

CreditAccess Grameen Limited
Covid-19 Status Update - Investor Call
April 03, 2020

Moderator: Ladies and gentlemen good day and welcome to the Investors call of CreditAccess Grameen Limited. We have with us from the management today Mr. Udaya Kumar Hebbbar, Managing Director and CEO, Mr. Diwakar B.R., Director Finance and CFO, Mr. Nilesh Dalvi, VP Investor Relations.

As a reminder, all participant lines will be in the listen-only mode. And there would 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 the touchtone phone. I now hand the conference over to Mr. Udaya Kumar Hebbbar for his opening remarks. Thank you and over to you sir.

Udaya Kumar Hebbbar: Good evening to everyone, thank you for taking your precious time and joining us today for the call. The entire world is currently going through unprecedented difficulties due to COVID-19 pandemic. We wish good health and safety to our stakeholders across the world. In this testing time, it is important for us to keep our stakeholders informed about our preparedness to deal with the current scenario for business continuity measures and ensure your continued trust and support as we navigate through this situation. We have been closely monitoring the COVID-19 situation since early March. Business continuity plan was implemented well in advance and necessary system arrangements were made to enable ‘work from home’ to all employees at head office, region office, regional officers and all controlling officers. While our field operations continued as usual till 20th March, subsequent to national lockdown implemented from 23rd March, we immediately put our field operations on hold to prioritize the safety and well-being of our employees and customers. Strong customer relationships and continued customer connect are the foundation of this business. While we couldn’t conduct centre meetings, our employees continued to maintain regular connect with our customers. On daily basis, we are tracking the wellbeing and safety of 10,000 employees and our customers. As on date there has not been any COVID-19 case reported with our employees or customers. In order to further create awareness, prevention and support to fight COVID-19 our board has approved Rs.5 crore funds under CSR as per latest guidelines of MCA. As on date there has not been any significant impact on the rural economy. Especially in the regions where the company operates. The immediate impact of lockdown has been more severe in urban locations. Based on our historical experience, rural economy has always been more resilient and capable of returning back to normalcy, after natural disasters, extreme disturbances. A larger percentage

of rural population is typically self-sufficient, operating within a particular locality for their livelihood, where the production and consumption is largely local.

Furthermore, various measures announced by the Government of India under food security, economic relief package and aid to the poor and low income households who are our customer base to tide over the temporary difficulties. We have always believed that the resilience of our business model gets tested in difficult times and stronger the business model, faster is the recovery. Over the years we have built a very robust operating model focused on rural markets, with a unique customer centric approach backed by very extensive customer engagement. We have an experienced management teams stable over the last 8-10 years and senior field staff being with us for more than five years, who have successfully navigated through multiple business challenges. We have over 40% of new borrowers being new to credit, 35 to 40% customers being unique to us, and over 70% of customers being with us for more than a year. Our robust business model, strong process and controls and deep customer connect have always enabled us to demonstrate faster recovery after any external disturbance. We are confident to traverse the current situation as well and emerge stronger. In accordance with a loan moratorium guidelines issued by RBI on 27th March, the company has claimed moratorium policy approved by board of directors. The moratorium will be applicable to all existing borrowers across India and will be allowed on all installments falling due between 1st March to 31st May. But the borrowers who have already paid installments after 1st March, required adjustments will be made to meet so that moratorium is applicable for the remaining installments till 1st May.

Our liquidity position continues to remain strong. We have a well-diversified liability profile with more than 46% of borrowings in form of two to six years term loans. Hence the repayment schedule is well spread over long term. On the back of our strong balance sheet and prudent liquidity management, we have successfully financed the purchase of 26% stake in Madura Microfinance in March. From the balance sheet perspective, we shall now be able to consolidate Madura Microfinance. Consolidation of profits will commence from April onwards aiding our overall profitability and return on equity in FY21. We consider this strategic transaction to accrue significant benefits over coming years. We have honored all principal and interest payments till 29th March 2020. We shall observe moratorium on principal repayment starting from 30th March to 31st May. We shall continue to pay interest to our lenders during moratorium period. We have sufficient cash balance of Rs 530 core as on 31st March 2020 to sustain our business operations over a reasonable period of time. We are confident to get continued support from lenders. We shall draw a new borrowings in Q1 and Q2 based on our repayment schedule and future growth plans. We have sufficient capital adequacy to manage our growth in FY21. There is no immediate need for us to raise equity and we shall wait for the market conditions to improve over the coming year. With this brief overview, I would now like to open the forum for question & answer session as well as for any valuable suggestions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Parag Jariwala from White Oak Capital.

