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May 11, 2024

To

BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers	**Exchange Plaza, C-1, Block G**
Dalal Street	**Bandra Kurla Complex, Bandra (East)**
Mumbai - 400001	**Mumbai - 400051**
Scrip code: 541770	*Symbol: CREDITACC*

Dear Sir/Madam,

Sub.: Transcript of Earnings Conference Call for Q4 FY24

Pursuant to Regulation 30 and Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q4 FY24 earnings conference call, held on May 07, 2024. The same is also available on the Company's website at https://www.creditaccessgrameen.in/investors/financials-and-investor-presentations/earnings-call/.

This is for your information and records.

Thanking you,

Yours' Truly
For CreditAccess Grameen Limited

M J MAHADEV PRAKASH
Digitally signed by M J MAHADEV PRAKASH
Date: 2024.05.11 13:00:09 +05'30'

M. J. Mahadev Prakash
Company Secretary & Chief Compliance Officer

Encl. As above

"CreditAccess Grameen Limited Q4 FY24 Earnings Conference Call"

May 07, 2024

MANAGEMENT: **MR. UDAYA KUMAR HEBBAR – MD, CREDITACCESS GRAMEEN LIMITED**
MR. GANESH NARAYANAN - CEO, CREDITACCESS GRAMEEN LIMITED
MR. BALAKRISHNA KAMATH - CFO, CREDITACCESS GRAMEEN LIMITED
MR. NILESH DALVI – SVP & HEAD, INVESTOR RELATIONS, CREDITACCESS GRAMEEN LIMITED

MODERATOR: **MR. NITESH JAIN – INVESTEC**

Moderator: Ladies and gentlemen, good day and welcome to CreditAccess Grameen Q4 FY24 Earnings Conference Call.

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

I will now hand the conference over to Mr. Nidhesh Jain. Thank you and over to you, sir.

Nidhesh Jain: Thank you, Sagar. Welcome to the Q4 FY24 Earnings Conference Call of CreditAccess Grameen Limited.

To discuss the "Financial Performance" of CreditAccess Grameen and to address your queries, we have with us today, Mr. Udaya Kumar Hebbar - MD of CreditAccess Grameen; Mr. Ganesh Narayanan – CEO of CreditAccess Grameen; Mr. Balakrishna Kamath - CFO and Mr. Nilesh Dalvi - SVP and Head, Investor Relations.

I would now like to hand over the call to Mr. Udaya Kumar Hebbar for his "Opening Comments." Over to you, sir.

Udaya Kumar Hebbar: Thank you, Nitesh. Good evening, everyone and we welcome you to join the Conference Call to discuss our 4th Quarter and Full Year FY24 Business Performance.

CA Grameen has stood as a preferred financial partner supporting the entrepreneurship journey for millions of women over the past 25 years. We take pride in being the first standalone microfinance entity to surpass the significant milestone of INR 25,000 Crore AUM in our Silver Jubilee year of operations. We have been once again certified as a "Great Place to Work" for the fifth consecutive year given our purpose-oriented approach.

We ended FY24 on a solid footing**,** having registered AUM growth of 27.0% Y-o-Y and 14.2% Q-o-Q to INR 26,714 Crore supported by a healthy increase in the customer base. The customer base grew 15.3% Y-o-Y and 4.8% Q-o-Q to 49.2 Lakh at the end of FY 24. Our customer addition momentum continued to remain strong as we added over 13.5 Lakh new customers during FY24 and 4.2 Lakh new customers in Q4 FY24 with an average of 1.1 Lakh addition every month. The expansion in the outside core markets has been playing out well as 44% of our yearly customer additions came outside of the top three states. We added 86 branches in the last quarter and 194 branches during this year, taking our total infrastructure strength to 1,967 branches spread across 383 districts at the end of March 24. We also merged 13 branches to enhance our operational efficiencies.

Once again, disbursements were the strongest in Q4 FY24 at INR 8,053 Crore, an increase of 12.3% Y-o-Y given robust customer additions and renewal trends from the retained borrowers. Our progress in retail finance portfolio continued to thrive with an AUM of INR 708 Crore at the end of March 24, an increase of 320% Y-o-Y. This book being 2.7% of our overall portfolio is performing extremely well with PAR 30 of around 0.07% across new products like individual business loans, mortgage-backed loans, two-wheeler loans, etc. In line with our evolving customer philosophy, we are supporting our graduated customers through retail finance products, resulting in an industry-leading customer retention rate of 88%, proof of strong customer affiliation with our brand.

