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AU Small Finance Bank Limited - National Business Manager of Current Account & Merchant Acquisition

AU Small Finance Bank Limited - Chief of Strategy Business Solutions & Transaction Banking

AU Small Finance Bank Limited - Group Head of Strategy - Treasury, FIG, DCM, Wholesale Liability and Investor Relation

Anived Portfolio Managers Pvt. Ltd - Portfolio Manager

* M.B. Mahesh

Aditya Birla Sun Life Insurance Company Limited - Research Analyst of Banking & Financial Services

Good morning, ladies and gentlemen. Welcome to AU Small Finance Bank Q4 FY '20 Earnings Conference Call. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Parnami, Head of Investor Relations, M&A from AU Small Finance Bank. Thank you, and over to you, sir.

Thank you, Lizan. (foreign language) Good morning, and welcome, everyone. We'd like to thank you for joining on the call today. As we begin, we sincerely hope that you and everyone around continues to be in good health and is doing fine.

On the call today, we have all the members of our senior management team, including our MD and CEO, Mr. Sanjay Agarwal; our Executive Director, Mr. Uttam Tibrewal; our Chief Operations Officer, Mr. Deepak Jain; our Chief Risk Officer, Mr. Mayank Markanday; our CFO, Mr. Vimal Jain; our Chief of Strategy for Business Solutions and Transaction Banking and who also oversees the credit risk across asset classes, Mr. Vivek Tripathi; and we also have other business heads on the call to answer your questions.

Well, let me start by apprising all of you that amidst the challenging time, this April, we had a small moment of joy, as we reached a humbling milestone of completing 25 years of reliable service and been through multiple cycles and have even been able to come out of it. We also completed our third year anniversary as a bank. So we extend our heartfelt gratitude and a big thank you to RBI, SEBI, NABARD, SIDBI, Mudra, other refinance and regulatory institutions, our customers, our shareholders and team AU for their relentless faith and invaluable contribution in our journey. A special word of mention for all our present and past directors and particularly to our respected retiring Chairman, Mr. Mannil Venugopalan, who retired in the last week of March upon attaining his retirement age.

We extend our deepest appreciation for his guidance and contribution over these years, during which AU achieved the most important milestone of becoming a bank. Today, AU has got the unique distinction of having best of both the worlds that is of an NBFC strength and the opportunities at the bank platform. Moreover, in April, we also got RBI's approval for appointment of Shri Raj Vikash Vermaji as our new part-time independent Chairman, who has been associated with the bank since January of 2018. The other key update on the governance front is that in the April month, we saw approval coming in for a reappointment of Mr. Sanjay Agarwal as the MD and CEO of the bank and Mr. Uttam Tibrewal as the Executive Director of the bank for a period of 3 years. So to sum up, both these developments and induction of 3 new additional directors, namely Shri V. G. Kannan; Professor M.S. Sriram, and Shri Pushpinder Singhji, our Board strength has now increased to 9 members with 6 independent directors.

Now let's move on to the next pressing item of the current time. That is the impact of COVID-19 and AU's response to that. So first and foremost, on behalf of the entire team of AU Bank, we earnestly extend our deepest gratitude and admiration to all the COVID-19 heroes, who have been at the forefront in collective

fight against COVID-19. We truly extend them a big salute and also to some of our colleagues, who are working at the branches and critical functions and helping our customers navigate through these unprecedented difficult times.

It is natural that in times like this, you will have a lot of questions around COVID impact, on our repayments, our collections, our moratorium, our asset quality. You'd be keen to know how many of our customers we reached out to, what is the current situation now on the ground, how do we see provisions, credit cost, how is our expansion growth, what is our plan B, et cetera, et cetera.

As we always do, we'll try our best to answer as many of these questions on the call and subsequent interactions with you over the next few days, but we need to keep in mind that these answers, these assumptions, these affirmations could keep on changing as things evolve. So let me start by apprising you that during the last 40 days of lockdown, the bank stood tall. The energy level was high. Our head office at Jaipur and corporate office at Mumbai remained functional with highest accord to safety, hygiene and social distancing measures. We strictly activated our business continuity plan, formed a quick response team, effected work from home much prior keeping in mind the guidelines of RBI and IBA. All our branches, ATMs, internet and mobile banking, UPIs, other payment systems, VPN, toll-free numbers remain fully operational with 0 downtime during the lockdown.

