



“CreditAccess Grameen Limited  
Q4 FY2020 Earnings Conference Call”

June 01, 2020



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*CreditAccess Grameen Limited*  
*June 01, 2020*

**Moderator:** Ladies and gentlemen, good day and welcome to the CreditAccess Grameen Limited's Q4 FY2020 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note this conference is being recorded. I now like to hand the conference over to Mr. Renish Bhuvra from ICICI Securities. Thank you and over to you Sir!

**Renish Bhuvra:** Thanks Vikram. Hello and welcome you all to CreditAccess Grameen's Q4 FY2020 earnings call hosted by ICICI Securities. Today with us, we have CreditAccess Grameen's senior management team represented by MD & CEO Mr. Udaya; Director-Finance and CFO Mr. Diwakar BR, Investor Relations Head Mr. Nilesh. I will now request MD and CEO, Udaya Kumar to take us through the Q4 FY2020 highlights post which we will open the floor for Q&A. Over to you Sir!

**Udaya Kumar Hebbar:** Thank you Renish. Good morning to everyone. I thank you for taking your time and joining us today to discuss our full year and fourth quarter of FY2020 financial performance. We recorded strong business growth in FY2020 with our standalone loan growth portfolio up 38% Y-o-Y to Rs.9896 Crores and borrower base up by 18% Y-o-Y to 29.1 lakh owing to large number of branches opened during the year, which was further augmented by Madura acquisition leading to consolidated loan portfolio growth of 57.6% Y-o-Y to Rs.11996 Crores and 64% Y-o-Y growth in the borrower base to 40.1 lakh. Our consolidated branch network now stands at 1393 branches, which includes 929 Grameen branches and 464 MMFL branches. We have now achieved greater diversification and deeper presence in our end markets. The share of Karnataka further reduced from 34% to 21% in terms of branch network, 46% to 31% in terms of borrowers and 53% to 40% in terms of loan portfolio. Together we are now present in 248 districts compared to 157 districts in the previous year. District penetration has improved to 5.6 branches per district compared to 4.3 branches per district in the prior year. Today around 97% of our districts have portfolio exposure <2% compared to 94% in the prior year. On a combined basis, there is no single district with more than 4% exposure. Further our share of rural borrowers has further improved from 82% to 86%. Leadership position has the largest microfinance company has further been consolidated along with Madura with strong presence in mature markets of Karnataka, Maharashtra and Tamil Nadu. We have in the course of the year spread our presence pan India with the operation in 14 states and 1 union territory. Our expanded branch network, seasoned manpower experienced management team will help us to drive growth over coming years.

Coming to fourth quarter financial performance the net interest income increased by 26.2% Y-o-Y to Rs.286.7 Crores, NIM work stable at 12%, cost to income ratio is stable at 36.7% and opex to GLP ratio at 4.6%. Pre-provision operating profit excluding merger expenses has increased by 22.6% Y-o-Y to Rs.185.7 Crores. Credit cost was Rs 140.7 Crores in Q4 FY2020 which included

additional provision of Rs.82.9 Crores on account of COVID-19 impact, Rs.21.4 Crores on account of impact of external interference in two districts in coastal Karnataka in Q3 FY20 and floods in Southern Maharashtra and Northern Karnataka during Q2 FY20, and remaining Rs.36.4 Crores on account of normal business growth. Overall PAR 30 marginally increased from 1.63% to 1.7% in Q4 FY20. GNPA (60 + dpd) increased from 0.85% to 1.57% on account of movement of affected portfolio from stage 2 to stage 3. Overall ECL provisioning was 2.86% compared to 1.61% in Q3 FY20, including the additional COVID provisioning. Collection efficiency was at 98% for the quarter. For the full year we recorded PAT of Rs 327.5 Crores, ROA of 3.6%, ROE of 12.9%. Excluding the Madura Micro Finance merger transaction cost and additional provisions on account of COVID-19 impact, FY20 PAT would have been Rs.399 Crores.