Parag Jariwala: My first question is let say, have we done any sensitivity analysis that let us say lockdown extends beyond 15th April, let say 60 days lockdown or 30 days lockdown or 90 days lockdown, then what will be the impact on our portfolio. The related thing is that, are we in touch with our customers and if we can highlight what percentage of our customers are able to generate same cash flow as before or they have been affected by this slowdown. And the second question is, have we got any suggestions from or any indications from our lenders. For the amount due to them, can we also avail the moratorium and say that we will not be able to pay right now. Thank you.

Udaya Kumar Hebbbar: Sensitivity is probably too early at this point of time because we believe that lockdown, maybe three weeks, maybe two weeks more, but still the moratorium policy is till May 31st so there is a long time gap already provided within the regulations in the guidance. And we being very customer centric, we are connected with our customers, so even if the lockdown is extended by one or two weeks, our connect with customers continue to be there over call and we are already in touch with almost every customer. So the customer connect is quite high and we observe that there is no major impact on the income of our customers, as majority of them are rural. At this point of time, when we talk to them, in fact they are quite happy and ready to attend centre meetings. But considering that the entire industry has to work together in time of crises, this moratorium is a part of the entire microfinance sector so that we should not stay far with the hands of somebody else, or a third party intervention to start any collections.

And in terms of liabilities our, by and large the indication so far is our lenders are quite happy to go with the RBI forbearance. So, I think, so far we have got all positive response from our lenders.

Parag Jariwala: And sir are we charging interest to the customers if they want to evaluate the moratorium?

Udaya Kumar Hebbbar: Yes. The interest will be accrued and will be paid by customer. We might reschedule the accrued interest plus principal accordingly over the loan tenor.

Moderator: Thank you. We'll move on to the next question that is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Two questions from my side, given that most of the households that you have lent to will actually have both the husband and the wife working and there has also been a lot of migration back to villages, etc. Anecdotally, based on your conversation with the customers, could you get a sense by how much is the household income down because I would believe that the main member earning capacity would have been impacted significantly. And my second question is, even after the moratorium period is over, how are you preparing for any potential political

interference because the customer might still be vulnerable. So this looks like a very good opportunity for some politicians to kind of interfere. The context I ask is, if you look at let's say the Tamil Nadu government, they have actually gone ahead, and Suo-Moto announced that for the next month lenders will not be able to recover the dues. So it is in that context, that I asked you this question. Thank you very much sir.

Udaya Kumar Hebbar:

Thank you Karthik. From income perspective many of our customers have multiple income sources. One of the income is the casual labor. Our customers majority are in rural. The casual labor also might be still working. The impact would be where the spouse may be working in urban and now probably losing job and going back to home. Actually, this is very less in our type of customers. Our customers are mostly in agri allied activities for local production and consumption. So, there are less chances of income severely getting impacted because of one among them not able to work outside or in urban or in a casual labor space. So, in our anecdotal discussion we got a very few cases, quite few cases where people said we have a difficulty, that is mostly in the urban territory, not in rural territory.

Regarding your second question, our entire industry has taken this stand to allow loan moratorium. The Tamil Nadu government or even Kerala government made an announcement on no collections, because there were few non-micro finance players in the field who are not regulated by either MCA or RBI. There were some collections happening in few places. That is why the government has taken this stand, otherwise it's not a microfinance issue. Since the regulatory forbearance is already there and everybody is working together, we don't see any political interference happening post moratorium.

Karthik Chellappa:

Got it. Very clear sir, just one follow up. In your press release you have mentioned that you have raised about Rs 2181 crores debt in the fourth quarter. In the last 10 days have you managed to access any of your unutilized credit lines or raise any funds, and if so, how much would they be?

