"Ujjivan Small Finance Bank Q2 FY2022 Earnings Conference Call"

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Moderator: Good morning ladies and gentlemen, welcome to Ujjivan Small Finance Bank Q2 FY2022 Earnings Conference Call hosted by IIFL 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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alpesh Mehta from IIFL Securities Limited. Thank you and over to you Sir!

Alpesh Mehta: Thank you Lizaan and good morning everyone and welcome to 2Q and 1H FY2022 earnings conference call of Ujjivan Small Finance Bank. From the management, we have Mr. Martin PS, Officer on Special Duty and Head Operations and other senior management from the company to discuss the results. Now without much ado I hand it over to Martin for the initial comments and post which we will have Q&A. Thanks and over to you Martin!

Martin: Good morning and welcome to our earnings call. Hope you all are safe and healthy. The first half of FY2022 was fairly subdued but Q2 witnessed some gradual recovery. Early H1 business environment was disrupted due to COVID wave 2 with economy improving post COVID second wave. Business confidence has started building leading to higher credit demand and improved collection, which were severely impacted in the month of May and June of this year. We are seeing a good credit demand in segments like affordable housing and MSE as our logins are now higher than pre-COVID. In microfinance segment, the demand is picking up gradually, overall credit demand is picking up well. The improvement is secular across regions, south which was the most affected by the second wave of COVID has bounced back well with an exception of Kerala. Among the other big states where we operate Maharashtra and West Bengal are behind the national average. West Bengal is largely due to continuous disruptions in commute as local trains were not operational. Consequently we are witnessing a significant improvement in business volumes and collections are sustaining at 95% plus. With this background we worked on a 100-day plan primarily focusing on three areas rebuilding business volumes, improving portfolio quality collections, retaining talent. We are periodically evaluating the performance against the 100-day plan and expect to roll it forward until the end of this financial year.

Disbursement in Q2 of this year has improved to Rs.3122 Crores which is up by 114% compared to the year-on-year, 138% quarter-on-quarter, the improvement is across all business verticals, September disbursements they are around 1100 Crores and October was around 1300 Crores. Also we continue to diversify our asset book towards micro banking business which now contributes 34% of the loan book. Collections that include arrears are sustaining around 95% during August and September leading to overall PAR reduced to 18.9% as on September 30, 2021, which was 30.8% as of June 2021. A good proportion of the PAR reduction has come from the collections and normalization of the accounts, balance reduction has come from restructuring. As of 30th September our restructuring books stands at 1480 Crores despite an overlap of 400 Crores with total GNPA. Collections in our restructured book are very healthy at 86% as on September and similar in October. Given that most of the restructured book was due for collection in October 2021 we see overall October collections to be healthy and are confident of improving from there. We have also focused to empower employees during this period and try to address most of the employee concerns. We have started to see some withdrawals of resignations across mid and junior levels. Talking about Q2 I would say it was a very good quarter as disbursement moved up significantly and collections too have improved. We see the momentum continuing in October 2021 as disbursements were significantly higher than September.

Few key highlights of Q2. Gross advances at 14514 Crores up by 5% year-on-year, 3% quarter-on-quarter. Microfinance disbursements of 2187 Crores up by 95% year-on-year, 170% quarter-on-quarter. Secured book has improved to 32% as of September compared to 23% as on September 30, 2020. Total deposits stands at 14090 Crores up by 31% year-on-year, the total retail deposits at 52% was 49% in Q1 of this year. CASA deposits have grown by 79% year-on-year to Rs.3166 Crores; this contributes 22.5% of the total book. Also with the continued focus on improving product mix and encouraging customers to use CASA accounts for transactions we continue to see increase in average balances across our CASA accounts. We have acquired 1.8 lakhs new customer into retail liabilities during Q2 of this year. With strong growth in retail liabilities our cost of funds continue to decline, for Q2 of this year our cost of funds was at 6.3% against 6.5% in Q1. Collections in micro banking improved at 95% in September 2021 from a low of 71% in May of this year and 77% of June.

Moving on to provisions, book coverage is at 10.4% as on September 2021 including 34% provision coverage on restructured book. Tier-1 capital at 20.8% with capital adequacy ratio at 22.25% as of September. Liquidity coverage ratio at 151% as on September 30, 2021.