Briefly talking about FY20 standalone performance of Madura Microfinance (MMFL), loan portfolio was up 13.1% to Rs.2100 Crores, active borrower base was up 26% to 12.15 lakh borrowers. Branch network grew by 30% to 464 and employee base grew by 37% to 3672, net interest income was up by 19.8% to 269 Crores, NIM at 11.9%, cost to income was at 39.5%, opex GLP at 5.5%, which was highly efficient at the present scale of operations. Credit cost of Rs 57.1 Crores during FY2020 included additional Rs 10.2 Crores on account of COVID-19, Rs 15.5 Crores on account of Gaja cyclone impacted portfolio and remaining Rs 31.4 Crores on account of normal business growth. Gaja impacted portfolio has now reduced from Rs 326 Crores in FY2019 to Rs 82 Crores in FY20. GNPA was 1.6% backed by overall ECL provisioning of 2.35%. For the full year Madura Micro Finance recorded PAT of Rs 79.7 Crores, ROA of 3.6%, ROE of 21.9%. FY20 PAT excluding merger transaction cost and COVID-19 related provisions, could have been Rs 92 Crores.

On a consolidated basis since the transaction was completed on March 18, 2020 we could only consolidate MMFL portfolio profit March 18, 2020 to March 31, 2020. However, taking a combined view of full year FY20, proforma consolidated PAT was Rs 407.2 Crores. Excluding the merger transaction costs and additional COVID provisions, proforma consolidated PAT would have been Rs.490.6 Crores with ROA of 4.2% and ROE of 18.4%. We shall see the benefit of 100% consolidation for the full year in FY21 leading to improvement in overall profitability and return ratios. FY21 witnessed COVID-19 pandemic affecting India's micro economic activities and people across all strata. Since our business touches the lives of people at the bottom of the pyramid, we took all necessary measures to ensure well being and safety of our employees and our customers while abiding by all regulatory guidelines. We earmarked Rs.5 Crores funds under CSR to support our community to create awareness about COVID-19, provide support to any impacted families as COVID would be around us for many more months. During the lockdown period, our employees were continuously in touch with our customers and provided support in form of supply of PPE kits, medical kits and grocery kits to local police stations, municipal/Asha workers who have been fighting COVID-19. Our employees also have contributed Rs.53.6 lakh to PM CARES Fund as a token of their solidarity. After standard relaxation of lockdown and microfinance players being allowed to operate, we started our

operations in the permitted manner by reaching out to the borrowers to explain the moratorium, extension of tenure, accrual of interest, etc., apart from taking feedback on economic activities of our borrowers. Borrowers, particularly in non-urban geographies, have given positive feedback that their recurrent activity has been going well for the last three to four weeks and are expected to reach pre-lockdown levels in a short period of time. As on date over 98% of the branches are operational with over 90% staff back at work. We have resumed our regular operations in terms of collections and disbursements from today that is June 1, 2020 onwards. While RBI has allowed extension of moratorium by another three months, we took feedback from our customers in the past 10 to 15 days and over 70% of them are positive about not opting for further moratorium and about 20% of them wanted a few more weeks to start the transactions. This leaves close to 10% of our borrowers who might opt for further moratorium. We are predominantly present in rural markets, which have always displayed strong resilience to external disturbances. Majority of our customers are engaged in essential activities, which have been allowed to function during lockdown and many other activities allowed from April 20, 2020 and May 4, 2020. Further, various relief measures were taken by the government to support people at bottom of the pyramid, which has good support to our customer base also and we believe there will be faster recovery as regards their business activities and economic transactions.

Our near-term focus will be on ensuring healthy liquidity position to support our customers with disbursement to enhance economic activities. All our lenders have been supportive. We have received moratorium from over 60% of our lenders during first phase of moratorium and we are now working with all lenders for further moratorium as well as funding lines during second phase of moratorium. We have raised over Rs 2200 Crores during Q4 at a weighted average cost of 9% interest rate to meet our growth needs. We have drawn about Rs.425 Crores in May from various banks with an average interest rate of 8% and we have another Rs.256 Crores sanctioned lines. Further we are working with various domestic lenders totaling Rs. 1475 Crores and various foreign lenders totaling Rs.457 Crores which we expect to draw down in June, July and August. With all our lenders are supporting us, we are confident of raising funds from domestic and international sources in the coming months to support of our disbursements. With robust operating model, proven execution capabilities, strong customer relationships and strong balance sheet with continued support from lenders we are well-positioned to demonstrate faster recovery and get back on our growth trajectory. With this overview I would now like to open the forum for question and answers. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

**Shreepal Doshi:** Thank you for giving me this opportunity. Sir my question is with regards to our collection efficiency in the month of April and May like I know it would be significantly low, but what will be that number?