Diwakar B.R.:

From 17th March till about 24th March, we actually raised Rs.760 crore. We didn't raise new debt post 24th March because we have stopped disbursements from 23rd of March. So there was no point in drawing money and holding it for the sake of any reason because it does have a cost. So we did raise sufficient money, essentially as part of our business plan requirements and that was sufficient enough for us to continue the operations and that's the way we have been able to manage our liquidity.

Karthik Chellappa:

And what was the cost sir of the Rs 760 crore?

Diwakar B.R.:

The average cost, the simple average cost of this 760 crore is essentially about 8.70%.

Moderator:

Thank you. Sir, we move on to the next question that is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir firstly on the liquidity what is the quantum of liquid money that we have as of 31st March and for how many months that will sustain even as there is no repayment from the customers?

Nidhesh Jain: Yes, so Nidhesh as I told you we did draw the money that was required. You also have to factor that we have made a payment of around Rs 660 crores odd to Madura shareholders for purchasing 76.06% stake. After that we have about Rs 530 crores liquid money that's available with us, all this is in the form of our fixed deposits in current accounts with the bank. So that's readily available with us. So, what we have calculated is that this should be sufficient, and we have also taken a call to service the interest to our lenders. We shall observe moratorium on principal repayments to our lenders. Assuming usual interest payouts and operational expenses, we can comfortably use this cash for the next four to five months.

Nidhesh Jain: Sure sir. And second sir how is the liquidity position at Madura?

Diwakar B.R.: Madura position also is very similar, in terms of the quantum they are obviously one fifth our size and obviously the cash that they hold and the payout that they need to make is also proportionately lower. There are also in similar comfortable situation with regard to liquidity and they do have cash sufficient to carry out their own operations in terms of meeting operational costs, and also making the payments for interest for the next four to five months.

Nidhesh Jain: Sure, any lastly let's say the lock down gets over by the end of April. So, even in the month of May, we will not collect EMI from the customers?

Diwakar B.R.: Yes, the Reserve Bank guidelines very clearly state that the moratorium is up to 31st May. Therefore, we have also, given the same moratorium to our customers, and this is the time that we need to obviously support them. We will be engaging with the customers as we mentioned earlier in terms of communication.

Udaya Kumar Hebbar: It is important that entire industry has to work together in this case, because there is a communication to customers from the regulator, from the TV or a media or a newspaper, about moratorium till 31st. And it's important that why we are holding that position.

Nidhesh Jain: Yes. Because sir how your peers conduct their business that will also have an impact on us because if they start collecting money, we may be left behind?

Udaya Kumar Hebbar: I agree that is why there is an advisory from MCA for all the members on this context.

Moderator: Thank you. The next question is from the line of Prashant Shah from Macquarie. Please go ahead.

Prashant Shah: Just one question from me. Have you engaged with your bank. I think there's some confusion whether banks can give the moratorium to NBFCs or not. There were some circulars or some

FAQ published today that RBI is claiming that banks, NBFCs and MFIs are not eligible for this moratorium. Have you had any conversation with your bankers?

Diwakar B.R.: We did have conversation with our bankers right from the day we sent a request letter. The FAQs were published by Reserve Bank of India on 1st of April, and it specifically pertains to working capital financing cases. As far as CreditAccess Grameen is concerned all of our facilities are by way of term loans from all the banks. And therefore, that particular circular where the clarification has come from RBI, which is with regard to working capital financing is actually not applicable to us. And therefore, all of our loans are essentially eligible to be coming under the RBI guidelines.

Prashant Shah: Okay, that clears it up. And have you availed up this moratorium?

Diwakar B.R.: Yes, we have already applied to our lenders and we have been engaging with our lenders for the last few days. So it's all going on, it's all work in progress in terms of the specificity of moratorium being extended. So as I initially mentioned, there are no issues with regard to this and there's engagement and communication in the bankers has been ongoing.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.

Roshan Chutkey: Do you charge interest also on customers at this point in time during moratorium?

Udaya Kumar Hebbar: Yes, we will accrue the interest

Roshan Chutkey: How will you communicate that to customers?

Udaya Kumar Hebbar: No, while communicating it will be communicated in such a way that the interest portion will be added to the principal or added to the remaining EMI and to the extent remaining EMI will marginally increase while the tenure of the loan will be extended.