Now coming to reverse merger. Earlier this year RBI had informed SFBs intending to merge with promoter holding companies to approve the regulator three months prior to the completion of the five years of operation. Accordingly the bank Board has approved the scheme of amalgamation with our promoter entity USFB. The same has been filed with the regulator we are now in the process to get regulatory approval. We believe the process they will take around 12 to 15 months to execute.

On the senior management the Board has submitted names of two candidates to RBI for the post of MD and CEO. Also the Board is close to fill in other key leadership positions like CFO, CHRO, and CTO, in fact few have been closed and we are delighted to mention that. A few very good leaders would be joining us and adding to our overall management strength. In the interim we would like to assure you that the bank has a strong leadership team with relevant and varied experience across banking functions and businesses. Also we have a strong and independent Board to guide our strategy and execution.

On the closing comment I would like to say the extensive level of vaccination drive across the country gives us confidence regarding potential third wave which will have lesser impact. At Ujjivan we have been driving employee vaccination over the last few quarters. As on date 95% plus of our employees are vaccinated and the numbers are growing up as per our plan. We have also started to help our customers with their families to get vaccinated. This coupled with rising trends in the economy makes us believe we are nearing the tail end of the COVID situation. To conclude I would like to reiterate that as per our long-term strategy we want to accelerate business growth and profitability, diversify our asset book, and build a stable granular liability. In the process we would continue to use technology as the key enabler. On immediate basis our primary focus is to improve portfolio quality, collections, and rebuilt business volumes. Increase in collections across verticals especially form restructured and NPA. Reducing PAR and rising disbursements gives us confidence that H2 of FY2022 will be significantly better than H1. We have recently got detailed audit of our portfolio quality done by independent experts, accordingly we have taken accelerated provisions and further strengthened collections team and overall governance level across function. With improving business momentum with our deep understanding of our target customer segment and focus on delivering relevant product and services with superior customer service level. We do not expect any major surprise in our business performance or any spillover impact in FY2023. I would like to stop here and open the floor for question and answer. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Firstly the question with respect to the new MD & CEO we have sort of shortlisted, so just wanted to know like is there a strategy to bring in somebody from the same ecosystem or will it be something wherein we will have separate business head for each of the segment and then there will be one person looking at the entire ecosystem so how are we incrementally looking at it?

Carol Furtado: We have submitted applications to the Reserve Bank of India on the MD designate and the Board has taken a call. We are awaiting the response from the Reserve Bank of India. The submission has been done within the stipulated timeline.

Shreepal Doshi: Incrementally we are moving towards changing the loan book mix that is clear from the commentary also and we are looking at 50%:50% split which is also indicated during last quarter so how will the management rejig look like in order to take care of another 50%

which will be secured sort of a portfolio so what is the strategy that we are looking at in order to go towards that loan book mix?

Deepak Khetan: Shreepal your query is still on the management or your query is on the business strategy?

Shreepal Doshi: Both because that will drive the strategy so from that perspective wanted to understand a few things.

Carol Furtado: We have a very good leadership team in place and this team is aligned to the quality growth that we envisage for the bank in the medium and the long term. We have also seen a lot of progress in each aspect of our business and positive changes on all fronts including our people and collections we are very hopeful of very good second half of the financial year and we will build a strong base to achieve the plans we have set for the next two to four years. If I have to get into the business vertical wise affordable housing we are seeing a very good traction especially in the last two months our logins have already reached higher than the pre-COVID levels and are at an all time high. As COVID fears are reducing people are spending on house purchase and construction and this is evident from the growth in the construction sector. We over the past four years have built a very strong book and which makes us a very meaningful player in the segment. We look now to consolidate our position in the industry and become one of the top best lenders for affordable housing. We are working on various areas to increase our efficiencies in terms of products and service offerings. The other area of focus for us is MSE book which has been a star performer for us in the half year. We have been incubating this business for over four years and are confident to move to the next level in terms of product offering. Onboarding again as you touched upon the people side we have onboarded the right talent across all levels and have skewed approach towards secured lending which is giving us good results. We believe we can become a preferred lender to our customer segment in the medium term. We will go strong on Fintech partnerships to complement the customer acquisition and growth in fact our first Fintech partnership has been very encouraging and we have build a strong book in record time. If we have to look at our newer lines of business which is the personal loans and the vehicle finance both these businesses are currently small but we are confident of growing them fast. We have a good leadership team at place and skilled people in place. These businesses are at a stage where MSE and housing where three years back for us. We will accelerate our growth here again through Fintech partnership. In the medium term here too we will create a niche for this segment. Microfinance continues and will continue to be a key focus area for us. We are gradually opening up to new customer acquisition. We are amongst the leaders in the industry with a very rich legacy and business would continue to be a meaningful contributor to our overall volumes. All our business verticals will grow with a customer segmentation approach. We will introduce newer lines of businesses after careful research around customer needs and if it makes business sense to us. I hope that answers your question.

