CreditAccess Grameen Limited
Q2 & H1 FY19 Results Conference Call
October 31, 2018

Moderator: Ladies and gentlemen good day and welcome to the first investor call of CreditAccess Grameen Limited to discuss the Q2 results and H1 FY19. Today we have with us from the management Mr. Udaya Kumar Hebbar – Managing Director and CEO, Mr. Diwakar B.R. – Chief Financial Officer and Mr. Anshul Sharan – Head Strategy and Planning.

As a reminder all participant lines will be in the listen only mode. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Udaya Kumar Hebbar for opening remarks. Thank you and over to you, sir.

Udaya Kumar Hebbar: Good afternoon ladies and gentlemen. Thank you for taking out your precious time and joining our First Investor Conference Call post our listing in August'18 . I would like to specially thank all investors for participating in IPO and further strengthening an institution that has always been dedicated to serving the financially needs of underserved rural population in a very sustainable manner.

Just to address the elephant in the room by giving a quick update on the liquidity position of the company as there are a lot of concerns in the market about the liquidity position of NBFC. I would like to make it clear that we do not face any liquidity concerns given our position of ALM is very positive. Our average maturity of assets is 15 months as compared to average liability maturity of 21 months. We have healthy cash position of 411 Cr. and have ready to draw sanction about Rs 695 crores which can be drawn based on the requirements. All these sanctions are from banks and FIs. We do not have any exposure to commercial paper borrowing nor have we taken borrowing from mutual funds. Approximately only 7% of our current borrowing mix is from some large NBFCs and majority borrowings are on the long-term basis. Other all borrowings are from commercial banks, long-term basis and from FIs. Additionally close to 19% of our borrowing is from international FCI predominantly for three years or more. We have 24 months of positive cash flow and have enough sanctions in place to maintain growth guidance for next 3 to 4 months without any fresh sanctions needed. Hence I would like to reiterate that we are not facing any liquidity issue.

Moving on the operational highlights of Q2 performance; we had a good Q2 FY19 and the results are on the expected lines. On operation front we acquired 2.6 lakh new customers during this quarter, with an increase of 144% on a YOY basis as compared to Q2 previous year.

Our borrower base stands at 28.78 lakh as on September end. This is an increase of 29% on YOY basis when compared to Q2 previous year. Disbursement during the quarter was 1,571 crores with an increase of 31% on a YOY basis when compared to Q2 previous year.

The gross loan portfolio and the end of September '18 is Rs 5,794 crores which is a growth of 47% on YOY basis and compared to Q2 previous year. Our portfolio growth was mainly driven the renewal of loans and new customer acquisition. Our collection efficiency stood at 98.6%, this was 94.49% during the same quarter previous year. We started of operations in the state of Goa, Kerala, Orissa and Union Territory Pondicherry during March '18. We have opened 35 branches in the new geography and already trained employees in place. Already acquired about 3000 customers in this geography and we will continue to service further penetrate and expand these geographies in a calibrated manner.

During FY17 we had commenced a pilot of Retail Finance Business to cater to growing need of graduated microfinance customers. Based on the positive response we started expanding this business from August '17. As of September 18 our retail finance branch network expanded to 46 new locations in Karnataka, Maharashtra and Madhya Pradesh, our portfolio stood at Rs 156 crores which is contributing 2.69 % of our total portfolio. Need to note that this business is a separate business unit with the different set of branches, different set of employees and end-to-end technology enabled operating model. With 100% cash less operations and strong underwriting model we expect this business to grow very steadily.

As a strategy we complete our majority of expansion in the first half of the financial year. During H1 FY19 we have expanded into 24 new districts and opened 140 new branches as compared to 47 branches we opened in the last half year. These branches will be major driver for our current financial year as well as for the future.

Coming to financials; we adopted Ind AS's accounting standard this quarter and our financials have been restated from April 17 onwards to IGAAP to Ind-AS. NII stood at Rs 181.46 crores for Q2 FY19 and has shown a healthy growth of 64% on YOY basis when compared to Q2 FY18. NII for H1 stands at Rs 353.7 crores with the growth of 84% when compared to H1 FY18. PAT as per Ind-AS stood at Rs 73.47 crores for Q2 and has grown a healthy growth of 20.69% YOY basis when compared to Q2 FY18. Important to note that our H1 PAT stood at Rs 145.68 crores as on September '18 as compared to Rs 75 crores as on September '17 which is an increase of 94%. Our marginal cost of borrowing for the quarter stood at 8.9% which is shown a decline of 180 basis points when compared to same quarter of the previous financial year and the same 9.91% for the last 12 months. Our weighted average cost of borrowing for the quarter stood at 9.9% which again has shown a decline of 170 basis points when compared to same quarter previous year. We have maintained a healthy asset growth as of September '18 our GNPA stood at 1% and NNPA is 0.05% which was 5.8% and 0.2% as on September '17. We have provided 1.53% of our gross portfolio under retail methodology.