Roshan Chutkey: Okay, but what if the customer is able to pay you even during these three months. Wouldn't he be given that choice?

Udaya Kumar Hebbar: Yes, actually now because of the kind of customers, we have to be a bit careful from the communication point of view and the entire industry has to work in together on this. So that is why one common mechanism that there is a moratorium available to you. If somebody wants to pay the entire centre can pay in advance, that is permitted.

Roshan Chutkey: Okay, entire centre has to pay in advance. But are you communicating at this point in time what would be the excess interest that they have to bear going forward if they don't pay for these three months?

Udaya Kumar Hebbar: Once lockdown is over when we meet the customer, a new passbook with new instalment payment schedule and tenor will be given to the customer and we will explain them.

Moderator: Thank you. We'll move on to the next question that is from the line of Antariksha Banerjee from ICICI Mutual Fund. Please go ahead.

Antariksha Banerjee: Post the lockdown is over, will we start centre meetings immediately and if that is the case, what will be our fresh disbursements?

Udaya Kumar Hebbar: Yes, actually we are going to start centre meetings as soon as the lockdown is over, in order to get connected with the customers. As I explained that we also have approved fund for creating awareness and preventive or nutrition based COVID related measures. So, we will have to connect to the customer, we also need to ensure the wellbeing of customers. So, we will continue to do that, in case where there is a need of funding for customers to restart the business, we will support them.

Antariksha Banerjee: So you will disburse for short term support?

Udaya Kumar Hebbar: Yes, possibly. But not the new customers, only for the existing customers.

Antariksha Banerjee: Exactly. And the second thing is, I am saying the essential services are still supposed to be running during this period. So, do you have rough idea of what portion of your customers will still be earning during this period, who are engaged in essential services perhaps?

Udaya Kumar Hebbar: Okay. Our entire rural customers to large extent are still earning. Almost 70, 80% of our customers in this kind of essential businesses. So there is no loss of income for them.

Moderator: Thank you. The next question is from the line of Rahul from Multiples Private Limited. Please go ahead.

Rahul: Sir, wanted to understand if you have done any heat map analysis to understand what are the districts that can be at the highest risk of slippages going forward?

Udaya Kumar Hebbar: We have a district based risk analysis based on the current existing portfolio, existing number of borrowers, number of MFIs or any other data. Related to COVID we have not added to that, because COVID is definitely unprecedented. Otherwise, we always look at the risk at a district level at every point of time even in the normal time.

Rahul: Sorry sir, let me rephrase my question, actually I wanted to understand post COVID now, is there a way to understand which are the areas which are at the highest possibility of slippages going forward, to understand where we should put in more efforts, we should put in less effort selectively?

Diwakar B.R.: I think it is a little early maybe, when the government does the staggered lockdown probably then will have to look at the hot zones from COVID point of view. So, such cases, such district, such location, not necessary entire district, it could be a location. So, those we have to look at but at this point of time we have not yet done that.

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

Renish Bhuva: Sir couple of questions, so one is on that you have mentioned that post this lockdown is opened we will start conducting the centre meetings, but as you rightly mentioned that the communication will be very, very important given the kind of customer base we have to communicate the interest they have to pay and then the tenor will get extended. So, are we like setting up any training centers or how, as an organization we will communicate this to our field staff that is my questions number one?

Udaya Kumar Hebbar: See, our employees are already under training. So it's a continuous process. We have already created the kind of messages to customers, in fact, every day one audio message is going to a customer on how to handle their health and safety of their families. So I'm giving the trend of how it is happening actually. Similarly, employees are trained on how to talk to customers, in terms of not just the collection, but of their family, their surroundings, their friends and their relatives, and their wellbeing. So, we also be sensitive while communicating, while giving the talk to center, the script should be given to the employees when they go there. Every time there is a standard script given to our employees and for your comfort we have more than 60% of our employees being more than one and half year in system so they are already quite trained and well versed with how to manage the customer.

Renish Bhuva: Yes, sir. But this COVID-19 related communication, will be very important and will be first of its kind for most of them. So, I do understand that we'll be following very rigorous training system. But in today's scenario, this communication of COVID-19 related would be very important, right. So have we done any specific arrangement to train our staff let say because we practically have only 15-20 days from the center meeting starting again, so that is my actually worry on that?