As regards to our customer outreach initiative, during the past 30 to 40 days, team reached out to more than 5 lakh customers, asking them about their well-being, provided them doorstep banking, explained them moratorium and impact on their repayment schedule. Particularly, we had a special outreach program and assistance program for our senior citizens, wherein we assisted them in meeting their daily needs, including procurement of essential items for them.

Around financial preparedness against COVID-like emergencies, we launched our special product called COVID Shield. We extensively leveraged bank digital architecture and continued to provide interactive service to our customers. Chatbot was operational for opening FDs for existing customers. We are starting self-onboarding for fixed deposits through video KYC starting this week. We've built in an IVR function for customers to register for their EMI moratorium request. As the branch window was shortened during the lockdown, we promoted onboarding of customers through self-assisted modules. We opened more than 12,000 AU ABHI accounts. As a responsible organization, we undertook several community support initiatives through our CSR arm and contributed INR 7 crores towards several initiatives, including contribution to PM CARES Fund, 2 state relief funds, distributing over 2.5 lakh hot cooked meals, 25,000 ration kits to needy families and 25,000 masks, gloves and sanitization case. I'd like to highlight that out of his own volition, our MD and CEO, Mr. Sanjay Agarwal, has decided to donate 25 lakh shares out of his own equity holding in the AU Bank for his -- as a personal gesture to combat COVID-19. Also, he has chosen not to draw any remuneration for the financial year 2020/21.

Now let me share some data points with you around COVID-19. First, on the distribution. 58% of AU's touch points are in green or orange zones -- green and orange zones and 71% of the district where these touch points are located, therefore, are in the green and orange zones.

Second point. If we apply a different vector, 63% of our business is in the semi-urban or rural areas. And 65% of that is also in green or orange zones. Another 26% of our business is in the urban areas, 62% of which is in the green or orange zone. So as you see, we do our business only to the extent of about 14% -- 17% in the -- sorry 11% in the super metros. I'm sure all of you may have seen the MHA relaxations that have come out in the last 2 days because of developing situation and government of India is doing its best to balance between lives and livelihood. Some of these relaxations may have a direct impact on our business and our customers' cash flows.

Now some color around collections in April. In the month of April 2020, we received full and partial EMIs amounting to 75% by force of the total outstanding EMIs due in April. For comparison, the same number for previous 2 months, that is March 2020 and February 2020, was 94% and 97%, respectively.

As regards moratorium and COVID-19 provision, bank has made COVID-related provisions of INR 138 crores, which is over and above the standard asset provision and gross NPA provisions. The INR 138 crore provision is for the accounts in SMA 0 to SMA 2.

It is important to highlight that we have been lending and collecting in these geographies, asset classes, products since our inception. Our distinguishing advantages include direct sourcing, strong reference checks and add-on co-borrower and a guarantor in all loans, all retail loans, low [ForEx], low LTVs, funding essentially for essential businesses. Most of these assets, as you know, are the sole earnings or the self-occupied assets, which historically and this factor has enabled us to historically keep our NPLs always under

check. Moreover, we believe that a strong in-house collection has been AU's hallmark in these small ticket, small EMI loans. So we feel that it put for sure short-term impact. But we should be able to once again keep our NPLs in check in the long run.

Just one related point to that. Our investor deck has generally been quite detailed. And once again, heading to our first principle of transparency and reporting, the Q4 deck has given a lot of operational colors on the strength of our franchise in Slides 25 to 29. Hope could have absorbed the same. Market came up as we give information depending upon the requirement in the market and some of this information we may not continue to share, and we'll take a call accordingly.

Now before I jump to the business numbers of the year went by, I wish to take you back and remind you of the environment that we operated in. It was one of the most eventful and the rollercoaster years for Indian economy and for all of us, beginning with general elections in 2019, GDP growth rate hitting a 6-year low, liquidity stress in the NBFC space, trust deficit emerging in the banking system, generally negative and depressing attitude, and finally -- towards small bank and finally, COVID-19 in March '20.

You should note that March usually contributes around 10% to 15%. I'll repeat, the month of March cost around 10% to 15% of our annual business. The only silver lining I must mention was the cut in the corporate tax cut -- corporate tax rate.

One more important point. As you know, fourth quarter, like I mentioned, happens to be seasonally the strongest quarter for us. We had started the fourth quarter on the backdrop of a very strong performance. And I think commensurate with the market environment, we had kept our liquidity and our capital adequacy at the highest level, just to be adequately prepared around the current circumstances.