Shreepal Doshi: Yes Madam, thank you so much for that detailed answer. Just a number related question so of our restructured book what would be the spread of it in terms of SMA-1, 2, and NPA because I suppose you have already indicated 400 Crores using the NPA pool of restructured book so how will that spread over SMA-1 and 2?

Ashish Goel: The 400 Crores of NPA that you are referring to is from the Resolution Framework 1.0 so this was restructured in the month of December a total of 850 Crores as we had disclosed in our earlier earnings call and from that 400 Crores which is about 46% had moved into NPA, the balance have got recovered for RF 2 non-delinquent buckets. The risk on this portfolio going forward is close to 0, we recovered from this pool now, which we are seeing a very encouraging trend. On RF 2.0 the repayments have just started in the month of July, August, and September, we have seen a very good trend, as Martin mentioned 86% to 87% and above so that is a very stable portfolio.

Shreepal Doshi: Sir basically if I look it we have overall restructured close to 1911 Crores of which broadly 400 have slipped to NPA how would the other remaining sort of 1500 Crores look like in terms of 30 plus DPD sort of a number or 60 plus DPD sort of a bucket?

Deepak Khetan: Shreepal as on date we have around 1480 Crores on book which is restructured of that 567 is PAR and out of that 567, 402 is GNPA. I do not think we will be able to provide bucket wise breakup of the PAR number which anyways is a very small number right now almost 65 odd Crores.

Shreepal Doshi: Got it just one last data keeping question what is the gross slippage and upgrades pre-COVID and write-offs for the quarter?

Deepak Khetan: For the quarter?

Shreepal Doshi: Yes.

Ashish Goel: 600 is the gross slippage in Q2.

Shreepal Doshi: The upgrades.

Ashish Goel: Upgrade is 140.

Shreepal Doshi: Recoveries?

Ashish Goel: Upgrade is including recoveries.

Shreepal Doshi: Got it. Thank you so much. Good luck.

Moderator: Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Thanks for the opportunity. Sir congrats on an encouraging set of numbers I wanted to understand on the digital initiatives that the company has been focusing on. We have invested a lot in terms of resources on this so if we take a 6-to 12-month view going forward how do you see these initiatives panning out for the company in terms of cost, manpower, saving and better business?

Martin: Digital initiatives have been part of our long-term strategy to create market bank. We will continue to work along the same lines which were laid in the overall mission of the bank. To elaborate on this topic, there are two aspects to this one aimed at the backend processes and other for the customer facing applications. During the initial phase the robotic process automation was heavily focused on backend operations now we plan to extend it to other units within the back office and also to the business functions like micro banking and branch banking. During the month of October we have added five more new processes to the robotic process automation. As we speak there are 25 processes which are already live. There are another 24 processes which is in the final stages of testing. Coming to the artificial intelligence we have launched our website Bot-Aria which is currently available on our website and soon to be launched on WhatsApp which can answer basic customer queries and generates leads at the moment and can converse in regional languages like Hindi and Kannada. We plan to extend it to seven more languages also in the process of building more intelligence in the Bot to make conversations more human like. Among the SFBs we have the largest share of the UPI transactions. We have also entered into strategic Fintech partnerships for sourcing of loans, repayment collections, the results are encouraging we will be looking at more such partnerships to enhance customer experience. At this point we have tied up with different entities for our personal loan, micro banking, vehicle loan, MSE, and liabilities and our customer onboarding journey has undergone a thorough revamp it has been launched for the closed user group at the moment and we say this is going on scaling up as we progress in the next year.