Udaya Kumar Hebbar: Okay, so this is more of audio, video messages and the written communication to them it is not that they are going to give any specialized advice, always the system gives message, we will give one side communication to our customer.

Renish Bhuva: Okay. And sir second question is on ticket size. So of broadly speaking at the household level, let's say is the number of customers of CAGL with higher than Rs.50,000 ticket size?

Udaya Kumar Hebbar: From Grameen?

Renish Bhuva: Yes, for us.

Udaya Kumar Hebbar: I think it is about 14% of customers.

Renish Bhuva: Okay. And do you feel sir because of this lockdown this kind of households would be more vulnerable to let say, loss of income not from the essential item but from other income or let say from allied activities or this temporary shutdown of factories, etc?

Udaya Kumar Hebbar: We don't think so, because these are the customers who would be more experienced and having multi income and having higher cash flows or we don't think so.

Moderator: Thank you. We'll move on to the next question that is from the line of Piran Engineer from Motilal Oswal. Please go ahead.

Piran Engineer: I just had a couple of questions firstly now while you said 70-80% of the customer rely on agri related activities that is fine, but there will be other customers who would have had cash problems in this incident and the way your business model works for each customer you have a particular threshold and then you can lend multiple loan comes to that thresholds, but are you looking at revising the thresholds, post this lockdown?

Udaya Kumar Hebbar: See, we are not sure right now, because what we kept the threshold is quite low. So, even the regulator allowed 1.25 lakh, we kept the threshold at 1 lakh only at this point of time and we have not increased the threshold and regulatory threshold because we wanted to be careful in allowing higher outstanding for a customer. But that already, we are in conservative mode so we don't think we will be reducing that limit.

Piran Engineer: Not reducing, increasing I meant?

Udaya Kumar Hebbar: I'm coming there, wherever there is a need for restart of business, they need for some extra money, probably we will still go ahead and give the money but it will be only case by case basis where there is a specific need to a customer. And must say in case of limit which we don't want to do at this point of time.

Piran Engineer: Makes sense. Just to clarify prior to the lockdown, collections were perfect right or did we start seeing some trends in beginning of March itself before the lockdown?

Diwakar B.R.: No, collections were 100% till 21st of March. It was business as usual. We did not see any difference, actually. So just to answer your question straight, the collections were normally till 21st of March.

Piran Engineer: Okay, and sir my last question if I heard you right you said you have got 530 crore of liquidity on the balance sheet and would last for four to five months?

Diwakar B.R.: Yes, please.

Diwakar B.R.: The cash that we have currently is sufficient to pay our interest to our lenders and also meet our operational costs of four to five months. And we have asked moratorium for our lenders currently, which is currently the domestic ones. We do not have anything immediate for the foreign lenders as of now, and therefore we are from that sense comfortable. If at all there is any further lockdown extension or anything we can always look at that point of time, but otherwise what is currently available is sufficient for us for next few months.

Udaya Kumar Hebbar: Actually, now more than 46% of our borrowings are long term nature, which particularly foreign borrowing falls in that. So, there is no immediate payment requirement.

Piran Engineer: Okay. No, but there could have been a borrowing three years back and is maturing right now, it would have been a long time borrowing, but rather just surprised that very less borrowings are coming up with next few months. But anyway, that's okay. I'll get back in the queue. Thanks a lot.

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

Akash L: Are there any undrawn lines standing and so what will be the quantum of these lines?

Diwakar B.R.: As we speak and as year ended, we did have undrawn lines of around Rs 660 crore, which includes few term loans and direct assignment and securitization, which obviously we did not do in the last few days for operational reasons because it needed checking, KYC, people momentum, etc. So we did have undrawn lines as at the end of March and that's what is the figure as on date as well.

Akash L: And when lockdown does lift in whatever manner it does, what are the challenges you all see in resuming operations, so what would be the areas that you all would want to focus on?

