



ARMAN FINANCIAL SERVICES LTD.

**“Arman Financial Services Limited
Q4 FY2020 Earnings Conference Call”**

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ARMAN FINANCIAL SERVICES LTD.



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Moderator: Ladies and gentlemen, good day and welcome to Arman Financial Services Limited Q4 FY2020 Earnings conference call hosted by Antique Stock Broking. We have with us today the management from Arman Financial represented by Mr. Jayendra B Patel, Vice Chairman & MD; Mr. Aalok Patel, Joint Managing Director; Mr. Vivek Modi, Group CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhavik Mehta from Antique Stock Broking. Thank you and over to you Sir!

Bhavik Mehta: Thank you. A very good evening to all of you for connecting to the call, and thanks to the management, Jayendra Sir and Aalok Sir for taking the time out for the call. Arman Financial had come out with its results on June 29, 2020. However, the time has changed since we have last hosted the call, with the national lockdown and implementation of the moratorium decision by RBI impacting the business. So, we would request the management to share the view on how has it affected the company and what are we doing to maneuver the situation and what lies ahead for us. Over to you Sir!

Aalok Patel: Thanks a lot, Bhavik. Hopefully, I am audible to everybody and a good evening to everyone. Thank you all for joining this call and taking the time out of your busy day for FY2020 fourth quarter ended results discussion. I am joined on this call by Jayendra Bhai, who is the MD and Vivek, the Group CFO. We have issued a detailed press release and investor presentation for the past quarter and the past year. Hopefully, all of you had a chance to review it. As you all know, these are unprecedented times, and many of you are very concerned about the COVID performance versus our past performance. However, I would be doing a disservice if I did not start with the terrific performance, we have had in FY2020 at least until February 2020. ,Therefore, I will begin by giving a brief overview of our financial performance for the fourth quarter and the full year and post that provide an update on the operations, the liquidity, and the collections post the COVID lockdown.

As you can see from the results, our operating performance was quite good in the fourth quarter until February, and we continued to witness good growth momentum. Our consolidated loan book grew by 26% year-over-year to Rs 860 Crores on the back of robust action seen in the MFI and the MSME segments, which grew by 28% and 44% year-over-year respectively. Our COVID adjusted consolidated AUM would have been approximately Rs 940 Crores with a 37% y-o-y growth had we managed disbursing all of our loans in the pipeline in March. Continued growth in new customer additions coupled with a marginal increase in the average disbursement size helped in achieving sustained growth in both of



these segments. Our two-wheeler book, however, recorded a decline of 7% being adversely impacted by the on-going slowdown in the two-wheeler sales throughout last year. This was further exacerbated by the emergence of the COVID pandemic in March. A silver lining here is that our rural two-wheeler book continued to see good traction growing by 68% year-over-year to Rs 11 Crores at the end of FY 2020. As a result, it constitutes more than 10% of the two-wheeler AUM now.

On the disbursement front, we recorded a marginal 4% year-over-year growth in Q4 even as the COVID pandemic impacted March disbursement substantially. We saw a strong pickup in disbursements up to February, as the disbursements rose by over 30% in the first two months of the quarter. In March, however, due to the COVID-induced disruptions, we were only able to complete 20% of our disbursement pipeline, and this led to a lower booking in AUM and disbursements by approximately Rs 75 to 80 Crores. Adjusting for this disruption, our AUM and disbursement would have grown by 35% to 40% in the fourth quarter. Net interest income grew by 36% during the fourth quarter. Strong growth in net interest income helped us post a sturdy operating performance as the pre-provisioning operating profit grew by 34% year-over-year to Rs 15 Crores.

As a prudent measure, we earmarked Rs 6.7 Crores as a contingent provision for COVID and further took an aggressive write-off of about Rs 3.9 Crores for the pre-COVID NPAs during the fourth quarter. I know many of you are going to have questions around that. As a result of the higher provisioning profit after tax declined to Rs 3.8 Crores. Adjusting for the additional COVID specific provisions of Rs.6.7 Crores the Q4 profit after tax stood at Rs 10.5 Crores, which is a 46% growth year-over-year. The adjusted ROE for the quarter stood at 24.7%.