Arun Kejriwal: Right one more broader type of question there is a stated objective of the bank that they want to move towards the 50:50 loan book going forward so if we take a two-to-four-year horizon how do you see things panning out A. on the loan book front, B. where do you see the traction coming in which would help in increasing the focus to non-microfinance so your thoughts on this broader perspective?

Carol Furtado: To elaborate a little on our medium term like you said our retail asset book will grow faster than the micro banking book mainly due to larger volumes from the retail asset portfolio. This of course will contribute to around 50% of our portfolio and deepen our footprint in the aspiring middle-class segment. I have elaborated in the first question about the details about our strategy for affordable housing, MSE, and our newer lines of businesses like personal loans and vehicle finance. Also our micro banking will continue to be a key focus area for us and we have also started opening up to new customer acquisition once again, now that the COVID had receded in most parts of the country we have always been leaders in the industry with a very rich legacy and our business will continue to be a meaningful contributor to our overall volumes. All our business verticals will grow with customer segmentation approach even our deposit base will get more granular and we will increase the wallet share of our existing customers along with quality acquisition of new customers. Our focus on solution-based approach continues and we will accordingly create products and features which are relevant for them. Just to also touch upon what we are doing currently I would like to highlight that we have recognized our areas of concern transparently and are working strongly on a 100-day plan with good business momentum across all our business verticals. Over the last two months we have seen good progress in building the business momentum in fact last month has been a record month for us in terms of disbursement despite the many holidays. Actually the festive season helped us in faster traction and our incremental overdues are also showing an improving trend. Like I said earlier we have a very good leadership team aligned to the quality growth we envisage for our bank and based on the progress in each aspect of our business and the positive changes we are seeing on all fronts including our people sentiment and increase in our collection efficiencies we are confident of a very good second half for the financial year and on this strong base we hope to achieve our plans that we have set for the next two to four years. Thank you.

Arun Kejriwal: Thanks Madam for that elaborate answer. I will join the queue for any other question.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Good morning and festive season greetings. My questions are all around GNPA and collections I have noticed that the cumulative collection efficiency has gone over 100% so do you expect a strong pullback of GNPA in the current quarter and do you get a sense that this is peak, there are also specific problems that you sighted in states like West Bengal transport issue and Maharashtra political issue, is there some resolution of these issues that is going help accelerate the recoveries?

Ashish Goel: To answer your question on GNPA, yes as you suggested there will be a peaking out and we have seen a very, very good traction in Q2 after the reopening of economy post the lockdowns eased out there has been a very, very solid rebound on collections, we are getting incremental collections over and above the month dues month-on-month, so the GNPA as we see will peak out sometime now and there should be some recovery. We have put a very solid infrastructure on ground so that recoveries from NPA start accelerating from here onwards. We would also like to state that there has been a very good progress on the SARFAESI action on secured assets that we have initiated in Q2 that we should see results happening in Q3 onwards so we should see some good recovery from NPAs.

Deepak Khetan: As far as your query on the specific states are concerned West Bengal we are seeing some traction as the local trains are now starting soon or they have already started now. Maharashtra is a slow process and we had limited our exposure strategy to areas which are less politically active in Maharashtra; however, the state has always been a laggard since the COVID has been there so we are seeing the recovery in Maharashtra continues to be slow; however, having said that in the month of October the collection efficiency reach around 92% which is more or less reaching the national average now, those are slow but steadily moving up.

Vivek Ramakrishnan: Just one followup question of the same nature do you see that the customer cash flows have improved significantly I know they have been having some lags but is there hope that the worst is over for your customer base?

Ashish Goel: In the last two or three months we have seen that the non-delinquent pool has remained very steady, our incremental overdues have come down to less than 1%, our NDA collection efficiency has steadily improved in Q2 it was 98.7% and going forward we see the trend going even better than this. It is the NPA pool which is now starting to give us some recoveries and therefore overall as we see the collection efficiency we continue to trend upwards.

Vivek Ramakrishnan: Excellent Sir and good luck to the team.

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

Renish Bhuva: Two questions one on the provision side on the P&L if you could provide the breakup of the provision of NPA and restructuring?

Deepak Khetan: Our total provision on the book is around 1506 Crores.

Renish Bhuva: No Sir, I am talking about this quarter…

Deepak Khetan: I am giving you the breakup you want the breakup of that right?