Udaya Kumar Hebbar: When the lockdown stops or when we are allowed to move around, I think the first is actually to get the customers together or maybe at a central leader level or the group leader level. We have to meet them. And then we also need to communicate about the next process, new statement, new instalment schedule which we need to train our customer at groups. And we don't have any other challenges actually or operationally because our entire unit or employees are intact because many of them are already either at home near to our office or in our office only because we provide them home arrangement. Except for the new communication about new EMI and new information to them, other than that we don't see any major help.

Akash L: And how would you be or if any change in policy regarding the emergency loans, because I'm assuming you might see a lot more to do?

Udaya Kumar Hebbar: We don't see any requirement to change our policies.

Akash L: And you would still be as open to giving emergency loans as you were earlier. That's what it would mean?

Udaya Kumar Hebbar: That was designed for meeting the need of the customer, I think we must have to, we must continue to honor that requirement of our customer.

Moderator: Thank you. We'll move on to the next question that is from the line of Pratik Chheda from IIFL. Please go ahead.

Abhishek: This is Abhishek. Sir, so just one question on your operating expenses. Can you share how much variability can there be really in the OPEX. How much can you save basically?

Udaya Kumar Hebbar: Our operating cost is quite streamlined Abhishek, there's no major variable, it will be about Rs 30 crore per month. It is quite efficiently managed.

Abhishek: Right sir. And as per your treasury, how much more do you need to borrow in the next, let's say two months. Is there any borrowing requirements at all?

Udaya Kumar Hebbar: Next two months, we don't need any borrowing requirement.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.

Roshan Chutkey: Sir, so far how many centers have accepted to paying up in full during this moratorium period, are there centers at all actually?

Udaya Kumar Hebbar: No, we have given the communication to all that we are not collecting till this period. Anyway right now we are not meeting them.

Roshan Chutkey: But you said if the entire center is willing to pay us in full given that interest?

Udaya Kumar Hebbar: No, right now we have communicated that there won't be the repayment. There will be the repayment holiday till this period. We will reach out to you as the lockdown is over and we will explain you the next step.

Moderator: We'll move on to the next question that is from the line of Krishna Parikh from Sameeksha Capital. Please go ahead.

Krishna Parikh: My question is, can you tell us how much our capital market borrowing is and whether we will continue to pay interest on the capital market borrowings in this period?

Diwakar B.R.: We do not have any capital market borrowings. We never raised any bonds from the capital markets. And even on CP although we are rated A1 Plus we have not raised any amount from

the capital markets. So currently it's nil and therefore the question of servicing or paying interest doesn't arise.

Moderator: Thank you. The next question is from the line of Sridhar Sampath from Water Equity. Please go ahead.

Sridhar Sampath: I have one question because of this lockdown and the consequence of COVID on the borrower's income etc. Of course you talked about the income that more than 70-80% of borrowers are rural and their incomes are not affected. But you must have some idea, about how much of the asset quality downgrade we'll have, from standard to substandard assets and also how much of extra provisioning and write offs you will have. Do you have some idea at this point in time or is it too early to kind of make an assessment on that?

Udaya Kumar Hebbbar: I think it is too early to make this assessment.

Sridhar Sampath: Okay, thank you. My second question is, with regard to this announcement by Tamil Nadu and Kerala. They made this announcement on the 30th or 31st of last month March. And they talked about three month. It wasn't very clear whether those three months started from that date or those three months are coterminous with the RBIs three months moratorium, because if it is not, then?

Udaya Kumar Hebbbar: They've not told any three months actually, they said nobody should connect from the field. Actually, what they said is until further orders, basically local collection, local some non-registered entities are collecting money in some places that is why this order was passed by the government. But it should not actually impact business, it was a temporary order from the government in both case. We don't see that will become a risk anywhere.

Sridhar Sampath: Okay, so you are saying they didn't mention a timeframe because I think newspapers and media carried that report that for three months they will not collect, but possibly that's not there is the order.

Udaya Kumar Hebbbar: The newspapers have not mentioned from when to when, that normally happens. That is where the connectivity and communication system is most important.

Moderator: Thank you. The next question is from the line of Samir Rachh from Nippon India Mutual Fund. Please go ahead.

Samir Rachh: Just one question. Sir what are our leanings from this incident kind of and will it in any way change the way we approach to business in future?

