“Equitas Holdings Discussion of its Subsidiary, Equitas Small Finance Bank Limited’s Q1FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference call hosted by Equitas Holdings to discuss its subsidiary Equitas Small Finance Bank Limited's Financial Performance for Q1 FY'21. We have with us today Mr. John Alex -- Executive Director and CEO, Equitas Holdings Limited; Mr. P. N. Vasudevan -- Managing Director and CEO, Equitas Small Finance Bank Limited; Mr. Sridharan N -- CFO, Equitas Small Finance Bank; Ms. Srimathy Raghunathan -- CFO, Equitas Holdings Limited; Mr. H.K.N. Raghavan -- Senior President, Inclusive Banking and Vehicle Finance; Mr. Murali Vaidyanathan -- President & Country Head, Branch Banking, Liabilities, Product & Wealth; Mr. Ramasubramanian -- Head, Corporate and SME Banking; Mr. Alok Gupta -- Chief Risk Officer; Mr. Natarajan M -- EVP, Treasury; Mr. Dheeraj Mohan -- Head, Strategy & Investor Relations and Mr. Rahul Rajagopalan – AVP, Strategy and Investor Relations. 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, 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. John Alex -- Executive Director & CEO, Equitas Holdings Limited. Thank you. And over to you, sir.

John Alex: Good afternoon to you all. I hope all of you are attending this call from the safety of your homes. At Equitas, we have ensured teams which can operate from their homes are encouraged to do so. Most of the staff at corporate office and processing centers have been working from home since the end of March. The pandemic has opened our minds to this new way of working. We are seriously evaluating the benefits of work from home for both the bank and for its employees in the long run.

Before I invite Mr. Vasu to take you through the bank's performance, I would like to update you on a "Few HR and CSR Initiatives" we took: We completed the performance appraisal for all our staff in the first quarter. Incentives for the field staff for the first quarter was paid out based on the average of fourth quarter of last year since first quarter was mostly locked out. The bank has rolled out a comprehensive work from home policy to try and support the employees to discharge their functions effectively without the need to visit their branch. To reduce the risk due to COVID, branches were thinly but adequately staffed on a rotation basis for continuity of services and safety of employees.

As stated earlier, during our business update presentation, the bank launched a first of its kind "COVID Package for its Employees." The package attempts to give a holistic assistance to employees and their immediate family.

Through our CSR initiatives, we kept in constant touch through COVID awareness programs, messages, videos, WhatsApp video calls, etc., We partnered with hospitals, governments, rotary and other NGOs to spread awareness on precautionary measures to our clients and to the extended community and distributed through ayurvedic hospitals and homeo hospitals immunity boosters targeted at the low income community that we serve in.

We also conducted income generating online video skill training classes for a women's group, teaching them easy way to make masks, hand wash, etc., to add supplemental income.

We conducted online job fairs for unemployed youth from this segment and were able to place over 1,500 in entry level jobs.

The Board of EHL has announced for the first time an interim dividend of Re.1 per share.

Now I would like to invite "Mr. P.N. Vasudevan to Provide Commentary on the Bank's Performance." Over to the commentary.

P.N. Vasudevan: Thank you, Alex. Greetings to all of you and thank you for dialing into our conference call. As Alex had started off referring to our staff contribution during this COVID time, I would also like to reiterate that our staff have done an extremely good job during the entire last five months keeping our branches open and meeting clients. There is obviously element of risk in the process of keeping a branch open and meeting customers, but our staff have been kind enough and good enough to ensure that they are keeping our services open during all this pandemic time. However, from our side, we have tried to take the best possible care to ensure that our staff stays protected, branches are manned on a rotation basis, staff who can effectively work from home or complete their assignments by going directly to the field, are discouraged from going to the branches, all reviews and meetings are generally held only virtually, and we have rolled out a "COVID Staff Package" to help those staff who might be affected by the virus in spite of all the precautions taken.

Now I come on to the "Moratorium." I am very happy to inform you that the overall moratorium is moving very much in our comfort zone; it has come down from about 90% in May to 51% in June to 43% in July. This trend is expected in August also. As you are all aware, 90% of our customers are from the informal economy and who are into trading or providing of daily use goods and services. When there is a lockdown, the impact on them is complete. While when the opening up happens, the speed to normalcy is also generally quite strong. Over the past 12-years, we have seen many events both natural and man-made, and our customers generally always come back to normalcy pretty quickly overcoming all those natural or man-made events. In current times also, wherever we have seen the lockdowns getting removed, we have seen that our customers in those areas come back very strongly on to their livelihoods and then they are able to come back and start servicing their loans without a moratorium request. And going forward, as lockdown further ease, we are confident that our customers should be able to make a quick recovery.

Further, on top of that, our average loan per client excluding microfinance is only around Rs.4 lakhs per client which shows the wide disbursed credit risk. And further on top of that is a fact that we are the sole banker to most of our borrowers. A slew of communications are also planned for the customers highlighting that the moratorium ends by August and come September they would be required to get back to the normal process of paying their monthly EMIs.

I will now touch on the "Credit Cost for the Year." On top of the nearly Rs.100 crores COVID provisions that we created in March 2020, we have created another Rs.45 crores in the first quarter, taking the total to Rs.145 crores which is about 0.95% of our advance. Our normal business model itself assumes a credit cost of around 1% to 1.25% p.a. taken together, this gives us a cushion of about 2% to 2.5% credit cost. Based on our current feedback from the field, the trend we see in customer repayments and also the trend of markets opening up in the country by various governments, we believe that this level of credit cost buffer should see us through for the year.

"Rescheduling." As you know, RBI has permitted a special window for banks to reschedule accounts without having to downgrade them as substandard and with a 10% provision against the normal 15% provision. The approach of the bank would be very selective in using this scheme only in extremely deserving cases and not as a standard across the board instrument.

Now coming on to "Disbursements." The demand for credit from the segment which the bank serves remains very high, and this segment, as you all very well know has been highly underserviced by the bank for decades together in India. We have tightened our credit filters recently to take into account the current reality, and we would continue to remain as prudent and cautious as ever before while giving out fresh loans.

In June, we had disbursed about Rs.465 crores while in July it was about Rs.875 crores which is about 75% of our pre-COVID monthly disbursement. Even though we expect our disbursement for the year to be lower than previous year, still we expect our advances to show a growth in view of the low rundown in the first five months of the year due to moratorium.

Now coming on to "Technology." Now we are going through a few transformational IT projects on the asset side which are expected to be rolled out in phases over this quarter and the next quarter. These are expected to improve our efficiency and productivity as well as customer convenience and experience. This should also lay down a digital-only lending platform with end-to-end servicing capabilities. We expect these to be operational fully by the fourth quarter of this year.