Renish Bhuva: No I want for this quarter's P&L provision of 400 odd Crores?

Deepak Khetan: So roughly 250 Crores of this is towards your NPA provision, roughly 63 was towards the write off that we did and the balance was towards standard asset provision. The standard asset provision that was there was because of the restructuring that we have done.

Renish Bhuva: Okay so 250 Crores is towards NPA?

Deepak Khetan: Yes NPA provision.

Renish Bhuva: Got it and just a followup on that so in one of the calls we highlighted that for the entire FY2022 our credit cost will be around 1100 Crores to 1200 Crores so post this asset quality review done by third party accelerated the provisions in Q2, does guidance remains intact or you would like to revise that upward or downward?

Deepak Khetan: Renish the guidance was given after the credit quality review already done by the independent expert and that guidance included all the corrective action plan that the management had put through. We are happy to say that we are the evaluation or the performance on that corrective action plan is up to the mark.

Renish Bhuva: Got it and just a last question on the collection side so till September there will be a steady uptrend in the collection but in October the verticals like MFI and housing they dip in collection in October so what is happening there is this something one should not look at very deeply?

Deepak Khetan: Renish it is largely because October across the country there were lot of holidays be it East, West, South across the country because of Navaratri, Durga Puja and other holidays there were lot of nonworking days which impacted collection; however, if you look at the absolute number of amount collected which is in line with September so there is actually not clearly a dip in the collection and also given what Ashish already mentioned in one of his remarks a lot of restructured pools came for collections in the October month despite that the overall collection is in line with September which is a very healthy trend.

Renish Bhuva: Got it. Thank you very much. That is it from my side.

Moderator: Thank you. The next question is from the line of Vidhi Shah from Antique Stock Broking Ltd. Please go ahead.

Vidhi Shah: I just wanted to know what is your collection team size as of now?

Ashish Goel: We have two verticals one for micro banking and one for retail. In retail we have team strength of about 175 people and agencies so we have empanelled about 50 agencies across the country, so they would have their own set of about three to four people in each agency. On micro banking we have team strength of about 2200.

Vidhi Shah: How much has it increased over the last one to two quarters?

Ashish Goel: Net increase of about 600 people

Vidhi Shah: In micro finance you are talking about?

Ashish Goel: Yes in micro finance because micro finance is where we have increased our strength in Q1 and Q2.

Vidhi Shah: Have any sales people also being diverted to collections?

Martin: No not really because what really happened , at the time when disbursements are not there, the logins are not very high, all the teams including the sales as well as the collections were interacting with customers to get the arrears, sometimes during Q2 when login started picking up sales started focusing more on logins and disbursements and then collections took over the entire role of overdue collection.

Vidhi Shah: Okay that is it from my side.

Moderator: Thank you. The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: My question is a little broad base over the last one-and-half years what we have seen if I look at the total write-offs and provisions we have taken we are probably the worst affected bank across all at least the listed micro finance companies and small finance banks and even a large universal bank which focuses on micro finance, now what I wanted to understand is what led to such a larger provisioning on our part on terms of processes where we went wrong or is it because to be honest compared to some of these guys we are not even as concentrated geographically and second what are we doing to change the process so that whenever every three or four years such an event happens the kind of numbers that we have thrown over last one-and-a-half years are not repeated in the future especially compared to every peer of ourss? Thank you.

Ashish Goel: This question clearly has a lot of comparisons with a lot of other industrial players; in fact we would want to abstain from making any comparisons with anyone else in the industry. From our point of view we had put a strategy in post-COVID 1.0 as well as 2. Both the wave had impacted our customer segment very severely especially COVID 2 and the dispensations available were allowing us to restructure accounts with provisions. So obviously we have done all that was allowed within the framework, all that was allowed within the boundary conditions and therefore our numbers are showing the provisions that we have taken on standard as well as nonstandard asset. I can also assure you that management has taken all steps required for recovery starting from reduced slippages from the non-delinquent buckets to shrinking the delinquent buckets in SMA 0, 1, and 2 and also focusing on building up the team strength required for collections from the NPA buckets. We have not left any stone unturned in terms of recovery and strengthening our collections infrastructure. We have also put a 100-day plan as we said in the beginning of the presentation and this 100-day plan is for disbursements as well as recoveries. I am happy to say that the first couple of months have been exactly executed as planned so talking from our point of view we have done exactly what we wanted to do.

