JANA SMALL FINANCE BANK
(A Scheduled Commercial Bank)

JSFB/SEC/2024-25/69

29th July 2024

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai 400051.

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001.

Sub: Transcript of earnings call for the quarter ended 30th June 2024

Ref: Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015

Dear Sir/Madam,

Please find attached transcript of earnings call for the quarter ended 30th June 2024. The same will also be uploaded in the website of the Bank at www.janabank.com.

You are requested to kindly take the same on record and oblige.

Thank you
Yours faithfully
For Jana Small Finance Bank Limited

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Digitally signed by ABHILASH S
Date: 2024.07.29 16:58:38 +05'30'

Abhilash Sandur
Chief Financial Officer

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A SCHEDULED COMMERCIAL BANK

"Jana Small Finance Bank Limited Q1 FY25 Earnings Conference Call"

July 22, 2024

A SCHEDULED COMMERCIAL BANK

MANAGEMENT:	**MR. AJAY KANWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER** **MR. ASHISH SAXENA – CHIEF INFORMATION & DIGITAL OFFICER** **MR. GOPAL TRIPATHI – HEAD - TREASURY AND CAPITAL MARKETS** **MR. KRISHNAN RAMAN – EXECUTIVE DIRECTOR AND CHIEF CREDIT & COLLECTIONS OFFICER** **MR. PRADEEP REBELLO – HEAD TWO-WHEELER FINANCE** **MR. SUDHIR MADHAVAN - HEAD, RETAIL FINANCIAL SERVICES (ASSETS)** **MR. ABHILASH SANDUR – CHIEF FINANCIAL OFFICER** **MR. RINCOO VACHHA – HEAD, AFFORDABLE HOUSING LOAN AND MICRO HOUSING LOAN** **MR. SHRINIVAS MURTY - PRESIDENT & HEAD - BRANCH BANKING & MARKETING** **MR. TAMAL BANDYOPADHYAY - SENIOR ADVISOR**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference call of Jana Small Finance Bank Limited.

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

I will now hand the conference over to Ms. Savli Mangle from Adfactors PR, Investor Relations Team. Thank you and over to you, ma'am.

Savli Mangle: A very good evening to everyone and a warm welcome to the Q1 FY25 earnings call of Jana Small Finance Bank Limited.

From the Senior Management we have with us, Mr. Ajay Kanwal – Managing Director and Chief Executive Officer, Mr. Ashish Saxena – Chief Information & Digital Officer, Mr. Gopal Tripathi – Head Treasury & Capital Markets, Mr. Krishnan Raman – Executive Director and Chief Credit & Collections Officer, Mr. Pradeep Rebello – Head Two-Wheeler Finance, Mr. Sudhir Madhavan - Head Retail Financial Services (Assets), Mr. Abhilash Sandur – Chief Financial Officer, Mr. Rincoo Vachha – Head - Affordable Housing Loan and Micro Housing Loan, Mr. Shrinivas Murty - President & Head, Branch Banking & Marketing, and Mr. Tamal Bandyopadhyay - Senior Advisor.

Before we begin the conference call, I would like to mention that some of the statements made during the course of today's call may be forward-looking in nature, including those related to the future financials and operating performances, benefits and synergies of the Company's strategies, future opportunities, and the growth of the market of the Company. Further, I would like to mention that some of the statements made in today's conference call may involve risks and uncertainties.

I now hand over the conference over to Mr. Ajay Kanwal. Thank you, and over to you, sir.

Ajay Kanwal: Thank you so much, and good evening to everyone. I am going to start straight into the executive summary in the presentation.

I am going to refer to the Presentation pages so we can all be linked up. And on pages which have pretty much the same data that it had in the last analyst meeting, I will run through them pretty swiftly. And I will focus harder on where numbers have changed or there is something important for us to report.

So first, let me tell you that it's been a very solid and strong quarter for us. Our deposit growth rate, which has been a lot of discussion in the industry has on a year-on-year basis grown by 41% and a quarter-on-quarter growth of 5%. Time deposit quarter-on-quarter is a 4%. And very importantly, and you can hear from Shrini, the strategy, our CASA quarter-on-quarter growth is

9%. So CASA has grown faster than our TDs. And as you can naturally expect, the CASA ratio, which was 19.7% in March, is now at 20.4%.

Advances, 25% year-on-year growth, 4% quarter-on-quarter. So deposit of 5% quarter-on-quarter, advances of 4%. Now the most important one. Quarter-on-quarter asset growth is 8% for secured assets. Unsecured is minus 1%. So while we have grown 4% in the first quarter, which is normally a harder quarter to grow things, our secured has grown 8%, unsecured minus 1%. So we continue with our strategy of growing secured assets in the bank. And I must say that the secured asset percentage which was 60% in March is now at 62%. So our secular move towards secured assets at the bank continued robustly in quarter one. Our capital adequacy is at 19.3% with Tier 1 being at 18.2%. I must tell all of you that if I added the interim PAT, which is roughly about Rs. 171 crore, this capital adequacy would be at 20.2%. As we all know, these are limited reviews and these are not full audits, which is why we don't add the profit into capital adequacy, but I am sure you folks will take that into account when you look at capital adequacy.

So while deposit growth rate has been strong, our LCR is at 296%. Our profile of deposits. And we have same details that we had for you even in March, showing what is non-callable, what is more than one year, how much is retail, and that will show very strong, robust liability profile of the bank. Our ROA is at 2.1% for the quarter and an ROE of 18.8%. Now the ROE does include all the equity that has come in during the IPO, which is the first full quarter of the equity infusion for the quarter. If you take quarter four last year, the equity infusion was during mid-quarter. Q1-FY 25 is like with the full quarter of equity coming in. The one homework that we have from first quarter is a slight increase in our GNPA. It's essentially driven from not having full-scale burst in collections. Certainly, given that we had elections going on which does cause slowness in the way things are done. First quarter is seasonal, and we have seen a small stress in our Business Correspondent (BC) book in Microfinance. Having said that, something that we know will get sorted out, and something that is event-driven and seasonal for us.

With that, I would like to then take you through more details of year-on-year, just so that we have a very clear understanding on PAT. Let me tell you our PAT is at Rs. 171 crore after we have created an additional provision of Rs. 54 crore and added a net DTA of 10 crore. So if we had not created the provision, you could have added Rs. 54 crore to our PAT, but the DTA has helped us with 10 crore. So please be very conscious of that, of how we have decided that we will continue to create a good buffer of provision as we go along and the bank grows.

I am moving on to Slide #3, that gives you the year-on-year growth. Some interesting ones here that you should know is that last year quarter one we didn't have any DTA. So, Rs. 10 crore is additional this year. Hence what you will see on the first line is a PBT of 77% growth, because PAT does have DTA and we didn't want to get that number wrong. And here you can see robust growth also, where I would like to point out asset growth, which is 25.1%, but the secured is now at 62%, same time last year was 58%, that's very important to us. Our liability is at 8% cost of fund, it has gone up from 7.5%, but interestingly if you go to the second last column of ratios, last box is NIM. Cost of funds is up from 7.5% to 8.0%, NIM is up 7.6% to 8.0%. So while we did have an increase of cost of funds, we did improve our asset mix and NPA, which means less interest in suspense, has made sure that our NIM remains healthier than what it was last year. Other things to point out of course is, I already mentioned gross NPA, you can see a provision coverage of 62.7% and the capital remains strong and healthy.

I will now move on to the quarter on quarter, which is Slide #4. We have done both so that it makes it easy for all of you to do the numbers and have a look. Here again, asset and liability growth, both have seen a very balanced, where of course, depositors have done better. Cost of funds is up from 7.8% to 8.0%, and NIM marginally down to 8%. It's a bit of function of, I think, not a change of mix, but more of slightly elevated NPA. So we should remain healthy at 8%, even as the few quarters pass. The other thing that I would like to point out here is, we have had a few closures of our unbanked rural branches, which is why you will see the number of outlets, 808 to 780. And we have been trying to get these outlets sorted out for some time. We finally managed to do them this quarter. So that's another important piece I thought I will mention.