Our efforts are on for continuously improve efficiency and reduce costs have resulted a gradual decrease of cost to income ratio and operational expenses. Cost to income ratio for Q2 FY19 is 35.7% which is a decrease of 130 bps on YOY basis whereas for H1 the cost to income further down to 34.4% as against 42.2% in H1 18. Our expenses ratio for Q2 is 5.2% which is an increase of 30 basis points on YOY basis and compared to Q2 due to our high implementation cost of over 140 branches in this half year while when you look at the margins for the half year if you look at it is 5.1%. However I would like to mention that 5.2% operational expense ratio is best in the industry.

With this I come to an end of this quarterly update and I open the forum for questions, please feel free to ask any queries. We shall be happy to answer them.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Anand Shah from KDS Trading. Please go ahead.

Anand Shah: Can you just give me a number of new customers that you have added in this quarter?

Udaya Kumar Hebbar: We have added 2.6 lakh of customers in this quarter which is increase of 144% over the same quarter last year.

Anand Shah: Going ahead we are more focused towards the two states of Karnataka and Maharashtra so we are planning to diversify out of those areas going ahead for next 2 to 5 years call if we take?

Udaya Kumar Hebbar: That's the way exactly we have been operating. If you see our new branches are all opened in the new states and new districts which are beyond Karnataka and Maharashtra and our percentage of Karnataka is continuously coming down whereas other states are going up. We are continuing to see this happening over a period of time.

Anand Shah: As we can see your ROA has been around 5% so is there any pressure on that or this will be a sustainable number for next 2 to 5 years?

Udaya Kumar Hebbar: If you look at ROE, ROA were consistently improving since last 3-4 years and we reached that overall 5%. Our business model works in such a way that we should be able to maintain this level of ROA continuously.

Anand Shah: So the ROA and ROE will be sustainable at current levels, right?

Udaya Kumar Hebbar: Should be.

Anand Shah: And the loan growth outlook for the current year remains 40% and 50%, right?

Udaya Kumar Hebbar: Yeah we grown 45% in the last 12 months and we would continue to maintain the similar lines.

Moderator: The next question is from the line of Manav Shah from Arjava Partners.

Manav Shah: What is the percentage of your loans towards farmers?

Udaya Kumar Hebbar: Predominantly microfinance will not cater to the farmers and we are actually working with landless laborers or who are working with the Agri allied activities like animal husbandry or trading. Our exposure to farmer is very less and maybe less than 4% to 5% which is not even the farmer who may be in their backyard growing flowers or vegetables so not the full-time farmers.

Manav Shah: And do you see any lower-level impact or anything like that because of loan waiver?

Udaya Kumar Hebbar: We are not seen such incidents so far in our business and we do not anticipate such incidents.

Manav Shah: Also just to clarify once again so its 45% what you are saying is an exposure towards farmers but not directly but for buying of vegetables etc. all of those things?

Udaya Kumar Hebbar: No, not 45 it is 4% to 5% . So they are not borrowing for the purpose of farming actually. They are borrowing for the purpose of doing some additional income activity hence waiver will not impacting us actually. The farmers are normally a large borrower. They normally do not borrow from microfinance companies.

Moderator: The next question is from the line of Sunesh Khanna from IIFL AMC.

Sunesh Khanna: Just on the ROA you said you have maintained this ROA, for any guidance on cost ratios how they are going to move because our cost were likely to increase as we introduce more technology platforms etc.

Diwakar B.R.: If you look at our model we are again differently propositioned MFI where we have multiple products where we lend in the range of 18% to 21%. So our yield itself are something which are close to 21%-22%. So what happens normally is given the current scenario of the likely costs of finance going up what happens is we have also been reducing our cost of funds on an overall basis so while the marginal cost of fund has been low for this year even if there is some little bit of increase in the next six months because of liquidity constraint we do not really expect any strain on that reflecting in our overall margins. Thereby our ROAs are expected to be same around the position that we are likely to be where we don't see any strain at all.

