"Suryoday Small Finance Bank Limited"

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Moderator: Mr. Baskar Babu Ramchandran, MD and CEO. Mr. Narayan Rao, Chief Services Officer. Mr. Sarvesh Kharangate, Head Inclusive Finance. Mr. Kanishka Chaudhary, CFO. Mr. Gaurav Pawra, Head Mortgage. Mr. Senthil Kumar, Head Commercial Finance. Mr. Sasidhar Vavilala, Head Analytics. Mr. Himanshu Mishra, Head Branch Banking, and Mr. Himadri Das, Head Investor Relations, Mr. Vishal Saraf

We will first start with the corporate AV after which we will take you through the presentation to discuss the business module, the key strategic initiatives and growth drivers. And now request the team to start the corporate AV.

[Video presentation]

And now request Mr. Baskar Babu to address the audience.

Baskar Babu: Good evening, this is our first analyst meet and such a pleasure to have all of you investors, analysts and fund managers. We did our IPO during the most challenging of times, which was March 2021. Hardly knowing that we will be facing COVID-2 in the month of April, May, and June. So, it didn't really give us much of an opportunity to interact with the investor fraternity or analysts at that point of time. We did have our share of challenges and we had our share of challenges for multi times. It started in 2008. We were faced with Andhra crisis in 2010. Before we became a bank, we had the Demon crisis.

And then post becoming a bank, we had the COVID crisis. The good thing about all of that is that there has been tremendous learnings, mistakes done and hopefully mistakes at the early stage of our becoming a bank. However, backed by solid capital and liquidity at all points of time, will enable us to become what we think is a simple and superb bank in our financial inclusion segment. Thank you again. We just take you through our milestones in terms of our journey. We started in the year 2008 from a small 500 square feet office in Pune.

The dream then was still, however small does not really inhibit us to become world class. So, we had our own practices. We did some of those things which was first in class in the industry, continue to do so. We received our RBI license in the month of May 2009. And as I said, we commenced operations from five branches in Pune.

Just as we started, the intent was to make sure that all our customers have a very operative savings account. This was year 2009. We did quite a bit of pilots including wanting to become a BC and NBFCs were not allowed to become BCs. So, we kind of held enabled them open accounts in public sector banks.

Hardly did we obviously dream that there will be a possibility of us becoming a bank ourselves one day. But that became a possibility when the differentiated banking license was announced. We were still too small. We had INR 130 crores of net worth. We didn’t have a clue that whether we will have a chance to get a one. And if we get one, how do we really navigate to the entire piece?

Just at the time of becoming a bank, we had INR 1,000 crores of AUM, 700 of lakh customers and we had 200 branches. Predominantly the states of Maharashtra in the west, in the south

Tamil Nadu and in the East Odisha. The reason why we were in non-contiguous states was to do with the crisis in 2010. An epidemic happened in Pune localized. We realized that it is better for us to spread. So, we said on the right it will be Odisha and the South it will be Tamil Nadu and here it will be Maharashtra. We continue to have a strong presence in all these states with an experience of closer to around 12 years in each of the states that we are present.

We had to list as per the regulations. When the small financing bank guidelines came, probably the regulator thought all of us will also be small banks. But many of us had a net worth of more than INR 500 crores just about we are about to start. So, which meant that we had to list within 3 years of our net worth crossing INR 500 crores.

Being a regulatory requirement, we wanted to do our IPO the earliest not to be seen of breaching the regulations of the license terms and conditions. Constitutional as the regulator calls it. So, we did our listing in the month of March 2021. At that point of time our size was around closer to INR 2,500 crores in terms of AUM.

And we kind of know have hit upon the just before we started we had the demon crisis. Demon did really have an impact on the overall sector, specifically on the low income households. We did manage to navigate that and we had AUM of INR 5,000 crores at the end of FY 2022.

We served approximately 0.6% of the Indian household. The statistics in terms of a size may not really tell the story in terms of the depth of the number of customers that we handle. We managed the volatility pretty well and we had the COVID during the period. COVID had really imparted very significant learning’s.

One never take anything for granted in terms of extrapolation. However great it may be the impact of any unknown event can be dramatic. And the way to manage is first to really recognize that there is a problem. And once we know that there is a problem then we find ways in terms of solving the problem. That I think was our key takeaway and we will take you through in terms of how did we really incorporate those learnings.

And this year of 2023 FY is what we will call it as a reset. We cleared up our heads. We said we are going to acknowledge that there is a problem. We are going to clean up the problem and we are going to come back pretty strongly as a very respectable bank. What we did not lose in all of these 14 years and God willing will continue is our transparency, integrity and more importantly is what we call as a culture code.

That culture code is not a great performance in one year. It can be made good in the subsequent next year or the next two years. What cannot be done in a very short span of time is a change of culture. If it is good, we will have to keep maintaining it and slippage can always be faster.

But we are proud that we have maintained that and I kind of in a lighter way tell that if you have to know the strength of us financially, you have to go through only the P&L account and balance sheet. The notes to accounts is not going to be giving any significantly different picture. We would believe that we will keep that as we progress.

We are reimagining Suryoday. The JLG model or microfinance model typically has been trust customers as a group without even knowing customers individually. So, we were moving from group loans to graduating individuals from various groups and single customer to the serving the entire household and to specifically in terms of rather than a generic product one size fits all to specific products or segment of customers not necessarily personalized on individual basis but at a segment level. The digitalization and digitization is across, well it is cliched.

But the fact is that how meaningfully use it to make things simpler for our employees, very simple for our customers is what we have embarked on. And reasonably proud that we have been able to make an impact and we will talk about it during our various products including our flagship product at this point of time which is the customers.

The key learning for us as we hit upon the COVID we invested heavily in terms of analytics including investing INR 10 crores. The reason being while it is counter intuitive is that we look at customers all together as 1 million customer 10 lakhs, 2 million customers 20 lakhs. But within the customer segment there has been a huge demographic shift from being homogenous in terms of the income being INR 15,000 to INR 20,000 all of them plus minus 20.

The breakout has been far impactful which means that there is a household of 50,000 part of the JLG. There is somebody with 30,000 and how do you add 30% of them already have a retail asset footprint. So, we mine that and which is where the second one as we really call it is that demographic customers are the foot in the door acquire the customers.

Either they already have a track record outside or you create a track record by your lending. But once you have done that understand the customer a little more deeply and take them to a meaningful which is the first step you have taken reasonably well. A year to go before I say that it is fairly successful as individual Vikas loan. And the next step would be that all these customers are consumers of two wheelers, small ticket micro lab, and a micro home loan.

Easy to understand at a knowledge level, difficult in terms of execution. So, our focus in FY24 is execution, execution and execution. And alongside to bring balance to that we also have the non-MFI customer base predominantly driven by mortgages which varies between INR5 lakh of micro home loan or micro LAP to upwards of around closer INR 200 lakhs depending on but purely move for business purposes if it is a LAP.

We do not do any non-business secured business loan at this point of time. Analytics have been our core strength. We have been doing it in excel. We started, we moved to clicks during a period and now we are at Tipco. But the fact is that today we have far better insights into who our customers are than playing it blind as a group.

These are our strategic enablers. So, one obviously as an MFI converting into a small finance bank has a huge branch network across states. And we have experience in terms of many states present for 10 years somewhere in a place like Uttar Pradesh we have been there for 7 years but not a significant presence but does really help us.

And one of the things we understood out of this transformation to the small finance bank is that we cannot really grow in new products by just hiring a better team from outside putting your systems in process. There is an organizational learning which will certainly take time.

It takes a time of around 2, 3, 4 years. We are investing in that. So, there is a product proposition and distribution is what we will dovetail on our branch network. We have done a significant credit guarantee for our unsecured portfolio through what we call as what it is the CGFMU cover.

It is expensive. The question is that whether you look at it as an investment or whether you look at it as a cost. Because in a good year like this which is what it looks like or next year, your credit loss in microfinance portfolio is likely to be 30 basis points, 40 basis points. But we pay closer to around 1% on the CGFMU cover.

It is counterintuitive. Why pay 1% and you are not going to utilize it and your credit loss is not going to be 30bps. These are things which helps us fortify. If a repeat event, God forbid, were to happen like a COVID, we believe that the impact of that on our balance sheet and portfolio, more importantly the way which address the problem will be significantly lesser and we will cover that as we go along.

Simplification, simplification is not a cliched word we use it. In everything we do, we kind of ask ourselves whether it is simple enough for us, simple enough for the customers and we have hardly made a good progress. Intent is to really take it, can we really deliver a loan in 5 minutes, can we really recover, collect that money back also through digital means.

Entire sector has moved to digital in terms of dispersing the loan, but we hardly have a success in terms of more than 5% of collecting back to the bank mode. However, we have closer to 99% of our customers in a particular product repaying also through the bank mode which is our own savings account. It is not easy.

It took 2 years for us to come to this size, but we believe that is the first step in terms of rolling out multi-products, probably reducing our cost of operations over a period of time and more importantly connect to the customer one to one. I deal with the customer not by a customer number, but I will start dealing with the customer by the name, by the household profile which is what we capture through our app called Sarathi App.

Partnership is the way to go. SFBs are not allowed at this point of time explicitly to co-lend. There is a tremendous opportunity of that we have been representing to the regulator and hopefully it will come at some point. It is not a co-lending by somebody else sourcing for us. We have a large engine.

We can also co-lend with a larger bank. These two possibilities of us being originated in co-lending, us partnering with the NBFCs for co-lending is probably the opportunity which SFBs will make tremendous use of in the years to come. Then we have the advanced analytics as I mentioned. But as we all did it, SFBs have really done, liabilities customers are different, asset customers are different.

The day any SRB is able to meaningfully merge these two is the day that there will be a breakout of that particular SRB. I wished that we are one of them. And starting point of that is a social security schemes. You will never be getting into miss-sell, wrong side.

But these are schemes and many of our customers at statistical basis do not have even the basic term insurance cover. And a PMJJY where a PM is the starting point. However, unfortunately in any MFI segment, 1% of the existing household closer to that or little more little here by couple of basis points, encounter the death either of the customer or in a scale of usually 4:1 of their spouse. But when they do, they hardly have any cover. And the test of that is to go back and check with anybody around their ecosystem is a driver maid or a vendor. You will get to know that probably they just do not have a cover, or they don't know that they have taken a cover.

If this is not going to give us any income, but what will certainly give us that clear an ecosystem where the stickiness is going to be far more stronger. This I would call it would be our dream where we at least can start with a basic term insurance. Customer believes that if I deal with Suryoday, I am better off. Can I answer that question? The answer today is no.

Will it happen in the future? Yes. What we known for? We can many a times we say what is your vision? In 5 years, I want to be INR 50,000 crores, I want to be INR 30,000 crores. That is how I think usually the strategy, or a vision gets documented in form of asset base in terms of profitability.

We do believe that banking is all about a long haul will game. It is not a game to be judged in 5 years, too short. As the story goes, that Mr. Deepak Parekh said that writing a book on HDFC is too early. Because minimum you have to have 25 years to really call yourself a financial institution which made a mark.

So, if that is true for a large institution, it is true for many of us. But we tend to get compared in the short run in terms of what did we achieve in 3 years and 5 years. Banking is not yet another financial services. It is a long-haul business. How you really build your foundation is significantly important in terms of scale.

So, we did the way in which we are looking at is that we currently have 20 lakh customers. Which is around probably less than 0.75% of the Indian household. Intent is that we want to have 35 lakh customers which is 1% of the Indian household, 2% of our target Indian households.