One last point that you may see some difference between the provisional audited numbers that we had given on 6th of April and what we reported in the balance sheet. That is largely because of the impact of moratorium and certain business cancellations post the lockdown.

Now coming over to brief operating performance highlights. Banks maintain extremely comfortable liquidity over and above regulatory requirement of SLR, CRR and LCR. Equity coverage ratio was 133% against the regulatory required minimum of 90%. This has been part of our overall strategy to gradually reduce the leverage and also approach our approach to keep liquidity, commensurate with the operating environment. The bank is carrying comfortable capital adequacy and the total capital adequacy is around 22% as against a requirement of 15%. So bank does have a buffer of more than 7% on total capital adequacy. Our Tier 1 continues to be around 18.5%. Additionally, we also have shares of 6.34% in Aavas Financiers Limited and a significant headroom to raise Tier 2 capital.

Aggregate deposits grew 35% year-on-year and stood at INR 26,164 crores as on March '20. Deposits also grew 10% over December quarter. Retail deposit is now 43%. On deposits, we continue to pursue our strategy around retail, which includes both CASA and retail TDs, and in that, we have a granular focus on high-value acquisitions. We have seen good traction in AU Royale, which was launched in the last quarter.

The other important tenant around deposit is the costs. It is to be noted that we've been able to steadily grow our deposits by constantly reducing our overall and incremental cost of fund. We've been prudent to use judicious mix of other available automated resources, including securitization and refinance.

Profit after tax for last year, excluding the gains on sale of Aavas, grew 56% to INR 596 crores and including Aavas, it grew 77%. Before I open the floor to questions, I'd like to add that if we look at the above results and the backdrop and the market where we operate in, we believe that we are on the right track. There could be some intermittent challenges to say the least. We remain focused on building a diligent organization and tap on to the available opportunities very strictly.

The current situation requires us to remain agile, to give and guard ourselves better. With that, we conclude our opening remarks and open the floor for questions.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah, ASK Investment Managers Limited - Executive Director [2]

I have two questions. One, how much is the...

Operator [3]

Sorry to interrupt, Mr. Shah. Sir, we are not able to hear you clearly.

Bharat Shah, ASK Investment Managers Limited - Executive Director [4]

Okay. Is it clear now?

Operator [5]

No, sir, you're still sounding soft.

Bharat Shah, ASK Investment Managers Limited - Executive Director [6]

Hello?

Operator [7]

Yes, sir, Please go ahead.

Bharat Shah, ASK Investment Managers Limited - Executive Director [8]

Yes. A, what is the deposits, is on 30th April compared to 31st March? And secondly, INR 138 crore of COVID provision which has been made, if you could explain the details. Finally, (inaudible) which availed of the moratorium, how much is for overdue and what (inaudible) has been provided originally?

Sunil Parnami, AU Small Finance Bank Limited - Chief of IR, M&A [9]

Bharat bhai, Sunil here. I think we could hear only part of your question. So let me just reiterate and maybe you can help us with the second part. So you wanted to know what is the deposit position as of April 30 vis-a-vis April -- March 31, and you also wanted color on about the moratorium. So I could not hear what was the exact question on the moratorium.

Bharat Shah, ASK Investment Managers Limited - Executive Director [10]

I'll repeat that question on the moratorium. I think we have provided INR 138 crore COVID provision in the fourth quarter. So I wanted to understand how many overdue loans, which availed of moratorium, on which, as per the RBI guideline, either 5% in quarter 4 and 5% more in quarter 1 has to be provided. So how much of the overdue loans which availed of moratorium? And what kind of percentage has been provided to arrive at INR 138 crore?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [11]

Yes. I'm Sanjay Agarwal this side. So let me answer the second question first. So this is a very important question because lot many people are asking only about how many people availed the moratorium, and -- but I want to give you the flavor of certain things, as an operational level because moratorium is a right to a customer given by RBI. So I think judging that how many people opted out for moratorium and how many are not opting out is not a sign of any wrong or any bad account in my opinion. It is just a comfort, which has to be taken by customers based on his own circumstances. So of course, we'll share all the data. But I think if you are having a moratorium not availed, I still get more worried because I know that my customers are good enough, their intentions are good enough. My 98 -- 90% customer were in 0 bucket on 1st of March. So there's enough belief and you can even trust that those customers were good enough to pay the EMIs on time, and India was closed for good 40 days. So the businesses are closed. So people had a lot of anxiety. People had a lot of own way of thinking that there might be a waiver from government. So they really want to hold their cash with them. So even people who would have taken a moratorium is not subject to only not running their business or they are very marginal kind of customers. It is because they're also opted out the choice, which they are facing on the ground, right?