Now coming on to "Technology in the Liability Side." As you know, our leadership in deploying technology on the liability side remains very strong. We were among the first six banks in the country to launch FASTag about three years back which is an RFID-based highway toll collection system.

Our SelfeSavings account is one of the most convenient apps to open an online account with under 22-clicks which compares very well amongst the best in the market.

And we were once again among the first few banks in India to launch the video KYC process. For your information, we also have a facial login on facial transaction authorization on our mobile app.

Coming on to "Liabilities." As a consequence of many efforts put in including establishing and activating channels such as SA, TASC, NRI, Corporate Salary and CA, we have seen a good traction in deposit mobilization.

The SelfeDigi account, a combination of digital and physical effort has done exceedingly well with over 55,000 accounts opened during the first quarter against the normal about 30,000 accounts that we normally open in the pre-COVID period per quarter.

And now we have introduced "Digital" as a separate channel and we are seeing good traction on that; in the month of July, we have opened nearly about 10,000 new accounts just through the digital channel with no involvement of any staff at all in the process.

As a result of these initiatives, our CASA has shown a quarter-on-quarter growth of 7% for the first time in the last few quarters as SA grew by about Rs.165 crores.

Our retail TD has also gone up by about 15% quarter-on-quarter and almost doubling on a year-on-year basis.

"Cost of Funds." The interest rate on fixed deposits were reduced during the quarter and the benefit is expected to be visible in the subsequent quarters. Our cost of funds is reduced by 34 basis points over last year and 14 basis points over the previous quarter. This is a focus area for us as we strengthen the bank to address formal sector borrowers over a period of time.

"Credit Risk Management." As you are aware, the times are challenging, and our disbursements will continue to be extremely cautious and prudent. We have further strengthened our credit risk management efforts and the CRMC has been very active, doing stress testing of our portfolios and analysis of trends to spot indicators of stress building up anywhere in the system. A project is also underway to automate most of these exercises. The business and the risk team work very closely in coordination to ensure that feedback from these analysis are fed back into our credit filters and pursuing of fresh business is suitably altered to factor the same.

In terms of "Capital," we remain strong on our capital adequacy at about 22%. Our DRHP has been filed for a forthcoming IPO. As soon as we are advised of a supportive market condition, we would like to complete the IPO at the earliest which should further strengthen the capital adequacy and take it to near about 25%, 26%.

So to "Sum Up" one, we remain committed to supporting our customers. We have not decided to pile pressure on them. We will be a very supportive bank to our borrowers to help them come out of the situation in the best possible manner and get them back to their full livelihood and then start servicing our loans properly.

Second thing is that we are enhancing our communication to clients to get them back into regular repayment mode effective September.

Third, we will use rescheduling window provided by RBI on a very selective basis.

Fourth, fresh disbursements would be undertaken cautiously even though there is a high demand. And strong credit analytics will continue to drive fresh business.

Fifth, our tech platform will drive efficiency and productivity on our loan disbursement and servicing of customers.

Sixth, on our Digi Banking Channel is something that will be focused as a separate channel for liability mobilization.

Seventh, effective activation of various channels of liability, we hope will help us in improving CASA and deposit traction further in the quarters to come.

And finally, cost of funds will remain an important area of focus for the bank.

Thank you all for hearing me out patiently. My colleagues and I would be very happy to take any questions from you all. Thank you.

Moderator: Thank you. We have a first question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: My first question is pertaining to your moratorium. I just wanted to understand how do you qualify a loan to be under moratorium, for instance, if someone has to pay four months installment and if they pay even a single month installment, then do you count them as being under moratorium or not?

P.N. Vasudevan: So for each month, we give the moratorium figure. What it means is that when I say in July, my moratorium percentage is 43%, what we mean is that in the month of July, out of all the billings which are done for the month of July, 57% of them paid up that month EMI, 43% of the customers did not pay that month EMI, that is what we mean.

Harsh Shah: So even if they have not paid their earlier EMIs, they would still be excluded from the June month moratorium or they would have cleared their earlier dues?

P.N. Vasudevan: It is on a monthly basis. When I say in June, my moratorium was 51%, what it means is that in the month of June, out of all my EMIs which are billed for the month of June, 51% did not pay us. 49% paid up. For each month, we are giving how many customers paid and how many customers did not pay.

Harsh Shah: This is not a cumulative number?

P.N. Vasudevan: This is on a month-on-month basis.

Harsh Shah: When you say your moratorium has come down to 43%, so you mean the remaining 57% have cleared all their dues up to July or is it only for the month of July?

P.N. Vasudevan: No, not all the due, they might have cleared some of their old due, but they have definitely cleared their July due.

Harsh Shah: Another question is, have you disbursed any loan under the MSME scheme which was announced by the government recently?

P.N. Vasudevan: No, we have not extended it. We have just applied for registering under that body. We have not disbursed anything under that so far. So we will have to see in terms of both the norms under which the government has rolled out the scheme, how many of our customers are eligible under that norm and how many will be fitting our credit requirement. So that is something that we will see as we go forward, but we have not discussed anything as of now, because almost all our borrowers are on an individual level and so far it was not even eligible.

Harsh Shah: I was just doing a calculation and your yield seems to have fallen by around 170 to 180 bps QoQ. So any particular reason why the yields are tapering off?

Dheeraj Mohan: Yields are on interest earning assets. Over the quarter, the bank has invested in NCDs and also our SLR, CRR is also there. So, it reflects all of that and which is why you have seen yield drop. But if you look at the presentation, we also showed the yields on our loan book and that has relatively been steady, it is on the last page, it is 18.81%, this is basically on the loans.

P.N. Vasudevan: Just to supplement that, if you go to page #23, you will see that our NIM is at 8.63% compared to 8.88% of the first quarter of last year. But if you look at the lending spread, it is at 11.18% which is quite healthy compared to the previous quarter. Basically, last quarter, we had also done TLTRO from RBI. We took Rs.125 crores which was invested in the NCDs of NBFCs. I mean, we got a good spread of about 3.5%, 4%, but however the yield is only about 7.5% or so on that. So that is one of the reasons for the NIM to come down, but if you look at the lending spreads, it is quite intact.

Harsh Shah: 8.6% to 8.8% would be the range going ahead on NIM?

P.N. Vasudevan: Our NIMs traditionally have been in the 9% range and generally it should stay within that normally going forward.

Moderator: Thank you. The next question is from the line of Jehan Bhadha from Nirmal Bang. Please go ahead.

Jehan Bhadha: My question is on collection efficiency in the MSE segment which is at just around 21%. So, how do you view this number and any comments?