Viraj Mehta: There was lot of changes at the top level, which is kind of not your fault so I really understand the candidness. What I wanted to understand is even though we were basically not I would say that our disbursements were like pretty low till probably second half of this quarter for the last five quarters our expenses in both operating as well as employee expenses have significantly grown over the last one year each quarter actually even this quarter we see a significant growth in expenditure both employee and operating expenses can you throw a little bit what explains this and what can be our forward expenses over like what is the plan for the next year or so?

Deepak Khetan: Viraj lot of expenses that have come during this first half is towards collection efforts, so as Ashish mentioned that lot of off-role employees were hired on the collection side he explained how the team size has increased, he also mentioned about the agencies that have been hired. A lot of expenses during this first half is towards agency and the off-role employee payment and also some bit of a direct business expenses have started to pick up as business is now starting to grow and that is in line with how variable expenses will go so that has led to the increase in the cost to income ratio, which you have rightly pointed out and also the income is subdued because of increased GNPA level, which does not allow us to recognize the interest income. Even versus June the GNPA has gone up by 200 basis points, which led to further derecognition of interest income so that is the reason why cost to income and other expenses ratios are looking a little higher side; however, we can say that with the given plan that we are working on things will fall in place by the time we are about to end the year.

Viraj Mehta: We have been a shareholder of the holding company and the bank for four years now we would really appreciate if we had Samit on the call as we had last time as he kind of explained the problems that we were going through would have really appreciated him also being on the call especially when we are seeing this transition happening and once we have the MD and the CEO it will be great. This is a suggestion and I hope we do well going forward. Thank you so much.

Moderator: Thank you. The next question is from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.

Yash Dantewadia: I would just like to understand what percentage of people are coming forward to pay you back let it be the 90 days or 60 days bucket I just want to understand the trend that has been happening since the last two to three months that will be great?

Ashish Goel: When we were going through Q1 of the COVID 2.0 wave we have done a little research with a set of customers and we found that almost 60% of the customers had seen a severe impact on their incomes. In Q2 we have seen that about 6% to 7% of our customers have regularly said that they are not in a position to pay and this is broadly the number that we are also seeing reflecting in our slippages. Most of the customers seem to have bounced back. There has been a good trend of repeat customers taking further loans, which is a good indicator of customers starting to revive their income, revive their livelihoods so that gives us confidence that most of the customers have actually passed the impact which they had on their income. In terms of customer segment we have not seen any lag other than a couple of geographies where the lockdown was extended or as local trains not functioning or things like that but most of the other segments seem to have bounced back quite well.

Yash Dantewadia: What kind of measures are we taking to keep our management intact especially the junior, mid level, and the senior level I want to understand what measures are you taking to make sure that the employees are retained?

Carol Furtado: We have seen attrition across various levels in the bank but one of our key aspects in the 100-day plan is to address the people issues that is one of our key focus areas, we have put in a lot of programmes in place to reach out to our employees and address their challenges and concerns. We have opened up all our communication channels, address people through town hall meetings and various forum meetings. Our business leaders have started visiting branch team and working on a quicker resolution of people issues. We have also ensured that jobs are aligned to people skills and made minor tweaks in job responsibilities and in the organization structure. Few of the hygiene requirements were immediately addressed to ensure people focus on full and achievements are applauded across the country so we are seeing early signs of positive trends where our people are revoking their resignation and staying on with us. The attrition of the leadership level is due to personal reasons. We have started the recruitment process and I have shortlisted a few positions and closed a few positions as was addressed in the initial speech by Martin. We are very happy with the people quality that we are attracting from the market but that said we have a very strong internal leadership team in place who are very well capable of taking forward the strategy for the bank.

Yash Dantewadia: I just have a followup question on what you just said, so is it for me to understand that the resignation trend is over is that what you are seeing on ground?

Carol Furtado: People have been withdrawing their resignations, we have been able to give them a lot more satisfaction in their roles and now since the economy is rising we do not envisage any surprises and our book is now very well understood. We have taken a lot of steps to ensure that we have recognized our areas of concern transparently. We have seen a lot of achievements in the last two months and we are seeing progressive results. So the Board is also very close to filing up key leadership positions like the CFO, CHRO. This is addressed in the inaugural speech and we are also delighted to mention that we have very good leaders who would be joining us and adding to our overall management strength. We do not envisage any surprises.