So in terms of moratorium, I'll give you the one large number because I know many people really want to ask about it. So as on 31st March, our book is INR 27,000 crores. In that book, we have 0 to 89-day book is around INR 2,700 crores. On that, we have created 5% COVID provision. And that book was -- it is from 1 DPD to 89 DPD as on February end. It's that one, right? Because the customer who has not paid in the month of March has been given moratorium.

And in AU case, Bharat bhai, the special thing happened because moratorium was announced on 27th of -- so largely, as all customers paid us on different cycles of March, which starts from 5, 10, 15, 18, so we were largely not impacted of moratorium in the month of March. Of course, in last 7 days, would have lost around collection efficiency of close to 7%, 8%, amounting to INR 70 crores, INR 80 crores. Other than that, March remained very secure, March remained very normal for us. In April month, which is the first month, which we can actually judge how many people really opted of a moratorium, so in that sense, Sunil already commented. In a customer count wise, total 71% people have paid us. Out of that, 47% people have paid us through EMIs. And why this is so encouraging because the people had a choice not to pay, but 47% people have opted out. And 23% people have opted out to pay partially and has communicated with us that as soon as lockdown is open, they are not willing to take this moratorium because it has its own cost. And as soon as their business comes in and they feel more secured, so then the partial EMI will be fully paid. And only 29% people have opted out for not paying us. I'm not sure how many customers really want moratorium or how many customers would have still waiting this lockdown go for their businesses and then pay us, right?

In normal circumstances, 10% customer, every month doesn't pay us. So in 29%, if you really see the effect of COVID, the 19% people have not paid. And you will appreciate that last 40 days, were the most toughest days, in my opinion, what I have seen in my life. In last 25 years, I haven't seen a life like this, where everything was shut, everything was fearful, people were really cautious, people were really negative. But still AU customers are willing to talk and willing to pay us. So I think that's very encouraging for us. So that's about COVID and of course, the provision around it. Rishi, can you comment on the deposit side?

Rishi Dhariwal, AU Small Finance Bank Limited - Chief of Secured Business Loans [12]

Yes, so I'm Rishi here. April is actually normally a slow month for the banking industry. But in terms of deposits, April '20 was stable for us despite the challenging environment. In branch banking, which is the retail fees that we have, we grew by INR 80 crores on the retail deposits with incremental term deposits of INR 496 crores. And at the bank level, term deposits grew by INR 542 crores. So -- and to add some flavor to that, in April '20, we added 13,000 new accounts with acquisition value of INR 40 crores. And that is like 1/3 of the normal acquisition that we do.

Bharat Shah, ASK Investment Managers Limited - Executive Director [13]

Next one, can you repeat the data about the (inaudible)

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [14]

So Rishi, can you take that?

Rishi Dhariwal, AU Small Finance Bank Limited - Chief of Secured Business Loans [15]

Yes. So for branch banking, which is the retail piece that we run, the retail branch banking, we grew by INR 80 crores on retail deposits, which is CASA and TD put together, where the incremental TDs were INR 496 crores. And at bank level, the incremental TDs were INR 542 crores. The overall deposits grew only by INR 80 crores.

Bharat Shah, ASK Investment Managers Limited - Executive Director [16]

Right. And Sanjay, the ones who have presently, 69% -- 71% of the current customers paid, either partly or exceeding in April. This is in respect of those who availed the moratorium as on 27th of March. Is this also flat?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [17]

So, Bharat bhai, I'll give you one more color. So our SMA accounts from SMA 0 to 89 as on 1st March was around INR 3,600 crores. That was reduced to INR 2,700 crores by March 31, where we put a COVID provision of 5%. That amount is -- also has reduced to INR 2,200 crores at April end. And the figure I'm talking about, 71%, which includes both the partial and the full EMI is the customer, who are current on 1st of March.

Bharat Shah, ASK Investment Managers Limited - Executive Director [18]

Customers who were current on 1st of March chose to -- 71% of them chose to pay partly or fully in April?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [19]

In the month of April.

Bharat Shah, ASK Investment Managers Limited - Executive Director [20]

Yes, in the month of April.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [21]

Because in the month of March, as I told you, because the moratorium was announced on 27th, 28th of March, our repayment cycles were before that. It was around 5th of March, 10th of March. To my collection -- associate -- my collection numbers, vis-à-vis 71% were 98% in the month of March. Bharat bhai, just a minute. Vivek want to say something.