Ramasubramanian K: If you look at it, this is based on our billings which is on a normal basis. If you look at it, people who have not availed the moratorium and who have paid, I think typically as Vasu was just mentioning in terms of collection efficiency, it is almost closer to around 99%, 99% of the customers who have not availed moratorium, they have paid. And this thing what you are seeing in that particular slide indicates on a normal typical month in terms of billings vis-à-vis what has been the collection. Overall, I think all our customers have been paying predominantly on time, that is what I would like to state.

Jehan Bhadha: In terms of disbursements run rate, you did say that you are at 75% levels. So, when do you see this reaching pre-COVID levels?

P.N. Vasudevan: Difficult to say that because it depends on a few external factors. One of course is the opening of the markets in different parts of the country by the various governments. Sometimes what happens markets open up and then suddenly there is a lockdown all over again. So it is not very easy to say. But assuming that the lockdowns will keep opening up and slowly the country will get back to normalcy, then I think sometime towards the end of third quarter, we should try and get back to our normal level.

Jehan Bhadha: Considering what you have gone through in the last three, four months, any changes on the strategy side, which segments you would be focusing more on the asset side and where you will be focusing less?

P.N. Vasudevan: Broadly speaking, all our different asset classes generally have been progressing well. The only one segment which has been a cause of worry for us which is not because of the COVID, it is something which is there even since the middle of last financial year is our exposure on the used heavy commercial vehicles. That is definitely one segment where we have been having some concerns. And even from the middle of last financial year, we have been tightening our credit filters on that and reducing the volume on that and increasing the volume on the small and light commercial vehicles. So, that is the only segment. Post-COVID, again, we have done more tightening on that. So clearly, that is one segment we have kept a very sharp eye on and we have substantially reduced the volume in that segment and also put a cap on the loan size and things like that… I mean various parameters have been put in place on that. But for that, we do not see any concern in any of rest of the asset classes and generally, the focus remains equally strong in the rest of the asset classes. The one other thing that we have done now in the last, I would say actually in last three months is our increased focus on gold loans. Now, I will let Murali, who heads our liability talk about that. But that is something that we have really tried to put a lot of focus in the last two, three months post the COVID season.

Murali Vaidyanathan: So gold loans as a proposition we have revamped and launched it across first phase of 100-branches. What we are saying is we are not only opening up only for liability customers, we have also opened up for our inclusive banking as well as retail segment of asset customers across 50-branches. So the biggest upside in this is from one side you are getting absolute number of cases, that is, for example, number of loan files which keeps coming in, that is from the asset portfolio and on the other side we are getting value proposition from liability. So it is showing a healthy mix. Just to give you all insight, we started around 15th of June; we disbursed close to 400, July we did 1,000 loans. The way we are looking at August we should double or in fact 2.5x of that portfolio.

In addition, in terms of value, we are growing at 3x, 4x. That is whatever we did in June we are looking at close to 4x of that. The important part is what it has given us is improvisation of TAT. Earlier, what the TAT that used to be processed at the branches; the efficiency level has gone up. Thanks to our own database where we pre-approve the loans and call the customers. So today, we can confidently say within 40-minutes we can disburse, hand over the money and then customer can walk out from any place. That is the most important part. We are also working digital side of this gold loan business and work has started. So very soon, you will apply for a gold loan and then start handling entire query to disbursal to the digital platform say maybe two to three months, that is the way ahead. But overall reception as well as what you say transaction and branch traffic, all seems to be on the right direction.

Moderator: Thank you. The next question is from the line of Amit Nanavati from Nomura Securities. Please go ahead.

Amit Nanavati: Just wanted to understand more fundamentally with now restructuring being allowed for CV business, for more secured business, you will have more better assessment of the underlying asset, recoverability and you can plan your restructuring much better. Say, for example, in microfinance, there will be multiple operational challenges. How do you kind of restrict restructuring to a borrower who probably would be borrowing from multiple MFIs and how do you ensure the money or the buffers that you provide to restructuring is not kind of used to kind of pay off another MFI for example, just wanted to understand your thoughts around it or should we kind of think the ultimate follow-through of restructuring the MFI book would be significantly lower versus any other segment that you see?

H.K.N. Raghavan: As far as the MFI restructuring is concerned, if you look at it, the August-end, the moratorium is going to come to an end. And more or less most of the customers are reconciled and they are aware that it will be restructured from September onwards. The revised schedule will be drawn and then given. Because this in MFI centre wise corrections happen and not on an individual correction which is there. So, in the past, we never had a history of restructuring MFI clients. We did it somewhere during the demonetization period. But because of the kind of tenure and the balance tenure are so small, generally, we found that the customer traction on rescheduling is not very high. So however, we will keep our options open and then see if there is any requirement at some point of time. So hopefully we will look into it.

Amit Nanavati: More specifically, like in your PPT, you highlight 41% of your MFI customers have not paid a single EMI from April to July, right, fair bit of it may demand restructuring to some effect giving six months moratorium is a good kind of restructuring already given. So, even extending a restructuring to these kind of will only create more problems down the line. If you have your demonetization experience, what was your success factor there or what ultimately recovered if you can share that?

P.N. Vasudevan: Basically, as I had mentioned in my opening comments also, rescheduling is a tool that we will be very sparingly using. It is not an instrument to be used across the board. So you take a microfinance borrower, somebody who has not paid the entire last say five EMIs or even six EMIs, starting September they are not required to pay double the EMIs, they are only required to pay normal monthly EMI from September and the five or six EMIs that they have not paid along with accrued interest would be payable at the end of the transaction by an extension of the tenure. That is something which is part of the moratorium scheme. So they will just go under that scheme. Rescheduling is a tool which is required to be used only where a customer after coming back fully from the COVID-related stress and after their business coming back to a full level of normalcy, are still struggling to pay the normal monthly EMI. Only in those cases, rescheduling has a purpose at all. But in microfinance, we do not expect that… and not only microfinance, in most of the other class of asset customers, we do not really expect that after the lockdowns are over, when life comes back to normalcy, we do expect that almost all our clients, they should be able to make that normal monthly EMI. And the moratorium is itself enough for them because they do not have to pay more, they have to pay the same normal EMI and the remaining gets extended in the form of extended tenure. So the rescheduling will be used very selectively. Only in those cases where we do a individual credit assessment and we see that in spite of everything becoming normal, there is some fundamental issue with the customer because of which his earning capacity has come down and he cannot even serve the full EMI. Only that cases we look at it. So it will be very sparingly used.