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**Udaya Kumar Hebbar:** As I explained earlier during our call last time, we have given complete blanket moratorium till May 31, 2020, so the collection will start from today only. Because we being the rural focused player and economic lockdown for almost sixty days, for many of the customers we thought it is appropriate to give complete moratorium to them, so we have not collected during April and May.

**Shreepal Doshi:** What would be our strategy with the extension of moratorium, will it be same in nature as a blanket moratorium?

**Udaya Kumar Hebbar:** If you heard me in earlier today when we took feedback of our customers in the last 10-15 days almost 70% of our customers' economic position is quite good, they wanted to start payments and about 20% of them may take a couple of weeks time more to start and about 10% of them may want moratorium. We have started collections and disbursements from today, so we expect about 70% of them to start paying. Moratorium will be only on need basis and case-to-case basis.

**Shreepal Doshi:** What has been our experience in explaining customers about this moratorium linked interest cost that they will have to pay, are we seeing any challenge there?

**Udaya Kumar Hebbar:** During this entire lockdown, we had sufficient time to train our employees with examples and FAQs so that they can answer the customer questions very effectively. As we start collections from June, the initial two or three weekly payments will be of accrued interest and then the normal EMI will begin. Customers are aware of this and also of the fact that the loan tenure is rescheduled and extended by the moratorium period.

**Shreepal Doshi:** Okay Sir. Thank you so much Sir. If I have any questions I will come in the queue.

**Moderator:** Thank you ladies and gentlemen. We have next question from the line of Nidhesh from Investec Capital. Please go ahead.

**Nidhesh:** Thanks for the opportunity Sir. On the slide number 23 where we have shown our ALM position we have assumed loan recovery of Rs 745 Crores for the month of June and it also includes our recent interest accrued, so are we expecting entire interest accrued in one go from the customers?

**Udaya Kumar Hebbar:** What we have worked is to first recover the accrued interest so that we will not capitalize the interest and charge further interest, and also from the accounting point of view we will be on safer side. Why we have shown accrued interest is because in the normal static liquidity only the principal collections are shown, but in this case, we have also included the capitalised / accrued interest.

**Nidhesh:** From a customer perspective the EMI will remain same?

**Udaya Kumar Hebbar:** Yes, you are right.

**Nidhesh:** Second question on slide #6 when we are accounting for the business combination, we have added up fair value of customer relationship of around Rs.163 Crores, what is this exactly?

**Diwakar BR:** Basically, we need to ensure that the intangibles are also assessed while we calculate the goodwill from a perspective of what is the residual nature of those intangibles. We need to essentially break up this particular intangible assets in terms of what we acquire, so when we do the fair valuation to estimate the overall value of the assets we need to obviously be in a position to ascertain which portion of this goodwill goes towards what area therefore we have to obviously assign it to certain intangibles and the biggest benefit of our entire Madura transaction has been the fair value of customer relationship. So that is the key component for us and that is a strategic benefit that is available to us on account of the acquisition and which is the significant portion of the goodwill that has come to and that has been clearly explained in the slide \$6 as you can see. The idea here is that the customer relationship with Madura was accrued over a period of years that is something that we will be getting consequent to the transaction, which will accrue significant benefits on account of retention and also the fact that microfinance being our customer centric business where we keep giving repeat loans year-on-year to the good customers and this actually forms the significant strategic benefit of the transaction.

**Nidhesh:** And just lastly from capital standpoint Tier-1 ratio has reduced because of the merger so do you see a need for capital raise in this financial year because our Tier-1 is now coming down to 24%?

**Udaya Kumar Hebbar:** As you know we have a policy of not to allow our capital delinquency below 20%, but we still have a headroom for next three to four quarters. We will reassess the requirement after couple of quarters.

**Nidhesh:** Sure Sir. That is from my side. Thank you.

**Moderator:** Thank you ladies and gentlemen. We have next question from the line of Antariksha Banerjee from ICICI Prudential AMC. Please go ahead.

**Antariksha Banerjee:** Sir two questions from me, in the last call you had told us that post collection resumption, which has happened now we would be open to assign some top-up loans to select customers. So any idea of 70% customers who are willing to not take the second moratorium how many would be given this top-up loans that is number one and the second is I just wanted your view on the entire migrant workers situation so in your geographies or your customer base what is the situation like are people coming in, are people going out to other places of the country is that a significant distortion in your customer base and what are your views around?

**Udaya Kumar Hebbar:** I think your question is whether we are going to start disbursement. Yes we are going to start disbursement to the customers who are prompt in payment. Our estimate is that based on the feedback so far total 70% of them would want to start the payment and start drawing money based on economic needs and we have planned sufficient funding to our customers because it is

important to enhance their economic activity wherever there is a need and based on case-to-case basis we would start disbursement. I think the other part of your question was basically about the movement of people there is no restriction of movement of people between districts, but there are some restrictions in some districts because of the high COVID cases particularly in Maharashtra and some part of Madhya Pradesh and Tamil Nadu so we may not be able to operate immediately in those containment zones at this point of time so that is why there will be a challenge about 10% to 12% of customers in the initial period maybe a month of time so we may have to extend moratorium for them by any chance at this point of time, but we will review it because today we have started operations maybe next one to two weeks time we will get the fair idea of where we will be.

**Antariksha Banerjee:** The first question I was actually asking you told us in the last call that you are willing to give some top-up loans small ticket size for your customers who are good in credit and who might need some handholding for the next two to three months I was just asking that product have you attend customers would be willing to take it?

**Udaya Kumar Hebbar:** Yes, actually if you see we are always a multi-product company, we always provide money based on need. The income generation loan and the additional loan for generation, the consumption loans, the home loans, there are many products available, here there is additional income generating loan at a smaller value is always available to them after six months of their first borrowing so we have relaxed a bit at this point of time I say flexibility about 10000 to 15000 wherever there is a need to a customer we will support them.

**Antariksha Banerjee:** Okay and that is available to every customer who is coming out of moratorium?

**Udaya Kumar Hebbar:** Yes depends on it is available to everybody but when we will be definitely evaluating the need actually one is if they have to be promptly paid and the requirement need to be assessed with the senior people there.

**Antariksha Banerjee:** Sure and the second actually what you told me about the containment zone and stuff I was actually asking about the entire migrant worker problem is it an issue?

**Udaya Kumar Hebbar:** It is not an issue because in our mature market area we do not have a migrant movement issues one, two we are not in urban so that is not bigger issue we are quite limited as you see it is only 10% to 12% and the third one is we only lend to a borrower who has at least two years of stay in a house and the residential proof without that we do not lend at all.

**Antariksha Banerjee:** Okay but people coming into the rural areas who might be in your customer base from other urban sources will that cause problem?

**Udaya Kumar Hebbar:** No it would not affect us because this reverse migration issue is more in the northern part of the country where our current penetration is very low, as we just started our operations last year.

- Antariksha Banerjee:** Okay thank you.
- Moderator:** Thank you. We have the next question is from the line of Pranav Gupta from Aditya Birla Sun Life Insurance. Please go ahead.
- Pranav Gupta:** Two questions firstly now that you know the lockdown is lifted in most parts and things are picking up how do you see the entire center meeting concept evolving because currently obviously conducting a meeting will not be possible and conducting a centre meeting is a big part of how collections are done by MFIs, so how do you see this evolving over a period of time?
- Udaya Kumar Hebbar:** Yes I agree with you that the social distancing factor is very important to maintain when you do the center meeting, so we have an opportunity because we are a weekly meeting company so what we plan to do is meet one-fourth of the members every week so that we do not have more than five people in a center meeting. Over a month's time we will end up meeting all members because of our weekly meeting practice.
- Pranav Gupta:** Sir basically what you are saying is that instead of meeting the customer four times we will just split the group into four and meet them once a month is that fair?
- Udaya Kumar Hebbar:** Let us say assume that there are 10 or 20 members in a centre, five of them will meet in each week they represent everybody so that we will be actually meeting everybody. Fairly it is a good recognition for us if five of us represent everybody and they pay for them and each week we will have access to everybody so with the process because of this concept of limiting our ability to meet everybody and connect with them is a high opportunity.
- Pranav Gupta:** Just in connection with this Sir have we faced in the geography that we are trying to collect from mid May or actually not to collect just and go and meet the customer have we faced any issues in terms of localized or local organization is not allowing our field officers to enter or you know some sort of disruptions in that sense?
- Udaya Kumar Hebbar:** No actually we are not facing any issues first of all because we have not gone and asked for any payments because we were very clear that moratorium was available till May 31, 2020. It was communicated upfront to all customers by call and through audio messages, so our customers were very clear even if our employees have gone there, met them took the feedback, but they know very well that our employees not come there to collect so we did not face any problem anywhere in the country.
- Pranav Gupta:** Alright.
- Moderator:** Thank you very much. We have next question from the line of Akshay Ashok from Dalal & Broacha. Please go ahead.

**Akshay Ashok:** Congratulations on a strong set of results and I just want two questions Sir I did not get your point on your borrowing whether your lenders have offered moratorium, how is that going forward that is one and the GNPA increase is it only because of that problem in coastal Karnataka is it why it has risen to 1.57% this quarter, so these are my only two questions?

**Udaya Kumar Hebbar:** First is moratorium as I told you it is over 60% of the lenders have extended moratorium I think that is clear and we are expecting the typical support from the borrowers upon the lenders going forward because of moratorium 2.0 is yet to implement we have reached out to all the bankers we will eventually get benefits from them. In case of GNPA increase, it is basically due to movement of affected portfolio from stage 2 to stage 3 that means less than 60 days to more than 60 days. There is no movement of delinquency for example DPD 30 days of 1.67% as of December to 1.7% as of now, whereas GNPA 0.85% moved to 1.57%. Since we had already provided sufficiently in December, actual provision made by us for that is only Rs.20 Crores in this quarter.

**Akshay Ashok:** Sir but till February end the RBI told that your loans can continue to remain standard right?

**Udaya Kumar Hebbar:** Whatever the stages as of February 29, 2020 that remains same thereafter; if it is standard it will remain standard if it is 30 days you will get 30 days only till the moratorium completes.

**Akshay Ashok:** The consolidated numbers that you have given include Madura's profit numbers only from March 18, 2020 to March 30, 2020 right?

**Udaya Kumar Hebbar:** Exactly only for 12 days because from the acquiring date only.

**Akshay Ashok:** So you will put the entire Madura financials in FY2021.

**Udaya Kumar Hebbar:** Yes. you can see that that going forward we will get the full year benefit, slide #7 you can get the proforma had it been full year what will be the numbers but the actual numbers are basically for 12 days only because of the acquisition date.

**Moderator:** Thank you Sir. We have next question from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

**Karthik Chellappa:** Yes thank you very much for the opportunity Sir. There are two questions from my side firstly the 10% of the customers who have opted for the full moratorium who are mostly urban what kind of economic activity are they engaged in is there any common thread?

**Udaya Kumar Hebbar:** Okay you said two questions?

**Karthik Chellappa:** Okay the second question is Madura is supposedly 96% rural but when I see the presentation the proportion in the green zone is close to 0% percent most of it is orange and in the red one what would explain that?

**Udaya Kumar Hebbar:** Okay, I will tell you. Firstly, 10% moratorium that is what we said because they may have some difficulty possibly because they might either be in urban locations or possibly in the containment zones where activities have not fully started. Majority activities in urban are the small shops, retail shops, roadside vendors so many of them whose activity is not fully started so that could be one of the reason that they want more time that is our assumption that they may opt for moratorium. Regarding your second question, Madura has larger operations in Tamil Nadu, where in the major districts have more COVID cases, which we consider as orange or red zones in our database, that is why you could see that orange or red maybe 70% of Madura being in Tamil Nadu and 10-12% in Maharashtra, wherever more than hundred cases we treated that as a red or orange zone, that is why it shows that otherwise the portfolio is well spread across rural locations.

**Karthik Chellappa:** Perfect Sir just one follow-up when you said you have commenced collections today is that happening at the centre meeting or you are asking the field officers to go to the borrower's house individually or the borrowers coming to your branch?

**Udaya Kumar Hebbar:** No, collections only happen in centre meeting, centre meetings started from today with the minimum one fourth of the centre members participating, but they will represent all members and pay entire collection.

**Karthik Chellappa:** Okay this is very clear, thank you very much Sir. I wish you and the team all the very best. I will come back in the queue for more questions. Thank you.

**Moderator:** Thank you. We have next question from the line of Apoorv Trivedi from Moon Capital. Please go ahead.

**Apoorv Trivedi:** Sir you mentioned earlier that 60% of the lenders have given you moratorium, could you just help me understand what the remaining 40%, what is the status, what is their expectation?

**Udaya Kumar Hebbar:** Actually about 60% to 65% gave the moratorium, balance we paid during the month. Irrespective of moratorium we paid interest to all our lenders.

**Apoorv Trivedi:** Okay and it seems like you know with the additional challenges in the mutual fund industry and some of the other issues, your dependence on banks for funding is increasing how do you kind of see that changing out over the next two to three years are you comfortable with that increased dependence after this experience or do you think, you would kind of need to diversify funding somehow once things normalize?

**Udaya Kumar Hebbar:** We have never been exposed to mutual fund or capital markets, NBFC exposure also remained at around 2% of borrowing. Dependency on banks is almost 50% so far, only in Q4 it was little high because we drew a large fund from SBI in Q4. Our strategy is to get as much funding from international sources, which we are working on to diversify and have higher proportion of long-term funding. We would eventually reduce the dependency on banks below 50%.

**Diwakar B R:** Our strategy remains the same in terms of our ability to diversify our funding sources, our dependence on one source has never been there and we also never relied on capital markets and also the mutual funds so while this has been stated strategy and we have stuck to the strategy with more emphasis on encouraging our international exposures and borrowing from those sources thanks to our parent and that continues so as far as we are concerned in all the situations including COVID, funding is something that we are constantly getting from our known existing relationships with the domestic banks, FIs and also the other sources from abroad, so there are no challenges that we foresee in terms of our ability to garner funds to continue our growth.

**Apoorv Trivedi:** Thank you.

**Moderator:** Thank you Sir. We have next question from the line of Sandeep Agarwal from Naredi Investment. Please go ahead.

**Sandeep Agarwal:** Sir my question is as per your long-term experience in microfinance industry what is your view regarding the recovery of microfinance industry in next three to four months and how things will pan out in the near future?

**Diwakar B R:** Microfinance industry has always been very resilient if you look at 2010-2011 AP crisis or demonetization in 2016 or the impact of floods and droughts. These people at the bottom of pyramid are much more resilient than what we think, they come back very fast and because microfinance is bread and butter for them that is why we always saw the resiliency in the way they are coming back. If you go back and compare with demonetization where people did not have sufficient funds and their economic activity was down, they still came back and started repayments in two to three months without any moratorium, without any additional support from the government whether in terms of food security or Jan Dhan. The industry lost some money but only in some pockets and not everywhere. In today's case, the customers have not lost their assets, they did lose some economic activity for may be 60 days but they got government support, they got moratorium. Further, even during lockdown, essential activities still continued to function. Since majority of microfinance borrowers are in rural activities and essential activities, there was limited impact on them. COVID will be there for next three, four months we have to watch this space there will be some containments here and there, some red zones here and there to that extent we have to be careful about it other than that in the normal places where there is no COVID impact or containment or red zone everything should be normal in two to three months' time, this is what is our belief. With our management strength, our employees

strength who have been experienced and our product and process, the way we handle the customer centricity, it should help us much better in this situation.

**Sandeep Agarwal:** Okay thank you Sir.

**Moderator:** Thank you. We have next question from the line of Nikhil Walecha from Sundaram Mutual Fund. Please go ahead.

**Nikhil Walecha:** Sir in slide #23 you have given breakup of the loan with a total inflow and outflow I just wanted to understand in the June where you have assumed Rs.750 Crores of recovery what are the underlying assumptions like what is a collection efficiency and amount of EMI that you are collecting in your estimates?

**Udaya Kumar Hebbar:** Nikhil this is the static liquidity which basically comes from the balance sheet. The recovery in the month of June is Rs.744 Crores, which includes about Rs.466 Crores of interest accrued during the moratorium. The total of Rs.744 Crores represents the actual scheduled recoverable for that month. We expect that as far as at least 70% of our customers are willing to pay or do not want moratorium as per the feedback what we have got from last 10 to 15 days so our estimation of the recovery will be more than 70%.

**Nikhil Walecha:** Sir if I assume 70% collection then that would mean based on your total customer base, each customer would have to pay Rs.2500 EMI which is higher than the normal so how will they pay given that you also said that many of the customer required additional support. In your estimate what is EMI collections that you are expecting in June?

**Udaya Kumar Hebbar:** My 70% of our customers pays less than Rs.500 per week that may be Rs.2000 in a month.

**Moderator:** Thank you. We have next question from the line of Pranav Gupta from Aditya Birla Sunlife Insurance. Please go ahead.

**Pranav Gupta:** Sir I wanted to understand one last thing so you said about 60% of your banks give you moratorium whatever discussions with the remaining 40%, they are willing to give moratorium or you know whether they are demanding the payment what is the scenario I just wanted to understand that?

**Udaya Kumar Hebbar:** During moratorium 1.0 which ended on May 31, 2020, we had got moratorium from 60% lenders and remaining we paid them. For moratorium 2.0 which starts from today we have already approached the bankers. We expect a similar support from the banks what they have given in the first part of moratorium. We are in the conversation with them, we expect that to happen.

**Pranav Gupta:** Okay great Sir. Thank you.

- Moderator:** Thank you. We have next question from the line of Rohan from Multi-Act. Please go ahead.
- Rohan:** Sir you said that weekly meetings will start from today and only one-fourth of the borrowers in a group will attend the meeting so now say there are 20 borrowers in a group, five will come for the weekly meeting every week will these 5 borrowers represent the balance 15 and will have to collect the dues from those and give it to our collection officer, how will this revised format work Sir, Sir can you please elaborate?
- Udaya Kumar Hebbar:** Rohan actually we have a process of collecting on a group basis, not individual basis so one-fourth of them who come they would actually collect from the entire center and pay. We followed this process even earlier, where a centre will consist of 2-3 groups and each group will be represented by one person who will collect from the group and pay, normally we do not collect individually, we always collect in a group basis.
- Rohan:** Sir, my question was that there are 20 people in the group pre-COVID how many people used to attend the group meeting out of this 20 and from today how many will attend?
- Udaya Kumar Hebbar:** Sorry, earlier we had about 85% attendance, now we ourselves have told that only one-fourth of them to come along with center leader so that we will be able to maintain the social distancing and manage the center well without any disturbances of the COVID issues so that is why we ourselves informed that they should come in a smaller group representing everybody, that the center can choose who to come in each week that way we work.
- Rohan:** Okay but from all borrowers EMI will be due and collected weekly?
- Udaya Kumar Hebbar:** Yes, exactly but that is based on the choice, about 55% of our borrowers pays weekly, about 38% borrower pays fortnightly about 8% borrower pays on monthly so that every week what is due in that week will come.
- Rohan:** Got it Sir. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Nidhesh from Investec Capital. Please go ahead.
- Nidhesh:** Sir on the Madura what is the moratorium expectation the 70%, 20% kind of number that we are saying for Credit Access what are the similar numbers for Madura?
- Udaya Kumar Hebbar:** It should be by and large same, it may be a little higher actually there because even in April and May we were able to collect some money there, by and large almost 10% we have collected from customers who didn't opt for moratorium even in first lockdown.



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- Nidhesh:** Okay Sir and the static liquidity that you are showing here from a lender's perspective are you expecting any moratorium in June month?
- Udaya Kumar Hebbar:** We expect the similar support what they gave in the first moratorium, 60% of the lenders should be able to give us additional moratorium or additional funding, we are trying to give a choice to them if they can lend further there will not be moratorium, within that we will be able to manage.
- Nidhesh:** Sure and the number that we are showing on a static liquidity we are assuming that almost 60% of the lenders will give us moratorium?
- Udaya Kumar Hebbar:** No. The static liquidity shows actual repayment. If we get moratorium, then the repayment figure will reduce accordingly.
- Moderator:** Thank you Sir. We have next question from the line of Apoorv Trivedi from Moon Capital. Please go ahead.
- Apoorv Trivedi:** Sir the second question I had was just in terms of the recognition of provisions could you give me a sense of how would you do the trade of between recognizing the provisions quickly versus kind of needing to show some profit over the next couple of quarters in terms of not breaching and things like that?
- Udaya Kumar Hebbar:** See by default customers are opting for moratorium if they are not able to pay in this three months, they can take a charge for moratorium that means till August 31, 2020 by regulations the assets position will remain as of March 1, 2020 so after that is a change we need to actually monitor and manage till that period the asset position we cannot change actually by regulation.
- Apoorv Trivedi:** Right but I guess then the question is for let us say for the third and fourth quarter whether you would prefer to recognize provisions quickly or would kind of try to manage?
- Udaya Kumar Hebbar:** Our aim is always to remain conservative in the provisioning as you know we recognize the entire 60 days and we have a higher provisioning in terms of ECL where we always assume that our provisioning is more than GNPA so that we not have that NPA concept basically because we have calculated our ECL taking data from last 10 years including all the eventualities that means we have already incorporated the management overlay comparing the earlier year incidents so that there is availability of cushion to that extent all the time so that is why if you see the last four, five quarters always provisioning is much higher than the GNPA so with this basically in built in our system we would like to continue the same way with the conservative provisioning norms.
- Apoorv Trivedi:** Okay and this new system of kind of meeting having only one-fourth of the customers coming to the center every week would you arrange that in a way that every customer has to meet the loan

officer once in a month or would it probably possible that there is a scenario where some customers actually never see the loan officer for a continuous long period?

**Udaya Kumar Hebbar:** Actually we will normally give a kind of flexibility between the loan officer and the center leader because even before a customer can take leave for 12 weeks in a year so it is not necessarily that they have to come regularly that is why we designed the collection through the group leader not individually so customer appearances is not necessarily compulsory all the time, but it is a flexibility between the center and leaders and the loan officers we do not insist too much on that unless the center is not behaving well and when the center is not behaving well, higher restriction and higher controls are ensured.

**Moderator:** Thank you. We have next question from the line of Abhishek Murarka from IIFL. Please go ahead.

**Abhishek Murarka:** Congratulations on the quarter, pretty good set of numbers. Just had a couple of questions so one thing is just wanted this data your portfolio impacted by coastal Karnataka and Maharashtra issues how much was that?

**Udaya Kumar Hebbar:** Yes I will tell you; actual impact in coastal as well as the surrounding together is about Rs.85 or Rs.90 Crores.

**Udaya Kumar Hebbar:** We have already provided for it. Whatever pending was there in the coastal area it was provided in the Q4, in Maharashtra initial default of almost Rs.127 Crores because of that Maharashtra and Karnataka flood issues eventually as of March 31, 2020 we have overdue only about Rs.39 Crores that also have been already provided.

**Abhishek Murarka:** Okay so between last quarter and this quarter you made Rs.47 Crores provision on these two issues?

**Udaya Kumar Hebbar:** We must have provided around Rs 100 crores on account of these two issues, during last three quarters.

**Abhishek Murarka:** Okay and recoveries are still obviously continuing in this Rs.39 Crores overdue in Maharashtra and whatever Rs.80 odd Crores overdue in Karnataka?

**Udaya Kumar Hebbar:** Yes, if you see in the March itself we have recovered over Rs.6 Crores in coastal but for COVID we could not continue there probably once things are normal we will be to able to recover this, this will probably come back.

**Abhishek Murarka:** Great. Sir second question is this management overlay that you did is it going to change the LGD assumptions going forward for your overall ECL calculation or is it just a onetime addition?

**Udaya Kumar Hebbar:** No, it is actually specific addition for the COVID if you see as I explained it before ECL itself has a management overlay component that is why we always provide more than the GNPA, this is additional for the unprecedented COVID situation, it continues to be additional overlay, LGD would change based on the data continuously maybe 1% here and there because of the averaging of the eight year, nine year when you keep adding for example there is a LGD variation of about 4% we increased because in year FY2019-FY2020 which had extra provisions because of coastal Karnataka and Maharashtra floods so LGD increased by about 4% so that data going up and down based on data will happen to small extent but not a policy level change.

**Abhishek Murarka:** Okay got it Sir. What is the LGD as of now?

**Diwakar B R:** It is around 75%

**Abhishek Murarka:** Sure thank you Sir.

**Moderator:** Thank you very much Sir. Ladies and gentlemen that was the last question and I would like to hand the conference over to Mr. Nilesh for closing comments. Sir over to you!

**Nilesh Dalvi:** Yes, thank you everyone for attending the call. In case of any further questions you can get in touch with us, you can write to us at [nilesh.dalvi@grameenkoota.org](mailto:nilesh.dalvi@grameenkoota.org). Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.