Capital adequacy, which is column #4 at 19.3% doesn't include the profits of Rs. 171 crore. Like I mentioned earlier, if you added that profit back, then you would be at a capital adequacy of 20.2%. Very important because, are we well capitalized? The answer is yes. And as you know, majority of our capital which is nearly 90% of our capital is in Tier 1 capital.

I will move on to Slide #5 which talks of the franchise. Again, just as an introduction to folks who are coming first time to our analyst meeting. So we are a national franchise. We are in 24 states. We are geographically well distributed. Our unbanked rural center which you can see is on the right-hand side of this distribution of bank branch presence in unbanked rural is the title. Due to some closures of UBRs which were not working for us, you have seen a drop in UBRs. But as you know 25% is the norm for scheduled commercial banks, however, we are at 34.4% enough and more room for us to grow. And next to that is our presence of MFI through BCs. Like I mentioned, some of our BCs have seen some stress. They have focused their entire mind and soul and body in collections, which is why you see BC had a slower growth, or I should say negative growth in the first quarter. And we will see much more detail when we go to the MFI page which Sudhir will lead.

I am moving on to Slide #6. This slide is an important slide because it tells you exactly what is secured in our bank, what is it growing at. So the 62% secured composition is right here. Micro LAP continues to be our biggest secured book at Rs. 4,910 crores. The average ticket size of this book is at Rs. 6.3 lakhs. Our next biggest business is affordable housing. That is at Rs. 4,738 crore. So, we are small moments away from hitting the 10,000 crore mark which Rincoo leads as a business. Our MSME business, which has grown 5% in this quarter, is a Rs. 3,486 crore business. So top three businesses with the top three growth rates. There are of course faster growth rates like two-wheeler and gold, but they're smaller businesses, hence the percentages are better. We've also grown NBFC in the first quarter. As we have mentioned in the past, it's a tactical business for us. Normally, when we have too much liquidity, we tend to do a bit more of NBFC. And as the momentum picks up in our Q2, Q3, we tend to do less of NBFCs.

Last line you will see the unsecured advances, which is a negative growth of 1.2%. And you will see the breakup of what is BC and non-BC. Again, something I wouldn't say that minus 1.2% is going to be the trend. I think we will see stabilization of the BC collections in Q2. And you could then start seeing a nominal growth. I just would like to remind everyone that Jana's unsecured growth between the day we started the bank in March 2018 to March 2024 is roughly about 2% CAGR. And that has been a strategic answer for us. And the whole mindset that we need to turn more into a secured bank with 80% secured assets is a very strong and important one for us.

I am moving to the next page, which is page #7. This basically shows you that even in the toughest times of COVID, we have grown, secured book continues to grow. And on the right-hand side, you will see the distribution of states. We have very good presence in all the key markets and Maharashtra, Tamil Nadu, Karnataka, Gujarat continue to be our top 4 states with maximum concentration being 13%. So our design to remain geographically unconcentrated continues to hold true. And we are working on that every passing quarter and it's working well for us.

Best in class risk management, we'll talk more about it probably as we go through the gross NPA, but no major changes. We continue to be steady. We do have one new version of scorecard coming in. So we are getting better at what we do in terms of both the scorecards and the way we do analytics. But other than that, we are pretty much sorted out on the risk management side. I will now pass on to Sudhir. Sudhir looks at what we call RFS, which is Retail Financial Services, where the primary book is MFI and Gold Loans. And he'll talk to what the portfolio looks like for us. Sudhir, over to you.

Sudhir Madhavan: Thanks, Ajay. Good evening to all of you. As the slide shows, we actually did de-grow by 1.2%. Historically, internally, we have been very conservative in lending. So, last year the growth started for us for the BC portfolio. So, last two quarters, we saw some kind of a stress from the BC book on account of rural distress. So consciously we started making sure that they slow down their businesses and continue the focus on collections. So if you look at this quarter, the primary degrowth has come from the BC book. What we have done is we have actually made sure that they refocus their energy from the collections and start building the book on them. And we expect that this trend will get normalized within a period of one quarter itself. The other factors like digital payments continue to be our focus. We currently are 23% which are digital in nature. Our ATS are very much more in control limit of around Rs. 36,000 till date.

Let me go to the next slide #9 just to give you a portfolio mix, it's a very healthy kind of a portfolio mix. Across the Rs. 9,800 crore book, 56% of the book are existing customers. And almost 33% of the book what we have are actually taken more than 3x the loans. So it's a very healthy kind of a portfolio mix. And we know that this portfolio, because of the focus on retaining existing customers and building an existing custom book, which has a very good payment track record, should actually be a very sustainable and a long-term sustainable strategy for us. Now over to Rincoo to speak more about the anchor banking projects what we launched.

Ajay Kanwal: Before Rincoo goes live, I just realized that I was looking at the slide, the page numbers have gone missing at least on mine. So if it is true for what you can see also on the website, we will now just to make sure that we are synced up in what we are saying and what you are hearing. We will also tell you the title, very short title of the slide. So Rincoo now takes over Home 360 as a slide. It says "Bring Your Bank Home." Rincoo, over to you.

Rincoo Vachha: Yes, thanks Ajay, thanks Sudhir. A very good evening to all of you. Myself Rincoo Vachha and I manage the Affordable Housing and Micro LAP business for the bank. As a bank, we started our Affordable Housing business around 5-1/2 years ago. And this business, over a period of time, has evolved as Home 360, as you can see on the slide.

So let me just briefly explain about Home 360 as a concept. If you look at Affordable Housing competition landscape, the main players would be typically various established housing finance companies who have the expertise in serving the semi-formal or informal segment customers. But these are all single product companies. Although we started off on the same lines, but we always knew that being a bank, we have a very distinct advantage over single-product housing finance companies, wherein we have a suite of products to offer, be it on liability side, asset side, or insurance side for that matter. Once we got a foothold in affordable housing lending, we decided that, no, let's just not sell home loan, but all the products which suit customers belonging to our segment. Now this thought process and conviction in serving the customers led to the evolution of Home 360 strategy. Under Home 360 strategy, housing loan would act as an anchor product and a very strong enabler for selling multiple products to the same customer. For every individual owning a home or a property is an aspiration and all his life stage decisions are anchored around it. So the customer takes a home loan from you and if you serve him well, nurture the relationship, it could last for as long as 15 to 20 years and that may extend to the next generation also.

Now how does Home 360 help the customer? A) He doesn't have to go to multiple banks or NBFCs for his varied financial product requirements. Here we are explaining to the customer how Jana Bank is a one-stop shop for all his life stage financial needs and how he can bring the bank home. That's what the title of the slide suggests. B) Ease of lending. I mean, you pick multiple products from one bank, your track is established, need for repetitive onboarding and due diligence is done away significantly. The digital transformation and customized scorecard, which Raman will speak about a little more, which is devised post-extensive research, has only made the transition from home loans to Home 360 faster and better. So all the products which you see mentioned here complement each other, giving us a big competitive advantage. For example, a two-wheeler loan with 100% LTV, now this is one of a kind offering across the industry. We saw at the outset that our home loan LTVs are in the range of 50% and micro LAP LTVs are in early 30s. So we can very well afford to extend this unique offering to the customer. Notwithstanding, we do keep in mind the repayment capacity of the customer. He clearly has to be eligible to afford combined EMIs and of course we do the cross collateralization with the anchor product which is our Home Loan or Micro LAP. Then there is pre-approved business loan which we offer to the customers who have exhibited excellent repayment behavior and character both on us and off us. With LTVs withstanding, we offer a pre-approved business loan of up to Rs. 5 lakhs and this is an instant loan which can be disbursed within a day's time.

Now, if you go to the next slide, which is "Becoming Anchor Bank towards customer", numbers back our strategy. As you can see, per customer, we are selling on an average 3.6 products. And if you look at the next graph, which is CASA penetration, 99% of our housing loan and micro LAP customers have a savings or a current account with us. And look at the average balance, if you look at the bottom right graph, average balances maintained in these accounts are to the tune of Rs. 16,100 for this quarter. Likewise, gold loan as well as two-wheeler, I mean, this franchise is expanding as Ajay mentioned earlier, so over a period of time, we are very bullish on growing this penetration as well. On this note, I would request Shrinivas to talk about liability.

Shrinivas Murty: Thank you, Rincoo. Usually, if you see the commentary on the deposits, Q1 is considered a slow quarter. But I am very happy to share with all of you that for Jana, that's not the case. We have actually done really well this year, this first quarter. We've grown at 41% Y-o-Y and about 5% on the quarterly basis. And within that, the CASA has grown extremely well. We have grown at 47% Y-o-Y and at 9% for the current quarter. Now that also means that for the second quarter, we have grown more than the assets, leading to further reduction of LDR from 109% to 102%.

Now, if you look at the composition of deposits, we have 96.6% of bulk deposits y-o-y growth is non-callable. And similarly, out of that, 90.7% are one year and above, which clearly tells us the maturity profile of the bulk deposit. Similarly, on the retail, we have ~98% of the retail deposits, which are one year and above. Now, recently the RBI has reclassified retail and bulk, and the impact of that is about 3.4%. As a result of that, we have a retail deposit proportion of 65% on the total deposits. The cost of funds, as Ajay talked about, it has gone up marginally to 8%. We presented it in the last quarter as well. Our composition of the states contributing to our business remains the same as March. The large states contribute about 60% and rest of the states contributes 40%. This has come down from 32% in the last 2 years to about 40%. So that's the overall composition state-wise distribution of the deposit book.

If you go to the next slide, which talks about how our branch network is leveraging, as the branch vintage grows, the average deposit book of the branch as well as the CASA deposit book of the branch is showing growth. And if you compare with March, obviously there is a movement between 1 year to 2 years, 2 years to 3 years, and so on, but the overall trend continues to remain robust as we mature the vintage, the book continues to grow. In the current quarter, we introduced a product called Legend, which is especially designed for senior citizens, offering them monthly interest rate and this is showing excellent trends. And we believe that part of our CASA growth has come from Legend. Similarly, we have launched exclusive and premium programs for HNIs, which is also showing excellent traction. In the current quarter, we have acquired nearly 5,000 HNIs, which is basically continuing to our CASA growth. We have also revamped another program, I talked about it in our last meeting, and that is also adding to our CASA mix. Now clearly our product, people productivity and digital strategies playing out as far as the deposit growth is concerned. And we believe that we will continue to acquire more and acquire well, which will continue to add our CASA and retail growth.

The last slide, which is on digital, we have continued to witness the trends that we presented last quarter. Our mobile app is rated 4.6 on the App Store, we have 79% growth in transaction volume. We have 59% growth in MB registrations, which is basically an enabler for CASA. Similarly, we have seen 23% growth in transaction volume on the mobile app. Our overall transaction volume growth is about 47%. On the right-hand side of the slide, if you see the usage of digital infrastructure by our team continues to remain robust. We have 99% of our savings bank accounts which are open digitally. We have 98% of transactions which are conducted digitally, 92% of our loans are digitally processed and 90% of our sales team uses sort of mobile app or tab. So clearly the digital ecosystem is leveraged well. We have additionally incrementally added about 3,500 merchant QRs, which have added to our CASA growth, especially the current account growth. And the heartening news is 82% of those QR are active and in use. We have also seen increase in UPI transactions. UPI has gone up by 40%. The NACH transactions also gone up by nearly 300%. Now we do believe that when a customer opens an account and starts using debit card, there's a clear additional CASA incremental growth that we witnessed. So this year, current year, we have added 80% of customers in our debit card fold, which has led to 69% improvement in our customer using debit cards. So that is as far as the deposit growth is concerned.

If I put it in a nutshell, clearly our product and digital productivity, branch network, all of them are coming together to give us the kind of growth that we are witnessing in deposits.

Ajay Kanwal: Thanks, Shrini. So before we move on to financials and talk more on our NPA, I just want to encourage all of you on the call, do look at the last time March versus June comparison. A lot of what Shrini has talked about, you can see that his branches, which is if you see the slide on deposit underserved and on service and price, have moved from the one to three bucket into the three to four bucket. The three to four has moved to more than five. And you can see parallelly how his CASA and the retail deposit growth has taken place in the last quarter. So what he's describing to you factually gets backed up with numbers when you really do the comparison and see how things are moving. And I would encourage you all to also look at the digital because while it was 99% last time and it's 99% this time, most of the other things like QR codes etc., the numbers are very relevant for this quarter and are looking different. So that would be an easy one to see the progress that Shrini is able to drive through his network. Over to our CFO, Abhilash.

Abhilash Sandur: While Ajay mentioned most of the things on highlights on the financial, one thing which I would like to add to what he said is the cost-to-income ratio itself. So last year, when we began the year in June first quarter, we had a cost-to-income ratio of 58%. This year we are at 55.5%. The entire last year cost-to-income ratio was 57.4%. So when we started the year at 58.0%, ended the overall year at 57.4%. We have begun this year at 55%. So we are expecting more and more leverage to come through during this year. So probably we are tending towards reducing the cost-to-income ratio over the year. So that's one key highlight which I wanted to mention on the cost-to-income ratio slide.

The second one is on the yields and the NIMs. So even though Shrini mentioned there is slight impact on the cost of funds and the cost of deposits, the NIMs have hold on. So the current NIM as compared to last quarter, 8.1% has become 8%.

And if I go to the next slide, which is Slide #18 on GNPA and NNPA. So Ajay and Sudhir mentioned about the GNPA and NNPA slightly increased during the quarter. However, the overall PCR is above 60% still. And we are continuing to maintain a high PCR ratio even though we have a good amount of secured book in the GNPA as well. So that's the other key highlight which I wanted to make.

Moving on to the next slide, I will hand over to Raman.

Krishnan S. Raman: Thank you, Abhilash. This is Raman here. We are on slide 19 which talks about net NPA has 61% secured loans. So 61% of all my net NPA after my provisioning is in the form of secured loans. The BC book, that's quite clear here that the gross NPA of this book is sitting at 7.8%, contributing to the overall 2.5%. But the key aspect here to look at is also the fact that my LTV on the secured book which is the biggest component is 57%. On the right hand side, the restructured portfolio continues to come down and today it is at 0.3% of the AUM with an LTV of secured 46%.

Ajay Kanwal: I'd just like to add to a few things that Raman said and this is a very important slide that we should focus on. First, this will be our toughest NPA quarter or this was our toughest NPA quarter. Things will only get better from here. What happened in the first quarter was a combination, and I cannot exactly tell you which caused what challenge, but a combination of heat waves, the event, which was elections, which doesn't allow us to go full blast on what we normally do, and the third is that first quarter always tends to be a slower quarter, and we haven't really figured out ourselves the reason why after March everybody takes it easy, but that's how it is. I also want to talk to you a bit about what has changed and that's very important because it will give you a sense of comfort when I tell you this is probably the worst moment that you will see in this year.

So let me start by saying the BC book which is at Rs. 170 crore. In March, it was at Rs. 114 crore. So Rs. 56 crore have gone up in the BC book. As you know in BC, we certainly are covered from the BC in terms of collections and service guarantees backed by deposits, which we will be able to use to cover the NPA challenges. So one thing when we think about was the BC strategy a good idea? I think when we look at our book today and what has happened in the last 2 quarters, it absolutely was the right thing to do because in moments like this, we as a management team and as a bank continue to focus on our secured growth. And the stress that we see in the BC book, our BC partners are very able, very capable. They'll address it and we will see them solving it in next quarter.

Second is unsecured at Rs. 295 crore. This number in March was Rs. 291 crore, just a Rs. 4 crore increase on our own unsecured book telling you that because we never grew the book fast within the bank, we really don't have a challenge. Now the number which really changed a bit more was a secured book at Rs. 181 crore. This was at Rs. 90 crore in March. And here is where, you know, when you actually do a SARFAESI order execution, you do a repossession, you need the local police, you need the Tahasildars, you need all the machinery to work. And that machinery wasn't working full blast because everybody was very busy with the elections and of course, there is only so much that you would like to do given the environment around. I do think that with an LTV of 57%, this secured book, which was largely to do with slowness in actions, will come back to a much better level as we go ahead into the year. So I did want to take a few minutes extra and talk about this because I really wanted to give you all the comfort that there is nothing that we see here which is not solvable. And we would be able to put good resolution on it in the coming quarter itself. And when we went for a BC option in the past, we did give up revenue from the bank, but it did buy us in moments like this, where there is some stress in a few states, that answer is managed by the BCs and the bank continues to focus on its strategic agenda of secure growth. So I just thought I will add that to Raman's comments. And Raman, back to you.

Krishnan S. Raman: Thank you, Ajay. The next slide which is slide 20 is on overall credit cost. So credit cost as a percentage of AUM is at 1.9%, that's the net credit cost, after taking into account removing accelerated provisioning and recovery. So that you are comparing apples to apples, you are at 1.89% for the quarter annualized which compares favorably with 1.96% in March quarter and 2.78% exactly a year ago. So I think those are really the key aspects that I just wanted to address as far as credit cost is concerned. And let me hand you over back to Abhilash.

Abhilash Sandur: Thank you. So on the balance sheet side, I just wanted to highlight a couple of things. So one, borrowing which we have repaid from last quarter. So SLTRO borrowing last quarter was Rs. 800 crore. We have paid Rs. 400 crore out of it. Other items, I think most of the items we have covered in the earlier slides.

I move on to the P&L slide, which is Slide #22. I wanted to highlight one aspect. I think there were some queries about other income in the previous presentation that we did. So we have given the data for other income. So other income from the processing fee, insurance commission and liability related fees is what we have seen in increase year-on-year. Whereas other income from recoveries and PSLC have seen slight bit of shrinkage during the quarter as compared to the previous year. So for example, processing fee has been flat, insurance commission has increased from Rs. 29 crore to Rs. 39 crore. Recoveries have reduced from Rs. 40 crore to Rs. 20 crore. The core non-interest income is moving up, whereas the non-core non-interest income is moving down. So that's the one trend which I wanted to highlight.

Ajay Kanwal: Thanks, Abhilash. So if you look at the other income line, which a lot of folks had questions on, as you can expect, post COVID, the recoveries would start, facing back a bit and we are very successfully replacing that with our insurance and other fee business. I will now move on to the guidance. There is no change in our guidance. We will hold true to our 30%-40% PAT. We will hold true to our AUM growth of 20%. We will hold true to our deposit growth of 20%. ROA, ROEs are already in the range that we have mentioned here. We will hold true to that. And I can also add to this while it is not here, is that we do see a decline in credit costs that you have seen in quarter one versus last year. I think that trend will continue as we go into Q2 and Q3. There is no change in the board, but you can see all the names and the personalities there, as well as in the management. This is something of our history for people attending this conference for the first time, which is our history is way back into 2008 when we began as NBFC. We have been a bank since March 2018, and we have also publicly said that when we are eligible, there is one criteria of Universal Bank, which is net NPA has to be less than 1%. When that hurdle is met, which should be met this year because we already meet the one-year hurdle last year of 0.5 net NPA. If we continue to be below one this year, we meet all the conditions which allow us to apply for Universal Bank next year, we would certainly do that.

Moving on to what do we think is our strength and a good list for you here which kind of I think we have brought to fore in our presentation in the last 40 odd minutes. So digitalize and we try and be as digitalized as possible. We have a pan India presence. We have no concentration. We have a strong brand and we do know that we continue to invest and we can do more there. Our risk is analytic based, it's scorecard based, and a very strong governance framework around everything we do. Our average experience management, its average age is about 24 years in financial services and banking and a very professional board. Anchor Bank is core to us. I mean, we are very, very focused that while it is difficult to execute because most banks tend to get very siloed. Our bias always since we are very early as a bank is to make sure that our anchor-based customer centering approach becomes a cultural way of how we work. We are committed to moving towards an 80% secured asset book. The deposit base, as you can see very well, is showing that we have a strong ability to grow and fund ourselves. And while you can hear from Abhilash, and if you see that page, we have a very good mix of our long-term borrowings. Long-term borrowings are typically from only three institutions, NABARD, SIDBI and NHB and these are long-term, very economically wise borrowings. They do help us lend them a tenure of our ALM, and certainly that we do more of. And finally, all of us on this table and the 21,000 people supporting us are all very focused on execution.

Strategy has been very steady for us and something that you have been hearing from all of us as we went through the slides, so I will not repeat that. And with that, I would like to thank all of you. We have tried to make sure that we are a bit **faster** so we can take all your questions and address them in the best possible manner. And with that, I would request Adfactors if you can open the floor up for questions so that the team can answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: First of all, many congratulations to deliver another strong quarter given the toughest challenges around the NPA. So many congratulations to the team of Jana Finance Bank. So my question on the creation of floating provision in our P&L. So how should we think of creation of floating provision, whether the possibility is slightly higher than the normal, then create the floating provision. What is the formula or the philosophy around that? Can you explain that?

Ajay Kanwal: So Manish, Ajay here. So thank you for your compliment and we'll do our best. That is my promise to you. So on the provision side, what we tend to do is we have a certain review within ourselves in the bank of what will be a harder recovery opportunity which typically ends up being the unsecured book. Very rarely do we want to raise surplus provision for a secured book, unless we are aware of some complication in the property where we think the likely of recovery is low. So it tends to be on the unsecured side and something that we obviously would like to make sure that we keep that as a buffer based on our understanding. Manish since you mentioned it, we will see if in the next analyst meet, if we can bring up what our policy is and how we kind of put a framework around it for you to see. We will certainly see if that is possible. Abhilash would like to add.

Abhilash Sandur: Sure. So we will not create something called a floating provision because floating provisions are a different than additional provisioning. So what we do is additional provisioning for the accounts where there is a stress and we don't reverse from those accounts. So it will continue to have a provision for those accounts Manish, just to address that because floating provision has a different meaning from RBI point of view and also accounting point of view. So just wanted to clarify on what Ajay said.

Manish Ostwal: The second thing, it's accounting question basically. So in terms of tax credit of Rs. 10 crore in this quarter, in the last quarter it was Rs. 155 crore. So how we should build for the full year of utilization of the DTA?

Abhilash Sandur: So for the first time ever we created Rs. 155 crore in last March. So every quarter we have to assess future profits, which is based on virtual certainty as per the regulations. So what we have to do is, what we created, we have to reverse and reassess again. So based on the reassessment, we have got a Rs. 10 crore net impact on the P&L. So every quarter we go ahead and reassess the DTA impact. So that's how we do. And that's as per the accounting standards as well.

Ajay Kanwal: So Manish, let me see if I can, I mean, Abhilash is a chartered accountant, I am not, so I will tell you in a non-chartered accountant language. So we had Rs. 155 crore last year. We finished the first quarter, which means that the assessment made last year that what will be our profit this year, at least in the first quarter, we kind of more or less have met it. So Rs. 160 crore is the tax. If you kind of gross it up, it roughly talks about Rs. 600 crore of expected profit for the year. Now when the auditors this year saw what the first quarter performance was, they made an estimate of what will be the first quarter next year. And they obviously see an increase. It is not a perfect answer because you really would like to make sure that whatever you put as DTA is kind of lower than what you anticipate should be the profit asit is has be virtual certainty So here you are. We are carrying now Rs. 155 crore from last year, we added Rs. 10 crore now, so we're carrying Rs. 165 crore. Next quarter we'll do the same thing. We will see what is next quarter's performance. Did our past expectation of profit from that quarter worked out, which is going to be Q2. We will then assess what will be Q2 of next year. And if we do think that next year Q2 would be higher than what we'd anticipated in the past, then we'll add more DTA to it. So let's take a fast forward to March. Rs. 155 crore is existing DTA from March 24. We've already added Rs. 10 crore. We could add probably whatever more is there. The full carry forward DTA as of

March 25 could be maybe Rs. 180 crore, could be Rs. 200 crore, could be Rs. 210 crore. And then we assess it again for the following year. We pay no tax till 2027. Everything that means PBT is equal to PAT till then

Manish Ostwal: And really appreciate your comments around the asset quality given the quarter. Thank you.

Moderator: Thank you. The next question is from the line of Prabal, Ambit Capital. Please go ahead.

Prabal: My first question was, some of the lenders have highlighted that there is built up of over-leveraging in the system. And as a consequence, they have tightened their risk matrices. Have you also tightened our filtering process, anything from that side, sir?

Ajay Kanwal: Yes. So you know it is exactly this microfinance over leverage. And to answer that question, we always give our average loan amount outstanding in our presentation, which is at Rs. 36,000. And even if you look at the installment loan, which as you know tends to be a higher loan amount in the industry, our average loan amount is Rs. 48,000. So high leverage is not our positivity. And we never believe that high leverage should be the way we want to grow our business. The other important factor is, how many lenders, because we may not be high leverage, but that person may have high leverage somewhere else. I can assure you that if that person has got more than three lenders, has an unsecured exposure of more than Rs. 1.5 lakhs, we will not do business with that borrower. So we are very tight. We have more tighter in what the MFIN conditions require the banks and MFIs to be. We are also very careful and very clear in our minds that we will not lend to delinquent customers of other institutions. So for us it's not a market share game and that is the luxury we have that we don't want to grow this business so fast so we don't have to do extraordinary things at all. Raman, you want to add something to that.

Krishnan S. Raman: I had an additional comment on the market leverage, which you talked about. We do have a bureau and the bureau, we pull on both the borrower as well as the co-borrower and make sure that all the household delinquencies, all the household leverage is fully captured in our credit decision.

Ajay Kanwal: And again, just to add to it, because unsecured is not a main segment, I can still grow negative 1% unsecured in the first quarter and yet tell you that I will hold true to my guidance because from the very start unsecured was not the way we would have kind of delivered on our numbers. And I can tell you with great amount of comfort that if we see more challenge in this business, we will continue to grow negative. If we need to do that, we will certainly do it. For us, maintaining quality of book is very, very important to us.

Prabal: But anything in the last 3 to 6 months that you have observed on the ground and maybe tighten your sourcing policies or something like that. Because multiple lenders, multiple quality lenders have indicated that in the last three months they had to tighten their sourcing policies. So you would have also seen some amount of pressure building on the grounds on the other side.

Ajay Kanwal: Yes, so our policies were very tight. So we really haven't. I mean, just to give you a sense. We were doing household debt since 2018. So for us, some of it is already in vogue. When we give an individual loan today, we actually send an underwriter home. So what you see is this Rs. 48,000 loan. For that, somebody's actually done a PD, which is a personal discussion, visited our client in the office, or home, as it may be. In this case, it's normally a small shop or an establishment. The rejection rate by the underwriter who visits for an individual loan is between 15% to 20%. That means very good customer on the bureau, perfect repayment with us, wants a loan, you visit and think that he doesn't have the cash ability and we reject the loan. So we have been normally tight. I think what we can see is the stress in a few geographies are more elevated. For example, we can see some parts of UP, some parts of MP. We've tried to detune our growth there, which is where I must give credit to our BCs, even though that is the main line of business. They've slowed down and they've focused themselves on collection. So it is more about our policies are already tight. We've never been in a moment of grow unsecured. So that allowed us to be tight where we find that there is too many MFIs operating, over leverage going on, we kind of detune ourselves and reduce growth there. Let me give a live example where we were successful, Punjab and Haryana. We've never had lower than 99% collections except for the month of April, starting from last September, October, because the moment we saw that stress was building up, we just stopped disbursements and put all our people onto collections. So rest assured, we are watching this space very tightly, and we have no reason why we should have anything of a bigger surprise come up ever.

Prabal: Sir second question was on the credit cost. So just on the core credit cost of Rs. 190 crore or the run rate of the last few quarters, it seems that 2.5% of credit cost on a book, where 60% of the book is secured, is slightly on the higher side. And this has been the trend from last few quarters. This quarter could have been an aberration. But last two quarters, you see, 2.5% to 3% run rate of core credit cost on our 60% secured book. So how do you think about that?

Krishnan S Raman: The bulk of the credit costs continues to come from the unsecured book including the BC book. I think that is the key aspect that we need to keep in mind. And this is really, as Ajay said, the BC book has this collection related service guarantee which will eventually come back and reduce the credit cost. That's a key aspect that I wanted to highlight. As far as the secured book is concerned, as soon as the account turns NPA, I am taking a provision of 15 plus percent. But my LTV on that book is about 55% to 60%. So much of that is going to come back in terms of recovery. So these are really the two aspects that I wanted to highlight here.

Ajay Kanwal: The other piece is the 1.89% as a calculation has two components. One is some of our recovery is going to the other income line because they are fully written off accounts. And typically when you look at what is the provision number and use that as a credit cost, you tend to miss it and that's a big number. So which is why to resolve that issue of what the real credit cost is, we have prepared a full scale slide. Second, as Manish had asked the question earlier on what do we provision extra, that's again something that we do as a precautionary measure which fundamentally is taking away future provisions into the present. So my 1.89% credit cost that I've explained on Slide #20, I would think would go down lower. And like I said, this would be probably our highest credit cost quarter. That 1.89% should trend downwards every passing quarter. And possibly as you see some stabilization, then I think it will be a good time for us to see what, at a 60% secured book, what is the right answer.

Prabal: Can I squeeze in one more question if possible? So my question was on the liability side. So you mentioned that we are able to get some HNI customers, some senior citizen customers. So what other products can we cross-sell to these customers? Because I understand that HNI customers would already be banking with some of the other lenders. And therefore, it's very difficult to sort of get them to change just because we have an 8% or 9% deposit rate with us?

Shrinivas Murty: Yes, so Prabal, we started HNI program last quarter and on the asset side, we have two-wheeler, micro and small enterprise, we have micro home loan and affordable home loan. On the transaction banking side, we have debit card, we have digital products that we offer to these customers. On the investment side, we have insurance, we have three in one account which we offer through Axis securities, right, and we have the ability to offer them mutual fund and other investment products. So clearly whether it is on the asset or on the liability side or on the investment side, we have nearly a large bouquet of products. So we'll be in a position to offer to these customers over a period of time. And currently these customers are assigned a relationship manager who are regularly in touch with these customers and based on their products and services needs, we are able to cater to those needs.

Ajay Kanwal: Thanks, Shrini. Let me add in, and I don't know if this was your question, can I give a prime mortgage loan at 8.5% to 9%? The answer is no. Will I do a car loan? Possibly no. Do I have a credit card? The answer is no. So fair to say, as Shrini explained, our affluent customers who are coming on the liability side will largely be a liability relationship, transaction relationship, insurance relationship, a wealth relationship. He will not have an asset relationship. And you're right when you say that these affluent customers must be banking somewhere else. We aren't focusing on that. We don't have the product range and that's not where we would like to start either. What we would like to start is to create a top-notch liability serving mechanism where he gets the best price and our highest deposit rate now as we speak is 8.25%. We have a slew of savings and current account which are really fully endowed. So this is a Legend for senior citizen. You see the exclusive launch that Shrini has done. We think they are best in the industry and we are really attracting good AUM from affluent clients for that. So that will be an important one. There could be a side question saying, listen, then your branches are really doing deposits, insurance, and wealth. How does that work for breakevens? So the answer really is when we do open an affluent branch, let's say in a Khar that is coming up next in Bombay, then the focus is to really make them into a very large, say our Rs. 2,000 crore -Rs. 3,000 crore liability branch, very transactional CASA in nature and to make sure the branch size is not large. See traditionally, branch sizes are very large. Then the breakeven points need a lot more assets to come in to make that happen. We have made sure that our branch sizes are very reasonable. Our marketing is largely digital. And we are making sure that our AUMs are large enough, which is what, if you see on the slide 14, have a look at that. I would think we would have among the higher AUMs per employee. So we are going to work on the liability side with a clear understanding that will make it very efficient for us in terms of raising liabilities, conscious that we will not give a prime mortgage or a car loan, and also very conscious that we will offer an 8.25%, which is a premium of what a typical customer would get in a high-end private sector bank or a PSU bank.

Moderator: Thank you. The next question is from the line of Shailesh Kanani, Centrum Broking. Please go ahead.

Shailesh Kanani: Congratulations, Jana team. It was an excellent performance considering the macro environment. Sorry to harp again on the asset quality. But can you throw some light about how the book is performing in terms of your group lending and individual lending book. Are there any differences in terms of asset quality? And even the BC, what we do, does it have any individual lending component in that?

Ajay Kanwal: So Shailesh, first, thank you for the compliments and don't be sorry to ask any question because I think you are absolutely perfect in asking questions when the GNPA and NNPA goes up to say why it happened. We are very conscious of that, so no harm done there. Let me answer the ones which are easy and then the more difficult ones Raman will answer. First is, if you see slide 9, I will read out individual loans, the gross NPA is 4.4%, net NPA is 0.7%. If you compare that with Agri, it is 3.2%. The only thing that I would like to tell you is that in individual loan, the pricing is 2% higher than the group loans, which is in this case Agri loans. So it more than compensates the gross NPA difference. So is individual loan a good business? Yes. Does it have very differential performance over the group loans? The answer is no. Do you price individual loans slightly higher to compensate for that? You should, and that is what we do. So we are very comfortable with individual loans. The BC book does not have individual loans. These are largely small and marginal farmers. These are all done in the rural areas. And these are all group loans. And these are typically 10 batches of groups because they are real rural. I think what you can see in terms of NPA here, the jump and because they did jump, I must say, it largely to do with certain geographies, a bit around discipline, they could have been smarter. And discipline comes not just from collection discipline, but also to grow a little bit more slowly. I think everybody in the industry did try to grow fast. Some of our BCs probably did and now they are just walking backwards and fixing that. Beyond that, I can tell you even if you look at our average ticket size on the BC, which is on slide 9, it is just Rs. 27,664. So it is not the leverage which is the issue. And if you take the BC book average ticket size of Rs. 27,664, it is lower than my own agri of Rs. 30,226. So it is not the leverage. And I said this, I can't put my finger on what it could have been. Whether it's a heat wave or people busy with elections or first quarter being a more tepid way or a combination of three, a bit of faster growth in some BCs. But Yes, I can't say anything else. All I can tell you when I read out the numbers, my total gross NPA for unsecured was Rs. 290 crore March 24, June is Rs. 295 crore. I've just seen a Rs. 5 crore increase on the microfinance book which Jana employees directly manage in the quarter, which again tells us that if you do things in a much more stable, calmer, regular way, you should not get really challenged in this business.

Shailesh Kanani: Yes, excellent. That's very helpful. So one question on the liability side, for garnering liabilities, do we have a tie-up with Fintech and what kind of fees do we pay, if you can share that?

Ajay Kanwal: So we have tie-up with just one Fintech. I can tell you it doesn't work much. So it will be fair to say that 99.99% is all sourced by us. And we haven't had any success on Fintechs in the liability side. We have no Fintechs on the asset side at all. And I do think that is how we will continue.

Shailesh Kanani: Fair enough. Sir, just a last question from my side. So any impact of ECL coming in, have we done any assessment or are we kind of safe there? If you can throw some light on that?

Ajay Kanwal: Thank you so much, Shailesh. I did want to kind of give you guys a heads up and your question just triggered that. So what we are doing in the individual loan side, wherever customers are small businesses and are registering for Udyam, we are registering them under CGTMSE scheme with SIDBI. The cost of the guarantee is 0.3% to 0.5% range. But what you will see from September is some part of our individual loan customers who are really small businesses joining the guarantee program. So this is not the question to the ECL answer, but a guaranteed book obviously will have low or no ECL, number one. So some part of our unsecured book will be under the guarantee program, and it will not be an insignificant number to our mind in the next 12 to 24 months. And secondly, as you know, we are building specific buffers for unsecured, which typically will be in line with what the ECL expectation would be. So while we are not very clear in our minds of when the ECL guidelines will come in, we are preparing as a team irrespective of that in a two-pronged manner, wherever there are unsecured loans, we would like to put them under CGTMSE Guarantee Program. And these are obviously small businesses which are Udyam registered. And secondly, we will create buffers so that we are in a way preparing when the time comes for ECL.

Krishnan S. Raman: Can I just please amplify this a little bit? Taking on what Ajay had talked about, unsecured. Currently my provision cover is 80%. And sometime back, and this was slightly dated information, we've done some loss given default calculations based on cumulative recovery. And that number is a lot lower than the 80%. So that's the comfort I wanted to give that definitely on unsecured, I don't anticipate any incremental ECL provision. And on the secured on the other hand, given where we are in terms of provision cover as well as loss given default, again, I don't really see any incremental impact.

Ajay Kanwal: That's very helpful, Raman. So Raman has given a straight answer, Shailesh, which is irrespective of what we are doing, even as you speak, we are well covered for an ECL guideline to come in.

Shailesh Kanani: That's quite helpful, sir. Sir, just one small data point. On the BC book, that is around Rs. 2,189 crore. What is the kind of service guarantee we have or the deposits against that we have, if you can share that?

Ajay Kanwal: See, contractually between 4% to 5%, some are 4%, some are 5%. Some have been used up and some are not, depending on what the delinquency is or other NPA is. I must say that only during COVID was the times where the BC, I think 2 BCs or 3 BCs, I am not sure exact number, but a few BCs had to go beyond the provided service guarantee. We don't think so we are in the environment today where that number would be crossed. That is what, because I must tell you this, we have a specific team in the bank which looks at BCs. And we work with them, we make joint visits to the delinquent customers. We do a QA sampling on all disbursals and we are fairly well engaged with them. We do think that there will not be a moment where they will have to go beyond what they have already given us as deposits.

Moderator: The next question is from the line of Nidhesh from Investec. Please go ahead, sir.

Nidhesh: A couple of data-keeping questions. What is the gross slippage number for the quarter and write-offs in the quarter?

Ajay Kanwal: We just finalized it today. I am not sure we're ready, Nidhesh. Why don't we come back to you on that?

Nidhesh: The second question is on the asset quality on the BC side. What explains the sharp difference between your own book performance versus BC book? It's operating in the same segment of group loans. Your GNPA is around 3%, BC book to GNPA is 8%?

Ajay Kanwal: I think more slow growth, that's my simple answer because I think we were very choosy in what we were doing. I think BC have a single business for them, this business is their sole income generation answer. So I will give you a number. Our March 18 unsecured book was Rs. 8,000 crore more or less. Our March 24 unsecured book was Rs. 10,000 crore. Our BC book in March 24 was Rs. 2,500 crore. So fundamentally, we actually had a negative growth in our microfinance book between March 18 to March 24. Now what that does is we become a bit more choosy, whom we don't give, and you really don't have an urge to grow branches or people or very fast, because that's the real. I think BCs have done that, some of them for sure. I think in some of the geographies, they may have faced the pressure of other lenders. And I also think first quarter was a bit odd. I do think they will all have a much better Q2. We have already seen that as we speak. And you will see a lot more recovery. But listen, the lesson here for us has been and will be that listen, trying to grow unsecured too fast is not a good answer. Doesn't matter how good you are. And remaining within secured ambit is the right answer. There is one answer with Abhilash is ready, which is the gross write-off taken us by us, which means the technical write-off is ~Rs. 50 crore for the first quarter. All I can tell you, Nidhesh, is we are not anxious on the BC book. It only tells us that strategically the right thing to do for us. And given our engagement with them, we don't see any reason for them to go beyond the 4%-5% loss rate. That is very, very unlikely to happen.

Nidhesh: Follow up on BC again, what is the skin in the game or motivation for them once the GNPA crosses 6%-7% and let's say there is no hope of recovery on that. So what is the motivation for them to continue in the business?

Ajay Kanwal: Listen, I will give you our own example even as of first quarter of 2024, we are collecting our provision made in 2016, which is pre demonetization. So first is I don't think so. Any of us believe that a provisioning in microfinance means it's a write-off. And I can assure you that our BCs are sharper than us in this business. And they will make sure that they will recover most of it back. It will be a timing matter. So ourselves collecting Rs. 35 crore on a 7.5% existing book. So I don't think so, BCs are walking away from collections or recoveries. I don't think so they're happy giving up the 4%-5% fixed deposit to us and then saying, okay, battle lost, let me walk away. I think they could recover at least 2%-3% back, maybe not in the next 3 to 6 months, but certainly in the 6 to 12 month range. Remember, this is a core business. So BCs have been with us during COVID, they lost money, but they have continued because that's their only business. And nothing that they did was their challenge. COVID did cause a special challenge for them. They continued after that and we continued with them because they did everything in their part to get it right. The environment didn't help. We do not believe as we speak here that we are negative about a BC business. They've been through a tough quarter. They will fix it. They'll move on. The only thing is for us as a bank, we chose to infringe that part of the book with a 4%-5% deposit, and that has been the right answer for us. And certainly, they have to solve their challenge, and they will. So I don't see a real issue around that.

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

Renish: Just two questions. One is on the MFI book. If we look at, I mean, I am referring to page #9, and when we look at the gross NPA under JLG model is actually amongst the lowest, whether it is compared to Agri or individual. So how do you guys think internally? Does it call for you to reassess your strategy from moving to individual loan to JLG again?

Ajay Kanwal: Our JLG that you see here is really the group loans in the urban centers. And just to take you back into a bit of Jana history, you know, before we began as a bank, we were an urban microfinance institution, that was our only business. What you can see in the group loans here is a nominal portion of that lift. So two things, do we want to grow group model in the urban microfinance space? The answer is no. What we have here is our good customers from the past who have created a batch and we continue supporting them, that's about it. Also to be very clear, I will give you a Bombay example. This is not Bombay City because it is typically a group in a Bombay City slums. This is more the branch in Palghar or this is the branch in Hadapsar, which is outskirts of the city, still classified as urban, but really on the outskirts. So one is do we want to grow microfinance? No. It will be a very small single-digit sensible growth. Urban microfinance group model is a no. Individual loans, like I mentioned, is good performance for us and we will continue doing that. But the overarching strategy, which has been true till 2018, has been that's not a group business. And I do know we are spending a lot of time on this call on microfinance, but it is one of our smaller books.

Renish: And last question on this, the forward flow. I think book level, of course, I mean, July, though we have 10 days to go. But is it fair to assume that July is better in terms of net forward flow as compared to April and June?

Ajay Kanwal: Could be is my answer. We are seeing certainly a better month. So the way we saw it is April, May was the tougher ones. June got better. July got even better.

Renish: Yes, that's what I just wanted to reconfirm that given April and May, the narrative is that the election, heat wave, etc. has impacted the collection. And if one has to go by that logic, then June and July has to be better. So I just wanted to hear it from you guys that the on-ground experience is in that line, right?

Ajay Kanwal: That is correct.

Moderator: Thank you. The next question is from the line of Rajiv Pathak from GeeCee Holdings. Please go ahead, sir.

Rajiv Pathak: First, a very good deposit growth, I think, in this kind of an environment, which was, I think, one of the most satisfying part in this result apart from everything else. Just a couple of questions, I think most of them has been answered. One is on your mix. So will the experience of Q1 in any way change your glide path towards changing the mix of secured and unsecured? That's number one. And number two is on your gross and net NPA, the headline numbers. So while you alluded to all the seasonal and the one-off factors, would it be fair to assume that by the exit of March 25, we will definitely be keeping the net NPA to less than 1%, which is also one of the requirements. But will it be, say, even lower than March 24? Will that be the target that you will be giving to the bank?

Ajay Kanwal: Yes, so the first one, no change in strategy. It's just quarter that we got to address better. So nothing changes for us in terms of moving towards more secured as an organization or within secured the mix. I think on being less than 1%, we are very certain we'll be below 1%. Will we try and be below last year at 0.5%? I mean, there is no target as such. It's more around what we'll see what happens in the book. But certainly below 1% is what will continue to be. So we are still below one, we'll remain below one and no change in strategy really.

Rajiv Pathak: And gross NPA moving closer to those kind of numbers, the earlier numbers?

Ajay Kanwal: Gross NPA should obviously start scaling back a bit. That is what we would expect. Yes, so I think we should take it with that simplicity.

Moderator: The next question is from the line of Rahul Bhangadia, Lucky Investment Managers. Please go ahead.

Rahul Bhangadia: Sir just a question on the secured side of the business, as I see the NPA table, which is on, I think, slide 19. That itself has seen from March quarter to this quarter, a reasonable jump in the NPA side. I don't know if this has been touched before, but if you could help us understand that a lot of time has been spent on the unsecured and the BC side. On the secured side itself, if you could help, the absolute number has gone from 90 to 180 and the gross NPA number has moved from 0.6% to, let's say, 1.1%. Is this a seasonal thing or something else that you would want to kind of explain?

Krishnan S. Raman: This is Raman here. Ajay had talked about this earlier in the discussion about the fact that because of elections, heat wave etc., as far as the secured piece is concerned, the reposition, the

SARFAESI proceedings, the court, all of that were going slow. And that's really one of the contributors to the fact that my GNPA did not come down as rapidly as we would have expected.

Ajay Kanwal: So just to add to what Raman said, listen, the LTV there is 57%. So we have a property which is mortgaged to us, which we can certainly sell if we don't get the money. But we do believe that we'll be less required to do that because we'll see a lot more normalization in this quarter.

Moderator: The next question is from the line of Kunal Shah from Carnelian Capital**.** Please go ahead, sir.

Kunal Shah: Congratulations on the deposit side, or rather the liability side, and the advances growth. Few questions from my side. First thing is, what kind of recoveries we expect in the current year to come back? And what is the technical written off pool if you could help with that number as well?

Ajay Kanwal: So our first quarter run rate recovery is about Rs. 35 crore, right? We would expect that run rate to hold up for this year. Because why I say that is first quarter like you just talked about for the last few questions, wasn't our best quarter in terms of what we did in the gross NPA, net NPA side. So things will only get better from here. So I think it will be safe to say if we did ~Rs. 35 crore in first quarter, we'll do ~Rs. 35 crore or better in the remaining three quarters.

Kunal Shah: Got it, and what about the total pool we have?

Ajay Kanwal: Huge, Yes. We have a pool, like I said, we are also collecting from 2016 onwards. So if I remember right, the total pool would be like closer to between Rs. 3,500 to Rs. 4,000 crore.

Kunal Shah: The second question that I had while a lot has been discussed on the NPA, but this slide that shows existing customers is a percentage of overall. Agri loans has got only 17.1% of basically overall customers as portfolio having of existing customers. How should one basically read that as well? And just one more question to add to it is what is the worst-case scenario you see basically in this overall unsecured piece to go from here?

Ajay Kanwal: Okay, second one is easier, because I think we are already in the worst-case scenario to our head, and I am fairly comfortable to say that to you. Because as you can see between the two things, it's a BC book which is really challenging, not the bank book, and the BC guys are very sharp folks, they will address it. So that is one that I should not expect to get worse from here. It only get better. When you become a bank, you have to open 25% unbanked rural branches. And we were in urban microfinance, and we converted to a bank. So we had to open 25% unbanked rural branches. We used that to grow the rural book. And when we grew these unbanked rural branches, we only get permission to grow them when there is no other bank in that vicinity. We tended to get new to bank customers, which is why you can see in the rural book a lot more new to bank customers, first time customers. And for us, that's a very good thing because fundamentally we believe that low leverage new to bank customers perform a lot better than people who are doing L2, L3, which is cycle two, cycle three, and have more than one lender. Sudhir, you can add it up.

Sudhir Madhavan: The second phase is the Agri loans, the second term borrower is still agri in the group, it is marked as 70%, they can go into individual loans. If you go back to the first slide, you see Agri individual loans, which are coming from the Agri group to the Agri individual loans.

Ajay Kanwal: So Sudhir is explaining that if somebody doesn't want to stay in the group, wants a slightly more larger loan amount, then he raises his hand and goes into individual loan process. As I told you, an individual loan involves a credit process, only then you get an individual loan. Customers who are up for it pass the process, get the individual loan. So I would read first-time borrowers coming into the agri-loan business as a positive. I'd rather have those than customers who are second time, third time. And second time, third time is not so bad. It's more like second time, third time with more than one or two lenders is the problem.

Kunal Shah: Also in the annual report, we have mentioned the total concentration, right? So when I see the concentration of deposits, right? I mean, percentage of deposits of 20 largest depositors to the total deposits of the bank standing at 20.70%, which looks like a little on the higher side. If you could help, I will elaborate a little bit as to how should one read that, what is the nature, would be really helpful?

Ajay Kanwal: Yes, so only thing I can tell you, I don't have the ready answer for that. But there's one slide I do want you to look at, because if you go to slide 13 with me, it says your 96.6% of bulk deposit are non-callable and 90.7% of bulk deposit are one year and above. So if you just take this maths, the largest depositors of the bank would typically have been one year of deposit as a contractual with us, and they would be non-callable in nature. We really don't run a risk of the carpet being pulled off under our feet.

Kunal Shah: That's helpful. Just one more question, if you could help a little bit on this royalty that we are paying to the promoters, right? So, I mean, what is the nature of the same the amount basically that we are paying in the maximum limit?

Ajay Kanwal: If you see the AGM last month. We have renegotiated the branding. See, the Jana brand belongs to the NGO called Jana Urban Foundation, which was really the founder who started the Urban Foundation as well as the various Jana entities. And I must say, over the years, Jana as a bank has been spending on branding, has been really doing a lot of work around enhancing the brand. So we had when we did the first negotiation on the Jana brand, we did say at some point we'll renegotiate because obviously the bank would be a different entity then. So it's been renegotiated. The new contract begins as of first of November 2024. I will give you a very ballpark high level number. So roughly the cost last year of about Rs. 12.2 crore for the brand? Starting 1st November that falls to Rs. 3.81 crore plus GST. So let's say roughly about Rs. 4.5 crore incl GST. That will be a static cost as long as we use the brand. We are not forced to use the brand, so we may decide that we want to change our brand if we find Rs. 4 odd crore too much or if the brand needs a change. And that is something that we already signed up. So yes, we have a Rs. 4 crore which we think is a reasonable asked by the brand to be used. We are not tied in to use the brand. If we ever decide to cut the contract, it certainly would be max payment of till about Rs. 10 odd crore. Now if you think about this practically, there is unlikelihood of any brand change in Jana till we turn Universal. When we turn Universal, we'll anyway have to rebrand. If you do have a mind of to relook at the brand in any way, shape or form, it will be more likely next year. But meanwhile, we've got a good negotiation already signed off and approved by shareholders in place.

Kunal Shah: So basically you're saying that Rs. 12 crore what we have paid in the last year will be restricted and best to about Rs. 10 crore per annum.

Ajay Kanwal: No, sorry. So this year because this contract is till 1st November, so there'll be a say about a Rs. 6- Rs. 7 crore payout. But annual new contract is Rs. 3.81 crores plus GST annually starting Rs. 4.11 crore. But this year what will happen is, you will have 7 months of the old contract and 5 months of new contract. So, altogether this year will be around Rs. 10 odd crore. But starting next year will be 3.81 plus GST. I just want to finish that 3.81 plus GST is forever too now. It will not go for any escalation. That's part of the contract.

Moderator: Thank you. The next question is from the line of Ms.Vibha from FairConnect. Please go ahead.

Vibha: Just a suggestion, the initial analyst asked 5-6 questions, if you could please restrict right in the beginning so that all questions are taken. My questions are again related to asset quality. Your gross NPA percentage last quarter was 7.1% and this quarter it's 1.2%. Is there a large write-off? And similarly, your active customers have gone down from 5.4 to 4.4 million. So again, is it related? That is the first part of my question. And second part is when we see the BC book, you of course have the FLDG 5%, but if you were to see the profile of BCs, can they actually withstand the stress? Have you done profiling of the BCs? Do you do some credit scoring? Is there an external rating available? And across how many BCs is this to Rs. 189 crore spread across? And what is the outlook on eventual losses on this book?

Ajay Kanwal: Very quickly and let me if I miss something you folks can answer. So first thank you for asking the customer question. We put a little note down there, a dormant account which has been closed. And I also written there from next presentation I will do a like for like which is I closed dormant both years and show you. But I didn't want to do that when we began there. So it's actually given there as a note. And even if I did a dormant closure both years, I typically will see a 20 odd percent customer growth. So I think one customer growth is given. This is not a dormant versus non-dormant. So, and on write-off, Abhilash did mention we have taken ~Rs. 50 crore technical write-off in this quarter, there's nothing else there. Third thing is BCs have given me a cash deposit. They don't have to pay me when something goes wrong. I upfront collected when we start doing the business. Fourth, we are in this microfinance business since 2008 and at least this team is actively doing this business since 2018. We know most of the folks whom we have given the BC, they are good in their business, which is why they are our partners. We do have great amount of trust in them. There is stress. We think they are best positioned to address it. And like I've said in the earlier questions, we are not very worried about it. I mean, it is normal that when there is stress, there will be a rise in NPA. And I think we should accept it. We should address it. And there is enough in the P&L to take care of it. So something that we are not anxious about, but something we're watching and working very closely with. And also I must tell you that our original strategy of having a BC book of 8%-9% of our total book was to make sure the bank is de-risked for any small stress on the way. And this is another small stress on the way and absolutely right thing for us to do. And remember to get this small stress out of the way, we didn't have to pay a premium all these years because we were shelling out the percentage of our revenue to these BCs higher than what we would have made as a bank. And that has all come through today because in the time of stress, like I said, the team is still focused on what they need to do in secured etc. and our minds are not getting wavered somewhere else.

Vibha: Okay, so just to put things in perspective, your group loan NPAs have gone down from 7.1% to 1.2% because of the ~Rs. 50 crore write-off, not because of recovery. And on BC book, the comfort is qualitative. They're not externally rated. Your BC partners are not externally rated. Qualitatively, you have comfort in them in managing their business.

Ajay Kanwal: Your second one is absolutely right. The first one is a mix of the two. I wouldn't say that everything is write-off. You would pick up from our presentation what we recover from our group loan customers, not as a specific segment, but I do remember that last year we would have recovered close to about Rs. 200 odd crore. So you should assume that part of the drop is recovery, part of the drop would be a technical write-off.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand over the conference to Mr. Ajay Kanwal for the closing remark.

Ajay Kanwal: Thank you so much. I just want to reiterate a few things which are very, very important. First, to us, it has been a solid quarter, solid in delivering on strategy. Secured asset growth has been 8%. CASA growth has been 9%, unsecured growth has been a negative 1%, which means that we are on track to deliver what we originally began with. There has been a increase in gross NPA, largely driven through the BC book where we have deposits to pay off if they don't get the collections right, where our risk is I would not say zero, but I would think it is a very nominal risk. On the secured side, the first quarter has seen a bit of external event-driven moment where our collections could not be as good as we would have liked. And we do think where we are in this quarter, that will get fixed. While we have a 57% LTV, that is just a safety lever we have for the very end, but we do think customers do love their properties. These are customers who are not doing investment properties. These are affordable housing customers with an Rs. 11-lakh average and a LAP with a Rs. 6.5-lakh average. We are very certain given our past experience, including first quarter last year, where we saw elevated first quarter gross NPA, net NPA, that we will get all this right in the ensuing quarters. With that, I would like to thank all of you. And I assure you that you will continue to get the results that we have put forth in our guidance in future. Thank you so much.

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