H.K.N. Raghavan: I just wanted to also add. It is said August will be the last month of moratorium, no more moratorium extension. One, from a customer perspective that wanted to use this moratorium as a tool to kind of ensure that he shores up his working capital or wants to conserve his cash in uncertainty, that will come to an end. Once that comes, we will also see a spike in terms of repayments from next month onwards. And after that couple of months you will actually filter and then see where exactly it goes. This is more pertaining to non-microfinance products. Even in the past history if you take, whether it is floods or whether it is any natural calamity, the microfinance customers are aware that the tenure will be extended by two, three installments. So they have done it in the past. It is a practice which everybody is following. Generally, this knowledge is there in microfinance. Hence, there should not any challenge as far as that particular rescheduling is concerned.

Amit Nanavati: Secondly, just on your vehicle finance business, again at least the collection trends seems to be lagging peers as well, right. So 48% has not paid a single EMI. The business was less disrupted per se. So if you can give more color of this 48% what portion would be HCVs, what would be LCVs and how do you see that panning out?

H.K.N. Raghavan: So if you look at the total kind of moratorium that is availed, the data shows clearly that the moratorium percentage availed is more in HCV. I will just give you small information. If you look at the ratio, for example, if you take SCV, 62% of them have not availed moratorium whereas LCV, it is 49% and HCV is 47%. However, in value terms, if you look at it, it will be more HCV followed by LCV and SCV because the total portfolio consists of about 50% of the used commercial vehicles advances contain HCV. So hence it will be kind of a mix of these two predominantly driven by the HCV.

Moderator: Thank you. The next question is from the line of Vijay Karpe from Bryanston Investments. Please go ahead.

Vijay Karpe: My question pertains to the liability side. Sir, our cost of funds have been little sticky and also for CASA above Rs.1 lakh which is a majority part, we gave interest rate which is close to 7%. So what is the strategy here -- how are we going to go about reducing the rates? What was the reduction in the deposits for the month of June and July cumulative?

Murali Vaidyanathan: Let us first address SA issue. SA actually we have bucketed into two compartments -- one is mass, which is a mass set of customers where up to Rs.1 lakh we are paying 3.5%. Our average ticket size at a portfolio level is Rs.34,000 at this point of time. So, there is a good headroom for us to march towards Rs.1 lakh. So Rs.1 lakh has now become aspirational. So who comes under Rs.1 lakh is mass affluent or HNI. So what this has helped in last three months is mass affluent customers who are our middle class plus and HNI, they have started coming in at the correct proportion. So if you go and see in our book, if you see the number of people who are contributing towards Rs.1 lakh, that is 3.5% deposit has moved up from 28% to close to 40% which means every customer for the first Rs.1 lakh, will end up in paying only 3.5%. So your actual cost of funds comes down. Earlier, it used to be 4.25%. So, we have 75 bps reduction up to Rs.1 lakh as a segment. Greater than Rs.1 lakh, we want to keep it aspirational consciously because today middle class plus and HNI needs an avenue. There is a volatility in the stock market, mutual funds have shown ups and downs. So, we want to protect and grow. So predominantly, we are seeing middle class plus and HNI which is elite set of customers, moving in and placing Rs.1 lakh plus. So, in our value sheet, if you see CASA, predominantly it is skewed towards retail only. We are not focusing on the Rs.2 crores, Rs.3 crores ultra HNI as a segment. We want middle class plus and HNI as a segment to come in and bank with us. The advantage of having Rs.1 lakh plus is automatically it becomes a primary account at a savings account level. That is the dream for any bank, how many customers transacts, pays bill through this. So 7% is not 7%, if you look at the pricing, how it happens, first Rs.1 lakh is 3.5%; incremental anything above Rs.1 lakh only starts fetching 7%, so for example, if you have Rs.101,000 as a balance, first Rs.1 lakh is 3.5% and Rs.1,000 is only 7%. So this is the absolute mix in which we are targeting. And our target segments want this because we are focusing on middle class plus and affluent as a segment to cater to this. So, it brings cost of funds down, gets in the quality acquisition and gets us the primary banking opportunity.

When it comes to RTD, earlier we have reduced close to 75 basis points across retail and bulk deposit, for example, on bulk deposit segments today, most of our cases, we are not taking beyond retail, which means we have made it into a non-negotiable bucket. So, we have prefixed the prices, retail as a benchmark. And on retail TD, on multiple tenor, we have saved anything between 25 bps to 60 bps compared to last quarter. And on bulk TDs, up to four months, we are paying lower than retail because we do not want short-term money, which will create a volatility in the book. So that is why if you see our average tenor which is called duration, in bulk TD has moved up, pricing has come down and on retail TD, pricing has come down and duration is kept. So in retail TD portfolio, we should be having an average maturity of one year plus and on bulk close to nine months plus. So, I think duration and pricing is taken care due to the pricing reduction on the TD book.

Under a SA two laded structure, we have kept mass affluent and elite absolutely segregated and made it 7% aspiration consciously.

Vijay Karpe: So in June, July, the cumulative reduction in rates has been 75 basis points?

Murali Vaidyanathan: Effective yield we will come to only in the subsequent quarter. What we would have saved on various buckets varies from 30 basis points to 70 basis points various buckets assume it is three months bucket, six months bucket, nine months, so it varies from bucket-to-bucket. If you want to ask me up to four months what was compared to last quarter, 75 basis points on bucket-1, that is the lower duration, up to 90 days and anything beyond that we have reduced it by 40 basis points.

Vijay Karpe: Overdue accounts at the end of June, they were Rs.411 crores. So, what were they at the end of July or as of yesterday?

Dheeraj Mohan: As of end of July Rs.345 crores.

P.N. Vasudevan: There are two things on this, Vijay -- One is that we had about nearly Rs.1,000 crores of loans which are having overdue but not NPA as of end of February. Out of that Rs.1,000 crores, so far up to July end, from about 87%, 88% of the customers, we have collected either the full overdues or at least one EMI or more than one EMI. That leaves only about 11% of the cases or 12% of the cases where we have not collected even one EMI from these overdues. So, that is the thing which is still under follow-up.

Dheeraj Mohan: Vijay, we have put a revised presentation and that has the overdue bucket movement. And on Page #19, we have actually given the movement as of end of July Rs.345 crores.

P.N. Vasudevan: Rs.345 crores where we have not collected the entire overdue. But if you take into accounts were at least part of the overdue have been collected, then the remaining where we have not collected even part of the overdue is about 11%, 12% of the opening balance.

Vijay Karpe: What have been the LGDs for us in the small business loans and used commercial vehicles business?