Yash Dantewadia: Okay Madam thank you. Also from the write off that we have taken in the last like say 6 months what percentage do you see like people coming back and pay from write off, if you can throw a number of how the trend has been in the last 2 to 3 months?

Deepak Khetan: Yash this is too soon to give a number of what percentage of people will come back and stay; however, like Ashish mentioned.

Yash Dantewadia: The trend that is happening right now obviously you will have…

Deepak Khetan: There is a significant focus on increasing the collection from the NPA pool. As of now what we can say is roughly one third is the collection efficiency from the NPA pool and we are focusing on improving it month-on-month.

Yash Dantewadia: Thank you so much. I am really satisfied with all my answers. Good luck. All the best to all of you.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: The question is on provisioning coverage and I think in the context that we had in the last call or maybe the last two calls the bank intended to increase the provisioning coverage just in anticipation of not so great outcome, if I look at in this quarter the provisioning coverage has actually declined at the same time if I were to see the write off that we have done in the last six quarters since the beginning of the pandemic we have had somewhere around 1600, 1700 odd Crores rise in the GNPA the only write off that we have done is only 165 million or maybe 10% of the rise in GNPA, so A. the write off itself sees less, on top of that the provisioning cover again looks low and it is lower than last quarter if I were to add the entire provisioning of around 1500 Crores on the entire PAR book the number would be even lower and this is coming in the context that the bank wanted to have a very decent level of provisioning so just wanted to get your comments here would this mean that we would be keep providing at the expense of future profitability?

Deepak Khetan: Jai just a bit of disconnect when you say that the provisioning coverage has gone down versus June I would highlight that as on June 30, 2021, the PCR was at 75% and as of September we have maintained the PCR at 75%; however, the book coverage has gone up from around 8% as of June to 10.4% as of September so that is what we meant when we said that we want to increase the provisioning overall. Versus September last year if you compare yes definitely overall provisioning coverage all that would look a little lower. Provisioning coverage last year was 86%; however, if you look at the proforma basis that was 71%, last year there was no NPA pool where you would actually compare so that would not be a good comparison.

Jai Mundhra: No Sir I am looking at the specific coverage only, so if I look at the gross NPA of 1700 Crores and net NPA of 635 Crores, the way specific provisioning coverage.

Martin: Sorry Jai I will correct you, the 1700 the GNPA number is correct here total provisioning on the book is around 1500 odd Crores out of which 1026 or 1028 is NPA provisioning plus 250 Crores of floating provision is there, so the net NPA is 435 Crores. The number that you are mentioning of 635 Crores is probably an error that was there so please look at it as 435 odd Crores.

Jai Mundhra: There was an exchange filing which said that floating provision of 250 Crores is part of PCR so I think that will be the same this quarter also.

Martin P S: Yes that is the same this quarter. Floating coverage is part of the PCR so PCR has been maintained where it was last quarter; however, the overall book coverage has been increased by 2.4%.

Jai Mundhra: Okay Sir thank you.

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

Deepak: On 30th the Board has approved reverse merger plan and I have observed on 29th itself the price was up 20% or so it shows that there is somebody who is passing insider information so how the Board is planning to take such things seriously because when the publication is on 30th whereas the price increase was there on 29th itself and how you guys are planning because this year there is a lack of control on insider information?

Deepak Khetan: Deepak I would highlight that we got the RBI letter in the month of July and post that in our August communication and every communication post that we have maintained that first November is the date when we are eligible to file with RBI and we would try and stick to the timeline, so the bank went ahead with the timeline and how market reacted based on earlier communication and recent communication is how the market participant behaves, so we cannot really comment on that. From our side I can assure you that all compliances and all norms were followed and we were quite tight on that. As per the timeline as I already mentioned it was an open secret that we would be looking to file in the first week of November itself which we have maintained in every conversation of ours with the industry.

Moderator: Ladies and gentlemen that is the last question. I now hand the conference over to the management for the closing comments.

Martin: Thank you all for participating on this call. Look for a good performance in the second half.

Moderator: Thank you. Ladies and gentlemen on behalf of IIFL Securities limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines.