“Suryoday Small Finance Bank Limited

Q3 & 9M FY25 Earnings Conference Call”

January 24, 2025

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Suryoday Small Finance Bank Limited
Q3 & 9M FY25 Earnings Conference Call
January 24th, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Suryoday Small Finance Bank Q3 & 9M FY25 Earnings Conference Call hosted by Arihant Capital Markets 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 star then zero on your touch-tone phone.

I now hand the conference over to Mr. Harshit Jain from Arihant Capital Markets Limited. Thank you, and over to you, Mr. Harshit Jain.

Harshit Jain: Thank you. Hello. Good morning, everyone. Welcome you to Suryoday Small Finance Bank Q3 and 9M FY25 Earnings Con Call. On behalf of Arihant Capital Markets Limited, I would like to thank the management of Suryoday for giving us this opportunity to host this call.

Today, we have with us the entire top management team of Suryoday Small Finance Bank, represented by Mr. Baskar Babu Ramachandran, MD and CEO. Mr. Hemant Shah, Executive Director; Mr. Kanishka Chaudhary, CFO; and Mr. Himadri Das, IR Head. I will now hand over the call to Mr. Baskar Babu for his opening remarks. And then we will open the floor for Q&A. Over to you sir.

Baskar Babu: Thank you, Harshit. Good morning, everyone, and thank you for joining us for Suryoday Small Finance Bank's Q3 and 9M FY25 Earnings Conference Call. We appreciate your time and interest today. I, along with my team, wish everyone a very Happy New Year. I hope you have had a chance to review our financial results and the investor presentation, both of which are available on our website and on the stock exchanges.

The quarter has been marked by slower consumer demand, moderation in the growth of unsecured loans and continued challenges to growth in deposit with December quarter witnessing one of the slowest growth in deposits at the sector level.

RBI brought down the cash reserve ratio to aid liquidity. Loan growth continued to be higher than the deposit growth. There is an expectation that there is a rate cut in the near future that will support the growth of loan books for the banks next year. The microfinance sector guided by its SRO, MFIN has initiated systemic changes to address concern about elevated stress in the sector. It has come out with revised credit, Guardrails 2.0, expected to go live in April 2025. That is expected to address the concerns about overleverage, resulting in moderate growth, but leading to a more sustainable microfinance sector.

On our bank's update, our deposit franchise continued to grow at the expected pace with year-on-year growth of about 50% and QoQ growth of about 10%. This is primarily on account of sourcing of deposits through digital channel, which is now garnering approximately INR 2.5 Cr of deposits per day. Our focus has always been to build a retail granular deposit franchise and the retail products, including CASA stood at 81% as of December 2024. Our CASA ratio as of December has improved from 17.9% in the previous quarter to 19.5% as of December end.

On the Advances front, the Wheel business leads the growth in the retail asset segment with about 80% year-on-year growth and 14% on a QoQ basis. With less than 1% GNPA, the portfolio has demonstrated resilient asset quality. The mortgage business has also grown about 43% YoY and 8% on a QoQ basis. In the Inclusive Finance segment, given the market scenario, we have been cautious and have moderated the disbursements during the quarter. As we have stated in the past, in the areas that we operate, we have seen a behavioral shift in the group lending with most customers preferring to deal with the lender individually, which led the bank to start the Vikas loans that are individual loans for the graduating group loan customers.

We continue to cover our eligible portfolio under the CGFMU scheme to mitigate risk. This coverage was taken as part of prudent risk management practices. We are focused on improving the key metrics in our inclusive finance business with specific focus on collections and the current trends are encouraging.

We are confident of delivering our revised guidance in the current quarter. We, as an institution, believe in digital innovation to cater to the changing needs of our customers. As a consequence, we have launched Dhanashree, our MSME product, which is completely digital, primarily to cater to our inclusive finance customer segment and other small business segments. We also launched the Double Joy Deposits, which is a long-term guaranteed return deposit program during the quarter.

Let me now provide an overview of Suryoday's performance for Q3 and 9M FY25. Our gross advances stood at INR 9,563 Cr, which is a YoY increase of 25.8% compared to INR7,600 Cr. The disbursements were at INR 4,888 Cr, up 6.7% from INR 4,580 Cr in the corresponding period last year. Disbursements remained strong across all segments, particularly in the wheels and mortgages. Notably, the wheels and mortgage business disbursements reached INR 1,300 Cr, an increase of approximately 40% from INR 931 Cr.

Our deposit base has also expanded and stood at INR 9,708 Cr, which is 49.7% increase from INR 6,483 Cr. The share of retail deposits now stands at 81.2% as of December 2024 compared to 82.5% a year earlier. Also, our CASA has improved to 19.5%, up from 18.5% YoY. Our current bucket collection efficiency with one EMI capped stood at 97.9%. Our gross NPA currently stands at 5.5% as of December 2024. The net NPA is at 3.1%.

The GNPA of 2.6% and NNPA of less than 0.1% is adjusted for expected CGFMU claim to be made in FY26. Now let's move on to our financial performance. Our total income increased by 20.4% YoY, rising from INR 846.1 Cr to INR 1,018.6 Cr. Our net interest income or NII increased by 24.6%, moving from INR 691.5 Cr to INR 861.5 Cr. The pre-provision operating profit increased by 5.2% from INR 325.6 Cr to INR 342.6 Cr on a YoY basis.

Our cost of funds currently stand at 7.7%, up from 7.3% in the corresponding period. The cost-to-income ratio was 66.4%, slightly higher than 61.5%. Profit after tax decreased by 41% YoY from INR 155.1 Cr to INR 148.7 Cr. We continue to maintain a healthy capital position with a capital adequacy ratio of 26.9% with Tier 1 capital at 25.3% and Tier 2 capital at 1.6%, well above the regulatory requirement of 15%. Our customer base has grown to around 3.3 million as of December 2024 compared to around 2.6 million in December 2023, marking a 26% increase.

On the deposit front, we have invested in digital banking infrastructure, which helps us to source digital deposits through various platforms. We continue to focus on widening our reach by adding new branches each year. Our Smart Banking Outlets are present in certain micro markets. These SBOs are customer touch points, which offer all banking services but have a focused target segment within 2-kilometer areas.

Developments in the product portfolio, we launched Double Joy Deposits, where the investment is for 11 years and receive double the amount for the same duration thereafter. Also, our new launch of MSME loans under Dhanashree brand offers unsecured business loans using our in-house business rule engines with sanctions granted in minutes and sourced directly by our teams. We remain committed to deliver better performance across all business performance parameters. I now hand it over to the moderator to begin the question-and-answer session. Thank you.

Moderator: Thank you very much. The first question is from the line of Abhay Kulkarni from Candour Asset Management. Please go ahead.

Abhay Kulkarni: I have a couple of questions. So our thesis was that the individual book will do better than the JLG, but that doesn't seem to be happening. Could you just throw some color on that?

Baskar Babu: There is a substantial gap in terms of the performance of group loans much better than it was a JLG. While it has also kind of deteriorated on a comparative basis, still the performance is much better than the JLG. Including on the recovery front, even once the slippage happens, the ability to reach out to the customer one-on-one and collect remains high. While the delinquency went up, the focus in terms of individual customers one-on-one has marginally diminished, which we are now putting a collection force specifically for Vikas loan customers. We do think that continue -- will continue to be performed much better than JLG, adjusted for aberrations, which has happened in the last quarter.

Abhay Kulkarni: Okay. Sir, our guidance for last quarter and our performance this quarter, there is a significant gap. So how is the DPD 30 book, I mean, PAR 30 to 90 shaping up this quarter? What can we expect for the next quarter? What went wrong in our estimates last time?

Kanishka Chaudhary: Yes. I think one of the challenges for us this quarter has been the collection efficiency on the current bucket, which, as we stated a bit while earlier, is at around 97.6%, 97.7%. Our efforts, as a bank, are primarily focused on improving the same. And idle scenario for us would be able to achieve 98.5% for Q4 and that will really determine how much we are able to improve on a quarter-on-quarter basis.

Abhay Kulkarni: Sir, is there any direct or indirect indication or pressure or nudge from RBI or the Ministry of Finance to reduce interest rates in group lending or individual lending?

Baskar Babu: See, there has not been any direct pressure, so to say, but I think the indications are pretty clear that the interest rates have to be reasonable, covering our costs and credit losses cannot be passed on in a way of increased pricing to the low-income households. So we have not increased the rate, even in spite of increase of 2.5%

increase in the overall scenario. we also brought down our individual loans rates, which are operating around 28% to 26% a couple of months back, maybe around 4, 5 months back on our own with the indications being clear of 1st of August 2024. Now it's kind of as we speak, is approximately 6 months now. Currently, we do believe that we'll continue to the pricing at which we are operating at this point of time.

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

Shailesh Kanani: Just some sense in terms of collection efficiency and asset quality because in spite of higher slippages this time around, we still continue to have very high numbers in terms of Stage 2 assets. So any color on that, sir?

Kanishka Chaudhary: Yes. So Shailesh, I think, what we are working on as a team are essentially on 2 pillars. So one is the current bucket collection efficiency and improving the same, like I had said a while ago. The other is to be able to improve our efficiency on the 1 to 30 bucket, where we have seen a bit of a deterioration in our collection efficiencies.

Our work on these 2 buckets will essentially decide how we end the year and move on to the next quarter for the new financial year. So as a team, these are the 2 buckets that we are primarily focusing on.

Himadri Das: Just to add Shailesh, our core markets, we continue to improve. So Maharashtra, Tamil Nadu are predominately our core market. Across the states, we continue to improve, except for Karnataka, again, pockets of Karnataka. So overall Karnataka is 12% of our portfolio, the pockets of Karnataka is about 7% of our portfolio, where we see a stress and it is not improving as we expected. Otherwise, all the other states across the country, including UP continues to improve. UP is the most stressed place where the Eastern UP, Kushinagar, Ballia, Kanpur, Gorakhpur is all relatively stressed for us and also, we see the same data in the market. So we have we have implemented Guardrails 2.0 already from end of November. We have started focusing more on the new-to-bank Vikas loan loans besides our existing customer individual loans. So that should compensate for the growth factor as well as focus the focused individualized collections. And also we will continue to put our efforts on 1 to 30 bucket, like what sir mentioned.

Baskar Babu: Shailesh, what I think the good news is that at least the current bucket is inching up in terms of collections, likely that we are targeting closer to around 98% and crossing over probably closer to 98.5% in January and subsequently improved at least a couple of basis points on a month-on-month basis. That is certainly kind of stress in terms of that it's not moving up to 99%, which we expected. But I think 1 to 30 is where usually the collection effort goes in terms of 90-plus or 61% to 90%, but the slippages of 2.5% into 1 to 30 bucket, which is approximately around 30,000 customers for us, we wanted to put a much larger force in terms of containing that because the slippage once it happens to 1 to 30 generally keeps flowing because of lack of intense focus as it is in the current bucket or in the 90-plus. This 30,000 customers, we will probably put an additional around 400 to 500 collection force, apart from the executive who source continuing to collect it in terms of 1 to 30. We're able to manage it, which we're reasonably confident because the stress as such has kind of peaked out. We are not seeing any more in every day except for North Karnataka, which suddenly is showing signs of increased stress in the last couple of months.

Shailesh Kanani: Sir, just a follow-up on that because we have been hearing that the collection efficiency has improved. But if I see the PAR numbers for Inclusive Finance, obviously, on quarter-on-quarter, there is a huge jump from 3.5% to it has gone to 4.6%. So can we see a moderation in the fourth quarter, if what you are saying continues for the remaining part of the quarter? Is that a fair assumption?

Baskar Babu: Yes, it will be. How much will it be is not something which we are kind of unable to have a clear visibility. But what is clear is that there is an improvement. We would obviously like to see a sizable improvement, but there is an improvement compared to Q3, but Q4 is not likely to be substantially better in terms of overall numbers, but the slippages, the percentage will come down compared to Q3.

Shailesh Kanani: Okay. And sir, second part of my question is that we have written in our presentation deck as well that we have kind of implemented Guardrails 2.0 in the third quarter itself. So does that include the 3 lender cap as well? And where do we stand in terms of a portfolio or number of customers having more than 3 or more than 4?

Himdari Das: So we implemented 3 lender cap from December and the new-to-bank business, we have taken a drop. So it continues to hover around 20% of the portfolio in terms of number of customers and value-wise, it will be closer to 20%.

Shailesh Kanani: So just to clarify, you're talking about we have kind of implemented the 3 lender cap from 1st Jan, right? 1st Jan, that is fourth quarter. And we have around 20% falling under that bucket 3 plus?

Baskar Babu: We have implemented it from 1st of December, it is around 2nd month running. The 3 lender cap as well as the overall portfolio of our own capping at INR 2 lakh. As you mentioned, 20% of our portfolio on an overall basis is with the 4 lenders at this point of time. But, however, quite a bit of that, obviously, minus the NPA slippages happened, so it will be closer to around 17% in terms of the current mix. But however, our pre-approved list contains around 6 lakh customers. The focus for Q4 is more in terms of existing pre-approved customers and that around 80% of that qualifies. We have a base of around 6 lakh pre-approved as of now, which includes both customers, who have a live relationship with us as well as customers who have paid and kind of moved on. But excellent in the market in terms of repayment and very good results, obviously, with 0 delinquency when they exited.

So the quarter 4 is more in terms of focusing on this base. So hence, the business impact will not be as high. But the fact is that we'll have to start sourcing new customer and that we are going through the route of new-to-bank Vikas loan directly. Earlier, the Vikas loan customers are only graduating from the JLG pool. But however, the reduction in the center size, it was better for us to really focus in terms of new-to-bank VL. We have started that in the smaller scale now, but the intent is to grow the new-to-bank customers also through the Vikas loan route rather than through the JLG route.

Shailesh Kanani: Okay. Sir, 2 more questions from my side. One is on the LDR front. We have seen a sharp jump in terms of deposits vis-a-vis advances growth this time around, at least on a sequential basis. So what is our strategy in terms of, what is the number we are targeting in terms of LDR by the year-end and going ahead for FY26 as well, if you can give some guidance in terms of growth return profile, anything that would be helpful?

Kanishka Chaudhary: So for deposits, on an overall basis, our growth has been 50% on a YoY basis and 10% on a QoQ and I think our growth strategy, like reiterated before, continues to be the same, which is to focus on granular. I think what has helped us a little bit in the last few months is that our partnership programs on the digital side have finally kicked in and they are delivering new deposits. Like Baskar mentioned in his statement, we do about INR 2.5 Cr of new deposits every day through the digital channels. So we will keep improving and improvising on those so that we do have steady flow of deposits. In terms of our branch network, we continue to focus on putting strategic business units wherever required to ensure that we are present in the catchment.

Shailesh Kanani: So the second question with respect to guidance for FY26, if you can share some numbers out there?

Kanishka Chaudhary: A little early, I would say, Shailesh. We will have an update for everybody at the time of the Q4 discussions.

Moderator: The next question is from the line of Kamal Mulchandani from Investec Capital Services.

Kamal Mulchandani: So just following up on the question of the previous participant. I understand that the 4-lender customers form 20% of your portfolio. So sir, does that include Suryoday plus 4 or total 4? Just wanted to first clarify on that.

Baskar Babu: Suryoday plus 3.

Kamal Mulchandani: Suryoday plus 3. Secondly, sir, what would be the PAR 0 number for the IF portfolio?

Baskar Babu: 85.

Kamal Mulchandani: No sir, PAR 0?

Baskar Babu: Yes, 85%. The remaining 15% includes anything from 1 to 180. Plus, one plus. And obviously, we haven't written off anything in the Q3. So to the extent, even that number is included in the remaining 15%.

Kamal Mulchandani: Okay. Sir, Okay. Understood. And sir, like in the SMA 30, SMS 60 bucket, what are the resolution rates which we are facing in these buckets, if you could just guide on that?

Kanishka Chaudhary: So on SMA 30, we are at about 35% to 40% depending on the month. SMA 60 -- 61 to 90, we are at 45% to 50%. Nearly half of the people are getting involved. So SMA 61 to 90 is higher than 31 to 60.

Kamal Mulchandani: Okay. Okay. Understood. And sir, if you could just guide us like how are you seeing this cycle panning out? We understand that the collection efficiencies have been improving month-on-month, but is it fair to assume that the cycle has peaked or there is some pain ahead? What are the other factors which are contributing, for example, the attrition levels what you are facing and center meeting attendance as well? So what are the efforts being done to improve these efforts? And how do you see the overall cycle? If you could just help us understand like some on-ground feedback what you are experiencing?

Baskar Babu: I think post-COVID, there has been a big drop in terms of center attendance, as we moved to Vikas loan individual as the logical step. Customers cannot continue to be in the center mode for a period of 7 years and 8 years. And if they borrowed from 3 lenders, even assuming that they borrowed from 3, attending 3 meetings depending on the minimum, which is what is monthly, but more than that depends on whether it's fortnightly has really in our view, has not really been very effective.

How much of our efforts are really being taken to kind of increase the center attendance, there has not been any marked-to-market growth in our understanding. It continues to be around 70%, 78% in terms of attendance. Our focus was in terms of move to individual loans so that you kind of certainly meet the customer as long as the minimum, around 60% of the customers pay on their own through both digital, means directly through our bank account, remaining around 40%, which is the bounce which happens on the date of presentation, it is one-to-one contact. So we are not really putting in all efforts to revive back. Our focus itself on JLG is substantially diminished and even the new-to-bank customers, we are now acquiring through the Vikas Loan Group, which is the direct loan, direct lending to the customer. So probably it will really give away, but our take is that individual loan growth even to the inclusive finance customers will be on the rise rather than continue to be on the JLG center-based lending.

Kamal Mulchandani: Okay. And what are the attrition levels which we are facing?

Baskar Babu: Yes, on a mathematical basis, approximately around 60% to 65% at the field level. But however, if you really take the percentage of overall employees in our 5,500 in terms of Inclusive Finance, it's around 60% of the employees are more than 1 year. The churn happens in terms of the infant, which is people joining and leaving and is limited. So mathematically computed, its 60% to 70%, but does not really mean that we have a new force every 2 years, saying that if it is 50% attrition, then 100% attrition. That is not the way. So around 60% of our force at this point of time, it is more than 1 year experience in the bank.

Kamal Mulchandani: Okay. Okay. And like any commentary on your side on the entire improvement in the collection efficiency cycle? Like do you think that the stress has peaked out or it would take a couple of more quarters? Because like even if we assume that Q4 would be strong, again, the Q1 and Q2 could be potentially a weaker quarter in terms of disbursement growth and also the new guardrails would be implemented again? So in your opinion, do you feel that the stress could further increase in Q1 and Q2 of the next year? Or the cycle is mostly peaked out and incremental accretion to the SMA buckets would be slower from going forward? What's your take on that?

Baskar Babu: At an overall level, it is only when we see around closer to 99% collection at the industry level, you could really then come to a conclusion that the stress has peaked out, which is not what is being seen at the industry level. Some of the individual lenders are kind of seeing a collection efficiency of 98.5% and 99%. But what we understand at the overall industry level, it's still at 98% and a little more than that.

Once that movement happens to 99% that would be the signal in our limited view that there is a peaking of the stress. Otherwise, even after the deterioration has happened, even today, the collection efficiency is not anywhere closer to 99% at the industry level. The good news is that at least it is from April onwards, when there is a deterioration by a couple of basis points month-on-month, that trend has got arrested at the industry level, which means October was better than September and the November will be little bit of a dip. December was a little better. January, as we really speak across people are seeing a stabilization. So I think the pain if you were to extend this collection efficiency into the peaking of the stress, it's kind of going to last at least for 2 quarters.

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

Deepak Poddar: Sir, just given on the commentary that you mentioned, I mean, stress kind of has reduced and even we are seeing a trend of stabilization. So will it be safe to say that Q3 would be our bottom performance? And from here quarter-on-quarter, we should see improvement in our performance overall at a company level?

Baskar Babu: Q4 will continue to be stressful. It's not -- whatever has flown in, the collection challenges will continue. The stabilization of any quarter, which is what we're seeing in Q4, will reflect in a substantially better performance in Q1 onwards. Also, there is a moderation, which is happening at the industry level, which means that high stress customers are not getting funded. The problem with that funding is not just the deterioration of the quality or the performance of the individual, but any overleveraged customer then has a spill over effect in terms of the center and sometimes in terms of the entire micro locality. So that moderation combined with the guardrails, which will kick in from the 1st of April for the entire industry, likely that we will see a Q1 which will be better than Q4, but Q4 may not be very substantially different from Q3.

Deepak Poddar: Okay. So Q4 would be similar to what we have achieved or what we have shown in Q3, and from first quarter onwards, we expect better performance, right?

Kanishka Chaudhary: So in terms of slippages, we may see a slight improvement but that does not necessarily mean that that it will have a similar impact on the results in terms of the credit costs, right. So we will continue because we will have a little bit of deterioration and increase in the NPA, which means a slight reduction in core income as well. So our main focus right now is to be able to ensure that our slippages for Q4 are lower than what we have seen in Q3.

Deepak Poddar: Okay. Okay. Understood. And something on the credit cost, I mean, in the 9 months, I think our provision stands at around INR 152 Cr. So for this entire year, what is the range of credit cost we are looking at?

Kanishka Chaudhary: So I would say that we are looking at somewhere around 1.5%, 1.6% in terms of credit costs on a balance sheet basis for the full year.

Deepak Poddar: 1.5%, 1.6% on annual basis? So that effectively means our fourth quarter credit cost would be much lower as compared to what we have seen in third quarter, right?

Baskar Babu: 1.5% K.C. is talking about is at the balance sheet level. So can just make it into loan...

Kanishka Chaudhary: Yes. So if you look on a nominal basis, we will be somewhere around INR 250-odd Cr on a full year basis.

Deepak Poddar: No, it's INR 200 Cr or INR 250 Cr?

Kanishka Chaudhary: So INR 220 Cr to INR 250 Cr is the range that we have in mind for a full year.

Deepak Poddar: Okay. Okay. And just lastly, on the secured book, I mean, what is the percentage of secured book we have in our loan book? And what's the thought process? I mean, over the next 2, 3 years, how we would like to trend it?

Kanishka Chaudhary: So our focus continues to be growing the secured book at a faster clip, and that has been the case in the first 3 quarters as well. If you look at our share of secured loan book, it is around 46% and that percentage will continue to improve. We are trying to achieve about 48% of secured book by the end of the financial year.

Deepak Poddar: How much percent?

Kanishka Chaudhary: 48%.

Deepak Poddar: 48%? And in -- over next 2 years?

Kanishka Chaudhary: No. By the end of the financial year, we would like to have a 48% secured book.

Deepak Poddar: By FY25 end, right?

Kanishka Chaudhary: Correct.

Deepak Poddar: And over the next 2 years, what would be our thought process there?

Baskar Babu: We are comfortable with around 50-50 for the reason that our entire portfolio of IF is covered by CGS only, and we'll see a marked improvement. The intent is to really take it by a couple of percentage points year-on-year basis. So we are likely to have a 50-50 or a little better on the secured front by end of FY26. So if you have to take it from a 2-year point of view, I think it will be around 7 to 8%. Probably the tilt will be 55% secured and probably 45% unsecured, so to say.

Moderator: The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Sir, firstly, can you talk about the collection efficiency across different regions? Where is it best and where is it worst? You also mentioned that stress has increased in the last 2 months in Northern Karnataka so what exactly is the cause of the issue here and what are you doing to resolve it?

Baskar Babu: Overall, I think across, except for Karnataka, where we have around 10% of our portfolio and probably around East in UP, where overall UP exposure for us is around approximately 5%. So even within Karnataka, the stress is showing up on the Northern Karnataka. But there are a mix of factors. I think as MFIN and Sa-Dhan are pointing out, it is a presence of large number of unregulated lenders, which is creating stress which is spilling over to the regulated lenders and there has been intervention guidance from various authorities, including local authorities. And the collection efficiency has dropped quite a bit to around 95.5% as far as KA1, which is Northern Karnataka. The rest of the places Chhattisgarh, which is a very, very small state for us, is around 96%. I'm talking about the December figures. The rest of it is all in the same average of around 97.7% to 98%. And the best of efficiency at this point of time is coming from Maharashtra as well as in terms of Madhya Pradesh and Rajasthan.

Ashlesh Sonje: Okay, sure. Secondly, can you quantify the microfinance slippages for this quarter and the previous one, please?

Kanishka Chaudhary: So out of the total INR 270 Cr that we have had for the bank as a whole, around INR 240 Cr will be for microfinance in this particular quarter.

Ashlesh Sonje: And can you share the number for the previous quarter as well?

Kanishka Chaudhary: So for the previous quarter on an overall basis, I think we did around INR 170 Cr of slippages at the bank level, of which around INR 150-odd Cr would have been for microfinance.

Ashlesh Sonje: Okay. I think the total was about INR 129 Cr, if I'm not wrong for the previous quarter? Okay. If you can come back on the number later...

Baskar Babu: It was INR 273 Cr till last quarter this one. GNPA added was around INR 270 Cr. There has been more write-off. So it is a gross slippages across. No ARC sale, no write-off. So INR 270 Cr is the entire thing as it stood up. So currently, we are at around INR 528 Cr in terms of GNPA at an overall basis.

Ashlesh Sonje: Yes, perfect. Sir, and lastly, if I look at Slide number 23, you have given the PAR 30 plus across MFI, non-MFI and overall. If I look at the 31 to 90 number specifically, that is shown as 4.6% for MFI and 5.4% for non-MFI. So I would expect overall the bank-wide number to be between 4.6% and 5.4%, but it seems to be at 4.1%. Is there any mistake in the thought process here? I'm looking at 31 to 90, the orange bars, for December.

Himadri Das: It doesn't include retail asset, doesn't include some of the assets like FIG and some of the assets like partnership lending. So that is why there is a difference. So this retail asset is purely mortgages, CVs and micro home loans and IF is JLG and Vikas loans.

Moderator: The next question is from the line of Abhay Kulkarni from Candour Asset Management.

Abhay Kulkarni: Sir, how is our secured book shaping up? Are we seeing any signs of stress there?

Baskar Babu: No. Wheels as of now, continues to be a sub 1% GNPA, without any write-offs, without any ARC sales. So we expect that it will continue to grow substantially at less than 1% GNPA in the foreseeable few quarters for sure.

Abhay Kulkarni: I think LAPs and affordable housing has more than 3% of gross NPA, right?

Baskar Babu: Yes, it is. It is. So the resolutions are expected. Of course, this is without any of the resolutions which has happened. The good thing about LAP is that even if it spills over into 90-plus, it is secured by underlying strong asset. So in Q4, we are expecting to see some resolutions, and we have strengthened our legal collections, so which will kind of ensure that at least closer to the net slippages overall may not really be higher than the recoveries.

Abhay Kulkarni: Okay. And sir, CGFMU claim we will make sometime in June '25. Is that correct? And it will depend on what is our gross NPA in March '25?

Kanishka Chaudhary: So technically, we now have 3 live cohorts under the CGFMU program. So for the coming financial year, we can actually make 2 claims, right? So one for the '22-'23 cohort and then for the '23-'24. So we are yet to decide the manner in which the claims will be made by us. The intention will obviously be to ensure that the maximum amount of eligible claims are made by us during the year.

Moderator: The next question is from the line of Anant Mundra from Mytemple Capital.

Anant Mundra: Sir, on a quarter-on-quarter basis, our gross NPA, net NPA, slippages, even the PAR book has gone up. However, our credit cost for this quarter is lower than Q2. So I'm just not able to understand how the credit cost has been lower this quarter?

Kanishka Chaudhary: Yes. So like we have indicated, so for the portfolio, which is covered under the CGFMU program, which is a little about INR 380 Cr out of the INR 530 Cr, we were thus far maintaining about 50% of loan loss provisions. However, as allowed by the provisions of RBI circular, we are not maintaining provisions on the guaranteed portion, which means that our effective provision being carried from here on is around 27%. So we have had a onetime release to the extent of INR 102 Cr in this particular quarter.

Anant Mundra: Okay. Okay. And sir, are the premiums that are payable for this guarantee, are they dynamic in nature?

Kanishka Chaudhary: No. So they get decided at the start of the year, which is known as the base here and the premium is 1% on the crystallized portfolio. That is a portfolio that we intend to ensure for the entire year and additionally, we also pay a premium on a prorated basis on the new business in the course of the year. .

Anant Mundra: Okay. So when would the premiums get finalized for next year?

Kanishka Chaudhary: That will be at the end of March '25.

Anant Mundra: At the end of March '25? All right. All right. So I'm guessing that -- I mean, is that like a bilateral negotiation or there is some formula which is used

Kanishka Chaudhary: No. No, there's no negotiation involved. It's for us as a bank to decide how much of the portfolio we intend to ensure. Also, like we have said previously as well, right now, 98% of our portfolio is insured, we ensure all our new business -- unsecured business under the program, and we shall continue to do so.

Anant Mundra: But the pricing would be 1% only?

Kanishka Chaudhary: Pricing will be 1%.

Anant Mundra: So that has been finalized even for next year?

Kanishka Chaudhary: No, that's the program parameter, and it stays fixed for the first 3 years of the program.

Management: For one complete cycle, the premium continues to remain 1% plus the GST component, obviously and apart from that, it will after that, depending upon the payout claim payout and otherwise, it will be decided. The grid is already something which has been provided as part of the notification. The range, depending upon the payout, will vary from either 1% to a maximum of 1.25% as it stands as of now.

Anant Mundra: Got it. Got it, sir. And sir, one final question, in the secured portfolio, all the LAP, micro LAP products that we have, are they all surface-eye enforceable?

Baskar Babu: Yes. Absolutely.

Moderator: The next question is from the line of Swaroop, an individual investor.

Swaroop: Sir, my first question is, despite being covered for 95% of the book for quite some time like past 2, 3 quarters, last in Q2, we have written-off around INR 82 Cr sir. Also, in Slide number 15 of this quarter, we have highlighted that IF portfolio, INR 440 Cr is the total GNPA, of the INR 380 Cr is eligible under CGFMU? Like why is INR 60 Cr gap still being there now?

Kanishka Chaudhary: Yes. The balance is essentially loans which are covered under the previous ECLGS program. So they are not part of the CGFMU program cover.

Swaroop: Then what about like earlier quarter write-offs sir, INR 82 Cr write-off, but this was being like covered for 95% of the book, right sir?

Kanishka Chaudhary: Yes. So write-offs are also covered under the program, and these are technical write-offs only. So we will be able to make a claim in respect of these under the CGFMU program as well.

Swaroop: Sir but then the INR 380 Cr should increase, right sir? Although if you not mention also, it has to increase right sir, even though if you do technical write-off?

Kanishka Chaudhary: No. So the INR 380 Cr is what we have on book right now. So that doesn't include the write-offs. The technical write-offs, which are eligible for the claim under the program will be over and above the INR 382 Cr.

Swaroop: But the guideline states that for being eligible to claim, it has to be GNPA for a period of 6 months. So even if we want to make a claim in Q2 FY26, so out of this like GNPA of INR 440 Cr is completely eligible for claim. Apart from this, the technical write-offs also should be eligible for claim, right, sir?

Kanishka Chaudhary: Yes, absolutely. So the technical write-offs will be eligible for claim as well.

Swaroop: Sir, then my question is, it should be far bit higher number, right, sir, if we consider the technical write-off and along with the current GNPA number?

Kanishka Chaudhary: Yes. So currently, what we have shown in the investor deck is basically the on-book portion of the NPAs, which are covered under the program. They don't include the technical write-offs, which are otherwise covered under the program.

Himadri Das: Swaroop, you are seeing a GNPA of INR 440 Cr, right? INR 440 Cr minus INR 60 Cr, which is not eligible for claim. So INR 440 Cr minus INR 60 Cr is INR 380 Cr is as of now. So I cannot predict next quarter GNPA, right? So today, as of December, if I have to claim today, which is not allowed, which is allowed only after 6 months. So as of today, if I have to claim, so if I can only claim INR 440 Cr minus INR 60 Cr, which is INR 380 Cr against which I will receive an amount of INR 280 Cr. So INR 380 Cr, I can claim as of today's GNPA. INR 60 Cr, I cannot claim. INR 60 Cr include an ECLGS part and an older part, very small older part, which is not covered under CGFMU.

Swaroop: I understand, sir. But earlier for the past 5, 6 quarters, we have a written-off of close to INR 250 Cr plus sir. So that also should be technically included, right sir?

Himadri Das: Out of whatever we have written off, out of which only INR 50 Cr were such written off, which is in CGFMU scheme. Whatever we have written-off in last 3, 4 quarters, those are not under CGFMU scheme. So that is why we had written-off and out of the entire written-off category for last 3, 4 quarters, only INR 50 Cr, I understand, is under CGFMU scheme, which K.C. was mentioning, is eligible to claim, which we have not included here, which is over and above this thing.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Baskar Babu: Thank you very much. Thanks for taking time and participating in our call. We look forward to kind of delivering the guidance, which we have given for the overall year, and we put in our best efforts to deliver the same. Thank you very much for your support. Good day.

Moderator: Thank you. On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.