Alok Gupta: Used commercial vehicles, our LGD has been around 40%. The small business loans, because our portfolio has been small, in the sense small business loan is still growing, so there is no sufficient data to I would say to give a fair estimate of LGD, but so far, you can say it has been less than 30%.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir, just coming back to the MSE collections, as it was explained where the customers have not availed moratorium, collection was around 99%, but other than that, the number is still pretty stable at 20%, 21% for the last four months. So what is causing that to be stable if we consider the overall loan book -- is the business activity not revived enough or is there something else that is you are observing at a ground level, so some color on that would be helpful?

Dheeraj Mohan: Just to qualify that though we have put it in the footnote also, it excludes the CC/OD product, which is not the EMI model. So it does not talk about that product because we have not included that in the collection efficiencies. These are all on term loans. So, I think that is one perspective which we could have.

Ramasubramanian K: As I said before also, I think if you look at it, overall the collection efficiency which is the indicator is based on a typical month and this also include customers who have opted for moratorium. So again I am stating that in case if you are going to look at only customers who have not opted moratorium who will be paying the monthly installments from March onwards both in terms of morat-1 and morat-2. There we are able to see collection efficiency as fairly high. I think as I said, it is even as high as around 99%. As Dheeraj was also mentioning, this includes whatever we are talking about is more in terms of term loan. And the typical ratio if you can look at, it is around 70-30; 70% of our portfolio has been more in CC/OD what we typically call us working capital facility and the other one, I think the term loan is more in terms of 30% . I think in terms of portfolio has been reasonably doing well. And of course we have been cautious in terms of growth during the current pandemic. And in terms of portfolio quality, I think it has been behaving well which can be seen from the collections and recovery.

Rohan Mandora: Just to reconfirm, in the CC/OD segment, what is the percentage of customers who are availing moratorium?

Ramasubramanian K: In CC/OD, that is around in morat-1, if you look at it, that was around 65% and currently in morat-2 if you look at it, I think there, we are able to see that it is even slightly lower than that. And the overall I am able to see between June and July, it is still lower, for example, let me give you the percentage in terms of CC/OD, in terms of June, customer portfolio was around 32%, but in July, it has even come down to 26% of the overall loan availed, not availed is almost I think is the remaining percentage. And in terms of absolute value, if you look at it in terms of advances, CC/OD availed is around 43% in June and in terms of July, it has even come down by another 6%, it has come down to 36%. So, the people who are availing moratorium is consistently coming down because of two reasons -- one is, we are able to see their collections and cash flows and the business is slightly looking up and we are also able to go back to the customer in terms of educate them that, I think it is not going to come cheap to them, they are going to pay interest because of which the customers also when they are able to see cash flow, they feel that it is much better for them to repay the loan though they have opted for moratorium.

Rohan Mandora: Secondly, in terms of the circular that came out on current accounts by RBI last week, is there any change in terms of strategy for sourcing new current accounts, how does it impact us, some color on that would be helpful

Murali Vaidyanathan: Now what is RBI saying is they have classified up to Rs.5 crores to Rs.50 crores and greater than Rs.50 crores. Now up to Rs.5 crores what they are saying is, if you are sourcing a current account, you do not need to take NOC at all, which means you can go, take a current account from any merchant or any current account consumer even if he is having a loan up to Rs.5 crores, you can go and open the account without availing an NOC from the lender. So that is a big breakthrough for an emerging bank like us. But it might distort bigger banks because they might be already having a few of the current accounts there or they would have given an SME. So, now current account proposition as a product and feature becomes important part. So now what is happening is feature based current account will have a big say there. Now between Rs.5 crores and Rs.50 crores, what they are saying is you can be part of the consortium and take an escrow account so which means even by giving merchant acquiring business or credit card receivables as a business, you can continue to open. So it opens a big door for a bank like us which is emerging in the current account space. It opens up the lower end of the supply chain and middle end of the supply chain. When I say retailer, wholesaler, farmers, distributor, they became the core part of this because not only they want loans, they also want a partner in banking where they can offload their cash, where they can do the transaction at a lower cost. So today, we can comfortably say with our present current account feature what we have tweaked, we have done two things by just changing the banking pattern because of GSFC, which we call schedule of charges and cash limits any consumer can save 20%. Second part is, we have also added a new feature in our current account called TD sweep which means beyond a threshold value, it automatically goes into a TD and you start earning interest. So, I think these two propositions as a proposition will be welcome. And to get into this, we have targeted through Probe42, which will give you the full list of consumers who are up to Rs.5 crores window and Rs.50 crores window. I think we will see some exciting times for the consumer and importantly, for SFBs this opportunity opening up.

Rohan Mandora: Lastly, on Slide #13, where we are giving vehicle finance wise data on the loan ageing in the moratorium percentages, on the lower age loans, the moratorium is lower. So just to understand, is there any particular trend or reason for that or is it due to the mix of the vehicles or something like that? Slide #13, vehicle finance, the second half of the table, loan aging less than six months, the moratorium is 35%, six to 12 months is 42%, greater than 12 months is 52%.

H.K.N. Raghavan: I think it is basically again coming back to one is that as I was telling 50% of our portfolio which is there is used commercial vehicles is the heavy commercial vehicles because of the size of the installments which are there and the viability of the vehicles, the moratorium percentage has been high there. So that is one of the reasons why you will find that above 12-months, it will be more. And also, it is from our perspective we are looking at. See, for example, whether it is below six months or above 12-months, an EMI is an EMI, right. And as far as the viability is concerned, it impacts every bucket the same way, right. So hence, you will find that the above 12-months is slightly skewed.

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

Nidhesh Jain: First on the collection strategy that we collect only full EMIs and even in microfinance we have a very stringent collection strategy of collecting the money from the entire group and even if half of the group want to pay, we are not collecting. So why we are employing this strategy? I have seen that other companies are also collecting partial EMI and in group also if few members are willing to give, they are taking money from those members and not from the entire group?

H.K.N. Raghavan: We had our past experience when we had Chennai floods four years back, at that point of time, we actually went the way what you are suggesting. We said any customer gives, let us collect it. Not an issue at all. Now what has happened is that many of the center leaders collected on the clients' behalf and then they did not pass it on to us. So what happened is that from a center perspective, I do not know whether it has been collected or not collected, that is #1. #2, what happens is that JLG is very very important as far as the microfinance is concerned. Once what happens is that in a center, you collect half of the customers and you do not collect other half of the customers, if the other half of customers go bad, the existing customers or good customers who are paying will also start following that example. So that is the reason why we in fact post that particular flood, we decided that we will have completely collection of a center in order to keep the JLG intact. Third one, it also avoids lot of your risk. In a center, a customer has paid, not paid, there will be many discrimination issues and the center attendance could be sometimes possible that who has given, who has not given. So, it is very easy and very right for us to consult and also avoid the JLG issues in future we collected stringently. And this is a lesson we learned hard way.

Nidhesh Jain: And sir, we are having same strategy in small business loans and vehicle finance also if I am correct that we are not collecting partial EMI there, is that correct or...?

P.N. Vasudevan: No, no, no, it is only for MFI. In other businesses, if a customer pays part EMI, we will be quite happy to collect part EMI also.

Nidhesh Jain: You have given the data that customers who have paid full EMI in July. What percentage of customers have paid part EMI in small business loans and vehicle finance?

P.N. Vasudevan: 43% moratorium we have shown for July means that the 43% of the customers have not paid one full EMI which means the balance 57% have necessarily paid one full EMI, they might have paid a little bit more also towards past arrears, but definitely one full EMI has been paid by them, that is what it means.

Nidhesh Jain: But some of the customers would have paid part EMI?

P.N. Vasudevan: Out of the balance 43%, you are saying that, is there any part EMI paid by the customer? We do not have the data. We'll have to get back on that data.

Dheeraj Mohan: We will come back with that data. But to immediately give you some perspective, we have given the moratorium-2 number in slide #9 and if you just look at small business loans, we have said that 40% of the advances are in moratorium. But if you look at slide #10 where we have said that in small business loans, customers who have not paid anything to us… zero collection from April to July is 32%. So, if it was 40%, then we would have had similar numbers which broadly shows that there are about certain customers and if I loosely draw it, about 8% of customers would have in terms of cost had paid us something or the other which is another way of looking at the data while we come back to you on specifics.

Nidhesh Jain: Secondly, on operating cost, given in Q1 on the employee cost, we have to honor all the incentives. Both employee cost and admin cost, how do you see tracking over the next nine months of this financial year?

Sridharan N: Basically, if you look at the employee expenses on QoQ basis, it is just flat; actually, it is increased by Rs.3 crores. And in the total OPEX, if you look at on QoQ basis, it has come down by 7%. This is basically in April and May head offices, corporate offices were operating from home actually. So because of the certain variable expenses were at a low level actually. Looking at the months to come in the next six, seven months, on the employee cost, we are not looking at any cut in staff or wage, salary or something. And also, the business has now picked up after May and the lockdown has been opened, from June, July onwards, the people are on collection actually. So the collection will go up actually and the business is coming back to a normalcy. Hence, the overall cost almost will remain same, but at the same time, it may not go substantially high.

Moderator: Thank you. The next question is from the line of Shreyas Subedar from Spark Capital. Please go ahead.

Shreyas Subedar: My question is on the microfinance disbursements that have happened for this quarter of about Rs.132 crores. Would you be able to provide us a split of how much of that would have gone to existing customers vis-à-vis new customers?

H.K.N. Raghavan: As far as microfinance is concerned, Rs.132 crores that we disbursed, 15% is for new customers, 85% is for existing customers. We also disbursed in month of July and that is 9% new customers, 91% existing customers.

Shreyas Subedar: The second question again on microfinance is, I was just looking at the collection efficiencies from Maharashtra and Tamil Nadu, which are perhaps the two lowest numbers for collection efficiencies on the MFI side. Could you give us a sense directionally as to whether you expect in the coming quarters these numbers to inch up back to about 75%, 80% or do you think we could take more than a quarter to get there?

H.K.N. Raghavan: I think there are two correlation between Maharashtra and Tamil Nadu, both are high on COVID, containment zones, in fact, the Maharashtra the district level lockdowns are very high, for example, if you take the belt of Solapur, Nanded and Kolhapur, there are six to seven districts which are on the lockdown and Pune also is under lockdown. Aurangabad, these are the number of districts are very high in terms of Maharashtra. We do not operate in Mumbai. That is the reason we are not able to go out and collections are impacted. When compared to Tamil Nadu also if you look at it, we had similar kind of a situation in Chennai and adjacent four districts which contribute almost 17% of the business followed by Madurai and then Coimbatore also. But the good thing is that Tamil Nadu is picking up faster than Maharashtra. Maharashtra would take probably a month, month and a half more than Tamil Nadu in terms of recovery. But otherwise Tamil Nadu, we are extremely confident that things will be back to normal. And in order to kind of give you a kind of trend that is taking place as far as the collections are concerned, June was about 44%, now it is 60%. And if this trend goes, I think in the next two to three months, we should be able to come back to the pre-COVID levels is what our estimation is.

Shreyas Subedar: For the used commercial vehicles side, while we spoke of the concern around the heavy commercial vehicles on the used side in the portfolio, could you guide us on what trends we are seeing in terms of demand and enquiries on the LCV and the MHCV side and what is our view on the portfolio and any kind of stress related factors you could point us out on the MHCV and the LCV side?

H.K.N. Raghavan: Generally the market if you look at the segment wise stress, it is obvious the stress level if you talk about a descending manner you will have HCV, LCV and then SCV, right. And that is where in terms of your collections also if you look at it and moratorium also if you look at it, number of clients which we are selling, almost 68% of SCV customers have not taken moratorium. That means the last mile connect have bounced back and also followed by LCV and HCV the last. And now coming back to the market in terms of demand, I would say is a bit tepid. I would not say that it is kind of a Wow, it just kind of bounced back and suddenly, there was a lot of expectations in the market that because of BS VI coming in, the cost being high, there will be high demand for old commercial vehicles or used commercial vehicles which probably would have been true if COVID has not been there. But now the entire transportation industry is muted. I think the more activity is between HCV and LCV. That is the reason if you look at it, our traction is also more on LCV and then HCV. For example, if you take the disbursement in the last two months, about 60% of our disbursement used to be HCV, which has now come down to around about 35%-plus. And SCV has doubled and LCV also have a delta of 50%. So, whatever demand which is coming in the marketplace today for a used commercial vehicle is more towards LCV and then SCV. And again, the demand which is being driven is also by the online commercial activities which is going on like Amazon and Flipkart, lot of home deliveries are taking place. So that is the reason why you'll find the SCVs and LCVs are getting a lot of traction in the market within whatever tepid demand that we have.

Moderator: Thank you. The next question is from the line of Himanshu Taluja from Motilal Oswal. Please go ahead.

Himanshu Taluja: When you say a collection efficiency, we say whatever the dues for the month and how much proportion we have received. Now the moratorium, you also have explained, whatever the month of July we have received. So, can you differentiate between the two actually?

Dheeraj Mohan: I will give you the difference. Collection efficiency on the numerator, it includes all the collections we have got from the customer and we have excluded foreclosures and we also excluded any of the collections we would have received from loans we disbursed in this financial year because that will skew the collection efficiency. And the denominator is the usual monthly billings which we do. So this is the formula we have used which is why it is different from the moratorium number. Moratorium number, the numerator is the billing for July and what we have received and the denominator is the billing for July. So I hope you have understood the difference between moratorium and collection efficiency.

Moderator: Thank you. The next question is from the line of Nihar Shah from New Mark Capital. Please go ahead.

Nihar Shah: A lot of your peer banks have used the opportunity to sort of really cut down on not the employee cost but on some of the other costs to really go out and renegotiate on rentals and some of the other expenses that you may have. Can you just talk a little bit about your efforts on that? You have historically stated that you like to bring your cost-to-income down by certain percentage points every year. Do you see that either accelerating or how do you see cost-to-income sort of trending for the next 12 months or so?

P.N. Vasudevan: So yes, on the rental part of it, we have also been busy negotiating, and we have got some reductions from a fairly reasonably large number of landlords from where we have hired the places. At head office, of course, we have even surrendered because we do not even need so much, we have put a work from home policy in place, so people have been identified based on the type of work they do, so people do not even have to come to the office any longer even after COVID is over. So we actually surrendered some office space in head office. But as far as the branch locations are concerned, we cannot surrender the place because the place itself is 1,000 sq.ft. or 1,200 sq.ft. We cannot actually cut and surrender a part of it. But we have been renegotiating with the landlords. And there has been a fairly large number of landlords who actually offered us some kind of a discount and that varies; some people offered a discount for us three, six, nine months till end of March, etc., So that is sort of thing that has been going on. So there is definitely some amount of benefit or reduction that we are getting on that side. As far as staff cost is concerned, as our CFO, Sridhar, had explained earlier, we do not really plan to reduce the number of staff because one is, we need people for collection, so that any way has to be something ongoing, and on the other part of it, which is on business and related aspects, like credit, legal, etc., the traction on the business is good. As I said earlier, the demand from the segment where we lend is like kind of highly underserviced. So we do not really intend to cut back on the number of staff. So the staff cost may not really change or go down or anything like that. But there will be some amount of savings because we have all learned to now work without travel… we have all learned to review and conduct business without having to actually travel and meet people physically and things like that. So definitely, traveling and related accommodation and all this kind of cost would be seeing a sharp reduction to whatever percentage of cost that they contribute. So, if you look at our cost-to-income ratio, last year, that is 2019-20, we started at 71% and ended the year at 62%, so it has got about 8%-plus reduction that we saw in the last year. If you have been following our communications over the last two years, you would have noticed that we have consistently been using the word leverage, leverage and leverage, because we have invested quite strongly into the entire bank transformation process right in the beginning. We opened about 375 liability branches. We invested more than Rs.200 crores on our technology platform. So most of the large investments were done even at the beginning of the bank's journey itself. And subsequent to that, it has been a long journey of leveraging those investments for the business. So even now, if you see last year, not even a single new branch was opened and our advances grew by about 32%. It would have been slightly more, but for the last 10-days of disruption in March, but even then it was 32% growth in advances with not a single branch being opened. And this year again if you see, we do not really plan to open too many branches, I mean there will be a few branches maybe 10, 15 branches that we will probably end up opening, but that is about it. And the story is again going to be one of leveraging. And next year if you see again the story is going to be one of leveraging. Even next year, we do not really foresee a strong growth in branch network or anything like that. So, we still have a good amount of scope to leverage the existing investments and setting the assets that we already invested in. So from a cost-to-income ratio, of course, first quarter from 62% in March, it has actually gone to 66% in June because our income has come down proportionately because the disbursements were not there, fee income dramatically dropped, etc., So the income actually came down. So, the cost-income has actually gone up compared to the fourth quarter, but I think that is a matter of getting the business back on track and back on rails and then the cost-to-income, you should see it dropping again. But overall the story is one of leveraging for this financial year and most of next financial year also.

Moderator: Thank you. The next question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

Pavan Ahluwalia: Just wanted to check on the statement that you had made earlier regarding cash flow normalization at your borrower level. So, if we assume the moratorium runs off at the end of this month, then really what you are saying is if cash flows for your borrowers do not normalize to the point where they can cover regular EMI in the next three months, you will have to restructure. I just want to see if that is a fair statement that correctly described as the state of affairs? And also, it would seem intuitively the case that for at least the next six to ten months given what we are seeing on the virus, lockdowns, etc., that businesses, especially small businesses, someone running a single trucking operation may not see anywhere close to their normal cash flow. So, it is questionable whether they will be able to cover their normal EMI. Is it therefore safe to expect that most of the people who are currently in moratorium will in fact require restructuring because their cash flows will not normalize by November or December?

P.N. Vasudevan: It may not exactly be like that. See, when we meet the customers, there are two factors which are at play -- One is the customer saying, "I do not want to have this extra interest burden on me. So let me pay off." But there is another thought in play which is that "I want to have some cash, but I really would prefer to keep it with me. I do not mind extending the tenure of the loan. And to that extent, I do not mind paying some extra interest. But I would prefer to keep the cash in hand because I am not sure what will happen next. So I prefer to keep my cash in hand." So that is also a thing which is at play. Because they know that RBI and the government have given this moratorium option, they know that they are eligible for moratorium, so they just kind of take a view that since I am eligible for moratorium, let me take it and let me keep my cash with myself. Come September, the moratorium officially is going to run off. So the customer knows that there is no more moratorium. Today, the point is that he does not pay, there is no negative effect of that. So, he can make a choice of not paying even though he may have cash just to ensure that he conserves cash for safety purpose. But from September onwards, if he does not pay, then there is a negative impact of not paying. So, only those customers who are totally hard up and really have zero cash capability to pay, will say, "I cannot help it. Do what you like." But the rest of the customers who have the cash and who's business has come back, they will not want to go through that process, they will prefer to pay because the moratorium is not available any longer. The feedback we get from our branches is that a lot of customers the reason they give for taking moratorium is not because they do not have cash or they are not able to generate but because they feel that they prefer to conserve cash in their hands. So, I think September is a month which will really kind of give us a good clarity on this. And as I mentioned earlier, our rescheduling is not an option which is going to be given across the board. It is not. It will be given on a very-very selective basis, and it will be given after a very large level of diligence on each individual client. So, it is not going to be given across the board or it is not going to be given in a very easy and free manner, that is for sure which means that if at all we are offering a rescheduling, it is really because our customer business for whatever reason is impacted more than his neighbor and for some reason even his minimal cash flow, he is not able to generate, but if I give him more options, if I give him more time, he has the ability to generate and service. Only in that case, we will offer rescheduling. I will give you all this data maybe in September, maybe in December, we will have a much better clarity, but in my personal view, it is going to be a very small percentage of rescheduling.

Pavan Ahluwalia: But is it not the case that in this kind of market, leave aside MFI, because as you pointed out that has different characteristics, but if you just take the asset back side of your book, in this kind of market, the threat of declaring something an NPA going to repossess it, liquidating collateral is an empty threat because you know and the borrower knows and we all know that you are going to recover nothing, given the way property markets are, given the way vehicle markets are, all that. So, a borrower can also do that calculation in the head and just say, "Look, I want restructuring. You better give it to me because if you do not, you are going to have to provide for me as an NPA and your recovery is going to be nothing."

P.N. Vasudevan: If you look at our small business loan which is 40% of our book, our average LTV is less than 40%. So the customer's equity is very high in his property and this is only our property. As I mentioned earlier, my average ticket price per client is just Rs.4 lakhs. So he can imagine that he is not going to have two or three houses and things like that, which is mortgage one to me, it is a house which he is living. So, one is that it is a house which he is living, so he cannot take a risk. Second is that the LTV still on an average is under 40%. So his equity in the house is very strong. So, he is not going to kind of get into a calculative mode that the property prices and market prices and the total loan outstanding, etc., he is not going to get into that and that is our experience, we have been doing small business loan now for about eight years and our experience is that when Alok was answering on the LGD for small business loans somebody had asked him, he did not have much data simply because we have not really brought houses to sale. People have always ended up paying and settling it at some stage in the process of legal process. So we do not bring properties to sell. It very rarely happens. So people do not let it come to that stage because their equity is much more, one, and second thing is it is their house, it is a place where they are staying, it is not a second or a third house for them to walk out of. And in terms of vehicles, you have a point. If you go to page #13 of our presentation, we have actually given you high risk, low risk and medium risk breakup of our used and new commercial vehicles. High risk is a portfolio where the customer's equity is less than our equity. So that is why we are terming it as high risk. And that high risk has a portfolio of Rs.756-odd crores. Now out of that Rs.756-odd crores, that is our concern area that is where a lot of effort is going on. And there we will really work with the customer, we will figure out what's happening to his vehicle. And if you see vehicles belonging to 93% of the high risk gross that do not have been inspected, of which 98% is found to be in good conditions. So, we have done that homework. In the last two months, we know that this is the one which is an area of high focus for us. So last two months, our staff have been on the job, we have gone around and inspected all the vehicles which are coming under this high risk category to figure out whether first of all the vehicle exists and second of all, is it in good condition. Now if these two are satisfied, then at least there is still some comfort left in the transaction. If we cannot identify the vehicle or if the vehicle is in a very poor condition, then the customer has no interest in repaying at all. He will say, “Take your vehicle and walk.” So that is an area of focus, not on the small business loan, I do not see an issue at all. In vehicles, the high risk is the one of focus and there we have been doing a lot of homework over the last two months and going forward also, that is an area where we will sit with the customer. If the customer’s intention is good, vehicle has been maintained properly, in good condition, and genuinely he is not able to earn enough to pay, especially the heavy commercial vehicle where the EMI is also on the larger side, if he is not able to pay, that is the case we will probably sit down and talk on a rescheduling.

H.K.N. Raghavan: Vasu, just to add to this point, very important as far as this particular vehicle is concerned is that vehicle is his livelihood, he runs the vehicle, he has to earn and then live his life and he has to take care of his family. To that extent, in his mind, the thinking that the value, my equity is low, let them take it very rarely crosses his mind. So, when it crosses his mind, if it is really going to like what Vasu is telling is that from a branch level, every customer who is in this high risk has been touch based. We are getting in touch with him on a weekly basis whether his vehicle running, not running, what is its condition. And I think the branch has close relationship with these clients. And whatever is adequate at this point of time, if viability is an issue, we can sit across with the customer and then talk and then take the right decision.

Pavan Ahluwalia: That is correct. The only point I was making was that while his equity may be low, these are typically guys that live by thin margins. So even with a full load and a fully functioning economy, there is a reasonable degree of leverage, they do not make a whole lot of money after you strip out all their costs. If you assume a year or so somewhat lower utilization because the economy will take time to normalize, his choice is between giving you the EMI and feeding himself. So what he is likely to say to you is, “Look, I can pay, but you are going to need to give me several months of lower EMI and therefore restructure the loan because I need to eat and my profit margin from this vehicle is non-negotiable because given how difficult the job is and how much I struggle, I need at least this much to be able to pay the bills at home.” So that is the only point I was making is you may find yourselves forced to do a very high level of restructuring for a certain range of loans because you are dealing with people that are leading… I do not want to say hand to mouth, but a fairly tight existence in terms of what they can take out of business.

P.N. Vasudevan: See, if you look at the data on page #13, high risk of Rs.888 crores in the used commercial vehicles high risk, of which 63% is under moratorium, that means 37% of that category are not availing the moratorium when they just comfortably have said, “I don’t know to pay. I will avail the moratorium.” And similarly in new commercial vehicles also, about 33% of the customers are saying that, “I do not want to avail the moratorium out of the high risk category.” So it is not like every customer keeps thinking whether I should default, I should default, it is not like that. These guys are at high risk which means that their equity is today lower than mine. And yes, 33% of the customers are not availing moratorium, they are paying us. So you are right. We do not know what is going to be in the mind of every single customer, nobody knows. That is why we have given the page #13 specifically to bring to the notice of attention of investors and analysts that there is this high risk category in vehicles where we want everybody to see that and that is why we have given this data. And this data represents this Rs.566 crores plus Rs.186 crores, which is about Rs.756 crores of moratorium book, that is the book, which is of focus. So by September, by October, we will know how many of them are able to come back and start paying their EMI and how many of them are honest guys and so we will sit with them and give them rescheduling. How many have a bad intention, where we then just call off the transaction, take the vehicle, sell it and book whatever loss and finish it off. So those events will happen between September, October kind of period. And by somewhere in the third quarter, this will become clear.

So right now, neither can I predict nor can you predict. I think we will have to just wait for another two, three months, we will all know exactly how this pans out. But I can tell you that from the management side, from the bank side, a lot of effort has been put, I mean we have identified this as our focus and a lot of effort has been put in over the last two, three months and you can see the results, 93% have already been inspected.

Moderator: That was the last question. I would now like to hand the conference over to Mr. John Alex -- Executive Director and CEO, Equitas Holdings Limited for closing comments. Over to you, sir.

John Alex: On behalf of the management, I thank all of you for the interest in our performance and for joining the call. We look forward to your continued interest and participation in the periods to come. Thank you, and please stay safe.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Equitas Holdings Limited, that concludes today’s conference. Thank you for joining with us and you may now disconnect your lines.