Net interest income in Q4 FY24 grew by 33.7% Y-o-Y to INR 922 Crore. We continue to remain one of the lowest-cost lenders with a portfolio yield of 21%, a stable cost of borrowing at 9.8%, and operating with an 11.2% interest spread. Our diversification and liability franchise, both source and geography-wise, the highest standalone credit rating, adequate ESG disclosures and ratings, and healthy capital adequacy contribute to our unique positioning. We believe that our cost of borrowing for FY25 should remain stable as we continue to maintain a robust ALM position.

While our interest spread was 11.2% in Q4 FY24, NIM stood at 13.1%. The cost-to-income ratio was healthy at 30.1% which is 10 bps lower than Y-o-Y. We created an additional provision of INR 26 Crore towards long-term incentives and a one-time special bonus to our employees while celebrating our Silver Jubilee year. PPOP grew by 35.8% Y-o-Y to INR 683 Crore. The credit cost in Q4 FY24 stood at INR 153 Crore partially offset by INR 13 Crore of bad debt recovery. The collection efficiency excluding arrears stood healthy at 98.3%. GNPA at 60 DPD stood at 1.18%, and PAR 90 plus at 0.94% and net NPA at 0.35%. ECL provisioning stood at 1.95% higher than our GNPA. Our PAT grew by 33.9% Y-o-Y and 12.4% Q-o-Q to INR 397 Crore during Q4 FY24, resulting in ROA of 5.7% and ROE of 24.9%. For FY24, the net interest income grew by 45.9% Y-o-Y to INR 3,260 Crore, while PPOP grew by 58.7% Y-o-Y to INR 2,391 Crore.

Gross Credit cost stood at 2.06% in FY24. As explained on Slide 7 of the investor presentation, the credit cost on account of the delinquent loan was 1.71% which included 1.52% of actual credit loss in the form of write-off and 0.19% provision in Stage-2 and Stage-3 provisioning. The remaining difference of 0.35% was on account of an increase in standard asset positioning on the Stage-1 asset basis of the revised ECL policy introduced in FY23. Our Stage-1 provisioning increased from 0.82% on March 23 to 0.92% at the end of March 24. The net credit cost after incorporating INR 48 Crore bad debt recovery stood at 1.8% for FY24 in line with our guided range. The company continues to hold over and above 100 bps higher provisioning compared to IRAC prudential norms.

Our PAT in FY24 grew by 75% Y-o-Y to INR 1,446 Crore leading to a ROA of 5.6% and ROE of 24.9%. In line with our annual performance guidance, capital adequacy remained comfortable at 23.1%. It is important to note that our cross-cycle ROA and ROE over the past 8 financial years from FY17 to FY24, despite facing three external shocks stood at 3.6% and 15.0% respectively. Our distinctive methodology for conducting the business in the form of a classical JL model, diverse product suite, flexibility in repayment, and continuous district-based expansion approach supported by a strong corporate governance structure ensures stability and enhances resiliency.

Commemorating over 25 years of operations, the Board of Directors has recommended the onetime final dividend of INR 10 per share, a dividend payment of INR 159 Crores translating to a dividend payout of 11% subject to shareholder's approval at the ensuing annual general meeting of the company.

Assuming a stable operating environment, we look forward to achieving loan portfolio growth of 23% to 24% in FY25. On the back of our competitive lending rate and strong control on the cost of borrowing, we foresee NIM in the range of 12.8% to 12.9%. The cost-to-income ratio should be range bound at 30% to 31%. We are anticipating credit cost of 2.2% to 2.4% with the write-off rate being within 2%. Overall, we aim to achieve ROA of 5.4% to 5.5% and ROE of 23.0% to 23.5% in FY25.

Looking at the medium term from FY25 to FY28, we anticipate loan portfolio growth of 20% to 25%, NIMs in the range of 12.7% to 12.9%, and cost-to-income ratio between 30% and 31%, helping keep our leadership position intact. We expect a similar credit cost of 2.2% to 2.4% while delivering ROA of 5.4% to 5.5% and ROE of 2.02% to 23.5%.

With this, I would like to open the forum for questions and answers. Thank you for your supportive listening.

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

Renish: Sir, just two-three questions from my side, one on the clarification side. So, on sequential basis, our emergency loan proportion has spiked up significantly to INR 1,000 plus Crore, so can you please throw some light on what sort of emergency loans these are?

Udaya Kumar Hebbar: I think there is some data error, less than 0.8% of our book actually. We will rectify that Renish.

Management: The emergency loan is INR 5 Crore. We will rectify it in the deck.

Renish: I think so there is a mistake between home improvement and emergency, I guess.

Udaya Kumar Hebbar: We would rectify that.

Renish: Sir, secondly, on the margin side, of course, this year has been fantastic for us, but now going ahead, when we say that we will be maintaining this 12.7% to 12.8% NIM and the way sort of regulator is commenting on the yields, do we foresee any risk to sustain these margins going ahead?

Udaya Kumar Hebbar: So, now if you look at our financials, our interest spread is only 11.2% currently, it is quite reasonable when compared to the regulatory direction also as well. **W**e offer the lowest price to customers. NIM comes from the efficiency of managing capital and managing operations. We don't see a reason where this is seen negatively. I think this will be seen positively.

Renish: And sir, just last question, maybe a bit lengthy one, on the credit cost side, so we were guiding for 2.1% of credit cost for FY24. Of course, we ended very close to that, but then when we look at the increase in guidance from 1.6% to 1.8% to 2.1% and now 2.2% to 2.5%. Sir, what has changed fundamentally, which is sort of leading to this increasing guidance for credit cost maybe every 6 months?

Udaya Kumar Hebbar: Two things that are happening. One is as we grow more in the noncore markets, our provisioning is higher because we provide them as a high-risk state, or if the standard provision itself with the impact of increased credit cost is almost 35 bps coming from the higher provision, what we are creating for the standard asset as I explained earlier also, it is also available in our deck. Our actual effective credit cost effective is at 1.7%. As we grow more in the nonmarket, there will be some impact on the credit cost and two, we are also observing that stable credit cost is slightly higher than what it was compared to Q1 and Q2, which we also explained in the last quarter. So, stable credit cost will remain around this and that is why your actual write-off of assets may be less than 2%, but credit cost may over between 2.2%-2.4% considering early recognition of risks and higher provision on standard assets.

Renish: So, basically, you are saying, let us say incrementally, between FY25 and FY28, our growth will be coming largely from the non-Southern market or in the sense noncore markets and given our ECL model is, this Stage-1 provisioning will be always higher vis-a-vis the historical trend, is that the correct understanding, sir?

Udaya Kumar Hebbar: Correct. As you see our Stage-1 provisioning which was less than 80 bps, moved to more than 90 bps right now. So, the difference between the last year, 35 bps of increasing rate was only because of this change. So, basically, there is a cushion being built by recognizing early and then having sufficient cushion against the potential risks.

Renish: And again follow up on that like so basically you are trying to highlight that the credit behavior of the customer has changed post-COVID which might lead to a little higher steady-state credit cost than what we have seen pre-COVID?

Udaya Kumar Hebbar: Correct. It is a combination of two things as you have said. There will be a little higher steady-state credit cost and a little higher provisioning itself. So, the combination of that will show higher credit cost.

Renish: So, does this reflect in the center attendance as well, sir? What are the parameters to track this? I mean a change in customer behavior?

Udaya Kumar Hebbar: So, there is not too much change in customer behavior. Core markets to noncore markets I was telling actually. So, noncore markets have a little different tendency, therefore it will potentially go up a bit as a steady state.

Renish: And what explains the sequential increase in the PAR portfolios across the bucket, sir?

Udaya Kumar Hebbar: There is only a 20 bps increase in our portfolio if you observe. So, almost 10 bps is coming from the flood situation still continuing because it is staying on and off. Most of them are paying still in the PAR bucket. So, another 10% is just a simple movement here and there.

Renish: But nothing, let us say any stress building up in the sector you see, right?

Udaya Kumar Hebbar: At least we are not seeing that in any of our markets. There will be small variations between different states, but not significant changes.

Moderator: Thank you. Our next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: On credit cost, just two clarifications on the guidance that you have given of 2.2%-2.4% of FY25, is it gross or is it net of bad debt recovery, that is first?

Udaya Kumar Hebbar: Gross.

Rajiv Mehta: Does it assume any further increase in the provisioning rate on Stage 1 and Stage 2? I know we are currently at 92 basis points and 55% for Stage 1 and Stage 2 respectively, do we intend to take it?

Udaya Kumar Hebbar: That could be because now actually moved to a district level, recognizing the ECL actually. If a district looks higher risk or a higher delinquency bucket, high-risk district, then there will be higher standard provision also. So, there could be small movement if there is an increase in the trend, but that will get countered with the pricing, correct. So, they may be also moving to district-level pricing. We will actually manage booking both pricing as well as risks. So, there could be small movement here and there, but overall, we should not see too much of variations.

Rajiv Mehta: And just follow-up two questions on this borrower attrition through the year was 5,78,000 borrower. Can you point out was it concentrated in certain markets that we let go of borrowers because of leverage and because of competition? That is one? And second is, there is a meaningful sequential increase in GLP per borrower in higher vintage buckets of 3 to 6 years and more than 6 years. So, is it driven by cycle migration or something else?

Udaya Kumar Hebbar: One is our attrition has not changed. The customer retention rate is 88% earlier also, it is for now also. There is no change in the trend actually. Within that and which is what we hope to maintain between 85% and 90% of our retention. We are within that range. So, there is no significant variation in the bucket. That one variation we saw that in the Madura book where we lent renewed, some of them probably a little higher in terms of attrition because they all moved from monthly to weekly, some of them may not accept weekly, they want to go back to monthly or so. We saw a little higher there, but otherwise, there is no significant change anywhere. Overall, it is very insignificant, and the average ticket size increase. I would say increase only at more than 3 years to 6 years bucket only where we have a very strong loyal customer base. We have seen sufficient vintage and the risk is also lesser here. If you see we provide lesser, we have always seen lesser risk in that bucket. So, it is a normal demand and supply. So, this kind of increase always has because if you see below 3 years it is consistently the same trend.

Rajiv Mehta: It is anyway less than 10%?

Udaya Kumar Hebbar: Yes, it is overall 8%. So, if you see the annual growth of average ticket size used to grow between 9% to 10%, but within that range only, now also, it is about 8% overall increase.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Congratulations on a good quarter. Sir, just one question. Just trying to understand wherein the presentation also we say that some bit of the PAR accretion that we are seeing is happening because of stronger growth outside our core states and you also suggested that as part of this, increase in our credit cost guidance, some bit of it in terms of higher write-offs is going to come from our growth in the noncore states. So, if you could just provide some more texture with regards to particular states where you are seeing that the PAR accretion is higher or is the credit behavior of your noncore state customers very different from your core state customers?

Udaya Kumar Hebbar: Abhijit, correction, it is not PAR increase, we said credit cost increase because we provide higher considering that new markets we are positioned at little higher risk and provide higher even for standard as well as Stage-1 and Stage-2 also. Therefore, the credit card is going up a little bit, not necessarily the PAR is going up. If you see, PAR has gone up only by 20 bps between last 12 months that is 10 bps coming from the flood infected, only 10 bps increased because of the overall change. It is not a very significant increase.

Abhijit Tibrewal: I was trying to talk more about the credit cost?

Udaya Kumar Hebbar: Credit cost because more of provisioning itself is higher in the noncore markets, that is why.

Abhijit Tibrewal: But then any particular reason? Typically sir, most of the lenders talk about the ECL.

Udaya Kumar Hebbar: In the old core market where we know the behavior well over a period of time, we are able to assess the risks properly and our ECL is low consistently. Whereas in new markets we would take little more time to assess carefully and see whether it is low risk or high risk or medium risk. So, we provide based on either the medium risk or high risk, not the low risk for the new market at this point of time. Therefore, the credit cost or a provision what do you make is a little higher in the new markets.

Abhijit Tibrewal: Sir if I understood you right. I mean, which is the conscious choice that we have made of making higher provisions on the new markets rather than our ECL models asking us to do that?

Udaya Kumar Hebbar: So, for example, Maharashtra we treated as a high risk. We provide higher in Maharashtra, Madhya Pradesh, Chhattisgarh, Rajasthan, and Gujarat, all of them are treated as a high-risk state. Whereas states which are in UP, Bihar and all we provide as medium risk. So, Karnataka we provide as low risk state. Tamil Nadu, we provide as medium-risk state. We have to differentiate. From there we are moving to the district now. So, now we have about 29% of the districts that are in high-risk. Moving forward, we look at the granular approach at the district level, which is the high-risk and low-risk. There will be some changes in patterns in terms of providing, but still, there won't be too much variation in this process.

Abhijit Tibrewal: And then try to conclude that just like you are doing risk weighting based on these districts, the pricing is also I would say risk-based in these districts?

Udaya Kumar Hebbar: Absolutely. We are moving toward that direction.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Sir, my question was firstly on this decline in the marginal cost of borrowing. So, what is it that is helping us on the cost of funds, sir?

Udaya Kumar Hebbar: I will ask Kamath to respond this. So, only thing is the majority of our borrowing in Q4 was done domestically only. That is one of the reasons, maybe Kamath will give details on that.

Balakrishna Kamath: Normally, in the 4th Quarter of the year we borrow from all the domestic banks, and we want to utilize all the sanctions. We have not drawn in the NCD, or we have not drawn any foreign borrowing. That is why the average marginal cost of borrowing has come down in the 4th Quarter.

Shreepal Doshi: So, for the whole year, it should be broadly in the range of 9.8 sort of a percentage for FY25?

Udaya Kumar Hebbar: Yes, the rate may not go down from here because we still continue to diversify borrowing to NCD, external borrowing everything. It will remain stable at this level unless, a major change in the lending cost from the RBI side or from the Fed side.

Balakrishna Kamath: Yes, you may see some divergence between the quarters based on how we draw the funds, but on average we feel it should be largely stable till the Fed and RBI signal the downward movement on the rate.

Udaya Kumar Hebbar: And till it passes on to us.

Balakrishna Kamath: Yes, that might take some more time because it is all MCLR based. Our loans are not on the repo, so till we get the benefit of a lower MCLR, the rates could be largely stable.

Shreepal Doshi: Sir, one question pertaining to pricing and linking it with your earlier commentary on states like say high risk and medium risk, so what is our pricing in say high-risk states and medium risk states versus Karnataka, that was question number one? And question number two was pertaining to asset quality again. So, on that front, if you look at the AUM per loan officer has been increasing, so is that a reason or could that be a reason that could explain this deterioration in the high-risk state and also if you could highlight the attendance in the high-risk states and the attrition in the high-risk states?

Udaya Kumar Hebbar: Before that, so firstly about pricing you asked, there are two types of pricing we do based on risks actually. One is risk-based pricing based on the district risk status, the high or low. That is one. Second, is based on the vintage of the client. If the high vintage client, the pricing is low whereas low vintage client will price higher. The difference between low and high is almost about 2%. 20.50% is the lowest and the highest is 22.25%, 1.75% variation between these two. That is point number one.

Ganesh Narayanan: With respect to the increase in GLP per branch or loan officer, the right metric that we watch is borrowers per loan officer, right, so if you see the borrowers per loan officer, still the range is around 375. Typically, a mature market for us can handle around 550 customers on average. As long as the borrowers are in control, an increase in GLP is only a factor of vintage and along with in a particular geography.

Udaya Kumar Hebbar: And then particularly in the newer market, our customer handling is lesser, not the higher. The higher will be handling the core markets. So, there is no correlation between these two.

Shreepal Doshi: And then the last part on say attrition at the employee level in the high risk and also if you could give some color on the attendance in these states at the center meetings?

Ganesh Narayanan: So, overall attrition is quite under control. In fact, for us even in newer geographies, attrition is far better, It is lower than your mature markets. And regarding center attendance, we have not seen much of a change, but if, say 80% is something that we normally prescribe, probably will be anywhere between 65%-70% depending on geographies. Specifically in high-risk geographies where the penetration is lower, etc., we would demand slightly larger attendance and that is something that varies again from state to state.

Udaya Kumar Hebbar: Not only attendance, we will have a higher control and audit also in the newer markets where the high risk we have will help us when we design the district-wise high low risks, we also can trigger the different controls in the district also. So, we have that ability also, right now new markets will have higher audit controls, and higher risk controls, which is always a part of our controlling mechanism.

Shreepal Doshi: Sir, just last question, if I can squeeze in, which states would be the key states for us to help us deliver this 23%-24% growth in FY25?

Udaya Kumar Hebbar: Our core market will deliver between 10% and 15%. So, basically the other market, it is more of a Bihar, Uttar Pradesh, West Bengal, Odisha and the new market, which is Telangana, Andhra should deliver higher than 25%. So, that will be an average 23%-24% growth.

Moderator: Thank you. The next question is from the line of Balkrushna Vaghasia from Axanoun Investment Management. Please go ahead.

Balkrushna Vaghasia: Sir, my first question is on a global level regarding the sector, so as the results are coming for the 4th Quarter for all the microfinance companies, everybody is projecting some say 20% growth for the next 3-4 years, 25% 30% even higher than that. So, what are the signs that may or may not be present right now, but in the future we should look for when there is overheating in the sector or there is a high kind of optimism which can lead to some sort of correction in the sector?

Udaya Kumar Hebbar: Our view is in fact we declared last year that we can grow at least between 20%-25% till FY28. We said what we can reach with based on the potential in the market, based on the customer retention what we can manage, based on the liability, based on the controls and risk management, what we can do. I think I would look at our company that we have the ability to grow to that level. From a global perspective, on a country perspective also, the market, what we are, is less than INR 3 Lakh income households which are currently touched by the industry only by about 40% which means 60% of the households are yet to get into a formal market. The first formal market, they would get into microfinance. So, even if they convert another 40% in the next 5 years, I think it is still difficult. The market will double by that time. And also top of them, there will be an inflation impact on the loan size, there will be the impact on the vintage customer, higher loan per customer, all these factors together. There will be enormous growth opportunities for the industry. And then after a certain set of penetration, there is 60% or 70%. It is more of a competition like what you are seeing today in the housing market. I think then you need to really compete with your product, process, pricing, service, everything. I think we should be able to do that. Therefore, we believe that there is an enormous opportunity for us to grow.

Balkrushna Vaghasia: What are some of the big risks that you see for your company and as well as for the sector that you can say with which your imagination that these are some of the big risks for the industry as well as for the company?

Udaya Kumar Hebbar: We are not expecting any known risks actually. There could be an unknown risk which is unknown anyway. So, known risk if you see the last 10 years or 15 years, the risks which have come to this industry are unknown. Whether it is COVID or demonetization, the second COVID, all are unknown. The industry has not lost because of any known risks. It is all very small, sometimes a flood or a famine. These are at small concentrated places, so we are not seeing any big risks for this industry, which is known and manageable. Unknown, sometime unknown, but if you are able to manage right control, right risk management, right customer service, still we can manage better.

Balkrushna Vaghasia: I think the CreditAccess Group has set up some insurance business as well, so how are they going to use our distribution channel or how are we going to integrate with them, or that is a completely different business, and we have nothing to do with that?

Udaya Kumar Hebbar: It is a completely different business. It is not even a group company. It is a parallelly future company you can say, but CreditAccess Life Insurance (CALI) is one more service provider for us like all other insurance. Totally, we have 5 insurance providers, and one among them is CALI. So, we keep supporting, we keep innovating the product for this set of customers because CALI is more of a low-income household focus, it is for a microinsurance segment, so there will be opportunities for us to co-work and innovate new products for this segment which is not an option with other mainstream insurance providers. We will continue to work together to ensure the right product for this set of customers.

Balkrushna Vaghasia: And do we have insurance for, in case, the borrowers are not able to repay then the insurer will pay for a couple of installment or something like that?

Udaya Kumar Hebbar: No such insurance as of now for anybody in the country.

Balkrushna Vaghasia: And the last question, what is the update on the income tax demand that we received a year back or so?

Udaya Kumar Hebbar: A year back, it was closed. It was refunded to us already what we paid in advance. So, only what is pending is what we received in the last month which is about INR 46 Crore and our auditors clearly said that there is no need for any provisioning or even contingent provisioning for this, because we feel that there is an error in the assessment. We have already made appeal and we are sure that we will get this cancelled. The demand gets cancelled. It will take some time, but of course, it is in process always. We will follow the process and we are pretty much confident that this is not the right demand.

Balkrushna Vaghasia: So, there was some big demand that is closed, right? There was a very huge demand, it is closed.

Udaya Kumar Hebbar: That was in 2021 and it is reduced to INR 100 Crore later, then it is always already cancelled and removed. We have published that also. There is no other demand on us.

Moderator: Thank you. The next question is from the line of Hardik Shah from Goldman Sachs. Please go ahead.

Hardik Shah: Sir, my first question is on retail finance. Can you share some trends that you are seeing on the ground across products?

Ganesh Narayanan: Hardik, this is Ganesh here. So, on the retail finance side, we are 3% of our AUM out of which the unsecured individual loan portfolio, which is being extended for graduated customers is trending around 72% and the other 28% comprises of secured loans, which includes loan against property, gold loan and affordable home loans. The total RF book is around INR 708 Crore.

Hardik Shah: And what do you think is your right to win in these segments versus competition, Ganesh and your confidence in scaling up?

Ganesh Narayanan: Yes, so for the first product which is your Unnati product, this is more of a graduating product for a certain profile of customers and while like in microfinance, we do command a very low-interest rate for this particular product and it is selectively given to certain set of customers, centrally decided by us for various parameters. Then it is reinforced or reassessed that ground for certain other surrogates and only those customers we extend this product. So, this is scalable, we believe in the range of 5% to 7% of our overall AUM and this portfolio has behaved consistently well. Since this is given to vintage customers we believe that it increases customer loyalty for us and it should benefit us over a period of time. Concerning loan against property once again, we command a far better interest rate compared to the market and we also have a good sourcing channel. We have roughly around 13,500 field officers going to thousands of villages on a daily basis, and we are looking at the majority of this business both home loan as well as the loan against property comes from our existing customers. So, that means you are going to significantly reduce your sourcing cost. Try and cross-sell to a certain profile of customers who are looking at this, who are capable of repayment, who are able to establish a cash flow and hence once again you are retaining your customer better. So, that means I will be able to do something like a mortgage business at a far lower cost than probably HFC is doing today. From a customer's perspective, they continue the journey with us. They are comfortable in dealing with us. They are getting a product probably much cheaper than what they will get from any closest competitor in the market, and they will continue with us. And if you take a two-wheeler similar, we don't take share from the dealer. So, we don't ask for a market share from the dealer. We source business and take it to the dealer and hence we don't incur sourcing costs. Because we have given only to our existing customers, it is something that is building a lot of loyalty for our customers because these women are enabling the first new two-wheeler in their home for their children, for their husbands, for themselves, which is quite unique, And this again is extended to them with a weekly model and it is quite successful at this point of time.

Hardik Shah: And one follow-up on this, how should we think about these products compressing yields on the overall book? Can you share yields?

Ganesh Narayanan: Almost all the products except home loan are very close to our microfinance rates, which are still competitive compared to what are charged in the industry. Home loans are like we said earlier, it would take some time for us to build the portfolio. Hence you will not see any immediate impact on the volume and as the volume takes up, we will figure out methods of ensuring that it does not compress our yields.

Hardik Shah: One last bookkeeping question if I may, can you share your unique to CREDAG customer in group trending?

Ganesh Narayanan: It is 28% as of the end of the financial year. As we keep growing in markets which are new to us, this ratio I think will slightly blip and then move up over a period of time.

Moderator: Thank you. The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Just one question. What would be the interest rate differential between say first cycle loans and the three-year loan for say 75,000 plus ticket size customers?

Ganesh Narayanan: So, there is no differential on interest rates depending on the cycle, it is only the vintage, so less than 4 years and greater than 4 years. So, there is a pricing benefit of 1% given to customers because the ECL model also predicts a much lower credit cost.

Sameer Bhise: Only 1% across the vintage?

Ganesh Narayanan: No, so less than 4 years, greater than 4 years. If the customer is greater than 4 years, they get a 1% benefit.

Udaya Kumar Hebbar: I will just clarify further. I explained this before actually. The pricing is based on two factors. One is the vintage factor. One is the risk factor, the risk of geography factor. So, if you are in high geography, the risk is at higher pricing even for the first year, but whereas there are more than 4 years, then the low price, they will get the benefit almost 1.15% different. So, the lowest paid for the charge lower to higher difference is about 1.7%.

Sameer Bhise: And secondly, if I just look at the state-wise GLP mix, Karnataka has dropped a bit while the other two large states Maharashtra and Tamil Nadu, the decline is slightly slower. Is it likely to remain that way that Karnataka's share may drop while others converge to the second and third largest states as the noncore states grow?

Udaya Kumar Hebbar: The change will not be significant actually. It will remain to a large extent between 18%-20% by the next 3-4 years. So, it won't drop faster actually. So, it will remain at that level.

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

Abhishek Murarka: Sir, two questions. One, I think you partly answered or touched upon. In your PD & LGD calculation, do you also take the vintage of the customer into account apart from the district and all of that?

Udaya Kumar Hebbar: Yes, we will look at both factors, vintage and geographic risk.

Abhishek Murarka: So, as long as you are acquiring a lot of customers with low vintage and in new geographies or riskier geographies, then your blended credit costs will continue to go up in those markets.

Udaya Kumar Hebbar: You are absolutely right.

Abhishek Murarka: And when do you take a geography or district to have become mature? I mean does the credit cost have to show a lower trend and that is when you say okay, now this is matured? How does that happen or is it just an AUM size?

Udaya Kumar Hebbar: We recalibrate this district risk status every year and then normally we would make a decision once a year or once in two years based on the continuous trend of high-risk, low-risk status but every year we will review and recalibrate the district.

Abhishek Murarka: And just the second question on retail finance, what kind of, let us say AUM are you looking at from a, let us say next one year, two years perspective, let us say of course, it is in a startup phase. So, the growth is exponential, but what is your target or milestone two years out?

Udaya Kumar Hebbar: If you look at what we declared last year during your analyst meet, we said we will reach about 10% to 15% of our book in retail finance by FY28. Currently, we are at 3%, maybe every year 2% to 3%, we would add to reach that which means we may have to reach around INR 7,000-Rs. 8,000 Crore by FY28 and even if we convert our current 10% of customers into an average of INR 3 Lakh in the mix of all the products, so we will be more than INR 15,000 Crore. We need only about 6%-7% customer conversation with an average of about 2 Lakh to 3 Crore portfolio. That is all. That is why it is more of an in-house business to expand with a very low or nil acquisition cost.

Abhishek Murarka: And just for these customers, you are cross-selling to or graduating from your group lending to individual, what are the minimum criteria as in what does the vintage have to be? What do you look at before you decide to cross-sell?

Ganesh Narayanan: So, it is a combination of various factors including the kind of district, the state. So, you will have vintage, you will have geography, you will have economic profile, you will have the type of business. So, there are setups that we built which is also something we consistently change.

Abhishek Murarka: Minimal it is three years or something, right?

Udaya Kumar Hebbar: The minimum is 2 years, but we have to meet many other criteria.

Ganesh Narayanan: I think one strong differentiator will be they have to be able to demonstrate cash flows better. And they also have to have multiple sources of income. They should have segregated places for business, etc.

Moderator: Thank you. The next question is from the line of Shweta Daptardar from Elara Capital. Please go ahead.

Shweta Daptardar: I have two questions. One is, sir, what is the movement of average ticket sizes across the core market?

Udaya Kumar Hebbar: The exact value, I don't know, Nilesh will share it with you separately. It will always be higher movement in the core market because you will have a higher vintage customer in the core market. In the newer market, the movement will be very low because it has to complete 2 years and then 4 years kind of thing. Therefore, by default, our core market will have a higher movement.

Shweta Daptardar: And sir, second question, what is the rate differential for your bank borrowing vis-a-vis our marginal cost of funding because since two quarters we have been drawing down on our bank borrowing?

Udaya Kumar Hebbar: Yes, actually bank borrowing normally is about the 9.5% range. This time we are able to get a little more benefit from the bankers. So it is about 9.3%-9.4%, and international borrowing and NCD, all will cost around 9.75%-10.0%. Overall, about 75 bps more, but it is important to do the diversification because those funds are long-term funds which will give up ALM benefits and also diversification benefits. Therefore the overall cost increase by increasing the diversification is about 20-30 bps only.

Moderator: Thank you. The next question is from the line of Mohit Jain from Tara Capital Partners. Please go ahead.

Mohit Jain: Sir. I was just looking at the incremental disbursement yield on the new portfolio and that seems to be slightly higher than the portfolio yield over the last four quarters. And I think you suggested that the borrowing costs are expected to be flat. In this situation, the NIM guidance that we are seeing for the next year is 20-30 basis points lower, are we fairly conservative or we pushing the interest rate?

Udaya Kumar Hebbar: For example, our new disbursement rate is 21.8% in Q3 and 21.4% in Q4 because we reduced the pricing by 50 bps between December and Q4. Therefore, we expect in the next 1-2 years, there will be an impact of some 20 bps. So, therefore we project a little lower.

Mohit Jain: And sir, just one more question. Sir, if I am looking at one of the NBFCs, which also has a bigger MFI portfolio, they have resorted to monthly collections at the beginning of the month and their argument is to see, the bandwidth of the manpower because they focus on the collection at the beginning of the month and throughout the month, we can focus on the disbursement. I know, sir we have always been a proponent of the weekly collection, weekly and fortnightly. So, but have we evaluated the ever that we need to the monthly one or so that we will have a better business, some of your views on the entire argument?

Udaya Kumar Hebbar: I think we have done enough study internally about what is the best for the resiliency in this business. It is not just the collection for this month and then we should not be looking at only based on the good time performance. We also need to look at the bad time performance. How this will differ between good times and bad times. We have been experiencing this situation over the last 10-15 years and we strongly believe giving the option to customers rather than deciding one way. We give monthly, fortnightly or weekly options to customer to decide how they want to pay. So, we give the option to customers saying that whichever the period or the frequency you want to decide when borrowing. Around 62% of customers have decided to go for a weekly, and about 34% decided to go for fortnightly and balance monthly. We have all three options for customers whereas we meet our customers every week. Based on the choice of frequency that customers choose they are paying, I think we thought this is the best way we have been operating this model for the last 20 years and we believe that this should work better in good times and bad times.

Ganesh Narayanan: And also, increasingly, since you are now doing various other things with the customer, it is better to meet them more and help you with relationships as well as offer options to the customers. You are not restricting yourself just to one product today. You have multiple loan products in the group loan itself. You have retail finance, you are offering products to the ecosystem, and the connectivity is much higher. You have a better relationship. I am going to meet probably four times compared to people who are in monthly but different school of thoughts, different behavior. I think we should not criticize any of it. It is just time period like what I say good and bad times that should determine.

Moderator: Thank you. The next question is from the line of Shreyans Jain from Electrum PMS. Please go ahead.

Shreyans Jain: Sir, all of my questions have been answered. I just have one clarification about this weekly, fortnightly, and monthly model. So, the customers are repaying 60% weekly and 30% fortnightly, 10% monthly, but are they coming to center meeting every week or they are only coming when they have to pay themselves?

Udaya Kumar Hebbar: They will come every week. Those who have opted for weekly will pay every week. Those who opted for fortnightly will pay only in an alternative week. Those who opted for monthly will pay once in four weeks.

Shreyans Jain: And what is the center attendance then on a whole country basis?

Udaya Kumar Hebbar: It is about 65%-75%. Here also we have to note that normally about 12 weeks in a year we allow them to take off.

Shreyans Jain: 12 years?

Udaya Kumar Hebbar: That means almost 20% of the time they will not attend the meeting. It is a legitimate holiday available to them.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Udaya Kumar Hebbar for closing comments.

Udaya Kumar Hebbar: Thank you so much for spending time in the evening and it is quite late. Thank you for all your support. We hope we have responded to your queries and if you have any more queries, our Investor Relations desk is always available to reach out. Thank you so much. Have a good evening.

Moderator: Thank you. On behalf of Investec, that concludes this conference. Thank you for joining us. You may now disconnect your lines.