And that is the largest opportunity we see and once we have that what you do around in the ecosystem is going to be differentiating. Whether we are a world class small finance bank or we are just a bank which grows at 25% every year. Sustainable liability offering across all products. While in assets we can target a specific segment.

In terms of liabilities, we will have to cut across is almost like simplest analogy would be in terms of like a telecom company. You serve from INR100 to the ultra HNI. But except that you will have to kind of know cut the products into various things. So, liability will be cutting across while we will be focusing mainly in terms of what is the middle which is around 3 to 15 lakhs.

So, we will span across all of that. We will talk about more in terms of technology analytics. When we started when we wanted to become a bank, we have kind of asked one of the CIOs of a large private sector bank. How much should we really invest in technology to start? They said anywhere upwards of INR 100 crores and the net worth was INR130 crores. So, it was very difficult but as the entire technology became democratized and that's the key differentiator or a minimum to do.

We have transitioned last year to the best-in-class technology system. There were teething issues and we have kind of overcome it. But what will help us is in terms of speak to market. Network is the largest one in terms of its competitive strength for any SFB. But how meaningfully do we really use it to market various products and ability to serve the customer as trust points is exercise that we have taken in FY '24.

This is the scope that we see that inclusive finance is a foot in the door acquiring customers by lakhs. Probably acquire around 50,000 customers a month, add new customers. But once you have gotten into it how you do really profile the customer and the segmentation would be that each of our inclusive finance customers specifically 50% is a two-wheeler LCW, small vehicle customer, is a micro home and micro LAP customer and a small business loan customer

There is a good amount of intersection in the scope in terms of crossover lay but how we really effectively use it is going to be determined in the success. India as you know that probably is changing from a pyramid structure where it is tapering towards the top to kind of becoming almost a diamond.

The middle is bulgy. I would say that it becomes these 1.25 to 5 lakhs by the time the top 30% of the transition is to 5 to 30 lakhs. I would say that more in the 5 to 10 lakh is very swift much faster than we really understand. Because we do the Vikas loan product if you just randomly call 5 customers and ask them what the profile is.

So, the latest is why I would kind of recollect from what I did in the last 4 days. I said why it that it is so different is. So, he called up a customer in Rajasthan. He said he has got dust mines and 12 acres. Per day income is INR 2,000 and he wants an INR 1.5 lakh of Vikas loan. The other customer is in Nagpur. She has taken a home loan. Husband works in a factory. She has got a grocery shop. The articles inside is valued at INR5 lakhs. I did not ask her income but husband was earning INR 40,000 and she wants INR1.5 lakhs. She has taken a home loan of INR 15 lakhs from SBI. Principal outstanding is INR 12 lakhs. This is also a JLG profile.

But the moment you start recognizing it, if the customer wants INR 1 lakh and I am really looking at INR 75,000, I can say I am giving a limit of INR 2 lakhs, INR 1 lakh now and INR 1 lakh whenever you want. So that is our focus for now. Over to you KC for taking to the numbers.

Kanishka Chaudhary: Hi, good afternoon everybody. Quick look at the journey in terms of the financial ratios and key numbers. So, we have always been a bank which has tried to be prudent in its growth. We believe in a long term story. If you look at our disbursements, it is around 16% CAGR.

But what has also happened is slightly we have changed our mix. We have moved towards the longer tenor secured retail assets and which is the reason why the growth in the assets have been more than the disbursements. The other key aspect is in terms of deposits. Deposits have historically grown at a faster clip as compared to the assets.

But just to give you a bit of an insight into how we look at the balance sheet. What we say is that if there is an INR 5 asset that I have to fund, I would put INR 1 of equity. I will take about an INR 1.5 rupee of refinancing from development institutions just to create the stability in my entire funding base. And INR 2.5 will come from my deposits. And this is crucial for us because we are at the end of the day just about a 5-year bank. And we would want to learn and adopt this journey of being a deposit collector gradually, carefully and in as granular fashion as possible.

If you look at our entire deposit profile, more than 80% of our depositors are depositors who will fall in the 0 to 50 lakh. And more of them will be more towards the INR 5 lakh rather than the 50. And that's what we would want to do. This is possibly one of the reasons why our CASA today is a little low at 17%. But if you compare us with our peers, you will notice that the differential in terms of cost of fund is not really much.

Possibly we are 10 to 15 basis points here and there. The other thing obviously, linking up to the story that Baskar talks about, us being able to serve 1% of the Indian household over a period of time. Crucial is the customer base and the growth in it. Historically we have been a MFI bank and that has provided the bulk of the customers that we have come. The important thing is how do we convert these customers from being uni-product consumers to multi-product consumers.

Customers who are taking credit products from us will also have a need for saving products and are we able to provide those to them in the most convenient fashion. The core to the entire story is obviously how are you making that money and what kind of money you are making. And which is what is reflected in the core income, the operative income in terms of the pre-pop. Our focus will continue to be a bank which is able to generate higher returns in terms of the mix of the portfolio that we have.

So that even though our share of retail assets will continue to increase over time, at the end of the day we would still like to be known as a bank which can manage a judicious mixture of unsecured and secured credit products and give the return to our investors. And how do we do that, how do we execute that is what's going to determine what kind of a success story we are able to build. Our book has continued to change. When we started, we had a very small proportion of books that were secured.

We are now about 40%. What we see ourselves being is about a 50-50 bank. 50% of it will be unsecured, which will largely be coming from the inclusive finance customer segment. And the 50% will be secured, which will also come from a larger and a wider variation, variant of customer base. So, what does it really mean in terms of numbers from where we are today and how does it look going forward.

As I said, our NIMs today are double digit. They are going to improve a little bit because we have been able to sort of take care of the bad book and take it out. But over time what you will see is that there is a bit of a compression because of increase in the proportion of secured assets which have lower yield as compared to the unsecured book. But at the same time, what is also happening in the community is that joint lending group borrowers are becoming aspirational.

They would want to be seen as individual borrowers and people who are also willing to pay a higher price for the convenience. And that will mean that while there can be margin compression because of the secured book going up, there will also be an uptick because of the individual credit product that we are able to offer to our aspirational customers coming out of a joint lending group. Cost of income. This is clearly an area of challenge and improvement for us. Pre-COVID, we have been a bank who has been closer to a 50% rather than a 60%.

Our immediate aspiration is that in the next 18 to 24 months with most of the investments behind us, we are able to achieve a 55% number. That will be crucial. Today, we have been able, for the last two years or so, we have largely been investing. There will be one more year of investing, especially in businesses like commercial vehicles, our deposit franchise. But then at the same time, we would want the operating leverage to kick in. Like I said, in terms of cost of deposits, there isn't too much of a differential between us and the peers.

If you look at the small finance banks, given that we need to be able to attract money, we offer fairly attractive rates, which basically means that a CASA product is essentially a proxy for an FD without a premature penalty. What we would want as part of our journey, and by engaging with the customers, is that we are able to generate flow in our bank accounts that we have provided to them today. And that flow will help us to generate float.

And that's what's going to make a differential between the CASA as a whole cohort and the FD rates that we provide. Clearly, what will be important for us, like I said, is that given that we are going to be having a 50-50 mix of secured and unsecured, how do we manage the overall risk of the portfolio? And that's going to determine the kind of profitability we are able to deliver. In the medium term, or rather in the short term, what we see is that for this year we would want to have a return on assets somewhere around 2.25% to 2.5%.

But in a steady state, we would want to be seen as a 4% return on asset business. Return on equity, that's a variable depending on the kind of capital structure that we build. We have historically been a very conservative bank, having leverage of not more than 4 times equity. But gradually as the book builds, as the book matures, and the proportion of retail assets increases, we will certainly look to improving our leverage. So then, what does all of this really mean?

And especially the story that Baskar talked about in terms of numbers. Given where we stand today, we see ourselves having a growth rate of around 30% in assets. And clearly, we will need to bolster our deposit game. And that was the reason why we see ourselves growing our deposits by around 35%. We would want to see ourselves as a bank that has a healthy mix of CASA, a bank that has a CD ratio of around 100% in about 18 to 24 months' time. And then have that kind of a balance sheet mix as we are growing.

In terms of assets, like I said, clearly we would want to have a judicious mix of secured and unsecured. Unsecured is the one that's going to give you the higher yield and the exponential earning. That is a segment that we have been in for the last 14 years, first as an NBFC and now as a bank.

It's a segment that we understand very well. It's very proximate to what we have been doing all this while. And we believe that that's the segment that we can address very well and in a very safe manner. And so far as deposits are concerned, and Himanshu, my colleague out here, will speak in a little bit more detail about it. But I think the thumb rules are very well defined. We would want it to be granular. We would want to have a judicious mix of CASA and FD. I think in the long term, and this is one number which can only grow gradually. So, our first port of call is that we reach about 25% CASA. Hopefully in the next 12 months to 18 months, we'll be there. Possibly Himanshu will be able to tell you how to do it quicker. But that's where our challenges are.

So given that our asset story is going to be almost equal mix of secured and unsecured, how do we really navigate this credit space, right? To be able to give the kind of returns that we are talking about. This is a mix of learnings and opportunities that are there in the market today. And clearly from a point of view of learning, I think credit underwriting is something that you will have to constantly review given the client segment and the customer segment you are in, and the kind of product that we would want to offer. And technology clearly helps, because what technology helps to do is to be able to get to know about the client as part of its customer experience journey. So, we need not be obtrusive, but we can get to have as much of information as we would want to have about the customer.

I think this will be very crucial, right? Depending how we are able to underwrite customers, how we are able to do the fulfillment of the various products that we are going to get into the market. But I think as a bank, given that our core customer base is going to be that inclusive finance customer base, which is aspirational and always trying to move on to the next level of its economic journey, we would focus on products that are based on cash flows. We would want to focus on products that are short cycle, and we would want to focus on products that give you that yield.

The other is an opportunity which is available today in the market, and not just to us, but to every other player. And this is basically the government of the country trying to push credit more for enterprise. And that is the CGFMU program, which is run by an agency of the government. We believe, given the kind of mix that we have in our business, or we intend to have in the business, this is a very attractive proposition.

It does come at a price of about 1%, like Baskar said, but given the kind of history that we have seen in the inclusive finance customer segment, where there is an event every four years to five years, which you cannot imagine today, this is something that works. It will provide us with the guardrails to be able to grow our unsecured business, cash flow focus credit products. But at the end of the day, all of it will have to be supported by a judicious approach to underwriting, and the risk that we have inherent in a business such as ours. And for that, it's a very basic, simple rule. Save when the going is good, so that you can save enough for the rainy day.

As a bank, what we have seen, and what we would ideally want to do, starting this year, given it's really the good times for us, is that we are able to set aside enough money every year, so that in four years to five years' time, when you possibly have a probable event, you have saved enough money. The basic idea being that we are able to always provide very even earnings and returns on the investments that are being made. So as a policy, what we would want to do is that every year, we would want to keep aside a certain proportion of the money that we make for that rainy day, which can come anyway, in four years to five years' time, or hopefully not.

And with that, I will hand it over to my colleague Himanshu, who joined us about three months back, to build our liability story. Thank you, Himanshu

Himanshu Mishra: So, yeah. Just a minute, please. So, as Baskar was saying, liability happens to be the only business, which I think could be slightly not restrictive for us, and we can cut across the customer segments, customer profiles, geographies, etcetera. So, the way I look at it, I think, liability has been a pretty simple business, but difficult to execute across the banks. That's why the riddle. It's a very, very non-glamorous kind of a business, but which I'm sure is on a very, very boring pillars of saying product, people, and initiatives and distribution.

So the way we look at now, if your product could be one, which you can address the segment of societies, basis the profiles, basis the persona, basis the needs of the customer, right from the mass retail to retail, to emerging section of society, or the middle class, or the affluent segment, and then the top segment of society, I think you are taken care of, because everybody has a need. So similarly, the way we talked about it, the HNI accounts, the senior citizens, professionals, self-employed, each and every person sitting in this room and outside the room is my customer. So, I don't have that worry that, you know, whether can I lend in this segment, can I borrow at this cost, no. So that's what my segment, but why should they come with me?

I think apart from your pricing, apart from the solution you offer, the single most thing which comes to my mind is called something called trust. Easy to spell out, difficult to define. When I talk about trust, it could mean different things for different people. But in the simplistic form, when I talk to various customers, when I travel across, it means ease of doing business, being available when your customer wants you, do it in a most simplistic fashion, and do it at a time of your choice, and with the mode you want to operate the bank with.

Otherwise, I remember a time, when I was a kid, my dad used to be a government servant. So when I went to open an account in one of the old PSU banks, I remember the gate of a PSU bank shut like this. There was a chain around the door, and the guard standing with a gun half-side in and inside in. I went inside, he said, why do you want to go in? I said, I want to open an account. He said, is there a guarantor?" I said, no, I don't know what that is? He said, then bring someone. Now, imagine this today now, 25 years down the line, bankers are coming to you. So, I think the situation and times have changed. So is the banking. So, if you look at it, apart from the physical presence of the bank, Corona has also been a boon for a lot of businesses, right?

For example, who would have imagined that a chaiwala accepts a chai payment on a QR code? Who would imagine your driver would have accepted a salary on a Google Pay? Or your kamvali bai would have accepted a payment on the Google Pay? But it happened. None of us could imagine that today. So as Baskar was talking about digitalization and digitalization of the economy, I think it has made us all think that what innovation can be brought to the table where it can actually be a step closer to customers' convenience. For example, in time of Corona, we have all seen WhatsApp family banking calls going up, right? We have also seen office meetings happen on MS Team nowadays. People working from work from home.

And obviously now that's changed. But that has given a birth of something called a video banking or a VKYC. You're opening accounts there. You're doing transactions there, right? At the time and place of customers' choosing. So, if we can bring in such kind of products which is aligned by the customers' need, I'm sure we have a winner in the game. So that is one part of life. So, we are going to curate products like that which are as per customers' choice, profile, and the convenience. And I'm sure we're in the game.

Secondly, when we talked about people, I think the most important thing is your people. While all of us are sitting here, but the people who are actually on the ground are our brand ambassadors, right? The person who deals with the customer is my brand ambassador. So, we need to be very, very specific skill set. It cannot be a journalist anymore. Gone are the days when you can have a journalist and you don't have a specific skill set. So today, a trader would have a different need rather than a senior citizen or a women banking customer or a student or an NRI or an HNI customer.

So, you need to have a very specific focus on each segment if you want to really curate offerings for them and really drive the focus home. So similarly, we want to create a very, very clear, separate focused, dedicated team, one for acquiring these segments which is our dedicated acquisition team, down the line strong relationship management team which are fully equipped with the kind of products and services that are in the market and ably supported by the superior customer experience team whether it's physical, based on our branches or through our video banking center or through our call center. So, we should be available both in physical and digital mode. So, we'll call it now the physical strategy.

Down the line, if you look at it, which I just spoke about it, the employee as brand ambassador through the heightened employee engagements, cross-skilling, up-skilling, and obviously a well-defined career progression program so that our employees remain for us lifelong brand ambassador because I think it is one thing which is proven in any banking institution is that vintage employees are truly the pillar and the corner store of getting more loyal customers. So, I think that's what we are all looking for.

Coming back to now the initiative I think I just covered about digital. And I think very important perspective what Baskar spoke about that are investments in data and analytics. Gone are the days when you just can go and create anything else and people will be buying from you. Now everybody has different need. Somebody wants to order from a Swiggy, somebody wants to order from a Dine Out, somebody wants to do an Ola, or somebody wants to go out and eat out at a particular restaurant. And you need a particular kind of offering. So, data which we have, thankfully, over the last six years and even before that when we became a bank, that has given a lot of insights.

We are able to now understand what kind of customer behavior we are talking about and what kind of nudging is required to each customer. And what kind of a product or service can we offer so that customer understands what it means to him or her.

Similarly, as I said, products can come, products can go down the line and everything can be copied overnight. It's a commoditized market. But what can't be copied is your customer experience. Hence, we are very clear that customer experience has to be the hero of the organization. And hence, we are launching soon enough a promoter score and obviously branch level service scorecards where we will measure service at each customer touch point and see how can we better each and every day.

Last, obviously we spoke about distribution. We have, thankfully, large enough distribution. While yes, we have about bank branches, about 100-odd locations, but we also have large distribution branches on our typical asset centers, our inclusive finance centers. So, we will leverage that. As Baskar was saying, if we can find out a meaningful way to serve both. So, to my mind, that's a wonderful way to look at liability strategy in two pieces. One strategy would be for Bharat. One would be for India.

So, you raise deposits from top 100 city centers, which is your India, and you figure out then for Bharat, you may need simpler products, less complicated products, and the touch points which are easier to understand and operate. So, something like SMS banking, something like doorstep service, something like pensioner camps in those areas, educational awareness initiatives in those areas, and for metro and urban centers, you talk about mobile banking, corporate banking, net banking, and the likes. So, I think this, I think, put together makes a compelling proposition. If you make it simple, based on these four products, sorry, four pillars, product, people, initiative and distribution, and you are there.

Moving on, I just spoke about the same thing. Now we are talking about segmenting out our offering. And these are just to name a few. Right, from senior citizen, if you look at for a senior citizen, what typically would you like to have? These people have typically one source of income, right, in the kind of segment we want to offer. They are looking for higher rate of interest, low cost or no cost banking services, banking service at their doorstep or branches, and they need to be a certain priority.

Similarly, NR customers, or HNI customers look at limited sufficiency, digital banking experiences, similarly exclusive lifestyle and benefits, and similarly for task and government banking segment. What they look at, collection solutions, payment solutions, and so on and so forth. So, we are trying to create offerings in every segment so that they can match it up, and that's what the next line tells you.

Digital solutions on the payment and collection side, which is CMS, collection links, e-mandates, e-POS, QR, payment solutions, sound box, of the likes. Down the line, financing solution, if you have a tie-up with digital systems and partners, whether in-house or with a collaboration, you can do a lot of meaningful digital lending down the line there. Similarly, corporate banking we spoke about, if you can add tax payment, if we can offer you comprehensive salary propositions, down the line, API banking, MSD lending services, I think we have a winner in the picture.

Moving on to third side, these are a few offerings in pipeline for next over 100 days. We are going to be launching senior citizen account, HNI savings account. We are working on our super app, hopefully down the line, six to eight months. We are revamping our internet banking platform completely, and we are looking to launch a trader-specific account and also a counter professional account side. So these are the few steps we are doing, hopefully, to put us in the right path.

Last, as we spoke about, just to reiterate, now, whenever we open our branches in top 100 centre, there will be strategic branches, as in we will have enough data and understanding of competition from RBI and other surrogates, that where should we open our branch. Should it be in this area, should it be in that area, where it's going to be more visible, more closer to my client, and more likelihood to get deposit and success there. Similarly, each branch should have a dedicated acquisition team, a relations management team, and a service team in the metro areas. And obviously, in India, this is the model, and for the Bharat model, it will be slightly different.

Down the line, as I said, liabilities through inclusive finance branches. So, there we will leverage our teams which are already existing and operating in the markets, and we will ride on their success to get us introduction to those people, and we'll start building their accounts. Similarly, I just spoke about from VKYC, we have a capability of video KYC. We want to convert it, ideally speaking, to a full video banking experience, which means except taking cash and giving cash, I can complete all transactions through video banking, right from opening an account, doing an FD, doing a check transfer, and all that. What do you speak about?

Last we spoke about, nowadays you see, it is not necessary that you manufacture everything yourself. You can also collaborate, right? It's buy versus build. So, if we find there are synergies and there are advantages in partnering with some digital teams, some fintech, we will go ahead and do that. That's more efficient for your client, for the bank, and for the partner itself. So, we'll figure out if there are synergies with the partnership, we'll go ahead and start doing that.

And for the customer, as I said, what a customer wants, basically we thought, customer wants very simple thing. We spoke products, gone are the days when you can say, this is it, take it if you want. Now, everybody wants, tell me what I need. Don't tell me what is available to you. Sell me something which I want. Don't tell me what you have. So, we'll try to create those products, offer value proposition.

Then digital experience, today, less-and-less people are likely to visit your store. Specifically, in this, today's event of COVID, or maybe people just became too much comfortable. We don't know that yet, but that's the experience, right? Then simplicity, nobody wants, go there, do this, this form, that form, they want fewer clicks, fewer complications in life, right?

Last, personalized offer we spoke about, and most importantly, I think security. Because this is something we also know that while digitalization is going up, other things are going up, so are the frauds. You want to be very sure that where you're dealing, your money is secure, you're safe, and enough protocols available to safeguard your interest against any unfortunate event. So, these are the few things I think which covers the entire liability plan. While it's the youngest business, I will say, and I'm the newest member of the team, but I'm sure with the kind of experience this Vintage team has, I'm sure we will take it to the next level.

So, I will now welcome my friend, Sarvesh, to talk about inclusive finance.

Sarvesh Kharangate: Yeah, good evening, everybody. As I talk about inclusive finance, that's been the oldest business for the bank. So, for the institution, it's the oldest business. On the JLG front, this is the group loans which we do. Today, we have got a book of INR2,500 crores, and that book is performing at greater than 98% of efficiency. Besides this, we have got another flagship product, which is our Vikas loan product, which is individual loan products, and that product is completely, the collection is happening through digital channels, and that book is performing at around 99%-plus of collection efficiency.

So, what we have seen post pandemic is, the digital penetration has gone up even in this particular segment, where like earlier Baskar and Himanshu both said, the QR code has been widely accepted now, and even this particular segment are more comfortable now dealing into digital economy rather than a cash economy. If you look at the quality control side on this, we have got a strong underwriting team, and we are doing a video PD for each and every customer. So that's how the quality has been measured, while we are onboarding a customer, or while we are giving any repeat cycle loans to the customer.

Besides this, the entire book has been guaranteed by the government schemes, which Baskar has already spoken about. So that is also what we do. Just keeping in mind, we are not saying that further going five years down the line or 10 years down the line, whenever there is a turbulence in the industry, we will be taking care of the book. So, on the operation model, we have got a strong L&D team, which takes care of the career progression plan for the entire team.

And this business is a people-intense business, where we need more and more FOS, the staff to be on field. So that's where we take care of their learning and development needs, and the career progression plan for them. And we also got a direct collection team, which we have set up, which takes care of the deeper buckets collections which are there. So that is also there in place for us.

And there is another team, which we have formed, which is, in terminology, we term them as URMs. That is a Unit Relationship Model program, where one particular FOS is mentoring another FOS, and both of them put together as a unit. They operate and they collect, they have been allocated certain customers, where the entire household data of that particular customer is collected. And they are managing the portfolio. So this is a recent concept, which we have started just four months back. And a lot of training has gone into this. And the team is on field, as of now, as I talk to you.

On the distribution side, we have got a large network, in terms of IFBOs, the Inclusive Finance Outlets, and then the Composite Branch Outlets, where the branch banking and the retail teams are working in one particular umbrella. And besides this, the unbanked rural places, which are there. So, we cater to those particular cases.

And if I talk about the platform, we are completely digital in terms of onboarding the customers at whatever stage. So, we can say, we are completely paperless, and the entire thing happens on the digital apps, which are available with the field team, along with a strong data analytics team, which gives us a list of the pre-approved cases, which are there. If you look at the table down below, predominantly we operate into semi-urban segments, both on the group loan front, which is the JLG, and the individual loan front. And the ticket size for JLG is typically around INR30,000. And when we talk about individual loan, the ticket size goes up to around INR70,000 type of individual loan.

And with a robust underwriting process, and the portfolio getting covered under CGMI and FNU, so we are scaling up this particular business as well. Okay, I'll just move on to the next one. So...

Sasidhar Vavilala: So just to add a couple of points on the earlier one, so if you have to cover 20 km radius from a branch, you just need 2,600 branches to cover entire India. India got 3.8 million square kilometers area, and if you take a 20 km coverage from one branch, you actually don't need more than 2,600 branches. And we are already operating in 435 branches, in JLG, and we cover 2,400 pin codes. Out of 21,000 pin codes in India, we are already covering 2,400 pin codes. And there are markets, like Maharashtra, we hold 19% market share in JLG.

So, we are a significant, dominant, number one player in these markets. Like if you go to places like Solapur, one out of three households will be having a Suryoday relationship. So that's the kind of strength we have built over the past decade plus in this. And it's no more a customer who's having a first cycle, he will get INR30,000, second cycle he will get INR40,000, third cycle, he will get INR50,000. It's the basis, what is their expected imputed income, and what is their current relationship, not just on JLG, but also on the retail assets, and also what are the loan leverages they got in the market, even the co-applicant and the guarantor.

So, combination of that, we identify, we let go of nearly one-sixth of our customers who otherwise we could have given in the past. So that's the kind of intelligence and that's the kind of distribution we currently have.

Sarvesh Kharangate: Thanks, Sasi. So, if you look at the IF strategy and the enablers, we follow an AAA approach completely, where the first A stands for AOCPV. So that is where we do the customer point verification while onboarding a customer, and complete household level data has been captured. The one which you see, Sarathi. Sarathi is the name of an app which internally we have developed and it's there with the team. We have the entire household data along with the photographs of their house and the customers, everything has been captured into that.

If you look at the second one, the analytics, as Sasi was already mentioning, we have got a strong analytic team which helps us into customer acquisition and cross-sell, risk management. So, all this is taken care of into that. And augmentation, where since we are capturing the entire household level data of each and every customer, it helps us to serve the customer better by using artificial intelligent and data analytics for scaling up for the new products of the bank.

So the focus products for inclusive finance customers, typically the first one I would say is, a Micro LAP type of a product where they require funds. And every household is having a two wheeler here. So that's the need for this particular segment. So the moment the son or the daughter, she turns 18, they want a two-wheeler into their hands and the demand is very high there. So, we want to focus on two-wheeler along with the small business loans for them. So typically, smaller ticket loans for their businesses. Besides this, we have got another line of business, which we do through the partnership channels. So, the BC partner channels and we have got three to four businesses currently who are operational and we are looking at expanding in that particular space as well.

So I just appraised on the unity relationship model. That's a unique model which we have come across and we have started practicing it, where it's a micro-unit within a branch where one RO is going to mentor the second guy. So it's a train-the-trainer type of a concept where both put together, they work as a unit and they do the business both put together as a unit. So, the pathway for the customers is firstly, my onboarding happens in the first cycle through JLG model, that's the group model where we create a track record for the customer. There are two types of customers getting on boarded. One is completely new to credit. One who is new to bank but not new to credit.

So they get on boarded as a first cycle customers and moment they have a track record with us, we go for the second cycle loans with them. Post second cycles, this customer gets a choice to either continue in a JLG format or the individual loan format and through data analytics and artificial intelligence which she was just talking about, we give up pre-approved loans to them which we are booking it under the Vikas loan book.

And in where we do Vikas loan, the household level complete data has been collected. So we have got the household income along with the household liabilities, whatever are there and what would be their needs further going. So all this is captured which helps us, which will help us further into augmentation and providing the right product at the right stage for this set of customers.

Besides this, we also want to -- we are focusing on the savings for this set of customers where we are incorporating the habit with for them after opening bank accounts to do smaller savings for them and as I talked to you, we have got quite a few customers who have opened fixed deposit where the small tickets fixed deposits with us for a longer tenure. So that is also there. And on the social security schemes, we cover since these customers belong to mid-level of the pyramid, so we cover them under the social security schemes given by Government of India also. So in case of any calamities, this customers are taken care in that particular stage.

Over to you Sasi, if you want to add anything?

Sasidhar Vavilala: Just to add on the Vikas loan, this is a fundamental graduation or a transition product for a JLG customer. JLG customer typically takes a loan in a group, there is a group behavior. However, in a Vikas loan, it is an individual customer, individual product. So if you look at the largest NBFC in the country or one of the recently acquired bank, one third to nearly 40% of their profits come from this particular product of cross-sell STPL, Small Ticket Personal Loan.

The average ticket size is about INR1 lakh and our current average is INR70,000. And it largely boils down to how you curate the data and whom you pick and choose. That is a fundamental starting point. But the bigger story is in the execution. So, our team is able to, over the last 18 months, almost 20 months, our team is able to build this product from strength-to-strength and we are able to see 99.7% collection efficiency in this. 99.7% or 30-plus is 0.5%. So, if I take static pool, if I take 12 months, the maximum power I get is 1.2% right now.

So, it may change. The point is right now we are in a building phase. Over a period of time, it may be a little higher product but we operate this product at 28% IRR. JLG is at 25%. This product is at higher IRR and also about 3.5% fee income. So, this takes care of a much larger part and the cost of collections is significantly going to be different as it scales because it doesn't require the whole month collections.

The entire collections get over and the 91% of our essay gets cleared by 7, by the due date. So, what happens is typically this product, if you look at the market, if somebody goes for NTB, it's anywhere between 18% to 25% depending on how they are targeting. So primarily, because we have the savings products, we have the advantages of the bank license.

We can see whether the money is there in our account or not. 100% of the customer got a bank account. It is through essay. It is not through any other mode. So, we know whether there is money in the bank account and then we make sure money is put in the bank account before the clearance. So that's a fundamental difference we bring into this and this is a primary transition product and it should be graduating into further products.

Sarvesh Kharangate: Thanks, Sasi. Lastly, on the success mantra, as you see, we already spoke about analytics being used for customer on-boarding and the repeat cycle loans. Besides this, the strong credit underwriting, which we already spoke about, digital journey, entirely digital, we are onboarding the customers and on the collections, it is digitally collected through the SI mode and UPI channels, which are there and on the analytics for risk management, it is already covered and lastly, if I talk about it, the portfolio is covered by the CGMFU. So this product and the customer base becomes a gateway for us to enter the household with different bouquet of products for the bank. With this, I end it here. Thank you and over to you, Gaurav.

Gaurav Pawra: Hi, good evening, everyone. So, my name is Gaurav. I take care of the mortgage business and I take you through the mortgage slides. So, I think the mortgage market is clearly very large. It is super important for any lender to really look at the space he wants to operate in. We have customers starting from 9% going up to 24%. You can look at people like you and me, typically going to a bank looking at a collateral, high ticket size, low rate of interest, to somebody, who is in an informal segment.

So while, there is no real definition, which is there in the market with regards to affordable or semi-formal, but the way, we see it, the biggest chunk today is with the large banks, looking at, home loans and loan against property in the 8% to 9% kind of range and ticket size, which are really large, which is also linked to the collateral, also linked to the income and also linked to the profile of the customers.

However, one notch below that is the, the MSME segment, the large, India we kind of, we come across, which is slightly informal, have good repayment capacities, but do not really have the formal documentation, with regards to taking a loan, do not really fit into the bank policies for getting a formal loan against property or a home loan. Going on to maybe affordable segment, which is slightly lower in ticket size, maybe about INR10 lakh, looking at a collateral, which will be maybe a non-standard looking at a B-khata of a Bangalore or a regularized colony or maybe a society patta in Rajasthan. Ticket size typically in the range of about INR10 lakh to maybe an informal EWS segment.

So, while, we see the market is, highly polarized, it becomes important, for a player like us or anybody to really look at the segment, you really want to go and accordingly, you plan the strategy around it. So, we as a bank today, we feel that, these second and third segment is wherein, we can really add value, which goes with our, really complements to what we do as a bank, to the customer base we have. So, the base prime, which is near prime segment, semi-formal segment, typically the MSME and the affordable segment, wherein we intend to operate and we have been kind of focusing.

Moving on, journey so far in the last, we started mortgage about four years to five years back looking at the affordable segment, added products, added geographies, really learnt across these products. So basically, today we see the volumes are small, but I think the platform, we have been able to create is phenomenal, a platform which is ready for, high level growth, with a superior quality of portfolio. Anywhich which ways, the mortgage portfolio brings in that stability, the run downs are slow, the portfolio is stable. So, it really gives you that kind of a cushion for overall, portfolio performance of the bank.

In the last four years to five years, we have been focusing on largely the MSME segment, looking at, productive end use, for a home loan, customers, who are looking to buy properties for self-use, instead of, looking for funding home loan for investments or loan against property, we call it secured business loans, for customers who are looking for, working capital, for developing, for productive end use.

So that has been the really focus for us, clearly, and looking at both the products, because it also goes, the first slide, which we kind of discussed, it becomes important that, we have a strategy, which is distribution, our policies, our collection strategy, which is in line with the customer segments, we are catering to. So, on basis that, look at a distribution model, which is lean, which is not really, manpower intensive, which is not something which is highly fixed in nature.

So, looking at that, we have been able to, really pivot ourselves to create a portfolio, a healthy mix, both in terms of home loan and loan against property. I'll talk about the variance, but largely, have a healthy mix, which gives us good profitability and stability, as far as the program is concerned. We have a pool of a portfolio of about INR1,000 crores for our semi-formal segment and about INR100 crores, close to about INR90 crores of our micro mortgages, which we started just about two years back.

Briefly talking about both the products, micro mortgages, typically the affordable, which we discussed in the last slide. Ticket size, we started slow, we started grow in a conservative manner to test the market, to take the segment, looking at a self-construction loan in the range of about INR6 lakhs to INR7 lakh, a tenor, which is about eight years to 10 years, in a conservative categories, in the Tier-2, Tier-3 market. The product has been working phenomenally, great for us. My colleague Vishwanath, who manages this business, today we have created a book, which is fast growing and hitting a run-rate of now INR15 crores, with absolutely no stress on the book.

The crucial loan is more on the semi-formal side, which is the, your semi-formal home loan, typically a sweet spot of between INR25 lakhs to INR75 lakhs for customers aspiring to buy their first property or MSMEs looking for a working capital loan. A range of about INR25 lakhs operating in Tier-1, Tier-2 cities. Here we look at a variable model, instead of getting into a fixed model, wherein the productivities are high and cost are controlled. We, in the both, the first segment, it is completely managed by the team.

The sourcing team manages the entire collection, starting from, in fact, we don't have any stress as I mentioned, but the entire piece is managed completely in-house. While for the other part, we have an exclusive collection team, while the first 12 months, is managed by the sourcing team, which is linked to their KRI, so that there is a sourcing discipline and followed by a full collection team, which supports in collecting of this particular portfolio.

As I said, the journey so far has been, the numbers are small but we have been able to choose, select the customers and really look at a sustainable growth as far as the business is concerned. The market is large. I think it's about for us to decide, as to how much, we want to do but however it's super important. It's a competitive market. We kind of look at the right products and policies to make it producible, for the sourcing team, for the customers, so that it really becomes, the conversion becomes really good. To do that, as far as segment strategy is concerned, we have been focusing as I have mentioned, only to look at, end user segment, MSMEs who are looking for productive end use.

As far as geographies are concerned, we have been focusing, instead of spreading ourselves thin, going all over the world, we have been looking at going deep in the existing geographies, wherein we started, wherein we have bank presence. So currently we are operating out at seven states and about 26 locations, as far as the bank is concerned. Portfolio, as I mentioned, it's a highly diversified portfolio, instead of having a concentrated risk, in one particular segment, in one particular geography, we are looking at having a portfolio, which is spread across geographies and customer segment.

And to do that, we as I mentioned, we have created a very spread, a hybrid distribution model, which is supported by our in-house team, our referral partner, which is Connectors, which basically is a charter accountants, property brokers, and the developers, small developers, followed by channel partners, who work on a variable payout with us.

While I have mentioned, there's opportunities large, but we don't really believe in creating a model, wherein you have to really hire 2,000 people for doing, let's say 2,000 accounts. So, while mortgages doesn't really have an end-to-end digital journey as a product because of the collateral, which is legal, technical of the collateral, but it becomes important that, we have a digital model, which really brings in efficiency as far as the entire process is concerned, which is starting from onboarding to underwriting and to a large part of collections being done.

While we are working on it, we have currently a LOS, but we are moving to a more robust platform, in next quarter, wherein we see that, we will be able to digitize a large part of this entire underwriting and onboarding process.

The market, micro-mortgage strategy, this is one piece wherein I mentioned, high-yield business, a business which gives, comes at about 17% to 18%. We are also pivoting slightly to an urban sector. Currently, we are in the range as I mentioned about INR6 lakhs. We intend to move slightly one notch up, the urban segment looking at, average tickets size is about INR10 lakhs. To do that, we have launched products, which will be in the near prime segment, in the micro-lab segment and in geographies touching Tier-2, Tier-3.

To do that, we are also the same, the Hotfoot, the LOS which we are introducing, which will be there for this product because this is one manpower, intensive product, which is retail granular and talks about retail customers coming in. So, expansion is something, this is, as I mentioned, this is currently in Tier-2, Tier-3. SSB location, wherein we have presence for our IF branches and our existing ecosystem of the bank.

Digitization is something, which goes with it and collection story is something, which has been really working great for us and we see that in the years to come, this will become one of the crucial products for us, not only from a profitability point of view but also a progression for our JLG customers because large part of this business, we see that, it will be coming from our JLG base, which is large, like two-wheeler, like Baskar sir mentioned, is going to be a progression of a customer.

In fact, today also, we see a lot of our JLG customers are having prime mortgages running with PSU banks but definitely as far as micro-mortgage is concerned, it is going to be a big, big opportunity. That's it from my side. Thank you very much. I'll request my colleague, Senthil to take you through the wheel strategy.

Senthil Kumar: Thank you Gaurav and good evening all. I handle the commercial vehicle portfolio of the bank and as of now, we have a small portfolio of around INR400 crores. We do have a commercial, we do have a very small two-wheeler portfolio as of now, which we have recently started. To give you a perspective of the commercial vehicle market, let me run you through the slide. Now this is the market size for commercial vehicles. We have around INR5.6 lakh crores of market, which is available to us.

Like, we are currently focused on the used vehicle market, with the vehicle age ranging between eight years to 10 years. But if you really see the market, market is so huge that, in the first 0 years to four years, where we have around INR3.5 lakh crores. All these vehicles, in the next couple of years, will be moving into a segment of five years plus. So, we have a huge opportunity in front of us.

Commercial vehicle is uniquely divided into two sectors. One is organized and unorganized. The organized segment basically, you have this large operators, heavy commercial vehicles operators, who run in the across the length and breadth of the country. And you do have this unorganized segment, typically this last mile connectivity, where you have this smaller commercial vehicles and LCVs, which run between the cities, which come to our doorsteps to deliver fruits and vegetables and what not. So, like we are currently present in the organized sector. Our aim for this year is that, we will move into both organized and unorganized sectors.

With this background, let me give you a brief of, what we are doing now. As I said earlier, we have an INR 400 crores portfolio, as of now. We are present across mainly, in urban and semi-urban centers as of now. We have to make our presence felt in the rural areas. We are present across 8 states. We have around 22 locations, which are operational. And we have a hub and spoke model, where we have around 22 hubs and around some 24 spokes as of now. And as of now, we have a sourcing team and a collection team, which manages the portfolio. Our average ticket size is around some 13 lakhs as of now.

In terms of two-wheeler, we have just recently started this business around three months-four months back. The portfolio is pretty small, around INR8 crores- INR10 crores. We have average ticket size of around 85,000 and we are present across two-three major cities. In terms of the team size, etcetera, it is extremely small. Well coming back to commercial vehicles, the focus for the current year is to make a foray into rural areas like Tier-3, Tier-4 cities, use our existing banking distribution network and also strengthen the sales team. This is a unique product, where you need to have people who carry the relationship of the customers. This is a very relationship based business. So, we are looking at people with specific experience of commercial vehicles.

In fact, I have around 20 plus years of experience in commercial vehicles. The team, which is coming in, is also very specifically, looking at people, who operate in the rural areas. The strategy now for the current year is to ensure that, we go more granular in terms of risk, where the ticket size of these commercial vehicles, they range from around INR10 lakhs-INR50 lakhs or INR100 lakhs sometimes. So, now currently, we have not been, though we started this business around five years back and like any other financial institutions, we went through our ups and downs, during the pandemic.

Now our focus is going to be more on used vehicles. That is the reason, I showed you the first slide, where the humongous opportunity, we have in front of us for used business. We will get into Tier-3, Tier-4 cities, with a more focus on granular risk, where our average ticket size will range around INR10 lakhs- INR11 lakhs, with a focus on, the small commercial vehicles and light commercial vehicles. In fact, as my colleague, Sarvesh mentioned that, there is a huge opportunity for cross-sell for commercial vehicles, for our JLG customers.

When I look at the bureau report, we have almost around INR8,000 crores- INR10,000 crores of commercial vehicles, which have been availed by our existing customers. So, our focus is going to be, to tap these existing customer base and work out on the distribution network, which is currently, we have around 560 plus distribution centers, across the country and also ensure that, we optimize our cost. The easiest thing is to put across a team of 1000 odd people and start sourcing. I don't think, we are going to look at that model. We will look into building on existing strength and also on partnership.

Specifically, on the two-wheelers, we are clear that, we are not going to go on an organic growth model. We will be, we in fact have tied up with a digital sourcing platform very recently and our growth in two-wheelers is also going to be inorganic. One is inorganic and another is on cannibalizing our existing customer base. And all these things will be possible by a fourth piece, where the first piece is people, without people, people with experience in the segments, which we are operating, I think, we will look at building this business.

First piece is people and the second one is, product and policy. Our product and policies, we have ensured that, it is aligned to the market. We have ensured that, the policies which we are bringing out now, are market-friendly and which will ensure that, we have a, probably a robust portfolio in the coming years. Another is process. Very recently, all these years, we have been more into traditional way of booking business.

Now in the last couple of months, we have been, we are trying to move into an entire digital way of booking the commercial vehicle business, where the RO or the salesperson, he walks into the customer place and he gets his KYC documents verified and immediately, a bureau report is generated and within probably within a span of 15 minutes- 20 minutes, where we are able to at least tell the customer as to, whether we are going to go ahead with the loan or not. In principle, sanction is given. Probably in next two months, three months, this platform will stabilize.

And in terms of two-wheeler, we have already, for the past four months, we are on a hot-foot platform, where the entire journey is digitalized, where currently, we have a few staff sitting in dealership. When the customer walks in, we are able to sanction a loan within probably, I would say within five minutes subject to, he having the required documents, basically the KYC documents.

We also have a process, where the customer e-signs the agreement. There is no need for any physical copy of the agreement and also, his NASH mandates are registered immediately with the bank. In terms of partnership, as I said earlier, we have recently tied up with a digital sourcing platform for two-wheelers. This is the way, which we would like to grow our two-wheeler business apart from cannibalizing our existing customer base. We are clear that, we are not going to put in more manpower or build a thousand, two thousand strong people force and incur cost and wait for next four years to make profit in this business.

Also, in terms of commercial vehicles, we are looking at tie-up with smaller NBFCs, across the country. Now, as I said, we are present across eight states and 24 locations. Probably by year end, we will try and expand our base to around 52 locations in commercial vehicles and simultaneously in these locations, we will tie up with smaller NBFCs, where we can have both, the sourcing and servicing agreement. By the end of the year, hopefully, we should have around INR800 crores to INR900 crores of commercial vehicle portfolio. That is it from my side. Thank you.

Baskar Babu: The way, we are looking at now in terms of scaling, is that I sometimes call it unfortunate that, we are not very large at this point of time. We are INR6,000 crores in terms of assets, around 15 lakh productive customers, in inclusive finance, with 30% of them, ripe and potential, either have taken or in the process of taking the other adjunct products. So, looking at it in a more simplistic manner, the few, the way in which both liabilities and assets we are seeing is there are two models, which are emerge.

One model is that, as you said, highly people intensive. The other model, the way, we would like to look at including inclusive finance, is a model called unit relationship manager. Split into small units, pay them the highest that they would kind of do it because inclusive finance is the field level operates between 8 in the morning to 8 in the evening, not paid really to a point, where they are able to keep shifting for, looking for jobs and opportunities, both at the stress level and in the financial. So, we had a policy, right from day one, which I would call as a day one culture, is that, we were probably the highest pay masters at the field level. It tapers down, as it goes to the top. But that's the most important.

This product, the inclusion business, we are in, it depends on the people. So, we built it around that and the entire product one, is in terms of Vikas loan. Why we keep harping on this Vikas loan, why we keep hoping on this Vikas loan is not because of that product being profitable or it's excellent in portfolio. It is a mid-step for the customer to kind of graduate, where we endeavor to get a site into their household and the more and more, we see it, it looks like a large opportunity. So, whether we can kind of do a INR35,000 to INR50,000 loan, do something else, can you really keep up with acquiring more customers or drill deeper into the customer.

So, Vikas loan, I would call as a mid-layer, for customer to graduate, where we deal with the customer on an individual basis, migrate them into two-wheelers, migrate them into MDL and the intent is that, we don't really want to be operating there at the highest price point. So, the operational cost should become so moderated that, we are able to be giving them at a competitive price, yet make as much profit as we would make, if we have to give them at the highest rate.

So, small business loan will become the focus. The new to bank Vikas loan is, what will be rolling out, in the couple of weeks' time. So, the intent of that is that, can we really acquire the customer on the go with a digital app, where the customer already has an excellent track record with somebody else, but I am not really looking for a group to come in for them to lend.

I will deal with them directly, I will fund them directly and they will repay to me directly. And the digital insight, which are available, not just to few, but to anybody today, one even without the AA model really could be in coming shape, is that the richness of data, which is available of the customer, of just at this guarantor, which invariably happens to be the spouse or the son or a daughter.

Most cases, it is 80% the spouse, 15% will be son and 5% will be the daughter. Combine that footprint, the way, we look at the picture, it looks very, very optimistic, very large. Then it comes to only one thing, which is people. You cannot really operate the banking sector today, probably operated at 40% attrition, it is almost taken as a benchmark. We would like to really challenge that and say, can it be much lower, can we really have employees aided by the tools of various things including digitization, the far more productive, earn much higher, work in a meaning time of around 10 hours, on a focused manner.

M-LAP is a natural extension as we build the Vikas One customer. Currently, we have 2 lakh and Sasi mentioned, it is 99.5% and if it really stays that way for another year, the key learning out of pandemic is that, if I know that, the customer is there and if I know that, they have got a reasonably manageable economic status of overcoming the cycles, customers come back and pay even if they have not paid for the 400 days.

So we want to implement that, as far as the M-LAP is concerned and move them and use cards and digital current accounts and all that, will be products, where probably without incurring the similar cost of an acquiring a customer, which is 5000, can we just put a QR code in a restaurant, you go just download and open an account and you get 20% off. That would really lead us to what we are looking at is a very micro market to start with, which is I call it, Panvel to Chembur. Can we be the large bank out there including being a small finance bank but be highly visible.

On technology, I would probably ask Vishal, to kind of quickly take you through things. We look at what is not addressed. For instance, while you all can open an account, do all of that in the bank account, if you want to make a customer complaint, can you really kind of figure it out how easy it can be. So, we are saying, can you just go into a mobile app and then press a voice recorder and send a message saying that I am not happy with the way in which your statement is coming, please take care, period over and then we pick it up at the back end. So just addressing those simple things is, what will create customer delighted.

It is not necessarily a proposition, where you have to spend money to delight the customer. In terms of our investments, we will continue to do retail assets and brand building, where we really, really have not done anything is that, we started the philosophy that I need INR1,000 crores of deposit, why do I need to spend, in terms of branding, where I need to be known across. But however, as a bank, the more you see, the more the trust you create, the more comfortable you become.

So in a year like this and as we kind of get on, we want to reasonably start spending in terms of visibility, branding, not exactly tying up with whether it gives me deposits or customer base, but as we become a little larger from 6,000 to 8,000 to 10,000, the visibility is as important, not just for customers, including for employees. You feel that, no kind of, if you say that, no Suryoday which Suryoday, where is the bank, cooperative bank, it really doesn't really do good.

So, we are consciously now doing it, though we didn't really believe because of the origin that, we have an aim of 5, word of mouth is the best advertising, probably in a bank also it is, but at the initial stage, we really require that. And finally, it is important as a stakeholder management and for a stakeholder, starts with employees, then becomes customers and the third stakeholders as a natural derivative is the shareholders.

If we take care of the first two, the third is automatically taken care. We don't really need to work on the third one first, so we do really believe that and it goes to 2010, where we said our stakeholders start with employees, employees then take care of customers and if this is taken care, customers will take care of stakeholders. And it is really, we mean it and hopefully, we'll demonstrate it.

With that, we come to the conclusion of the presentation. Thanks for the attention. But if I have to broadly summarize what we are, we would like to really look at simplicity in terms of INR6,000 crores of assets, how does it really, become in terms of INR8,000 crores, of which around INR4,000 crores would be from our inclusive finance segment. Vikas INR1,200 cores portfolio, 2 lakh customer, becoming 4 lakh customers and kind of from a two-wheeler, penetrate into our existing customer base, drive the digital process, use analytics meaningfully, take care of your employees at a field level, can they work only for eight hours, shift to 10 hours, can they really make meaningful money and be kind of us, I would say that simplistically put, can they have dinner with their family at the end of the day. As much happy, they come to office in the morning, can they go back happy home. It's easy said, we are not able to do it on a consistent basis, but true to it, if we are able to do it, we would have created a super institution.

A lot of data available, simplicity of execution, working on a few things, opportunities are so large, we don't want to be, I don't want personally to be in wealth management, I don't want to be in HNI, let it all come in after a couple of years. Initially is a pick 3-4 products, which is inclusive finance, take them to the mid, which is Vikas loan, Vikas loan to micro LAP, home loans, small home loans, create a substantial competitive advantage to people and technology and look at the other products, which will fortify the balance sheet, which is mortgages, which is not necessarily adjunct segment, commercial vehicle, that could be overlap, just do a four products, very focused, just kind of create the stability.

This year, we have guided that, we look at a 15% increase in the ROE, can we really become a bank, where 15% becomes 16% becomes 17% becomes 18% and probably stays that around that. And in that process, do kind of, can you call out confidently that, come what may as the challenges would be, which keeps happening in our sector for various reasons, without knowing what that risk is once in four years-five years, fortified by CGMFU, that if it happens, we are still really rock solid with a contingency provision of closer to 5%.

Build a bank, which is predictable, stable, sensible and above all simplicity in terms of our customers experience. If we are able to do it, which we hope that we will, kind of as we did last year, we are in the progress, take it head on your shoulders, feet on your ground, build a very super respectable institution. Thank you very much.

Moderator: Thank you, sir, for the presentation. So, I would now open the floor for question-and-answer. A small request to everyone, whomever would like to ask a question can raise their hand, stand up, and also introduce yourself with the name and the company you belong to, and then we can address all the questions one by one. Thank you. The team will circulate the mic, whomsoever has a question.

Ajay Desai: Good evening, everyone. My question is, there are two, three questions. The first one is about the provisions.

Moderator: Can you just introduce yourself, please?

Ajay Desai: I am Ajay Desai, I am a retail shareholder, and having roughly around 5 lakh shares of the company. Now my question is, one is this incremental provision, when we see that getting addressed and no more hit to the P&L through this provision part, second is, in terms of risk, do you foresee coming election of 2024 or coming state election as one of the risks and how it can impact our future projections, short-term future projections and third one is definitely, when do you foresee the valuations, at a price, what we launched or the IPO when it came. So, when do you foresee to achieve that kind of a valuation back to ensure investors don't continue to lose money?

Baskar Babu: Thank you, Mr. Desai. Too many questions folded into one, but I will try to answer them and for far more detailed numbers probably KC will address. On the provisioning like last year, as end of 31st March 2023, minus the ECLGS loan, we had around close to INR 160 crores, against which we carried NPA, of which we carried around close to INR 100 crores of provision, 110, 120. So that is INR 40 crores of uncovered as of 31st March in terms of NPA.

And the slippages we see, as I said that the industry goes through good times for sequential 3-4 years, so likely that this year is going to be one such across the industry, not just for Suryoday. And probably next year it will be the same. So, we are intending as KC mentioned, make around 1.5% every year of contingency provision for the retail unsecured, I would say inclusive finance portfolio. Which would mean that by 2026 we will have close to 5% of it.

We are covering with a scheme called CGFMU and to just put it in some numbers, we will be investing, as I call it investing, would be around INR 45 crores for this year, against which probably the likely claims will not exceed one third of it, if I have to extrapolate. But why do you really do it is that you cannot cover yourself with such things when actually when you really require.

You will have to do it probably when you don't really require. It is very simple but extremely difficult to implement. So, we cleared, we said that okay, if it's based on, we have to just do the mathematical number of INR 37 crores of Pre-POP on March, we have to multiply, we are going to be at closer to INR 400 crores. So, we are willing to kind of let INR45 crores be the investment for CGMFMU.

So that will take care of eventualities, which could be elections, could be anything. Actually, many times you don't know what really hits in inclusive finance. But if you have to wiser by your experience, it is better to really create a 5% cumulative plus a CGFMU cover. So, I hope that will really give some stability to the volatility in earnings as and whenever, God forbid, an event were to happen. I can't specifically call out on the election impact because sometimes it happens, sometimes it passes off.

When in Karnataka it happened, some of the parties really said that they were very good off but didn't really have an impact. So, you can't really second guess of what the impact will be. But if it were to happen, are we safe? I guess that we were attempting to become safe against that volatility. As far as your share price and all of that, one, obviously they said take care of your employees, employees take care of customers, have good products, they will take care of the stakeholders.

Historically pre-listing, we have always been, irrespective of what the market was, we always raised capital at around between 2 to 2.2 times of our book. Even when the valuation was, when the market was higher, we said this is our zone of comfort, 2 to 2.2. So, I, and obviously I think the first time we really missed that mark was in terms of when we did our IPO.

And equally we also are very, very conscious about it. But hopefully I think we will start delivering the number, we will create value for the stakeholders. Sometimes when you do the fundamental things right, I think recognition comes sometimes slowly. Thank you.

Anil Tulsiram: Hi, this is Anil Tulsiram from Contrarian Value Edge. I have two questions on secured loans. You have guided that we plan to increase our secured loans at 40% CAGR. So, two questions are, first, what's going to be the mix between informal, semi-formal and formal customers?

And the second is, we have seen in the past, whenever any bank or any financial institution tries to grow at 45, means very high growth, some accidents do happen. And our focus is granular retail customers which are not being served well by the other, means the income assessment is very difficult. So, what are we doing so that the chance of accident is reduced? So, these are the two questions. Thank you.

Management: Thank you, sir. One, I think when you look at the 40% growth, it is not necessarily 40%. They are all long annuity products. So, I have a INR 1,000 crores. Even if we simply do what we are currently doing without really changing the acceleration, which is for instance, INR 35 crores to INR 40 crores, is what we do in mortgages. On a lean month to a good month, sometimes it will be higher.

But just take around INR 50 crores. Since they are long annuity products of around minimum between 7 years to 15 years, at the same level, the growth will be around close to 30%. It's not you are accelerating your business volumes by 40 to get an asset growth of 40%. Exact opposite would be inclusive finance. If I were to achieve a 40% growth there, I will have to increase my disbursement also by 40%.

And broadly, we are not into the secured loan. We are not into the NTC segment at this point of time, except in micro mortgages, which also is not NTC. They have credit at least track record in terms of micro finance. And they will have a track record of only a few MFIs. Because the customers evolve. When they are taking a secured loan, they will not have a multi, small unsecured loans. So, it's not going to be any different from what we do.

We are conscious that we want to accelerate anything. Sometimes the risk gets evolved without us even realizing it. So, we are not really going to go crazy about it. It's going to be step by step. We are not going to increase.

What we are likely to do is that what works in one location, now we are operating only in 20 locations for mortgages, we would like to take it to 30. But a similar product, similar thing at the people, so that is not likely to increase the risk. If I suddenly go into a new geography and do newer products, that may.

So currently it will be mostly people with track record. But 80% of that will be self-employed segment. I will not call it informal segment. Salary will be very less. And given that salary would be in terms of somebody working for an MSME, very, very few would be where somebody has got a working in a multinational coming and taking a home loan from you. It will not be there at all.

Dhruv: Hi, Dhruv here from Ambika Fincap. Thank you for the presentation. Sir, will it be fair to understand that our bank is not a rural focused bank, but mainly a Tier 2 or 3 focused bank? Because nowhere in the presentation I could see rural being mentioned. But it was more Tier 2 and Tier 3?

Kanishka Chaudhary: So, you are right. We are not exactly a rural office. We are more of ouskirts. So, we are not exactly a rural office. So that is the kind of profile that we have in our portfolio today. And that is the kind of profile we will likely to continue with even in the near future.

Dhruv: So, if that is the case, will our ticket size in the inclusive finance be more than the peer sets?

Kanishka Chaudhary: Not necessarily. Not necessarily, right. Because we have been fairly conservative in the kind of ticket size that we typically start with and where we stand today. Our ticket size typically will start with around 30,000 odd. Even in the Vikas loan where a customer is graduating to become an individual borrower, on an average it is somewhere around 60,000, which is just a little bit shade above what we would otherwise give to a third cycle JLG customer. So, I think the kind of ticket size that we offer is something for us to look at.

And determine the kind of risk that we would want to assume. So, we have been fairly circumspect in the kind of ticket sizes that we have and how it has grown over time. And that will continue to be the case.

Dhruv: And so if you can mention in the inclusive finance, how many borrowers would be the single lender and how many will be us plus one and two if that figure you are sharing?

Baskar Babu: Sasi will share the data broadly. The risk is not dependent on how many loans they have taken. It is the risk in terms of how reasonably you are able to capture the economic profile of a customer. The typical microfinance model worked on first cycle 20, third cycle 30, second cycle 30, third cycle 40.

It is what probably out of a little bit of a history of experience and learning is that you can't do rearview mirror driving in inclusive finance. One cycle into another cycle automatic without knowing who the customer is probably at least our learning. Even if you fund INR2,00,000 to a customer who has got more than two strong household income, has got their own property, they won't borrow more than they want.

So, 30% of inclusive finance segment across in the industry do not take the next loan when they are eligible. And who are those customers? You are able to kind of target them and you give them even a higher ticket, it is much more low risk than probably funding without even knowing who the customer is as a pool. The social collateral works very well when the ticket size is small and the tenor is lesser.

But when a group of 10, if only two of them don't pay it still gets managed to an extent. If it is three, it cracks. And that's the time even the good customers don't want to be part of it and which is what led to this Vikas loan. And we are seeing more customers saying if I want to borrow, can you lend me on my credit?

I do not want to be standing for guarantee for 10 people because my husband is saying that why do you want to really borrow INR40,000 by guaranteeing for so many people. So it is not in my, in the largest sense if you understand the risk, the risk is much lower as I am going by how much ticket size do you do. So our ticket sizes are one of the lowest at this point of time, which is around closer to 30,000 per customer.

But the fact is that does it mean that you are low risk or high risk, the answer I would not be able to tell. However, if you are able to understand the customer with the footprint, for instance, your customer has got a good track record through COVID-1 and COVID-2 and she wants INR1 lakh, happy to fund.

Provided you also have visibility in terms of household income is more than around 25,000, 30,000. Microfinance norms currently state that 30,000 is the income cap. But if you really kind of get into the household level, it is very likely that 30% of it will be more than INR30,000, maybe 40, maybe 50. Then it is where I will have to kind of ensure that they get a Udyam Aadhar so that it gets classified as a PSA, which is what we are going to be doing in the new to bank Vikas loan customer. Go to Sasi.

Sasidhar Vavilala: Just to add to the larger question of what you asked, so if you look at the entire industry, about 20% of the customers got a retail track, which was not the case four years back, five years back. Second thing is COVID has done a lot of good to the industry in one way.

Now we are able to differentiate who is actually a good customer in bad time. That before COVID, everybody is a good customer. You hardly can differentiate between a very good customer and a good customer or a not so great customer. So that differentiation has clearly called out.

Thanks to we being more urban focused or semi-urban focused, our retail penetration is 38% compared to the industry average. We are almost 2x the retail penetration. So a sizable part of our customers already got experience of handling individual loans in whatever small way.

So that is a fundamental advantage. Just because they have serviced one cycle, the second cycle, like Baskar said, doesn't necessarily mean, at least the data doesn't say that they are going to be again servicing the same 50,000 again. It has to be backed up with what is their current behavior and what are their current exposures across. There are more nuances on, we pick up the data.

Dhruv: My question was, how many are our sole customers?

Sasidhar Vavilala: Suryoday only customers? People who are only having a lending relationship with Suryoday. So that's about 15%.

Dhruv: And Suryoday plus one, if you have that data?

Sasidhar Vavilala: Suryoday plus one means?

Dhruv: You and one more lender.

Management: Suryoday and one more lender. At least one provider. I don't have the data ready.

Baskar Babu: I would say that it will be closer to around 60%. Either in Andhra crisis or in this crisis, if you look at high indebtedness, it is actually 5% of the customers who are, MFin publishes the data, everybody will get on with that. Plus, three, it goes to only 3% of the population.

But that three is what really creates a crisis in a particular micro geography, locality and so on. Because they would be better off when there is a larger delinquency or a default. It is not so much the 95% which is a problem, your ability to weed out that five, which is substantially borrowed, not necessarily that they are borrowing for themselves.

This is a little complicated. Sometimes people have the limit. And somebody else wants to borrow on their behalf, which is what is unpopularly called a ringleader concept. While on paper it is a little simple to execute, I think it is a little more complicated in terms of simply measuring by plus one plus two. But broadly I think nothing will be more than 95 will be less than plus two.

Dhruv: Sir, I have two more questions. One is our concentration mainly caters to Maharashtra and Tamil Nadu. I attended a Equifax seminar where in Tamil Nadu is the second largest state where the lending has happened. And another is Maharashtra. So, I just wanted to know if there is a drought like situation, what will happen to our Maharashtra book?

Baskar Babu: We are, as you can ask, we are not rural, rural at this point of time. We are urban, semi-urban. So more than the impact of drought, what really at least in our experience which hits pretty badly and temporary though is a flood situation. Whenever there is a flooding, it is when the disturbance and the immediate impact on delinquency is seen. Not so much in terms of reduced monsoons, but if it is an extreme drought like it happened in Marathwada and all of that a couple of years back, you see a delinquency going up to 10-15%.

Dhruv: And you don't see any issue with Tamil Nadu right now?

Baskar Babu: Till now no, but hopefully.

Dhruv: And my last question is, sir, you mentioned 15% ROE. When is that the guidance you want to achieve?

Baskar Babu: If you start look at the closing net worth of FY '23, we will be closer to 15% in FY '24.

Dhruv: No, but then your ROA guidance is 2.5% and you don't want to do the leverage of more than four. So that calculation doesn't sum up to 15%. That's why my question was how is 15% achievable this year?

Kanishka Chaudhary: So, if you look at the exit of the current financial year and getting on to the year next, that's where you get to see the 15% ROE. We do not see ourselves changing our leverage beyond four at least for this year itself. This is the first year when we are coming out. But given the kind of growth that we have projected in our book and the core earnings, exit at FY '23- '24 will be closer to the 15% ROE. Thank you.

Moderator: Thank you. Anyone else who would like to ask a question? Yeah, please stand. We have a question from back. Yeah, go ahead.

Shailesh Kanani: From Centrum Broking. Thanks for the detailed presentation. It was quite useful. Sir, two questions from my side. One is on CV side; we have not been able to scale up for last three years. So, what different we are doing going ahead to scale up that business?

And second, when we are guiding a 50% secured book, say, three years down the line. So, can you give some color on that, how mixed would be of that 50%? Also, what gives us confidence that we will be able to do that much of secured lending? That would be my question. Thanks.

Baskar Babu: In CV we had our learnings for sure. We started building it in terms of more of a fleet operator to start with. We said we will take reduced risk. But COVID impacted the fleet operators much more than small fleet operators. A guy with two, three vehicles was able to manage somebody with a 600 vehicles was hit substantially more.

And not that few customers going back really had an impact. And hence we slowed down. We said, hey, let us get a grip of what we are exactly wanting to do, rather than getting into CV funding because we want to be in CV funding. So, we revamped the whole thing. We slowed down substantially. We built up the leadership. Sandal joined us. We said, let us go granular. Let us go meaningful.

And what we also changed is that I think CV works very well when you have a business team which is also responsible for the portfolio. It cannot work like one team sources and the other team collects. So, we have now built that, go back to the original model of commercial vehicle, which is the ownership of the entire portfolio and the rest of the business at every level, including at the branch level.

So, in the last post-June 21, whatever we have built, which is around close to 80% of the small INR400-crores portfolio, the 30% is less than 3%, or less than that, 2%. So, the intent is that, build it, again, one learning is that organization learning takes time.

You cannot simply transplant a good team, put the products in, say, you can scale. So, we will scale meaningfully. So currently our run rate in commercial vehicle is around close to INR25 crores. Exit will not be probably more than INR 50 crores. And the INR 50 crores is going to happen by us expanding to geographies, digging a little deeper, and also focusing on at least increasing the pricing at least by a percent.

Currently the weighted average is 12. Intent is at least 13, 13.5. As far as the, currently our inclusive finance is 60. So, we are not going to do any acceleration or going to slow down inclusive finance to go to 50-50. If we just repeat the same disbursement that we are doing today, which is around close to INR300 crores-INR350 crores in inclusive finance, around INR45 crores-INR60 crores in mortgages, around INR25 crores-INR35 crores in commercial vehicle, and a small 8% of the portfolio in FIG. The portfolio will tilt because of the annuity difference, or the tenor difference between the secured asset and the unsecured.

Unsecured thumb rule, equal, the disbursement of the year is equal to the portfolio at the end of the year, into probably 1.1, 1.2. That's not the case with mortgages. It stays, actually you can add it. So, what was the last year portfolio, minus 10% plus new disbursement, will be the portfolio.

So, the resizing of that rebalancing would happen by exactly doing what we are doing now, but repeatedly doing it over months. And what gives the confidence? I'm saying we'll have to just do what we are doing, without doing anything, any rocket science, and by that logic, and with fortification through the CGMFU, we should be able to do it.

But however, at every step, we'll have to recalculate in terms of whether we are on a strong footing. That, I think, is a key learning out of COVID as well.

Shailesh Kanani: Thanks a lot.

Sumit Rathi: Hi, sir. This is Sumit Rathi from Centrum PMS team. First question from my side is this, that, as you said, you have seen multiple bad times in the past, and three you mentioned clearly. What kind of changes you have brought in your underwriting, after seeing all these changes, to ensure that you would be able to underwrite better quality book, or something like that, if you can share some experience on that.

Baskar Babu: See, on the retail, we didn't have much of a problem. We'll continue to do it a little stronger, get more data and do it. Not a problem as far as secured is concerned. In unsecured, only one simple learning, know your customer. Not the group, alone. Not by the past track record. So, which is what I put Sarthi app, where we go deeper into it, at least understand how the house looks from outside.

How does their business place, whether it's in the house or outside, looks like. And what are their various track records, where the customer as well as the guarantor has. If you combine it, and not really make, and in a group product, it will not be possible for us to differentiate between, one customer say, I can fund you 30, and another customer saying that I can give you 60.

But in a Vikas loan, you can choose to give, what the customer can handle, and what she requires. So, I think we'll have the intensity to do it on a continuous basis. We believe that we have gotten into a platform, which can really scale meaningfully, provided we are able to do it sensibly. So, I think just one, know your customer at an individual level, is a key learning out of pandemic.

Sumit Rathi: Okay. And so, you mentioned you have a dedicated collection team. So, can you share the size of that team?

Kanishaka Chaudhary: So, today we have around 700 people, who are focused on collections exclusively. And the idea is that we are able to build the team to about 1000 odd people, in this particular financial year.

Sumit Rathi: Great. Thank you. These were my questions.

Pratik Chheda: This is Pratik Chheda from Guardian Capital. So, when you share that you have an aspirational target of reaching 4% ROA in a longer term, right now we are close to around 2.1, 2.2. Can you break that down into maybe three parts? How much you are likely to see from margins, how much from opex, and how much from credit cost?

I'm asking this question mainly from the backdrop that we are, you know, sort of also targeting to grow at 30% CAGR, and right now the credit environment is absolutely benign. And reduction of credit cost from here on, and from these sort of levels is also, sort of looking tough. So, could you just break down your ROA target into maybe a slightly more granular level?

Baskar Babu: I think we can answer. I think we calculated ROA on the entire balance sheet, right? All the assets.

Himadri Das: So, there are two, three things. One is currently we carry around 500 odd liquidity, which is not an optimum state. So, of course, what KC had mentioned earlier, that one is there would be a NIM compression because of secured asset, but that will be offset by Vikas loan.

And as well as, we will also try to optimize our balance sheet. So, our NIM would be in the range of 10.5 to 11 at some point of time, when we optimize the balance sheet. So, from 2.2 to 4, there will be three parts. One would be NIM, there will be a marginal increase, there would be a CTI reduction, which will give another 0.5 basis point, and there would be a credit cost reduction, which will be another 0.5 basis points.

So, how we are seeing the things is 1.5 basis point from all these three parts. So, 1.5%, yeah.

Pratik Chheda: Also, we mentioned that we are likely to build up a contingency provision of around 5 percent on the unsecured book, and we are targeting a retail and, sorry, the secured and unsecured mix of 50-50, that I would assume is 2.5% of the book, you would like to keep it as a contingency provision. How are you dividing it on a per year basis? How much of contingency provision are you likely to create in FY '24 and '25?

Himadri Das: So, basically, the strategy would be, see, there are two parts. One is CGFMU, and another is a contingency provision. How we are seeing the things in case of COVID, which we have faced, maybe 20 percent is an extreme case of write-off or the credit cost.

So, CGFMU has a cap of 15% credit cost coverage. So, our theory is we will cover the rest 5% through a contingency provision, which will over the next four to five years we'll build. So, that's the theory. And 1% is on unsecured book.

So, how broadly, there was another question of how 2.2 percent and 15% are we. So, how we are seeing next year is around 500 odd crores of Pre-POP this year. It's INR 37.5 crores of Pre-POP we had in March, which in next year exit Pre-POP we should have INR 55 odd crores. So, next year we are aiming exit Pre-POP. So, full year basis we should have a Pre-POP of 500 odd crores, out of which there will be a CGFMU premium, which will cost us another INR50 crores, which will leave around 450 odd crores of Pre-POP.

After that, we want to build some contingency provision. And apart from that, there will be some level of the current GNPA. So, our current FY '23 GNPA was INR 190 odd crores, out of which there is INR 60 crores of ECLGS, which is completely government-backed.

So, we have a net NPA, if you have to technically say, it's INR 130 odd crores, out of which INR 100 crores is already provided. INR30 crores is the piece that we have to provide next year. So, how we are seeing the things, INR30 crores from this old piece, and there is a new slippage, which we are estimating around INR30-INR40 odd crores, which Sarvesh also had mentioned, not would be more than 30 or 40 basis points. And INR 100 odd crores we want to provide for contingency.

So, we should have a PBT of let's say INR 300 odd crores, INR 300 to INR 320 odd crores, which will give us a PAT of around INR 225 to INR 250 odd crores, which will translate to 15% ROE. Our average net worth for the next year would be around INR 1650.

Pratik Chheda: Thank you. That was a very detailed answer. We appreciate that. Thanks.

Himadri Das: Thank you.

Unknown Analyst: Hello. Not related to numbers, but regarding the business strategy. Yeah. So, now, last year you had cleaned your balance sheet and post-COVID, now business environment is into point mode. Economy and other businesses are going to do fantastic.

And now, from the RBI side and government side also, we are pretty safe in inflationary point of view. So, seeing this very attractive business environment and economic conditions, why you want to remain very conservative and just going to do 4x?

Why don't you think that next maybe one or two years down the line, business environment is going to be very, very attractive, and to utilize this business environment for generating more profits and develop building simultaneously the organization? Thank you.

Baskar Babu: I think one step at a time, it's very easy to kind of look far, far ahead. I think having come out from a very challenging FY '22, FY '23 is what we kind of wanted to build it block by block, played out the way we wanted it. I think it's a lot more stable and consistent to look at sustainability.

So, 30% of growth, if we're able to do it consistently, I think it's far superior to kind of go around. However, you have to be extremely careful that your growth cannot be much lower than what's happening across, then you will miss out on the scale. I think we're able to do 30% for the next two years. I think depending on the robustness of the platform that is really built,

I think we have to look at every year in terms of what it has to be. But I think broadly our thematic strategy has been, which has played out pretty well, we'd like to keep that 25% to 30% consistent growth. It's far, far superior because many times in lending, when you accelerate more, you perceive that the risk is lower because your denominator is substantially higher.

The numerator, even with balloons, still looks 1% GNP or 2%. And when it gets hits, it becomes extremely difficult. The learning out of COVID, if you were to take it, at 37,000 customers of delinquent customers, suddenly becoming 3,70,000, you can't build a variable pipe and in a very super challenging environment.

So, the question of how many people we have in collections. Now, in a Vikas Loan, which is a 99.5% collection, the temptation is that why build a collection force? So, a building thing that 10% of the customers have to go and collect, which is 20,000 customers, how many people do you really require? Keep them with the guardrails clearly saved. And sometimes you have to invest thinking that what happens if the worst happens. And I think we would resist the temptation of growing higher than that, at least for this year.

Unknown Analyst: [inaudible 1:58:26]

Management: I think everybody kind of understands. This I think industry is about pretty large. The economic status of this class is also going substantially more. I think let us get a grip in terms of execution for a few consistent years, and then probably look at it. But I think 30% growth is a very nice growth.

Moderator: One second, we have a question from the back over there.

Neel Chawda: Hello, good evening, everyone. My name is Neel Chawda, I represent SOIC. So, I just want to learn about the organization s structure more. What are the key parameters top and middle management is evaluated and incentivized on? What are the key performance indicators the top level and middle level management is evaluated and incentivized on?

Management: I think the RBI came out with the regulations that the minimum component for what we call as MRT, 50% has to be variable, 50% has to be fixed. So, last two years we did not take any variable, obviously for various reasons. So, I think FY '23, I am talking about FY '21 and FY '22.

FY '23 we are starting with a variable payout. We link around closer to 50% of the performance to the performance of the bank of the top management. And within that 50% there are certain layers which will have to clear for us to become eligible, irrespective of the financial performance, which is in terms of compliance and governance.

So, they are the minimum steps that will have to go to cut for the bank itself to be evaluated and bank performance. So, that is around 50%, remaining 50% is the weightage which is given to individual performance. So, we have currently devised in terms of various, as a bank you cannot have a few verticals specifically in terms of governance.

You will have to have a separate CRO vertical, you will have to have a separate chief audit officer and some of them chief compliance officer. They have a direct relation to link reporting to the board and administrative reporting and operational reporting to the CU. So, that is a vertical which will be irrespective of, you are a small bank, mid-sized bank, large bank, you will have to have those verticals.

We are currently organized on the business side on business verticals, which is mortgages, micro mortgages, commercial vehicle, wheels and distribution together and the largest piece of the business is inclusive finance and liabilities. So, that is how we are kind of organized at this point of time. We are kind of put in focus in terms of getting the leadership in place.

Extremely important that you have a very stable leadership, which can perform consistently, which can and we are a little fortunate that even went through the crisis, the larger leadership team has been intact. I think the ability to keep that at the same time, it is not that just the longevity talks about the consistency of performance, you need to have consistent performance and a good stable leadership team and more importantly than the leadership team, which is visible to many of you, is at the next level.

How stable are you and how smart they are, I think dictates the success of any bank. Apparently, we are building it, are we there? Not yet. Quite a bit of work to do on that.

Neel Chawda: What I wanted to know more was, what are the key parameters that leadership team is evaluated on? So, it is just the growth of the portfolio or the quality parameters?

Baskar Babu: You can't, you can't really do it for a bank. I said the 50% will be the quality, I mean the performance of the bank, which has got various parameters, deposits, within deposits, cost of trade ratio, how much is the CD ratio, how much is the retail. So, it is a huge, more internal, I don't think I will be able to kind of spell it out to the dot.

But even an individual performance, for if it is a business, if it is an asset business, it will be on quality of the portfolio, not just the GNP, NNP, quality of the portfolio across, growth of the portfolio and the segments that we want to do it. Even if we achieve the target, if we have to present in so many geographies and mitigate if it is not done, all of that will be worked by. So, it is 50% for the bank and 50% for individual.

And I don't think any bank will have a performance linked only to the numbers being achieved. That probably was pre-2008. Post 2008, it is a compressive suit, irrespective of whichever bank it is. And broadly, I think most of the parameters will mirror the larger ecosystem.

Neel Chawda: Thank you so much.

Moderator: Yeah, one second sir. So, we have one question from the back and then you will be next, sorry. And in the interest of time, we have last five minutes for Q&A. So, we already have couple of questions in the queue and we will see if we can take any further questions. Thank you. The person from the back can ask and then followed by you, sir.

Amey Kulkarni: Yeah, my name is Amey Kulkarni from Candor Investing. In the inclusive finance portfolio, do you see any over lending in any of the geographies as of now?

Baskar Babu: Difficult to say. Again, I said that it depends on customer-to-customer analysis. The geography which is growing the highest is Bihar and we are not present in Bihar. So, it will be very, very wrong for us to comment on whether the market is getting overrated. That I think is the largest market as we speak and hence, and it was not the largest market or not in the top three or four five years back.

So, it means that the acceleration in that market is higher. Some markets have taken a hit and hence got moderated, which is typically Maharashtra and even Odisha. You see them, almost the growth rates lower than the industry growth rates in the sector. I think even within the geography, if we kind of stay put, except in a much larger ecosystem disturbance like Assam,

I think it's usually the pockets which get impacted than the state as a whole. I won't be able to comment at the overall industry level, but at our level, I think we have a risk policy that our portfolio and inclusive finance in any state will not be more than one time of a net worth, preferably no more than 0.75 times of a net worth on book. So, we like to kind of go on that.

Unknown Analyst: Thank you. Thank you. Maybe just one question. Sir, times are good. Everybody is running for a growth, perfect condition to create an exchange rate, I believe. You might not make a mistake, but somebody else will. So, in that case, at the industry level, are you seeing any early signs of anybody going overboard, either let's say in terms of any specific geography, in terms of, let's say, average ticket size, or either in terms of interest rate?

Baskar Babu: So, one, I think that's very difficult because each one has got various methods of doing it. So, the models are different, and hence what's perceived to be risky or non-risky is not necessarily true. I think this, I think probably the best people to answer would be the IMF, which has got a far more deeper research, understanding, and also get customer complaints or peer complaints, so they can process it.

And the data is far more detailed nowadays, which is kind of available. So, that will give a fairly good idea. But I think having come from a crisis, I think you can expect any industry to behave meaningfully prudent. And that will probably be the situation.

I think you can't really judge by what's this year and next year. As we have also been hearing, when everything is good, probably when people are there, risk management had far more strong to each. So, I would say what we are trying to do is at least for CJFM you cover, as Madhuri mentioned, 15% of the portfolio covered through that. 15% of, God forbid, extreme risk even, credit NPA, or credit loss. 5% is a contingency, 20%. Can we really do that without getting, I think, distracted by how others are managing their risk?

Moderator: Thank you very much. Thank you. Yeah. So, in the interest of time, we close this event. I would like Baskar sir to just give a quick closing comment and then I request everyone to join for the high tea. Thank you.

Baskar Babu: Thank you for the attention and so much of time that you spent with us. It's our first analyst investor meet and hopefully we'll become far more nuanced, sharper as we really kind of meet you next time around. And hopefully when we meet next time, we'll also deliver on what we are thinking that we should commit.

I mean, what we are kind of committing to deliver. I think that's what we actually look forward to really build a super respectable bank. I think we shall encompass everything. Thank you very much for your attention. Thank you.