Udaya Kumar Hebbbar: Quite interesting question. So, we have to completely learn this situation. It may not immediately make any changes to the business model, but definitely for a period when I ask the industry or India moving toward cashless, this will actually will move, probably that will

hasten from this point of which would, which would enable you to do the transaction without even meeting for a period of time. I think that will be the next important thing for industry of to move it.

Samir Rachh: So, and sir one follow up on that, will that in any way alter our growth plans say one year down the line once it normalize?

Udaya Kumar Hebbar: No, it won't change actually. Because the relationship will still be very important, but only thing what I said is, for temporary period we can still do the transactions without meeting each other. But otherwise, this business is continued to be the human touch base business in relations to that business. I don't think that part will change, that will be most important for this business.

Samir Rachh: No, what I am asking is that, suppose before this event say we are planning to grow at say 25 to 30%. So, after this event would you want to grow more than what we have been doing?

Udaya Kumar Hebbar: This year, probably we will have 3 quarters to grow.

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

Anubhav Agarwal: So, I just have one question, you mentioned that the Madura acquisition is complete, but do you foresee any delay in the integration in terms of say tech integration or branch rationalization etc. And is there any likely income leakage or adverse P&L effects because of this?

Udaya Kumar Hebbar: We don't see any income leakage or adverse impact because of this merger activity. Merger activity can take little more time because we have to apply to NCLT, we have to get complete approval which will take certain months. In the meantime, we will have to go step by step approach. But I think we have a good plan to do it very efficiently.

Anubhav Agarwal: No, just let me rephrase the question sir. What I meant was is the integration likely to see any delay and do you see any financial impact because of the delay?

Udaya Kumar Hebbar: No, we don't see any financial impact because of if at all any delay there. Both engines continue to run parallel so we won't see any other impacts on the income or profitability.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir during this lockdown phase, what are the key responsibilities for the field officer and the other support staff, what work are they allocated on a continuous basis?

Udaya Kumar Hebbar: See currently, field officers since they cannot go to field, they cannot disburse, they don't have much activity in the office. Their only job is to be connected with customer, create awareness

to customers about the COVID and ensure that their family, customers family are safe. So we provide sufficient inputs from head office, we created the team to develop many messages to customers which employees will personally talk to each customer. From head office to employee, employees to customers, this is seamless at this point of time.

Moderator: Thank you. So next question is from the line of Nikhil Chaudhary from our Akash Ganga Investments. Please go ahead.

Nikhil Chaudhary: Sir my question was with respect to the capital market borrowing since we don't hold any with the recent announcement of RBI in respect of targeted LTROs where the bank has been allowed to support corporate borrowings especially the NBFCs in the primary and secondary market, are we looking at some opportunities because it will open up another line of opportunity where the liquidity will be ample and they might want to support some good corporates with good rating, I was just trying to understand how will it impact if we try to access the capital market borrowing?

Diwakar B.R.: No, we are not planning to avail this facility right now. LTROs are only for the purpose of using a working capital financing and therefore, we don't come under that, neither do we have any plan for it. If at all it's really worthwhile and it's something we may look at it in future but nothing right now.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: With regards to the liquidity which you had mentioned, are you also taking into account incremental top up loans, which you may have to give to a few of your customers?

Udaya Kumar Hebbar: Incremental top up loans will be on case to case basis only to customers who are in difficult situation. It will not require very high funding.

Riddhesh Gandhi: And in the event that we aren't going to be disbursing excessively right now, do you think that could also then ultimately impact our ability to do the collections as well?

Udaya Kumar Hebbar: I don't think we need to link between disbursement and collection. Disbursement, whatever that means in case some customer needed some urgent funds for restart of business, we would look at them. And it's very, very small requirement.

Riddhesh Gandhi: Got it. And as we had look at it and district wise, I know it would be harder to state, but just broadly state wise do we have any states which are of incremental risk, given the occupation of people in that particular state may be higher likelihood of impact than in other states. Or we still have a view on that?

Udaya Kumar Hebbar: No, there's no such specific case with us.

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

Rajesh Ranganathan: Just wanted to clarify something. There's been a lot of questions and doubts in many industries, how we will communicate this moratorium and change in EMI?

Udaya Kumar Hebbar: Interest rate would remain same actually. So basically, we have to go back and tell them what will be the remaining EMI from 1st June onwards what is that they have pay and how long they have to pay.