Sunesh Khanna: And on the OPEX front I wanted to know cost to income have been reducing for us but is it sustainable 34% or its going to go up or come down?

Diwakar B.R.: In fact 35% is at the end of Quarter 2 predominantly traditionally if you look at our costs in the second quarter are generally the highest as compared to the others mainly because we complete our branch expansion and increase in our branches. So typically our cost to income ratio normally falls down after the second quarter so we expect this fall in cost to income ratio to be normatively coming down in due course of time.

Sunesh Khanna: Secondly in the same way some margin pressure have we reduced our lending rates in the last quarter?

Diwakar B.R.: No, our lending rates have been revised from April 1, 2018 wherein we are giving a loan first time, income generation loan at 21%, second and subsequent loans at 19% and the non-income generation loans are lent at 18%. So this is the range at which we are giving which is 18% to 21% and given the ability to manage our rates within the regulatory spread we expect it to comfortably lend at the same rates for the next given six months as well and ensure that the margins are sustained comfortably.

Sunesh Khanna: What was the margin in second quarter?

Diwakar B.R.: Our NII has been around 13.2% and 12.9% so we expect that to be in the same range between 12.8% to 13%.

Sunesh Khanna: 12.9 was this quarter?

Diwakar B.R.: Yes Quarter 2 FY19.

Sunesh Khanna: And 13.2 was last quarter?

Diwakar B.R.: Yes so we expect this range to continue. We don't have any problems at all in terms of maintaining these margins.

Sunesh Khanna: On the competition side there seems to be a higher competitive scenario in MFI space, so how are we placed, what kind of competition we are seeing and are there some players doing any irrational activities if you can just throw some sense on that? And who would be on a like to like basis would be our biggest competitor?

Udaya Kumar Hebbar: We need to look at the business model actually. If you see we have been a most rural penetrated MFI and the competition to that extent we have a lesser competition. Our entire expansion happening in the rural places. That's one important thing. Two, in the potential geography is quite huge there. Even there is some competition we just say that there is a space for coexistence and there is a very strong regulation from RBI and from MFIN. There are enough controls to ensure that too many over lending or too many multi lending will not happen because of the credit bureau is sacrosanct in this business and information to bureau is important. So we do not see such incidents coming into the business territory what we are operating and advantage of working more than 82% in rural which is more advantage compared to the industry to us as well.

Sunesh Khanna: Last year's profits have been restated, can you just throw some light on account of what?

Diwakar B.R.: Last year's profit, one of thing we need to understand here is that this is the transition to Ind-AS so restatement is essentially on account of drawing certain numbers based on the requirements to redraw for such purposes and nothing else.

Sunesh Khanna: I know that's because of Ind-AS but what has led to because it's almost quite a bit of increase so just wanted to know which number has changed so much.

Diwakar B.R.: Last year till now?

Udaya Kumar Hebbar: I think I will tell you. The last year half year we had the profit of Rs 61 crores or so, we restated Rs 75 crores that is the only difference compared to last year to this year based on Ind-AS permutations.

Moderator: The next question is from the line of Sarvanand Vishwanathan from Unifi Capital.

Sarvanand Vishwanathan: If I see your number of clients growth it's been about 27% to 30% range so which clearly shows that many borrowers are moving to third cycle or fourth cycle so you are giving higher quantum of loans to the borrowers. So going forward what would be the volume growth and what will be the growth on account of increase in per ticket size?

Diwakar B.R.: Typically our growth comes from these two factors, one is on your volume growth driven by high level of retention of clients who will seek higher level of loans that's one component. The other one is our confidence of adding clients on a regular basis in new geographies, new districts plus also certain existing geographies where there is enough potential because we are in the rural. So if you break these term typically our growth is assume at 100, 60 will come from volume growth of giving repeat loans or to clients who are retained with us who will seek higher loans and 40 will come from new client growth and out of this 40 about 25 to 30 will come from new clients in new geographies and around 10 to 15 will come from new clients in existing geographies.

Sarvanand Vishwanathan: And what proportion I mean in our current portfolio how much is in fortnightly and how much is in monthly collection?

Udaya Kumar Hebbar: We do not have monthly collection and actually we have either weekly and fortnightly, but predominantly 70% is a weekly collection.

Sarvanand Vishwanathan: 70% is still in weekly collection and in the new branches?

Management: Even in the fortnightly cases the customer still meets on weekly and they pay on a fortnightly basis because from a collection point is a weekly collection point. So we have given options for the customer to choose based on the cash flow as weekly or fortnightly or even the four weekly.

Some customer would have taken based on cash flow taken on four weekly basis also which is very miniscule percentage. So that is what the process point of view.

Sarvanand Vishwanathan: Even in new branches in new states also you are falling such a model because every state might have a different model, right?

Management: Yeah, but we believe that the high connectivity, high-touch is important in micro finance. So all our new branches, new states also follows the same weekly meeting model.

Sarvanand Vishwanathan: Borrower per loan officer what do you think is the optimum level so that even the asset quality is maintained?

Udaya Kumar Hebbar : I think it is very important point. The borrower per loan officer is different way of handling it. Sometime people think the high borrower number will give a high productivity, but we see a different way. The employee should not handle too many borrowers so that they can have a good relation and have touch point that he could connect well. That is important for us to have a highly trusted and retained customers, that is how we look at about 500 to 600, not more than 600 borrowers per employee handling. That is what the way we operated. Currently if you see we are at about 400 because we have opened new fresh 140 branches and we added about 1000 new employees. Average is little low but even in the mature branches we did not see an employee handling more than 600 borrowers. So we want them to be more customer centric, more relationship so that we should actually look at retaining the clients and service them better based on their needs.

Sarvanand Vishwanathan: So this let say even at a 600 that means it will be at least even if I take 8 member JLG as a normal thing it is 8 or 10 or what is the normal range?

Udaya Kumar Hebbar : We have actually built lot of flexibility when it is compared to the industry. Our center could be between 10 to 30 members. Our average size of center is about 18, 19 and the loan officer can easily connect to at least five centers every day, into five days of week, they will be easily connecting about 600 customer that is a simple way.

Sarvanand Vishwanathan: That looks reasonable and in terms of your debt equity what level would you be comfortable and what level your lenders would be comfortable you are very low on debt equity compared to some of your peers?

Diwakar B.R. : That is partly because we have been one company which has been extremely strong in terms of capitalization and also support from the promoters if you look at the last five years of our requirement our promoters CreditAccess Asia based in Amsterdam they have been putting in equity required for the next level of growth every financial year. So therefore our leverage at the end of the year when you really look at it suddenly falls down because of the infusion that would have come through. That said we have a fairly healthy relationship with most lenders.

They have not specified but most lenders are comfortable with CRAR of around 17% to 18%, but we believe is that we would like to maintain 20% CRAR at all points of time which means which translates to a debt equity of 4:1. So we will not exceed this 4:1 at any point of time. Yeah currently the given levels are low because we also raised recently equity through the IPO but going forward that is the level at which we will comfortably be leveraging giving ensuring that the maximum return come back to the shareholders.

Sarvanand Vishwanathan: So on a steady state basis let us say you are able to generate steady state ROA of 5% and if you get to the optimum level of 4 so ROE can move up to 20% levels right?

Diwakar B.R. Exactly.

Sarvanand Vishwanathan: And in last question the retail finance products you handle from the same branches or I mean is it handled by the same team members or new team members?

Udaya Kumar Hebbar : No I think I explained there, this is a different separate business units which will have a separate set of employees, separate set of branch, separate set of process, end-to-end technology so there is no link between these two business actually on the processing point of view, collection point of view and pricing point of view it is completely a different business. So it is in a completely different environment we are operating in.

Sarvanand Vishwanathan: And in terms of bank funding would you prefer term loan or a working capital limit with the banks?

Diwakar B. R. : It is all terms loans, liquidating term in terms of either two years or 18 months mostly two years from the banks and from the other institution of three year plus.

Sarvanand Vishwanathan: So if banks were to offer you term loan as well as working capital limit you would rather prefer a term loan?

Diwakar B.R.: We will take a term loan and we will try to utilize it for our lending purpose and repay it as and when we get the money from the borrowers. We do not really require or we do not prefer a working capital loan.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir my first question revolves around your challenges that you foresee or that your company as a whole can witness given over the next 1 year given the election is around the corner both state as well as the central?

Udaya Kumar Hebbar : So that is not a problem. See elections are happening one or other every point of time. I think we do not need to recalibrate our business because of elections as at any point of time some elections keep happening in the geography where we are operating. , But we never see election impacting our business normally. Maybe it could impact a small time one month growth because of the code of conduct and all those things, but otherwise it will not create any risks. If you ask about the key challenges it is replicating the same quality in every district whichever branch we operate, every geography where we enter. That is where the new challenges basically come. That is why we took the route of contiguous expansion so that we are ablel to operate and replicate our business very well, in a controlled manner in the next district so that penetrate there and go to that districts. And that is why we chosen this type of business model of expanding on the contiguous basis. So key risk is to keeps continuously proactively looking at the business, keep checking the risks everywhere, have a high control environment and replicate in a same model and same culture continuously in all the places where we are operating. And we have been successfully able to do that so far.

Deepak Poddar: My second question this year you have already given guidance of around 52% loan growth and you did mention that you are looking similar kind of growth going forward, so if I have to look at medium term maybe three to four years is this the kind of growth that we would like to maintain so any comments on that would be helpful?

Udaya Kumar Hebbar : I think current year we have grown the business as perguidance and what we have given guidance as based on the past trend actually. If you are looking at the long years probably this will taper down a bit may be between 30% or so and the for next two years current and next year, we see high growth opportunity.

Deepak Poddar: So two years high growth opportunity is when maybe on the medium term to longer term trend a 30% growth is more kind of a sustainable growth that is what you are saying?

Udaya Kumar Hebbar : Yeah.

Moderator: The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.

Nishchint Chawathe: Just two questions one is can you tell us how much of the ECL on balance sheet?

Diwakar B. R. : The way we have looked at it is that we tried to look at having a mix of flow rate methodology, the PD the usual associated numbers which flow from the flow rate and work out the ECL number and we also added a little bit of management overlay to that essentially trying to bring in an element which will take care of certain eventuality because typically the credit quality has been by and large very good for the industry and more so for CreditAccess Grameen. If we really go by that particular credit risk amount then it will come to very limited numbers even given the fact post the demonetization and the one-time hit that we had and the industry had you will still have a very low number. So what we try to do is this is very early days all said and done the skewedness with regard to the numbers is something the way the numbers have been drawn essentially having flown from the model over a period of time that we try to look at the last four, five years of data the movement and see how the flow rates actually evolves and then worked out the overall ECL methodology which is given in the numbers and we had a little bit management overlay not too much but a little bit of it just to ensure that we are also taking cognizance maybe once in a four, five year old hit plus if any issues can come up because typically what happens in our sector as you know is that the portfolio quality is really impeccable there is no problem at all, but if anything otherwise can happen even if it is a little bit sudden then you can see some spikes.

So we believe that we need to work around some level of methodology so that we are prepared for such an eventuality these are the initial days we would like the model to evolve, currently we have said for worked out 1.53% of the overall portfolio as provisions under the ECL methodology which includes a healthy management overlay as well. We expect that going forward this model will get a little bit more robust with more data and more experience and we should be in a better position to look at the trends much more scientifically and we should be around this range comfortably and should not really cause so much of strain on our overall returns.

Nishchint Chawathe: Any breakup if you could share of this 1.53 into how much of it is for stage one, stage two and how much in stage three?

Diwakar B. R. : I think we have given a little bit in our presentation that roughly around 1.13 is for the overall and 40 bps is for the management overlay.

Nishchint Chawathe: And breakup between stage one, two, three?

Diwakar B. R, : Yeah I can share that separately actually.

Nishchint Chawathe: The other thing was if I look at slide 48 of your PPT and this talks about the average ticket size in the portfolio and this has actually gone down between FY18 and Q2 19 from this is I think 27,000 to around 23,000 I am looking at the IGL column so how should we think about this?

Udaya Kumar Hebbar : When we increase our customer base by almost 144% to last year to this year on the same quarter, and new loans normally are of smaller size and the higher size will be basically for the retained customers. So as the number of new customer coming in there is a tendency the average portfolio will come down per customer will come down that is a small change it is not a big change.

Nishchint Chawathe: Ideally more from a medium-term modeling point of view I guess we will obviously be looking at increase in ticket size, so I was just trying to trying to wonder whether it is just one aberration for six month period or is this something that is a kind of a trend?

Udaya Kumar Hebbar : It looks like it remains at that level for next two, three quarters as what we assume.

Nishchint Chawathe: That is around Rs 23,000, 24,000 .

Diwakar B. R. : This particular number you need to look at it little differently compared to other MFIs. I will tell you why because other MFIs have got one product and therefore you will start seeing different trend in terms of whether there is an increase or decrease. Now last year means post demonetization what has happened is what you notice we did not disburse so much of those emergency loans because our last Quarter 3, Quarter 4 of disbursement got pushed to Quarter 1 because of which the overall disbursement appear to have been high. Now with normalcy restored and we are also disbursing our Rs. 1000 emergency loan, Rs. 2000 festival loan and Rs. 5,000 supplemental loan. Our average disbursement have once again seeing to be coming down. So technically the aberration which is there about 18 months back has got corrected and now you will see a normative trend of this disbursement going up. So it is a normalcy restored I would say.

Nishchint Chawathe: And incremental can we say that increase in ticket size sort of comes more from the other products and the ticket size in IGL kind of remains range bound is that the right observation?

Diwakar B.R.: No. What you need to look at is that for retained customers they will be taking multiple products which results in a scenario where the average ticket size for an existing customer actually goes down but for the first time customer who takes IGL actual initial first disbursement should be higher, but when he takes the second disbursement then the overall disbursement amount will be lower and when you take an average between an existing borrower versus new borrower then you will start seeing a trend gradually going up.

Moderator: The next question is from the line of Sandeep Dhingra from Dymon India. Please go ahead.

Sandeep Dhingra: Just couple of questions lot of questions have been answered can you help us understand the profile of your promoter pattern CreditAccess Asia is that a fund structure, is that a company structure and what is their outlook want to keep the current stake that they have or is there a plan for them to reduce the stake overtime?

Diwakar B. R. x: CreditAccess Asia today as we speak is the company however when CreditAccess Asia initially invested in our company in 2009, they invested through two, three funds .At that point of time there were funds. However, in 2014 CreditAccess Asia reverse merged and amalgamated all those funds and formed a company and this company continued to be the shareholder of Grameen Koota and CreditAccess Asia based in Amsterdam while it has got large number of retained shareholders, family offices, high net wroth individuals based in Europe also has in it shareholding Olympus Capital Asia, Asian Development banks and couple of other foundations based in Europe. So their vision is to be a leader in South East Asia and they would like to have presence or stake or entities which are high growth and they had invested couple of companies in India in 2009 one being Grameen Koota and other one Equitas,.They existed Equitas at the time of IPO but in the case of Grameen they continue to invest based on the requirements of the compan's, capital requirement and also in the last four, five years they have actually consolidated their own shareholding by buying the shareholding of other entities who are there with in the set up. For example, Grameen had Aavishkaar Goodwell, it had Incofin Belgium it had Creation Investments. All these entities holding stake , CreditAccess Asia bought over those stakes also. So in this manner CreditAccess Asia as an institution consolidated their shareholding in this company and they have strong entity and with deep pockets and more importantly their horizon is that they do not really look at diluting majorly or moving away from the operating entities, they have operations in Indonesia, they have operations in Philippine and they have obviously operations through Grameen Koota in India and post IPO they hold 80% which is 80.3% they do not have any plans to dilute this , of course regulatorily whatever is required to be done in the next three years they will do so normatively. Beyond this they do not have any plans to dilute they would like to remain invested and they are fixed in this particular entity.

Sandeep Dhingra: Just one more question I think which has been touched upon, but really given what is happening to liquidity in the market the constraint really is on bank line, so what are you doing differently in terms of your funding requirements, are you increasing the number of banks that you work with how are you going about this?

Diwakar B.R.: We are not only on the asset side we are a differentiated entity we are on the liability side also and very differentiated entity. We always believed in diversifying a liability because entire microfinance is more to do with how well you manage your liabilities which is something that we have been strengthening for quite sometimes. For example, if you recall the regulation of RBI says that foreign entities can take subscription to bonds of Indian corporate where the minimum staying requirements in the company books is for three years. Now this is something we started working way back from 2012-13 itself. So today as we speak, we have got about eight entities all Foreign portfolio investors who have either subscribed to our bonds or who have subscribed to debt by way of external commercial borrowing in Indian rupees mind you this is very important to note we are a track free MFI we do not contract any loans in foreign exchange there is no risk or hedging anything on our side. We borrow everything in Indian rupees. So we are in constant touch and relationship with foreign entities who continue to lend to us and who subscribe to our foreign bond. So this is one strategy that we have already got in place and therefore our strategy further is to ensure that our reliance on Indian banks or institutions over a period of time will actually reduce and as our balance sheet size increases we actually will borrow more foreign entities from abroad. This enable a very stable liability rather than being required to raise liability regularly because the repayment are going every month to the bankers because this three year, four year, five year papers ensures that there is a lot of stability of outflow and there is no strain on the balance sheet of the company. We do our business as normal as usual and the effect of liquidity concerns or any volatility that is in the market is very limited compared to on any other entities. So this is our strategy which we are different, this is point number one. The second part is as you ask me about adding lenders.

Yes we do add lenders not only lenders in the Indian context but we also add lenders from foreign countries as well. For example, as and when the deal happens we will anyway keep you posted but we are in talks with couple of foreign entities wherein we will be looking at further long term money. So as and when that happens that adds. It not just a question of liquidity or money for growth that we contract from these entities it is more a stable regimen of liability that we would like to incorporate. So we are in course of doing that as part of our normal strategy and therefore the volatility that is generally associated in the market and consequent issues of liquidity we would like to be as insulated as possible from this and ensures that the business is as usual. So we are concentrating and continuing to work on these strategies and we hope to by end of this March actually you will hear a lot more further strength coming on to our balance sheet by way of further diversification. So we have a very complete strategy in place which we are implementing and you will see the benefit so that in the next couple of quarters.

Moderator: We have the next question is from the line of Apurva Trivedi from Moon Capital. Please go ahead.

Apurva Trivedi: Couple of questions. First just wanted to understand in the last month or so have you received any new sanctions from banks and if you have received those sanctions what has been the pricing differential relating to a sanction you might have received in August?

Diwakar B.R.: We have received two fresh sanctions from two banks incidentally. Yes there is a one is a large sanction from a large banks and the rate differential between August and September is 25 basis point is higher by 25 basis points and the other one is a smaller sanction from another bank where again the interest differential is about 35 basis points compared to the previous sanctions that is the thing we have which I mentioned to you at the beginning of the call that in the short term the marginal cost of funding in this particular next couple of quarter can undergo some change because of the liquidity concerns but we do not have any problem per say with regard to receiving of money, the cost associated with couple of new sanctions maybe 25 to 50 basis points overall higher, but overall cost of borrowing is further still expected to come down at the end of the year.

Apurva Trivedi: And in terms of the growth assuming this current liquidity situation versus another say month or so you do not expect that impacting your sort of 45% to 50% type of a growth rate in anyways you expect that you will be able to sustain that because that is the time when you have liquidity financials for one quarter, but potentially if this situation sustains for longer then what happens?

Diwakar B.R.: Absolutely we do not have any problem even if this current situation of liquidity tightness in the market continues for one quarter we do not see any issue with regard to our growth requirement or growth capital at all. We are already in advanced talks. I mean new sanctions are already on the anvil which are are coming through and they will continue to take care of our growth requirements and we do not have any risk whatsoever with regard to our growth.

Apurva Trivedi: And last question on the PAT guidance for the current year, have you reduced that guidance my understanding was that we were looking at 300 plus but in the presentation I see a slightly lower numbers?

Diwakar B.R.: There has not been any change, but what happen is initially if you reconnect the IPO was supposed to be for about Rs 900 crores the fresh issue. So based on such Rs 900 crore the infusion the PAT was supposed to be around Rs 308 crore. Now that the IPO amount itself was Rs 630 crore the PAT amount has been scaled down to Rs 286 crore so there is no change at all. It is only the differential in terms of the fresh infusion money that is the difference.

Moderator: We have the next question from the line of Dharik Mehta from Roots Ventures. Please go ahead.

Dharik Mehta: Can you elaborate further on your securitization plan hereon?

Diwakar B.R.: So securitization plan is something that we have resorted to in this financial year after having not done in the last financial year mainly because of regulatory clarity on the tax implication of this particular source. Now that is through we have recommenced our securitization with different entities and we will also be doing some direct assignment wherever possible. So this is the route that we follow going forward both direct assignment and securitization and it gives a good cushion for us to diversify our ability to raise money further.

Moderator: Thank you as that was the last question for today's conference. I now hand the conference over to Udaya Kumar Hebbar for closing comments. Thankyou and over to your Sir.

Udaya Kumar Hebbar: Its been a great interaction and we thank you all for joining this first investor call. Thank you and have a good day.

Moderator: Thankyou on behalf of CreditAccess Grameen Limited. We conclude this conference. Thank you for joining us and you may now disconnect your lines.