Vivek Tripathi, AU Small Finance Bank Limited - Chief of Strategy Business Solutions & Transaction Banking [22]

Bharat bhai, Vivek here. Just to add what Sanjayji said, and just to give more light on it. So yes, whatever Sanjayji said was repaid on the aggregate level. If you just opt out only for customers who were current, then the ratio is 53% and 26%, respectively. Further, the working capital side, 92% of customers have paid us in April. So this was a term loan data. On the working capital side, 93% of customers serviced their interest from their own sources.

Bharat Shah, ASK Investment Managers Limited - Executive Director [23]

Yes, I understood that. And my question was out of the people who availed moratorium as on 31st March and who were overdue, amount was about INR 2,700 crores. So we provided about INR 138 crores as a provision on that. Out of these, in April, how much has been paid off?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [24]

So that amount has been reduced by 17%. So we don't have a customer wise data, but that amount, Bharat bhai, was around INR 2,700 crores. On March 31, that account has reduced to now INR 2,300 crores. So you're right because the additional 5% by June end can see substantial reduction because now the economy has opened up, the lockdown has been relaxed and I would say that April, in my opinion, as of now, it's so difficult to predict future as of now. But April as of still, I feel, was the toughest month to handle all these things. So now the -- as you know, economy was operating around 40%, 45%. People are expecting the economy will operate now in 60%, 65% post this relaxation. And if things goes well, in June, may reach around 70%. So I believe that the additional 5% requirement should not be so high because there will be a substantial reduction in our 1 to 89 DPD by that time.

Operator [25]

The next question is from the line of Mr. Amit Kumar Premchandani from UTI.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [26]

Just a number which has been missing is what is the value of the portfolio, which has gone for moratorium as on April end?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [27]

So I think the most important question will be only asked around moratorium, right. So in absolute number, the cost number is 25%.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [28]

25% of value of the portfolio?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [29]

I would say on the current portfolio, which is around INR 23,000 crores.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [30]

Okay. And sir, how -- what percentage of the book is dependent on travel, given that vehicle finance is a large part of the book and travel is getting impacted significantly because of COVID?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [31]

Yes. So I'll give you 2 minutes, then Vivek will take on. As you would have seen our debt, 40% wheel business is around personal car. And I hope we all are talking about the more hygiene and more secured measure -- secured way to travel, right? So I don't think personal space will get so much of it. In our 60% portfolio, the passenger taxi is around -- Vivek, you can pick from there, right?

Vivek Tripathi, AU Small Finance Bank Limited - Chief of Strategy Business Solutions & Transaction Banking [32]

So just to give you more color on the complete passenger segment of Wheels' book, around 22% of the Wheels book is in the passenger segment. Out of this, 18%, which is roughly INR 1600 crore, is in the taxi segment. And if we further break this up, the 95% of this debt is into point-to-point travel. This means eventually, and that this is not a Ola, Uber kind of a segment, but this is a segment where you hire a taxi for a day, and that's also largely not into the metro and semi-urban area. It is metro and urban areas, whether it is largely in the semi-urban and rural area. Almost 51% of this book is already operation, you can say

that, because most of the green zone and orange zone restrictive permissions have been given that people can commute and use these taxis with 1 driver and 2 passengers. So our ground feedback also shows that a lot of these people are now starting in their services. So that's the complete color on it, and about 3% of it is into LCV which is into key segment and all.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [33]

And if you look at the Wheel portfolio, the growth has been largely driven by used and cash-on-wheel segment, while the NPL ratio of this segment is actually lower than the new segment. What drive this better than new segment asset quality performance? And what is this cash-on-wheel?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [34]

Bhaskar, yes?

Bhaskar Vittal Karkera, AU Small Finance Bank Limited - Chief of Wheels [35]

Yes. Amit, my name is Bhaskar here. Yes, cash-on-wheels is only nomenclature for refinance. Essentially, it is -- when you finance the same vehicles again, we call it refinance. So that is cash-on-wheel. And in terms of that particular -- in that portfolio, we have close to about 60% of the refinance is to our existing customers itself. So those are people who have already been our customers, who have already paid us. And we have given them a loan on the same basis. So that's why we call it cash-on-wheel. And that is something which we have been -- just to give you a flavor for the last -- that is the oldest business in our bank. Even before we were a bank for the last 25 years, the one business that we have been doing always has been this business. So we've continued to -- that we have started focusing on this over the last 1.5 years, and that the book has built in that direction a little more over the last 1 year that you would have seen. And another subset of that is the used car business. That also incidentally is our oldest business we have been doing this for the last 20 years. And that business also is something which we focused on in the last 1.5 years due to which we have had big growth in that particular segment.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [36]

And generally, why do you expect or do you continue to expect delinquency in this book to be lower than the new vehicle because the NPL number is tough?

