quarters to recover the amounts, especially the ones which is about Rs.148 crores, which have gone beyond 90-plus, and then come below 90-plus, but then basis the 12th November circular, there to be called an NPA. And when they're called as NPA, then to remain out of PCA, you need to make provision of that. So that has been the issue. But let me assure you, the team had a several sittings separately, as obviously this is the figure which worries us also, to decide what is the future going to be and the team has taken robust targets which was not the case, maybe immediately after the COVID wave, but then now the team has taken robust targets, things have opened up, they are telling that the industry will see 8% to 10 to 12% kind of growth and obviously, the prices have gone up. Therefore, altogether will benefit entities like us which are fully focused on this sector. But I think one of our biggest challenge would be to first bring down that Rs.148 crores which additionally went into the NPA asset because of the 12th November circular and simultaneously bring down the other accounts which are in NPA to zero bucket and then grow. The team is confident that they will bring down NPA to a considerable level. In such an extent, we will end up reporting decent or I would say attractive number for the FY'23 financial.

Vinay Jethwani: To take some one more clarification, how much could be recovered from the amount which has been written off and by when, not exact timeline or exact amount, but a ballpark kind of figure?

Vinodkumar Panicker: As I just clarified, this provision which I am talking about is not written off. The written off amount is about Rs.18.7 crores only. Out of the total loan loss provision, everything else is nearly provisioned. We're just making a provision. The write off is Rs.18.7 crores only. Out of that write off, normally over a one-to-two-year period, we get back about 20%, 25%. But this is only provision.

Vinay Jethwani: Yes, regarding provision only how much could we recover from that Rs.148 crores you're mentioning and by when it would happen?

Vinodkumar Panicker: Let us look at it differently. This 148 crores book, the set of guys who are paying on a month-on-month basis, but then sometime after 12th of November, sometime gone into a 90 plus and then come back below 90 plus. Now, RBI regulation says that unless it comes back to zero, you cannot take it as a standard account. So they are paying on a month-on-month basis, nobody is defaulting because these are those accounts which are less than 90, and that means they're paying. If you look at the website where we have put up the presentation and you look specifically at the NPA movement, you will realize that the amount against NPA accounts total collected is Rs.36 crores from about 59,000 customers in the current quarter. So, obviously, these are the guys who are paying. Even if these accounts continue to be NPA, they will continue to be paying and maybe complete their payment maybe within two, three months after the tenor gets over.

Vinay Jethwani: It means that the provisioning will be recoverable in the next five to eight months we would expect that?

Vinodkumar Panicker: The intention is that. These are the low hanging fruits because this fellow is a regular payer. The teams have been actually mobilized to address/ attend to each one of them saying that, you currently pay the three months dues immediately so that this account goes out of NPA. And we have given immediate targets to the team, saying thing that many accounts should come down every month out of the Rs.148 crores. Now the second option is to ensure that there’s lots of control with the zero to 60 kind of buckets so that the guys don’t actually go into 60 to 90 or beyond 90. But then if he has to pay three installments, it becomes difficult for him to pay and we understand, people are coming out of the COVID and two circulars, which actually are for the customer to pay is definitely tough.

Vinay Jethwani: So finally could we presume that the worst is over by FY’22 and from FY’23 we could only see better and better things ahead?

Vinodkumar Panicker: That’s an assurance you should take from us. FY'23 will be significantly better than what FY'22 or '21 or even '20 was. That's an assurance which we want to give.

Moderator: Thank you. Next question is from the line of Vidhi Shah from Antique Stock Broking. Please go ahead.

Vidhi Shah: Firstly, we have seen slippages of around Rs.60 crores every quarter. So, do we expect this number to come down going ahead?

Vinodkumar Panicker: Which is our intention and have told the same to the team, we are having two sets of teams one is specifically to handle the accounts which is at Rs.148 crores which went to NPA, then came down below that and still between one to 90 DPD . That is one set of the team will be following. Second, we have mandated to separately follow up on the account which are in 0, 1, 2, 3 and not yet gone to 90-plus. Their job is to ensure that it doesn't go to 90-plus ever, to try and block them. That is one task to them. And the third set of team is to handle the NPA accounts. Team has taken up the task to ensure that as a robust collection process is significantly better than what it was ever in the organization and trying to collect amount as much as possible. So while Rs.65.9 crores was actually added in the last quarter, and only Rs.53 crores out of that moved out. We will ensure in subsequent quarters it is significantly lower. We are accepting that 12th November circular has to be fully addressed without waiting for the relaxation period. It is better that we ensure that nobody goes to 90-plus.