Discussing our performance for the full year FY 2020, we had a very good year barring, of course, the month of March. We posted a solid all-round performance with the pre-provisioning operating profit rising by 73% to Rs 74 Crores, and despite the higher provisioning profit after tax grew by more than 50% to 42 Crores. For Arman, this is a milestone as it marks the highest annual net profit reported by the company since it came into existence a long time ago. Asset quality continues to remain robust with gross and net NPA standing at 1.1% and 0.2%, respectively, at the end of FY2020. Further, we remain adequately capitalized with a consolidated debt to equity ratio of 4.1, excluding direct assignment. As of March 2020, we had a total of 211 branches; 170 of those are for MFI, 35 for MSME, and the balance for two-wheeler. As a part of our expansion strategy, we launched 43 new branches during the year, of the new branches launched 32 were for MFI, and 11 were for MSME.



Now moving on to give you an update on the post COVID operations, as most of you are aware, we had to close down all of our branches ,and the HO temporarily post the lockdown announced in March. We gradually started reopening our branches from the fourth week of May. The movement on the field was highly restricted until June 1, 2020. I am pleased to say that as of today, almost all of our branches are fully operational, with a few of them operating from alternative locations as they were initially located in containment zones. Further, during the past quarter, we rationalized our MFI branch network by consolidating some of the smaller branches into larger branches. This led to a reduction in the number of MFI branches from about 180 at the end of Q3 to 170 at present.

On the liquidity front, we have enough cash reserves to cover the necessary opex for the next six months and debt obligations for around three months. Our liquidity position has improved materially in June, with the collections picking up. As a result, we have repaid all the debt obligations due in June and not applied for any moratorium. During the months of April and May, we have received moratoriums from our lenders for 72% of the amount due. We had more than sufficient cash reserves to cover the rest. Furthermore, we have raised approximately Rs 75 Crores since the lockdown at attractive rates to strengthen our liquidity position. Two notable fundraisers include NABARD and SIDBI, which have been raised at very attractive rates of approximately 7%. As the ground level collections increases, we have also begun to repay the moratorium installments to many of our lenders.

Moving on to the collection side now, we had extended the moratorium to all of our MSME and MFI customers for April and May. We have resumed the collection process from June 1, 2020, onwards, and so far, the response has been quite encouraging and, in fact, better than we were expecting. Repayment rates for June 2020 dues closed at 59% for the MFI segment and 85% for the MSME segment. The remaining customers remain under moratorium, though most of them have expressed a desire to resume repayments in one or two months and are not expected to use the full moratorium tenure available until August 31, 2020. We expect July to close with significantly higher repayment rates. On the two-wheeler side as the collections happen in electronic form via “NACH and direct debits,” we continued to accept collections throughout April and May providing a moratorium to only the customers that specifically requested for it. Total moratorium for April and May were approximately 45% and 50%. However, in June, the collections have picked up sharply with total collections again in June demand closing at approximately 95% for the two-wheeler segment. Operationally speaking, we feel that the worst is behind us, and in the next few months will be focused on getting the repayment rates back to normal towards which we have made significant strides in the month of June 2020.

In terms of disbursements, we had stopped disbursements post March 20, 2020, and have not resumed them yet. We have also not given any top-up loans. Depending on the



repayment situation, we are planning to start disbursement slowly from July 15, 2020, onwards with a tighter screening process in branches, which cross 80% to 85% repayment rates and are otherwise located in areas with low COVID disruptions. We do not expect disbursements to reach around pre-COVID levels until September 2020, at least. Finally, to conclude, our primary focus will remain protecting our asset quality, improving collections from the field, maintaining a healthy liquidity position, and keeping our operating cost in check. The situation on the ground will require us to be nimble and constantly adapt to a very dynamic situation on the ground.

