



“Bharat Financial Inclusion Limited Conference Call”

March 06, 2017

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Moderator:

Good Day, Ladies and Gentlemen, and Welcome to the Bharat Financial Inclusion Limited 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. MR Rao – MD and CEO of Bharat Financial Inclusion Limited. Thank you and over to you, sir.

Management:

- MR. M R RAO – MD&CEO
- MR. K V RAO – CHIEF OPERATING OFFICER
- MR. VIKAS MUTTOO – EVP. OPERATIONS
- MR. ASHISH DAMANI – CHIEF FINANCIAL OFFICER
- MR. R PRATAP – DEPUTY CHIEF FINANCIAL OFFICER
- MR. ASHISH PIPALIYA – EVP. INVESTOR RELATIONS & NEW INITIATIVES
- MR. SRINIVAS PEDDADA – CHIEF INFORMATION OFFICER

MR Rao:

Thank you. We are giving an update now to be consistent. Post demonetization, we have given an update in November, December and post our board meeting, we have given an update in January. so, we thought it is appropriate to give another update on collections. Demonetization, coupled with the elections, has impacted the repayments as it is noticeable in the presentation that we shared.

Collections Update

Management view is that while the last leg of elections is still going on in U.P, we have seen collections improving, the intensity of the campaign for loan waivers has come down. While interference at the local level might stop, but, it is going to take couple of months for us to get the situation back to normalcy. But, we have seen collections improving day by day in U.P. It is improving in Maharashtra as well and other places.

But this will not be a V-shaped recovery. we see the recoveries happening over a period of next three to four months. Women’s intent to repay the loan is there, but she will not be able to pay us all the arrears at one shot. We are seeing women with four week/eight week arrears coming back to center meetings and paying one installment at a time. So, we anticipate that if she starts attending the center meetings regularly and pays one installment, the loan contract could stretch by four to eight weeks more, so instead of 50 weeks she might end up repaying us in 54 weeks to 58 weeks. Our endeavor together is to make them attend the center meeting and start paying that installments regularly and get the discipline back. We are quite hopeful that bulk of the borrowers would come back. So, while we are seeing recoveries, we know that is going to take a couple of more months for us to get the full control on the operations.

Now that in the next one week, the elections in U.P will also get over, we will be able to get the borrowers to attend the center meetings. We have seen signs in Maharashtra and Karnataka where some of the borrowers in rural centers have not been paying, because they have been advised not to pay. Despite that, few borrowers came forward and made those payments and we see this as a good sign, as we have been repeatedly saying the intent of the borrower is to discharge her liability and you will hardly see any willful defaulters over the period.

Indebtedness of Borrowers

As you would notice in one of our slide, only 3.2% of our borrowers have crossed the Rs. 60,000 limit, so the whole indebtedness from the borrower standpoint of view, at least as far as our borrowers are concerned, it is not as high.

Disbursements and Portfolio Guidance for FY17

Regarding whether there is appetite at the borrower level for further loans, it is quite evident given the fact that, we disbursed ~ Rs. 2,250 crores in January and February. In November and December also, we have articulated that the demand is there at the borrower level and is not being fulfilled by any other alternate financier, be it banks in terms of the SHG lending group or other microfinance companies, and we know that the demand has just got postponed.

Given the fact that our repayments are better than most of our competitors, and significantly better in some states, and the fact that we have healthy draw downs and cash and bank balances, we were able to meet the needs of the borrowers on time, that is how you see a significant increase in disbursements in February as compared to January. The first three days of March also were pretty good and we expect that as against the portfolio guidance of Rs. 8,500 crores for March'17, we are already at Rs. 8,670 crores as on Feb'17. So, we are ahead of the guidance that we gave in January. We expect the March run-rate to be consistent or slightly above the February run-rate and we will be hopefully close to Rs. 9,000 crores of portfolio outstanding by the end of March. We remain confident that we will be able to achieve 50% growth in the next year, given that there is enough demand in this segment. To summarize, collections are improving, albeit at a slow and steady pace, it is going to take couple of months to recover. Demand exists and we can fulfill the demand.

Update on E-KYC and disbursements in Bank Account

We have also started a couple of initiatives in the last two months, especially on the technology side where we are validating customers' credentials through Aadhar i.e. e-KYC. We are getting a credit bureau check done instantly through the Aadhar. This will not only reduce the turnaround time for borrower to avail a loan, but more importantly we are able to authenticate the borrowers' identity with an Aadhar number and biometric device. We have started disbursing into the bank account and by June 30th we would complete the rollout of

this process across all the branches. So, from next year while we have said we will grow at 50% and we also feel that we will be able to grow in a more controlled fashion in terms of risk and directly disbursing into bank accounts.

So, you have the presentation with you.

Thank you for your time. And now we will be open for questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the question-and-answer session. Our first question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Sir, if you can just give a little more detail about the Rs. 306 crores of portfolio where no payment has been received for more than eight weeks, like how much of it is in Maharashtra, in UP and how much of it is because of elections and how much of this do you think should normalize in the coming months?

MR Rao: Demonetization had an impact at the borrower level, some of the borrowers didn't have the cash and therefore defaulted for a week or two. But, non-repayment has been largely since people announced that the government is waiving off the loans. So, if somebody wants to collect your loan amount you need not pay, so on and so forth. So, post the elections, we are communicating to the borrowers that listen there is no loan waiver, Neither the government/RBI has waived the loan, you will be branded as a defaulter forever. So, the Rs. 306 crores is because of motivated non-repayments. Roughly about 60% of that Rs. 306 crores is with Maharashtra, U.P and Karnataka, rest would be spread across all other states.

Digant Haria: And so, keeping in line with our provisioning policy, so ideally it will be this Rs. 306 crores which will be say across the 60-day mark, then we would have to take some kind of provision, 50% of that on this particular number. Is this a right assessment?

MR Rao: Provisioning will be decided after March 31st, and given the special circumstances, the audit committee should weigh in this. So, at the moment, we are seeing improvements in repayment rates in almost all the states. The final provisioning number, whether to take dispensation or not take dispensation will be decided in audit committee meeting and as per our sources, MFIN Association has also approached the RBI asking for additional 90 days dispensation. We are not sure whether RBI will give it or not. Hence, on provisioning, we will take a call only after the March 31st, when the audit committee meets.

Moderator: Thank you. Our next question is from the line of Dhawal Gada from Sundaram Mutual Fund. Please go ahead.

Dhawal Gada: Sir, first question is on the February collections, could you also, since we have passed the month, could you also give some color on the Feb collections for slide 10? Like you have

given for January, it started at 88.5% and went to about 92.4% right now, so where is February starting right now?

Ashish Pipaliya:

For January dues, 88.5% became 92.4% in the month of February. For the month of February, it will be very close to that number, maybe slightly better than what January numbers were. The whole perspective of putting this data for November dues or December dues is to look at the collections with a lag. Obviously, the January numbers would be much lower compared with the three-month lag or a four-month lag numbers. The whole idea is to say that yes customers are paying, they are paying with a lag and that is the reason we look at analyzing numbers with a lag as on February.

Dhawal Gada:

No, the reason I asked it was, if you look at the starting point of the trend, I mean, we started with 91% and then went to 88.8% and then 88.5%, I am saying the due collections, once the collection is outstanding. So I was just trying to understand how that trend is in February month, so where are we starting basically? So eventually if that is there one can understand what the number could be, I mean the eight-week due number could be, so that is the objective.

The second question was on the disbursements, so I think we are almost back to normalized level or maybe slightly below the normalized level of disbursement. Is that a correct assessment or you think... so when do you see the disbursements normalizing for us?

MR Rao:

I think we are better than the pre-demonetization situation. First, there has been a pent up demand of November and December, where we are not able to meet the entire demand of the borrowers, obviously on the account of restrictions to withdraw cash from the banks. The second is, not only us but the rest of the industry is also not being able to disburse. Thanks to our QIP, just before the demonetization and the fact that we have been able to draw down a lot of funds from the banks, we are sitting on good cash balances, which is helping us to meet the demand. So, if you were to ask me the question, in terms of run-rate for disbursements per day we are ahead of what we were before demonetization. We are quite confident that we will be close to the Rs. 9,000 Crs Portfolio Outstanding in March as against the earlier Rs.8,500 Crs , that we expected in January.

Dhawal Gada:

And sorry, just coming back to the collection bit. So, do you see the March end sort of period being, the 4.5% that you highlighted in the red box, do you think that number will be lower or it could be slightly higher in the March, based on the trends that you are seeing at this point?

MR Rao:

It is difficult to predict a number, given the fact that elections are just getting over and we are seeing the first signs of repayment in some pockets, I would draw your attention to the third row from bottom in page 11 of our presentation, portfolio of customers who repaid at least once in last two weeks. About Rs. 241 crores in zero to four weeks, Rs. 119 crores in four to eight weeks and Rs. 76 crores in greater than eight weeks. These are all signs that customers who had defaulted in the past or were asked to default in the past, especially greater than eight



weeks, they are now coming to center meetings and started paying those one or two installments. So this is a good sign, if you will say Rs. 76 crores out of Rs. 380 crores, that is 20% of the customers coming forward and paying despite being in arrears for greater than eight weeks. So, this number will keep going up. But the arrears, you do not expect the customer to come and clear off all our arrears, that arrears will be there. But as long as she is consistently coming and paying some installments, we know that she is back on track, because unlike us she does not have access to saving accounts, she does not have a discipline of saving. So, if she has cash which is not paid as an installment she would have probably spent it. We expect this number to improve, this third row that I was mentioning from the bottom, because now that elections are over and there is nobody motivating them not to attend center meetings and not to pay the installments.

Moderator: Thank you. Our next question is from the line of Yash Zaveri from Alder Capital. Please go ahead.

Yash Zaveri: Sir, of the Rs. 1,350 crores odd that you have disbursed in February, how much would be in UP and Maharashtra?

Ashish Damani: We are just pulling the numbers, we will get back to you.

Ashish Pipaliya: If you have any other question till the time we pull out the number?

Yash Zaveri: Just another data point, if you could tell us PAR-30 at the end of February?

MR Rao: PAR-30 is Rs. 546 Crs.

Ashish Pipaliya: You can see that on slide number 11, less than four to eight weeks is 163 and greater than eight weeks is 383.

Yash Zaveri: And I am sorry, I missed the disbursement number.

Ashish Pipaliya: We will give the disbursement number with the next question.

Moderator: Thank you. Our next question is from the line of Bhavik Dave from Reliance Mutual Fund. Please go ahead.

Bhavik Dave: Sir, I just wanted to understand this 3.2% of your customers who are 60,000 and above indebtedness, how has number moved over a period of last one year, can you give us a texture how has this number moved or has it been in this range for some time?

MR Rao: While disbursing the loan, we are pretty tough and stick to Rs. 60,000 outstanding limit. We go by the two-lender norm rather than the two MFI norm, we are much tighter than the regulation. So, because of which this number is low. So, this analysis is being done at a point in time, we

cannot keep taking that daily. But fact that we have been tighter on our lending norms than everybody else, we will be in the same range probably over the last one year or even two years. There is also a rural vs urban difference, 80% of our portfolio is from rural, unlike 40% of industry, so we have less players vying for the same pie in the rural belt, as against the urban which predominantly the industry is focused on.

Bhavik Dave:

Correct, but sir knowing that our ticket sizes are pretty low as compared to the industry and we are rural, like a customer reaching an indebtedness of Rs. 60,000 and above seems a little out of line because if our ticket is around Rs. 20,000 and the customer is Rs. 60,000 and above, that means he has been lent by more than either two lenders or the second lender is flushing in a lot of money into the customer hands. So that seems a little difficult to digest. And sir, my second question is regarding your disbursements that you have started, so I just wanted to understand that because we were like a little risk averse and we were only disbursing around Rs. 800 crores - Rs. 900 crores every month, what has lead us to quicken our disbursement in February, like is the situation on the ground improving or how is that shaping up?

Ashish Pipaliya:

Yes, before we talk about the disbursement just want to address the question on the 3.2% number. See, what is relevant for a customer and for us is her overall indebtedness at a point in time, irrespective of whether it is 2MFI, 3MFI or 1 MFI. Yes, we have found 3.2% of the customers exceeding the Rs. 60,000 limit, it is a portfolio report which we do at a periodic interval. So, we are not really talking about how many MFIs, it is also relevant but I think indebtedness has more weightage than the 2 MFI, 3MFI or 1 MFI norm.

Ashish Damani:

Basically, the disbursements have primarily two drivers here, one, the cash situation has eased out so, we are able to withdraw money from the banks, barring few pockets there is no challenge. Obviously, our collections in most of the geographies other than the affected geographies, Maharashtra, UP, have started coming back to close to normal, so we have started disbursing there at a normal pace. So, that has been the primary driver. As MR was earlier explaining, there was a pent-up demand in the geographies, wherever repayment was fine, and that has also played into this.

Ashish Pipaliya:

I think someone had a question on Maharashtra and U. P disbursement as a proportion of the enterprise. 12% of February disbursement is in these two states, and more precisely these would be those districts of UP and Maharashtra, where we do not have issues in terms of collection.

Bhavik Dave:

And sir my last question is regarding the disbursement that we have made, are we acquiring new clients or is it like the old good clients where we are disbursing to?

Ashish Damani:

The customer acquisition has started in few pockets, but it is still not very significant, because the focus was on addressing the demonetization challenges that we had. Customer acquisition

has just started and it will pick up in the coming quarters. But these are all the good customers, that have repaid and are waiting for the loans.

Moderator: Thank you. Our next question is from the line of Chinmay Agha from Dhruv Capital. Please go ahead.

Pathik Gandotra: My question was on recovery, as I understand whenever someone pays back old overdue you first apportion to the oldest installment, right, the most overdue installment, right?

Ashish Damani: Yes, that is right, we follow FIFO.

Pathik Gandotra: Correct. So the point is, if November becomes 98.2 already, so just about 1% point more from what your normal is, 1% - 1.5% more from what your normal efficiency is, right? So for December we will go 99, than the January will go, that is how it will happen, right?

Pathik Gandotra: If everybody clears everything in three, four months then you will start, the moment November crosses 99, 99.5 than the January will start increasing, right?

Ashish Damani: Yes, that is right. As a customer, the first overdue will be first addressed. Let's say if a customer has ten installments in overdue bucket, the first installment overdue will be addressed first when he pays one installment.

Pathik Gandotra: So, I understand that, so that is why what you are saying is, the pace at which this is going should get over in two or three months when you should have everything above at least in the 98 numbers, let's say one should reach. Like January December month should also, if I look at the same run-rate it should also reach about 98% in a couple of months?

MR Rao: No, that is exactly what we have been saying. The recovery is not going to happen overnight, it is going to take a while, a few months.

Pathik Gandotra: I am not saying couple of months, I am saying two or three months. I am not saying today or tomorrow, I am saying it will take time, I agree, I am just talking about two or three months.

MR Rao: Yes, or it would take slightly more time, depending on how quickly the customers start coming back to the center meetings.

Pathik Gandotra: Okay. Second question is that, on the disbursement, now March is typically the largest month that you have right, every year? Is that every year the largest month that you have in the year?

Ashish Damani: Disbursements for fourth quarter may be a bigger quarter, that is more from a perspective that whatever branches we normally open in the first, second, third quarters and those will start contributing more towards customer acquisition. But post the demonetization what has

happened is we have slowed down on the customer acquisition, and that would mean this March cannot be related with the previous year's quarter or the month.

Pathik Gandotra: Okay. Thirdly on provisioning, now if you decide to use the dispensation then at the current level you have 90 more days, right, so, you will have almost till June for you to even think of recognizing anything as NPL. Am I correct in my understanding?

Ashish Damani: Yes, so RBI dispensation is given for dues from November and December. And on top of that we have a 60 day policy.

Pathik Gandotra: So, it becomes only 150 days, right?

Ashish Damani: That is right.

Pathik Gandotra: 150 days let's say from January, it will nearly be June, right, May - June it will be there. So you will really say the problem is providing for NPLs only if you have default by May, am I correct, if you use the full dispensation?

Pratap R: Yes, so to address this question specifically, the RBI's dispensation is clearly applicable for dues up to December 31st, so it doesn't apply for any dues from January onwards. I think earlier on the call MR also explained that, there is a representation made by the industry association to the RBI. So, we will wait until March 31st for the numbers to come out then, and based on the situation if dispensation is applicable for later dues also we will apply, otherwise it would not apply for dues from January 1st onwards.

Pathik Gandotra: Okay. The final question was, given that 12% of your disbursements are happening on Aadhar base, the operating cost should fall right, eventually if the whole thing gravitates towards giving it by Aadhar by the cash less fashion then the current level of operating cost should fall materially. Am I correct in my assessment?

MR Rao: Yes and no. So, essentially when we are doing disbursement directly to a bank account, we are eliminating 50% of the cash in the operations. So we are creating more space, we are saving time in the center meeting from the cash counting process which takes roughly five to seven minutes. That translates into efficiency, only then you save cost. This is a work-in-progress that we will keep working on.

Pathik Gandotra: But at some levels the amount of manpower, etc., will reduce, right, given the fact that it is happening cash less? You will stop adding people to the extent to disburse the same amount, because there has to be some benefit tangibly in terms of operating cost because of doing a cash less disbursement, right?

MR Rao: I am not discounting that, the efficiency will take time to kick in. It is not going to happen overnight. It may going to take a few months or sometimes a year for a sangam manager to add

fresh customers, disburse to them, increase the portfolio outstanding that is when you can start translating into efficiencies. Essentially we creating space for efficiencies by eliminating 50% of the cash in the center meetings.

- Pathik Gandotra :** How many centers you are not disbursing anything at all?
- MR Rao:** We are not disbursing to approximately 1,200 centers where we have zero collection since demonetisation.
- Moderator:** Thank you. Our next question is from the line of Ankit Madani from UBS Securities. Please go ahead.
- Ishank:** Hi sir, this is Ishank from UBS. Sir, first question, can you share the number at January end for customers who have not paid at least for the last two months? So basically at the end of February it is 3.6% of loan book, but similar number for January?
- Ishank:** So, at the end of February we have around Rs. 306 crores of portfolio where we have not seen any recovery for last two months. Can we get the same number for January?
- MR Rao:** We do not have the number at the moment.
- Ishank:** Any qualitative number, this number is coming down or it is stable?
- Ashish Pipaliya:** It is certainly coming down. If you see the overdue portfolio, has come down from Rs. 1,096 crs as on Dec 31st 2016 to Rs. 804 Crs as on February 28th, 2017. Hence, even Rs. 306 Crs obviously would be a higher number in January.
- Ishank:** Okay, so any qualitative comment on what could be final write-off on these loans, given our historical experience and our current experience, any guidance that you can give?
- MR Rao:** At this stage it would be difficult for us to give you any possible write-off number as articulated earlier this is a fluid situation we would like to take this call based on March numbers which would be through audit committee deliberation and recommendation
- Ishant:** Okay. And sir last question on this speculation and news flow that we have around potential merger with a bank, now we know that you cannot comment on the specific but can you please outline the pros and cons of such a merger, Bharat Finance is staying as an independent entity versus becoming a bank?
- MR Rao:** No, it is a speculation, why should we get into hypothetical situations.
- Moderator:** Thank you. Our next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.



- Rahul Ranade:** Just was wondering, a little bit of a qualitative comment on this Rs. 306 crores number. So, is it individual customers from a particular group or are these groups defaulting or are these centers defaulting altogether?
- Ashish Damani:** We follow the joint liability model where we don't track the individual collection efficiency till the time we have 100% collection from the group. So there is no one particular trend which we can pick up, It depends on the pockets. Let's say if we are talking about a place like Maharashtra, maybe you are talking about some groups and maybe some centers as well, but when we look at same thing in some other geography it may be some individual customer.
- Rahul Ranade:** So roughly if one were to give a rough number, how many centers are there such that the center as a whole is not paying at all?
- Ashish Damani:** We have approximately 1,200 centers with zero collections on a cumulative basis since demonetisation.
- Rahul Ranade:** And this zero collection is from the month of November, that is post demonetization?
- Ashish Damani:** Pre-demonetization we have collection efficiency of 99.8% so these centers belong to the period after November 10th.
- Moderator:** Thank you. Our next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- Kunal Shah:** So, coming to this question in terms of more than eight weeks overdue, so obviously in terms of a trend when we look at it is December, January, February, total overdue portfolio is actually coming up. But the tilt which is there towards more than eight weeks, that has in fact gone up. So by the end of 31st December this number was Rs. 13 crores odd, and now it is almost like say Rs. 306 crores odd. So, in the January when there was a rising trend, would it have made sense to make some kind of provisioning on this number since obviously on December number it seemed to be much lower but that trend was picking up in January itself and our provisioning in January was hardly Rs. 3 crores - Rs. 4 crores odd.
- MR Rao:** Yes, I mean hindsight is always there.
- Pratap:** As we articulated in in the last earnings presentation that while we had taken the dispensation we would continuously monitor the situation and then take a look at the provisioning if need be in Q4. Also at that point of time the audit committee and the board decided to take the RBI dispensation and made the provisions accordingly. As a follow-up for that we are giving this update.
- Kunal Shah:** Sir, so only thing is maybe in terms of the RBI's dispensation and at that point in time what we highlighted was also like say somewhere around about Rs. 9 crores odd or so. So to that extent



when you look at this, this number seems to be slightly on a higher side in terms of more than four weeks. So, looking at the dispensation amount it seems like okay there does not seem to be too much of a worry and when we look at all the slides in terms of the collection efficiency zero collection center, how should we gauge the trend? So in the previous presentations when we looked at it the things seemed to be okay, the collection efficiency is improving and there was some deterioration out there in January and February and even dispensation number was slightly on a lower side.

Ashish Damani:

Yes, so as we have explained earlier that things are evolving and it will be difficult for us to say how this will play out, and that was the reason. Even today we are saying how things will play out post the election we are not very clear and we will wait for things to play out and then take a call at appropriate time.

Ashish Pipaliya:

Just to add to what Ashish said, referring to slide no. 10. The cumulative collection efficiency as on 28th February is 93.4% which was 92.5% as on 19th January and 91.2% as on 15th December 2016. Look at the November dues as of date, we have collected 98.2% of the money. Things have been improving, the only additional data we have given this time is ageing analysis we are putting buckets for four-weeks, eight-weeks and greater than eight weeks.

We are not trying to conclude here. What we are saying that basically as things improve, as the elections are happening in UP now and in Maharashtra the elections just got over last week, we would need curing time of two to three months before we really say and conclude, this is the sticky number, and something which we would not be able to collect.

As of now the whole efforts, as MR explained, is to look at the customers who have repaid at least once in last two weeks and they do form part of the overdue buckets. That is a significant number, where we see improvement. It is very difficult to conclude today, we are just trying to put ageing analysis at the cutoff date of 28th February.

Kunal Shah:

So maybe highlighting on the slide number ten, we seem to be trekking in the right direction, the only thing was the additional information which came in today. So, now with this kind of dues, and these are particularly again concentrated in few districts of Maharashtra and UP which you highlighted, otherwise the other centers in UP and Maharashtra doing good wherein we are still disbursing. So, in terms of the recovery efforts now this number being slightly on a higher side, what are the changes in the recovery which we are doing particularly for this entire portfolio of Rs. 306 crores, or we are just living in terms of elections just got over so let us wait and watch for another one or two months, or there is really a change at the ground level on the recovery side?

MR Rao:

We have an experienced member services team which is doing a lot of work on the ground. We are doing everything we can at an operational level. Without pointing at any specifics

about the strategy adopted for recoveries. I would highlight that we are following the RBI guidelines very strictly, it is a zero-tolerance policy for us. So, we are doing everything that is permissible under the guideline to recover. I can assure you that we are not sitting and hoping that the situation will improve.

Ashish Pipaliya: And adding to what MR said, our efforts are paying back for example collection efficiency of UP is at ~96% for the month of February, against ~74% from 11th Nov, 2016 till 15th Dec 2016. There has been continuous effort, and need 2-3 months monitoring period.

Moderator: Thank you. Our next question is from the line of Roshan Chutki from ICICI Prudential Asset Management. Please go ahead.

Roshan Chutki: Just firstly on the off balance sheet side if you can talk a little bit about the portfolio ageing and similar analysis that you have done on slide number 11?

Ashish Pipaliya: In Securitisation the hit due to shortfall in collection is immediately taken to P&L which is maximum upto the specified first loss default guarantee for each transaction. So in the month of January the collection efficiency is 93.7% and shortfall is Rs. 8 crs and for the month of February the collection efficiency is 94.3% and shortfall is Rs. 7 crs..

Roshan Chutki: And coming back to slide number 11, just to understand, Rs. 258 crores is the amount that has been due for up to four weeks now, how should we understand it is Rs. 241 crores for us?

MR Rao: Out of Rs. 258 crores Rs. 241 crores belongs to the customers who have repaid at least once in the last two weeks as of 28th February.

Roshan Chutki: So why are we giving so much importance to 4.5% then, shouldn't we be actually looking at Rs. 383 crores upon Rs. 6,879 crores?

MR Rao: So, we are saying out of Rs. 383 crores also Rs. 76 crores is the portfolio of customer who have repaid at least once in last two weeks.

Roshan Chutki: Some are difficult, right?

MR Rao: So we are saying, Rs. 383 crores minus Rs. 76 crores is a Rs. 306 crores

Roshan Chutki: This is a hopeless situation.

Pratap: See, the whole idea of giving these details is to give a perspective on;

A. How is the portfolio ageing?

B. Within each of those buckets how active the customers are in the recent past?

Now we have given very clearly that out of that Rs. 383 crores which is greater than eight weeks, net of customers who repaid at least once in the last two weeks is Rs. 306 crs and that as a percentage to portfolio of Rs. 6,879 crs, is 4.5% that number we have very clearly highlighted. Along with that we have also explained that we expect collections to improve in the next two to three months. Now, the Rs. 76 crores is very important to understand from that perspective because customers who have this much of outstanding have started repaying, though they have not repaid for greater than eight weeks in the past, they have come back and started repaying us in the last two weeks which is a very, very important indicator.

Moderator: Thank you. Our next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: You indicated Rs. 9,000 crores by March 2017, while the figure was Rs. 8,500 crores by 31st December. So we can presume only Rs. 500 crores growth in this quarter?

Ashish Damani: In the month of January we were constrained by limits on cash withdrawals, and the focus was on collections. In January 2017, we guided for closing AUM at Rs. 8,500 crs for Q4FY17. In February post the relaxation on withdrawal limits, the disbursement as percentage to collection rose to 122% vis-à-vis 72% in the month of January. We expect this to improve from here on. So, idea is to just explain that, growth and the demand has not gone anywhere while we assume that the portfolio will be flat for the quarter. It was only administrative challenge that we had, once that is addressed we will go back to the growth for the quarter as well as for the coming financial year.

Ravi Naredi: And have you planned any March 2018 figure, what will be the March 2018 figure?

Ashish Pipaliya: We have guided for ~50% growth in AUM for March 2018, basis AUM as on March 2017.

Moderator: Thank you. Our next question is from the line of Viral Shah from Credit Suisse. Please go ahead.

Sunil Tirumalai: Hi, this is Sunil Tirumalai from Credit Suisse. Sir, just again a couple of clarifications. Slide number 12, I think Ashish explained that basically the shortfall amount, Rs. 15 crores in the first table and about Rs. 28 crores in the second table, that is a straight P&L hit, is it the right understanding?

Ashish Pipaliya: Yes, that is right.

Sunil Tirumalai: So these numbers seem to be much higher than what we have taken as a hit in the December quarter.

Ashish Pipaliya: December quarter if you recollect we have talked about Rs. 20 crores of the hit to the P&L for two months period, November and December. October obviously was a normal month.

- Sunil Tirumalai:** But in January itself, for example, we had about Rs. 25 crores, just for the month of January, Rs. 8 crores plus Rs. 17 crores.
- Ashish Damani:** Managed loans have not been settled and are yet to be booked at a loss in the P&L.
- As mentioned in the slide no. 12, Rs. 17 Crs pertains to managed loans which have not yet been settled, and since we are comparing the impact due to securitization. The comparable number is Rs. 15 Crs vis-à-vis Rs. 19 Crs for Q3FY17.
- Sunil Tirumalai:** So, the accounting there is different?
- Ashish Pipaliya:** In case of Managed loans as agreed with the bank, we settle the overdue cases after 45 days and since we have taken a dispensation of 90 days. we have 135 days to settle from the date of overdue.
- Sunil Tirumalai:** And basically the managed portfolio performance being worse than securitize, it is just a choice of the district where IndusInd Bank chose to have the operations so that is the only reason?
- Ashish Pipaliya:** Yes, so basically about four years back when we started operations as business correspondent we identified branches in Maharashtra and Karnataka. Since collections are affected in Maharashtra which is lower than the enterprise average, that is what is reflected here.
- Moderator:** Thank you. Ladies and Gentlemen, due to time constraints that was our last question. I now hand the conference over to Mr. Ashish Damani, the CFO, for closing comments.
- Ashish Damani:** Thank you for joining the call. I hope we have answered all questions with regard to the numbers that we have provided. If you all have any further questions, obviously Ashish Pipaliya, myself and the rest of the team is available for any follow-up questions that you may have. Thank you.
- Moderator:** Thank you. On behalf of Bharat Financial Inclusion Limited, that concludes today's conference call. Thank you for joining us. And you may disconnect your lines