Vidhi Shah: Should I take it from next quarter onwards the slippages will be significantly lower compared to these past few quarters?

Vinodkumar Panicker: It will be significantly lower. Budget that we have taken is also indicating the same and there are regular meetings of the team with their superiors, chief operating officer and the team , with the directors, and is all indicating towards that and all have taken it as a challenge. Because, obviously, one year or two years is definitely not something we would want to showcase outside.

Madhu Alexiouse: Let me kind of get into this. If we look at the performance as on March and let's divide this problem into two pieces; one is the softer buckets how they are going to perform; and one, the NPAs how we are going to roll it back to zero so that we can have the reversal of the provisioning. Bucket X performance was about 97% which was the highest over the last almost one and a half years. 97% means only 3% slippage from the zero market or X bucket which generally the industry is 93% to 94%. So, we have kind of improved on that. So, of course the improvement in cash flow for the customer would have happened and that's why we are getting the payment on time. Bucket one and two also performed the best over the last many months. Bucket three, that is 60-90, because of which we have taken additional provision which Vinod mentioned. the performance was 90% which means that out of Rs.100 principal outstanding, 90% of the cases we were able to get at least one installment and that did not flow into 90-plus. The issue is that in this 90% if we bring it back to zero then we need not provide it in our book. So 90% performance in that bucket has to be pushed back to bucket two that is 31-60. So, what we are seeing is across buckets, the cash flow of customer has improved and our performance itself has improved. So, this is a stage where we can say that we will be able to seal the slippages from all over. It's very important because 60-plus is where we want to bring down our portfolio. So from all buckets we see that the performance has improved and roll forward has been in control. Once we continue this, I think we'll see significant improvement in reduction in the NPA.

Vidhi Shah: Just a data keeping question. What will be the coverage on stage-I separate as well as stage-II assets separate?

Vinodkumar Panicker: On stage-I and stage-II, on a total outstanding of Rs.1,425 crores, the provision that we have taken is Rs.30.36 crores. Can I make a note of it and mail it to you separately, ma'am?

Vidhi Shah: No problem, sir. Lastly sir, do you have any disbursement target for FY'23?

Vinodkumar Panicker: Team has taken a target of about Rs.2150 crores and we are currently working on. We will monitor on a daily basis.

Moderator: Our next question is from the line of Akhil from RoboCapital. Please go ahead.

Akhil: Just regarding the last question that was asked, since you mentioned the target of Rs.2,150 crores, in FY'23, what would be the ticket size in the number of loans that you will be doing -- would it be around 76,000 only and let's say approximately two lakh loans?

Vinodkumar Panicker: This year we did 1,45,000. We are saying it will be close to double. You can say 2.75 lakhs. Ticket size is roughly 76,000.

Akhil: Regarding the provision, since it will take time for you to reduce the provision going ahead, I just want to know what would be the credit cost for FY'23, it will be much higher, right?

Vinodkumar Panicker: Credit cost should be much lower, in a sense, the focus will be first of this Rs.148 crores, which are low hanging fruits, which should definitely ensure that the credit costs keep coming down on a month-on-month basis. On a full year basis, we will want to target about 2.5%, because we believe that the bad times are over, collections is only improving, the slides that we have put up, it shows actually that between quarter-to-quarter, the collection numbers are going up , but not sufficient and it will improve as we go forward. **(clarification- this 2.5% is considered without considering the reversal that would come from the NPA of Rs 148 crs that went to 90+ DPD, came down below 90 DPD but did not go to 0 DPD.)**

Moderator: Our next question is from the line of Saravanan Balakrishnan, an individual investor. Please go ahead.

S Balakrishnan: My first question is how is the current liability looking like as of today?