On the whole, we remain confident of overcoming these near-term challenges, and getting back on our growth trajectory as the conditions gradually normalize. We sincerely thank everyone, including everybody on the call for your support during this very difficult time. This pandemic is not an Arman or microfinance or NBFC or financial services problem, it has affected every business and every person one way or other globally. This also means that the combined human ingenuity is devoted to defeating these problems. So, we will all persevere and beat this together. I am confident about that. For Arman, just like demonetization, in the long-term, I hope COVID is a small footnote in an otherwise wonderful journey. With this, I think it is time to move on to the questions. Before we start the Q&A session, I just want to add a disclaimer that we might not be in a position to give answers to any predictive questions. So, the answer “we don’t know” should be considered a valid answer to questions like COVID-related loss estimates or projected timelines to normalcy or other kinds of questions, which quite frankly will be nothing more than educated guesses. Thank you once again and request the operator, to open the line for questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: Hi Aalok and Jayendra Bhai, hope you all are fine, nice to connect. Two questions from my end. One is in terms of expansion plans; we had a sharp increase in branch openings in the last two years. So how does that trajectory change? Would it be safe to assume that from hereon we might see very subdued branch openings? Secondly, while the collection efficiency in microfinance at 59% is interesting, if you could juxtapose this number with other peers if you have any sense of how collection efficiency has been for the rest of the players in the sector?

Aalok Patel: As far as branch expansion is concerned, in line with what we normally do in the month of January and February, we had a very detailed expansion plan and expansion strategy in place, of course, all of that has literally been tossed out of the window at this point. Once the situation normalizes, we will have to rework everything. So along with my disclaimer,



my first answer is I do not know at this point. Of course, come September, once the repayment rates normalize, I am not against opening branches, but it will be subdued compared to the previous years. As I said in my remarks as well, we have recombined some of the smaller branches or some of the nearby branches or some of the split branches just from an operating cost perspective and to keep everything streamlined. In fact, the number of branches has come down because we have increased their operating area, so wherever we could find efficiency we have kind of done that over this lockdown period. So, let us see, I think I will be in a better position to give you an answer once we talk again probably in September timeframe. Now, as far as microfinance repayments are concerned, it really depends on what kind of states you are in. As it seems right now, there are certain very good states again, As far as your question related to peer collection goes, I do not have any hard numbers to give you but, I have heard that collections range between from 45% to all the way to about 70%. People have different ways of calculating it, some people have given top-up loans or some things like that as well. So, sometimes you have to take it with a grain of salt or bag of salt it just depends. Nevertheless, there are some states, which are performing quite well so for us. Gujarat has performed extremely well last month at almost 74% repayment rate. Everybody is having problem in Maharashtra, in Odisha, we are not in Odisha, but Odisha is there, we are not in Assam, but Assam is there. People seem to be doing quite well in Bihar, again we are not there. So, I think it is a mixed bag. To give you a better idea, in Madhya Pradesh, we managed to collect about 60%, in Rajasthan, about 56%, in Uttar Pradesh, about 55%, and Maharashtra was in the lower end at about 42%.

Anand Bhavnani: Wonderful, that is very helpful. Just a follow-up to the collection efficiency. Now, if, in the first week of April, I had told you that we will be getting to 59%, would you have been happy, sad or neutral. So, I just want to understand from the number that has come, is it in line with your expectation?

Aalok Patel: It was quite above my expectation. Now, people have accused me of being a little bit of a pessimist. But I think it is nice being a pessimist when you run a finance company. But my expectation or rather everybody's expectation was around 30% to 40%, so I think the industry itself is very pleasantly surprised, and if you talk about our MSME collection at 85% I was blown away that is very excellent, well beyond of what I was expecting. The credit goes to my team; it is not like I went out and did it. They did it against all odds, even in places where it was very hard to move about with a lot of threats, so the credit really goes to the team.

Anand Bhavnani: Lastly, is it safe to assume that given that the government has extended the food security lines for the vulnerable section, and further as other government programs, the MGNREGA scale-up. Is it positive for companies like us?