Rajesh Ranganathan: Yes, it's not a complicated communication?

Udaya Kumar Hebbar: No, they will understand very well.

Rajesh Ranganathan: Yes. And the other question I would like to ask was, somebody asked you earlier as well. Your staff currently have been given the task of communicating with your clients on the phone and so forth. What are you doing for their mental health so that they remain in good shape and ready to go when this whole thing is over, still two weeks to go. So, what efforts are we making on that, because we are responsible for them because they are staying?

Udaya Kumar Hebbar: Actually majority of them are operating from their home, not from our office. Very few who live in different district and where they could not go home, are staying at the branches. They're in our office where the facilities are taken care, everything is taken care but there is probably 40% of them are in our office, otherwise they are in their home. They're operating from home, they are allowed to operate from their home.

Rajesh Ranganathan: So you let them go back home isn't?

Udaya Kumar Hebbar: Yes, because majority employees are operating within their district. Only the employees which who are not in their district, they have difficulty to go back they are in our office. Adjacent to our office we always have a residential accommodation for our employees all the time so that facility is always there. So, they are operating from there.

Rajesh Ranganathan: And how are we tracking their productivity or what they're actually doing is there any sort of system we are using to track back the information?

Udaya Kumar Hebbar: All of them have tabs, they have to login, they have to call the customers. All the information they have to feed how many customers they connected and all. At this point of time beyond that we, there is some other product, this is just for three weeks we should not be worried about productivity we should be much worried about our health, employees health and safety. So just take care of that.

Rajesh Ranganathan: Final question, you'd mention you won't collect in May assuming let's say lockdown is lifted as of May 1st, you won't collect in May. But why wouldn't we disburse in May. If there are centers

which want to take more money, wouldn't we be able to sort of borrow and disperse or we won't do that?

Udaya Kumar Hebbar: Actually, it becomes again a complicated issue because to give the money but there is again a regulatory thing we don't know whether 1st May what I disburse I can collect next week or not, there are some complications yet to be resolved that met with clarity. That is only in case of an emergency that we will take care, but not as a part of full-fledged disbursement we will not open because we need to be seeing the things happening properly step by step. That's one reason we would just not open the entire disbursement from there.

Rajesh Ranganathan: And given that we have some time now on our hands both at the office and at the branch level, are we using this time to clean up some of the systems, some of the technology changes that we were thinking about, can you point out to one or two important projects which you think you are using this time to implement?

Udaya Kumar Hebbar: We are already doing whatever things somebody can sit at home and do. Any project implementation needs people movement, which is difficult at this point of time. What we are trying to do is, our employees for example need to complete certain mandatory training in a financial year, they're actually trying to make all these things complete in this period. So, that they are well equipped before when they start the business, so I am giving one example similarly there are many things we have to do which whatever we can do from backhand, somebody sitting at home, that are enabled and being done. But where we need to travel, go and train physically such cases we have to do only after lockdown is over.

Moderator: Thank you. Ladies and gentlemen, we'll be taking the last question that is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much sir for the opportunity, my question has been answered. Thank you.

Moderator: Okay. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Hebbar for his closing comments.

Udaya Kumar Hebbar: Thank you. I would like to add a few more points before closing this call. We are now placed on a strong foothold along with Madura Microfinance. We have strengthened our leadership with a combined loan book of 12,000 crore worth 14 lakh borrowers and 1300 plus branches as on 31st March. Historically, around 35-40% of our growth comes in first half of the year, and 60-65% growth comes in the second half. This is primarily because we focused on branch and employee additions in the first half and then expanded the branch network generated and expanded branch network generates incremental growth in the second half. Since we had already done 20-25% higher branch addition in FY20. We shall be adding fewer branches in Q1, Q2 of FY21. Hence once the lockdown is revoked, we shall focus our energies on our operations and aim to deliver growth wise ensuring consistent quality. With our strong rural network and

experience employee base, with the resilient operating model, they are confident of touching off in the coming quarter and deliver normal growth in FY21. Thank you for participation, stay home, stay safe. Thank you.

Moderator:

Thank you. Ladies and gentlemen on behalf of CreditAccess Grameen Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.