Vinodkumar Panicker: Currently, overall borrowing cost is at about 8.82% versus about 9.52% last year. So obviously, in the current year the cost has come down significantly. In fact, I made a mention about this in my opening remarks, saying that a lot has to do with the credibility that the group has. And definitely in spite of our lackluster performance, we have been able to bring down the cost which is definitely we feel is the credit for the company and the group . Regarding the kind of loans that we have, roughly 68% of our borrowings are in the form of bank loan, roughly about 2% in the form of subordinated debt, about 4% in the form of public deposits, NCD as of 31st March was 9% and others are about 0.5%, 1%. That NCDs are being paid up. We have taken about Rs.275 crores last year or the year before last, about Rs.125 crores was cleared up by 31st of March, Rs.100 crores has been paid yesterday and today. So NCD will also come down. We plan to do a lot of transactions, which will take it back to the 25%, 30% kind of level. So, that would be the broad mix in the current financial year.

S Balakrishnan: So, is it something like which we will have it consistent in the coming year as well from a liability strategy standpoint?

Vinodkumar Panicker: It would be, but we will keep looking for borrowing. There are two other things that we are also speaking to various people about, banks about it, one would be co-lending, sourcing for somebody else. Larger portion remains in the book of the bank. While it is not exactly the borrowing, we are taking money from somebody and sourcing and ending it.. So I would call it a hybrid variety of PTC. So that would be there. And maybe we look at bonds and things like that, which will also be there. We see some of it is in the first half, definitely in the second quarter.

S Balakrishnan: So interest rates going up like what's the conscious direction that we are taking? Now, I remember in last year, we had discussed about, like auto being recovering, but it seems like now with rates going up and like slowdown in auto like will we see like further impact in terms of disbursement and growth primarily from a vehicle loan standpoint?

Vinodkumar Panicker: I fully subscribe to your point that the interest rates will go up and definitely that will have an impact on a cost of fund. From 8.8%. this is purely the interest cost. In fact, I have budgeted a much higher figure for the next financial year, basis the interest rate going up and definitely basis the kind of P&L I'll put up before the lenders. So obviously, that's the second point taken. But when the interest rates are going up, we being a part of a larger group, we are confident that lenders will take cognizance of the fact that it's a one-off and they will give us the benefit as far as the performance goes. And definitely because of the comfort that we have with the group, we will not be hit as hard, number one. Number two obviously, when the interest rate goes up, because of factors other than my own performance, my cost will also go up. And when my cost goes up, we cater to the segment, that possibly raising my rate IRR on the fresh loans may not be that much of a difficulty. So, we are fairly confident that cost will go up definitely, but then we are confident that my yields would go up which would compensate for an increase in cost. Maybe there would be a timing lag, but which will be taken care.

S Balakrishnan: In terms of geographical preference like how is the split looking now, is it like South being 50%, 60% and like the other remaining 40% or is this number significantly distributed across multiple zones?

Vinodkumar Panicker: Currently, south is about 66% and rest of India is 34%. We are looking at growing North, East and West significantly. But then I will say that possibly go down to 60% to 63% where it had gone two, three years back. And we had pushed aggressively Northeast and east. And North and East, they will possibly go to 35% to 38%.

S Balakrishnan: So what I've noticed historically in all the microfinance business is that usually the NPAs are higher in north and west zones. Is there any particular reason why NPA is higher in these two zones? And like do we have any threshold percentage that will again disbursed to each district within each zones, at controls on that side?

Madhu Alexiouse: So, North and West because the market is like that, in a sense that it's a very competitive market and it's a voluminous market as well, and for a larger market, these kinds of issues are there, but key is how we manage our portfolio and that is where I have mentioned that many times during such calls that we have our way of assessing at dealer level, at location level, each and every market where we are performing and is there anything wrong in terms of collections and we try to adjust or pull out of those locations or dealer and continue with profitable dealers. COVID impacted across, I mean, it was not that certain PIN code or certain city or certain town was impacted, it was across everywhere. So, it would not be right to pinpoint certain things, but our own risk management system tells us, okay, these are the areas where we should focus and not focus. So, within those areas, north or west or east or anywhere in the country, if our risk metrics say that do the business, we will continue doing there and wherever we see any kind of issues, we will curtail our disbursement, it can be through reduction of the funding quantum or reduction of volume or exiting that dealer. These are the corrective steps happen. So, while any market can be a problem, okay, the risk management metrics has to be strong and that is what we try to do when we grow our business.

S Balakrishnan: So, are we looking for any capital raising in the near-term?

Vinodkumar Panicker: I think in the current year, after the first or second quarter we will definitely look at that because for growth ,capital is needed, because we are looking at a good growth or massive growth and, in the past, we have always been doing securitization and direct assignment to ensure that we don't need to go and ask more capital from the equity investors, but then my feeling is that there needs to be a fine balance between the two. So, I believe that basis the promoters and other directors concurrence, we will definitely want to look at some bit of equity raising

Moderator: The next question from the line of Vidhi Shah from Antique Stock Broking. Please go ahead.

Vidhi Shah: Because of COVID, somewhere our GNPA levels have shot up pretty high. But if you can just ensure that or if you can just give some understanding, then going ahead, what risk management practices or corrective actions you have taken so that just in case even of any event happens, there is no more of a spike in asset quality whatever growth that come?

Madhu Alexiouse: I mentioned just before this, that we will continue our risk management metrics, nevertheless, with a bit more oversight into the ground. We have enough information what is happening at the local level, which has impacted due to COVID and not because of COVID. So, earlier we used to have a natural market where we have to only just decide basis the figures, now we have something which has impacted by COVID across. So there are two factors that we bring into play. But I believe that whatever impact of COVID was to happen has happened and it is over by Q4. So whatever impact of cash flow that customer would have had and some of them bounced back, some of them did not bounce back, some of them are taking more time and that's what we are hoping that while customer is an NPA, he is paying one, one installment, two, two installments, but still he is active customer. So we recover money from them and bring them back to zero bucket and come out of NPA. So these are the things that would happen, but the cash flow impact we believe whatever has to come in front of us has come and from here it improves. So we'll come back to our normal risk management metrics. Of course, we have tightened our credit in terms of specific locations where we feel that besides COVID, these markets are not functioning well because of various reasons. So that would continue. And we believe that maybe next six to nine months business will come as usual . So whatever we had tightened when the COVID started, so we were talking about top line as well. In FY'21, hardly, we had six months to function, we did about one lakh unit, and in FY'22 till, let's say July, was impacted by second lockdown and July, August was also impacted. So we had close to six or seven months, we did about 1,42,000 units, and we believe this full year would be something where we can see what we have done in '19-20. So we are benchmarking ourselves to '19-20. So when we are benchmarking to our numbers to a normal year, risk management metrics would be akin to that. But we have a lot of new learnings. So those learnings would become part of risk management metrics. Very importantly, we use a proprietary scorecard, it is getting recalibrated with the events that have happened in the past couple of years or three years that will get recalibrated. And so, we will have a set of metrics, which will be relevant as we go forward. So, we can give you more inputs if we can get into a separate call where risk management team can be there, and they can explain what exactly they have done. Because these are all data-driven, analytics-driven, it needs more discussion and insight.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management for closing comments. Over to you, sir.

Vinodkumar Panicker: Dear friends, it was nice of all of you to be on the call and hear us out, and also raise queries that you had. We all agree that last year was a very turbulent year for us, like maybe even worse than the FY'21. But we are confident that it was a bad dream which had ended and therefore, we are back on our toes and the team has taken aggressive targets for themselves, saying that they will achieve whatever needs to be achieved to ensure that we are out of this and we start becoming a profitable entity once again. That's why '23 will be the turnaround year. We are very confident about that. We have put up our presentation on the website. We can share any more information that each one of you want. If you feel that there is something that we are going wrong somewhere, my request is call us up separately and inform us. Intention is we want to ensure that we come back to you quarter-after-quarter, showing better and better performance as we go along. Thanks once again. We are all hopeful that things will improve and improve for good and we need support from all of you at this point.

Moderator: On behalf of Antique Stock Broking, concludes this conference. Thank you for joining us and you may now disconnect your lines.