- Aalok Patel:** It is very positive, whether you agree with it politically or not is a different story. But any welfare kind of support that the rural segment or the bottom of the pyramid segment gets will be very good for me of course because that is one less thing for them to worry about and they can concentrate on their businesses, and once they start resuming their cash flows they can start repaying their loans, so it is very good.
- Anand Bhavnani:** Wonderful. Thank you. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.
- Viraj Mehta:** Congratulations, I hope you are safe. A couple of questions, first in terms of incremental lending you said when we plan to start sometime in July. So, I just wanted to understand what are the credit checks that you will keep because when people are in moratorium it is like we are flying blind, and we do not know the credit quality of the person in moratorium. So, how will you decide on disbursements or credit checks at that point when we are still flying in this moratorium phase?
- Aalok Patel:** It will be different for different divisions. If I think about microfinance, we have a plan in place. We have many branches, which have reached 100% repayment, so to lend money to those areas seems like a kind of no brainer. Of course, there will be certain occupations and things like that we will have to stay away from. So, on a case-to-case basis, we will plan that out with area managers and regional managers. But in the places where the repayment has gone up, I think there is not much of a risk in restarting disbursements. In fact, these people really need money, everybody needs credit at a time like this. The second aspect is there are certain occupations, which are very less affected. So, again, I will just give you an example. if you look at the eastern side of Gujarat, the milk belt of Gujarat that has been performing extremely well, during demonetization that was badly impacted but this time there is very little impact. So, we are getting amazing collections there, so that is another area that we can consider. Our past customers who did not take the moratorium and repaid on time, we have customers that are paying two installments together; even though in the month of April, we could not even go out and collect. Also, there is still a subset of customers that did pay us through electronic means and other means, so those are very safe customers. So, if they are done with their loans, then we can start lending to them. So, you can create these kinds of filters in places right, and different places will have different filters. On the microfinance side, you certainly can. On the MSME side and the two-wheeler side, again, you can block out certain occupations, and only disburse to people in the rural side that are engaged in occupations which have not been impacted that much. In fact, people in some occupations are even thriving at a time like this. Further, on the two-wheeler side, we are increasing the down payments and just tightening the credit checks.



- Viraj Mehta:** At a time like this where the only thing in our control would be what kind of cost-cutting measures as a firm we can take at an operational level or in terms of finance cost and other things. If you can highlight a few measures that we have taken in these last few months to tighten our belt?
- Aalok Patel:** Well, on the operating cost side, any kind of projects that could be put on hold, have been put on hold that includes software conversion that we were planning or the other kinds of frill projects that we were talking about. We did not have much layoffs to be honest with you. Still, there were certain people that were hesitant to come back because they were scared, or they were getting pressure from their wife or whatever the reason could be. So those guys of course went out of the payroll, and that saved us some money. Very few back-office kind of staff especially related to the disbursement processing, we had put on LOPs after a while in the month of May, but they should be rejoining us as soon as we start our disbursements should they choose to. On the operating side, honestly, there is not a lot of cost-cutting you can do besides what I told you. Our largest expense on the operations side is payroll, and I have always believed that you have to protect your people at a time like this otherwise, they will never stand for you. So, I have been against laying off very honestly. On the financial side, it is a sellers' market, but due to government support or whatever, the NABARD money came in at about 7%, and money from SIDBI has been sanctioned so we should receive that money also either today or tomorrow, and that is coming in at approximately 7% as well. We raised some money from MUDRA right before COVID, and that came in at about 7%. I believe. So, we have tried to reduce our finance costs as well. Vivek any corrections there?
- Vivek Modi:** That is absolutely right, and in fact even in March, we were able to raise funds via ECB (external commercial borrowings), and those were pretty well priced as against our overall costing. We also raised funds via NCDs from our existing lenders in March. So, we have been quite proactive there. As Aalok just said, I think on the finance side, we have raised funds at fairly well-priced rates in these tight circumstances. It is going to be again a very tight market as we go further into Q2 and so on and so forth. So, we will have to see how things are going to pan out.
- Viraj Mehta:** Last follow-up on this, with the government bond yields and repo rate everything dropping, even though it is a seller's market and you have also raised some money at 7% from both the organizations. Would we see a slightly lower cost of debt for us going forward?
- Aalok Patel:** I think that is hard to predict right now. The repo rates and stuff are going down, but people feel there is less risk there, so their rates might be adjusted to account for that. But I think it is a fair assumption to say that yes, at least in the short term, we should definitely see some rate benefit.



- Viraj Mehta:** Thank you and best of luck Aalok.
- Moderator:** Thank you. The next question is from the line of Amit M from 2point2 Capital. Please go ahead.
- Amit M:** On the collections front, how do you explain this MFI versus MSME. The MSME numbers are actually quite good, so what has been driving this performance on the MSME segment?
- Aalok Patel:** Honestly, most of the portfolio in Gujarat, and Gujarat has been doing quite well. About 50% of the portfolio is in western Gujarat. So, if you look at it area wise there is not a large difference between MFI and MSME repayment rates. Of course, MSME is about 5% to 10% higher, and I am not exactly sure how to explain that 5% to 10%. But still, if you adjust it for geography, they are a little bit closer together as far collections go. So, we are fortunate of being in the right place.
- Amit M:** Because you have lesser MSME portfolio in Maharashtra or Uttar Pradesh, and their collections are slightly lower because of that overall numbers look better for MSME?
- Aalok Patel:** Exactly, so we have a very, very small portfolio in MSME in Maharashtra, and about, 75% of the MSME book is in Gujarat.
- Vivek Modi:** Also, as against microfinance, MSME is a fairly new portfolio, so touchpoint is also much higher.
- Amit M:** Okay. Understood.
- Aalok Patel:** In the Kutch area, in MFI, for example, we have collected over a 100%. So that means not only did we collect everything that was due in June, but people paid even the moratorium amounts. So, it is really quite a different story when we go area to area.
- Amit M:** Okay, and in Q4, the yields in the MSME and two-wheeler business were down substantially quarter-on-quarter what was the reason for that?
- Vivek Modi:** On the MSME side, what has happened is we sold down some part of the portfolio in November, so that has directly impacted the yield, because that portfolio goes off-balance sheet and we are recognizing only the gain. So, to that extent, revenue will not register that yield. In terms of two-wheeler, the yields have been softening because of the slowdown and also overall the two-wheeler segment has not been doing so well. Hence, we are seeing some bit of softening in the two-wheeler segment.



- Aalok Patel:** Yes, that segment has been struggling even before COVID, and the overall sales have been down as well. So, there was a period where we had to cut rates especially during the Diwali time, so that impact you will see in the coming quarters.
- Amit M:** Okay, on the liability front, what are the principal and interest repayments that are due for this quarter to lenders?
- Aalok Patel:** This month it is about Rs 48 Crores, next month it is Rs 42 Crores.
- Vivek Modi:** In September, it would slightly increase again because we will have some NCD payments. So, for the entire quarter it is close to about Rs 135 to 140 Crores.
- Amit M:** This is including the interest payment also?
- Vivek Modi:** Yes, absolutely.
- Amit M:** Since, you are already collecting cash from your borrowers you will even have capital to keep growing again if you want to grow. So, you do not need incremental capital for growth right now from lenders?
- Aalok Patel:** In fact, now we have a reverse problem. It is always good problem to have, but we have too much cash, I think we are sitting on some Rs 120 to Rs 125 crores of cash. The board had directed us to keep a certain amount as a minimum, to begin with, but yes, you are absolutely right we are collecting money from the ground and disbursements have not started so the cash is starting to pile on. So, what we have done is we are starting to repay at least the high interest kind of moratorium lenders for the months of April and May as well, and I think once we start the disbursements, then this should stabilize to a certain extent. But yes, we are collecting more than enough right now to pay off the monthly dues.
- Amit M:** Thank you. That is all I had. Good luck for the next few months. They will be quite challenging I am sure.
- Moderator:** Thank you. The next question is from the line of Parag Jariwala from White Oak Capital. Please go ahead.
- Parag Jariwala:** I have two questions. One is with respect to collections, do you see any difference in trends like in the first one month of unlocking which maybe let us say from May 15, 2020 to June 15, 2020 and post June 15, 2020, maybe in the last 20 days is the collection qualitatively different across the three segments we operating in. The reason I am asking this is a lot of companies are highlighting that the problems have started happening in the last 15 to 20 days again, because earlier there was lot of pent-up demand for multiple reasons so that is



first question. Secondly, how do you see your equity capital position in this scenario, I am sure at least for this year we may not require any capital for growth purpose. So, how do you see that, and when do you want to raise capital?

Aalok Patel:

So, to answer your first question, I have heard from different players that if you look at the June data, I do not know much about May or April because nobody was really collecting during April or May. But, in June, there are companies that started off slow at 20%, 25% and by the end of it they got to 60%, 70%. For us it does not work like that, so our regular demand is basically from the 1st to the 12th of every month, so all of our EMIs were due between the 1st to the 12th June. So, during that period, I believe we collected around 42% of whatever was due from the 1st to the 15th and then in the latter part, which is overdue collection. Let us not call it overdue collection, but not on time collection, so the balance, which is about 20% came in during the latter 15 days. I have not noticed any slowdown, in fact, I guess if I pull out the data for the last two days, we have been collecting between 68% to 70% on the first and second of whatever was due. So, although it is little too early to tell, but it seems like this month is starting out to be even better than the last month, so let us hope this trend continues. To answer your second question, as far as raising equity capital is concerned, it is no big secret, I was in the market to raise some equity capital, but unfortunately this COVID thing happened before I could close. I am still open to raising equity, in fact it would be nice to have some equity cushion. Although I do believe that we are out of danger, it would still be nice to have some level of equity cushion. So, I am open to it if there are some interested investors, the question will be on valuation at this point. So, I do not know if you can find some kind of middle-ground, I am always open about it.

Parag Jariwala:

Sure. Thank you.

Moderator:

Thank you. The next question is from the line of Varun Rao. Please go ahead.

Varun Rao:

I just wanted to check when you say your collection efficiency is 60%, how do you define that. Is it by number of customers paying on time or is it by amount?

Aalok Patel:

It is the amount. Basically, it is how much cash we collected divided by whatever was due in the month of June, which includes both the EMI and the interest.

Varun Rao:

Okay, and if you were to analyze the rest 40% of the amount due or the customers who have not paid on time. What is the sense you are getting, have they lost their livelihood, or they are simply conserving cash, and their intention is to payback later? What is your sense, and what is the profile of these guys if you can give us some sense?

Aalok Patel:

Well, I do not think there is one profile or anything like that.



- Varun Rao:** Or is there any particular belt which is affected, generally wanted to get a sense?
- Aalok Patel:** Well the thing is there is a lot of fear, it is not even just about livelihood. There is a lot of fear, and when there is a fear, people have tendency to hold cash, and this includes Arman also and everybody else right. I had more than enough cash on my balance sheet to even pay off April and May, but I still asked my lender to give me a moratorium. So, when there is uncertainty in the market, people tend to hold on to their money, so lot of them are those kinds of customers. The second layer of customers are people that have lost a part of their income. Most of my customers have multiple sources of income. So, continuing our example, let us take the cattle farmer for argument sake, so a lot of the customers, the women, which we lend money to will be tending to cattle at home, the husband might be doing some road construction work or something like that for some time of the year, and they might have small track of land where they are doing farming. Now, in this example, one portion of the income is cut because the construction and stuff has stopped, although I hear it has been picking up, but for argument sake let us assume it has stopped for now. So, in that case they have enough money to sustain themselves, but they do not have enough money to pay their EMI. But this is not going to continue; eventually, the husband will go back to work, the cash flows will return back to normal, and they will start paying us. I don't exactly have percentages to give you as we are still analyzing all of that stuff and lot of the details are still coming in. But, very few customers have told us that we would not be able to pay your money and do not come back, and if you ever run a finance company even if somebody intends to do that they never tell you on your face, that we do not want to pay you. They will say that well I do not have the money right now come back next month or come back after the moratorium. So, in places like Maharashtra we are hearing from some customers that "why are you here when the government has given moratorium". So, people are asking us that come back after August, and we will pay you. So, there is every flavor in between and it is very hard to give you slices, unfortunately.
- Varun Rao:** One last question, I missed the part on the collection frequency what is the collection frequency or when is the collection or the due date typically happen in a month?
- Aalok Patel:** So on the microfinance side, about 85% of our customers are on a monthly collection cycle which runs from the 1st to the 12th of the month, and about 15% odd is on a bi-weekly cycle which means that we have to go twice a month to get the money.
- Aalok Patel:** On the MSME side, it is all monthly and that we collect it from 1st to the 12th of the month, On the two-wheeler side, we use NACH and direct debit and that gets deposited on the 7th or the 8th of the month. We pull whatever we can pull through that, and then our collection team works from the 8th to the 10th to recover whatever is left.



Varun Rao: Operationally, has there been any changes in terms of the size of the group or in the frequency that you meet customers, or it is more digital?

Aalok Patel: Everybody is focused on collection. So, in our MSME and in our microfinance side, the same guy who is disbursing is doing the collection also right, but instead of doing it for 12 days or 15 days out of the month he is doing that for 30 days as there is no disbursement. So, on the two-wheeler side, we have different people, of course, there is a separate sales, and a collection team, but everybody is out collecting right now. We have not added anybody, in fact, the team size has gone down a little bit.

Varun Rao: Okay. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ayush Agarwal. Please go ahead.

Ayush Agarwal: Thank you for the opportunity and a great set of results. I had a couple of questions, first was like you had mentioned that in the moratorium period, some people did reach out to us to give back the money through digital means. So, are we thinking towards taking steps to collect our payments digitally?

Aalok Patel: That is an excellent question. In fact, post demonetization what happened was everybody had projects in place to move towards the cashless disbursements. I think what is going to happen is post this COVID people are going to move towards the cashless collection as well. So, we already have projects in the place to start using UPI and QR and all of these fancy things in place to start collecting digitally. However, it will have to be done very carefully, because the reason our repayment rates are so good in microfinance compared to personal loans or stuff in urban areas, is because of the high touch model. Even in our MSME business, we go to the doorstep to collect the money, and that high touch kind of model creates the right pressure points to make sure that people continue to pay on time, so we do not want to lose that. At least I would not risk losing it until we do a lot of piloting and a lot of other analysis. So, what we will probably come up with is some hybrid model where the collection is electronic if somebody chooses to pay electronically, but we don't lose that high touch center meeting kind of model so we will see. A lot of people are doing some great innovative kind of thinking right now including us, but it will take time. I think that to move towards 100% cashless is not going to be possible in a year or two, it will take at least two to three years.

Ayush Agarwal: Right, I completely agree with you on this. My second question would be when I look at the presentation under our lending partners, we have added a new name under the lenders section called Niyogin. When I look them up, they are a pretty small player, and they only came into lending a couple of years ago. So, how would we choose them and what quantum of our book would be securitized with them?



- Vivek Modi:** In terms of lenders, let's be honest the lender chooses us rather than the other way around to a large extent. That is a MSME pool that we sold out to them.
- Ayush Agarwal:** What would be the quantum of that pool can you share that?
- Vivek Modi:** It would be about Rs 17 crores.
- Ayush Agarwal:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Mihir Kulkarni an individual investor. Please go ahead.
- Mihir Kulkarni:** So, when I look at slide #16, average tenure of active assets stood at 12 months. So, how do I read into that, so does it mean that all that we have given as loan they will be paying us within the next 12 months?
- Aalok Patel:** How that average works is let us say you have a pool of 100 customers, customer number 1 might have only one month left in their tenure, customer 2 might have 22 months, and customer 3 might have 3 months. If you take the average of all of that, it will be 12 months.
- Vivek Modi:** In a way, it is a weighted average that you take for both the lenders as well as the borrowers.
- Mihir Kulkarni:** Okay, got it. Thanks a lot. Best of luck.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Aalok Patel:** I was not expecting to make any closing comments. Well, I think we will keep it short. Thanks, everybody, for your interest. We are always available, should you have any other further questions. Let us wait and watch how these things work out. But I am in a lot better position mentally than I was in March and in April. So, things are going not amazingly of course, I do not think it is anytime to celebrate until our repayment rate reaches 90% to 95%, but we are on our way and thanks to everybody for your confidence and the trust you have on us. We will try to make sure we do not let you guys down. I appreciate it and over to Mr. Bhavik or to the operator to close the call.
- Bhavik Mehta:** Thank you so much for taking the time out for the call.
- Moderator:** Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.