Bhaskar Vittal Karkera, AU Small Finance Bank Limited - Chief of Wheels [37]

See by application, geography, profile, usage, they are not very diametrically different than what is new, number one. And while there generally is -- a little of it is about -- generally about a little more by about 50 bps, the used delinquency is more by about 50 bps. In our case, it is a relatively new portfolio. And hence, once it gets seasoned out, we will see a difference, but I don't see it going very high. It should remain in the range of maybe INR 0.50 more than whatever is the new vehicle delinquency because there is no change in the sourcing pattern, in the profile, in the geography, application. They're pretty much in the same market, as we are in the new.

Amit Premchandani, UTI Asset Management Company Limited - Fund Manager [38]

And sir finally, what is -- it's very difficult to give an estimate for the credit cost of FY '21, but generally, how is the management looking at credit cost for FY '21?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [39]

Yes, so, I'm going to answer. Amit, I am coming back. Yes. Amit, Sanjay this side. So wheel business in AU is the oldest franchise, right? We are running it from last 25 years. The similar leadership team is handling this business from the [last 15] years. And we have handled the crisis of 2008, the oil crisis of [2014], the demonetization of 2017 -- '16, '17. So already, we have seen that this book is largely -- only has some slippages. But in the long run, it does not give you very high credit cost. And now we -- after becoming a bank, we have well diversified our book. Average ticket size is sub INR 4 lakhs. As you're talking about that, why use more than new because the old is new nowadays, right? And we have also changed that old profile of funding from last 3, 4 years post our incoming bank. That is why our personal share has gone up. Our new share has gone up. Our CoW share has gone up more on -- really focused on our yield also. So honestly, it's very difficult to estimate as of now.

But in a worst to worst time, which I can tell you around the oil crisis of 2014, our GNPA was around 4%, right, worst to worst right? And where the dollar -- the oil was touching \$150 per barrel, right? So now there is no oil crisis. Yes, there was a shutdown for 40 days, but I think these vehicles are used for basic purpose. And I have seen in the last 3 weeks a lot of TV business back on track. Of course, the large operator finding some difficulties because they don't have drivers, but we don't fund those sector much. The passengers will come back because passenger -- personal car will be used for your own personal use, and you don't want to travel on the busy metros or busy buses or in general transport services. So I believe that our -- this book, people ask questions but I personally believe that because of our geographic advantage, because of our diversification, because of our lead and because what is most important thing, with the way the franchise has built over the 25 years around sales, credit collection it's superb, right? I think this team has that magic to pull it back to the normal levels in maybe next 6 to 9 months.

Operator [40]

And we will move on to the next question. That is from the line of Anirvan Sarkar from Principal AMC.

Anirvan Sarkar;Principal AMC;Fund Manager, [41]

Sir, just a couple of questions on the expenses side. First of all, we -- I can see a rather sharp increase in other expenses. So this is a bit out of fuel with the other fourth quarter usually. So what led to that? That was the first. And the second is if you could provide a breakup of the provision line item into provision for NPAs and for standard, just in absolute terms. So I can see a basis point thing, but I'm not sure what the denominator for that is. If you could provide an absolute breakup of that, it would be helpful.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [42]

Yes. So I'll do -- Sanjay this side. So I'll do the second question first. So our total provision amount as on March 31 on the balance sheet is around INR 500 crores, which consists of the standard provision of close to INR 120 crores and -- sorry, sorry. Standard provision is around INR 120 crores. The COVID provision is around INR 130 crores and our -- INR 138 crores and our NPA provision is around INR 240 crores. That makes us INR 500 crores. And if you really see our book, which is around INR 27,000 crores, so we are

carrying 1.8 provision on our total -- the loan assets as on 31st March. And you will -- if you really go and see our NCL profile of last 3 years, as mentioned in our balance sheet, total NCL in last year is close to INR 40 crores. And if you even add on the provision on INR 180 crores plus the total NCL on a last 3 year plus was INR 100 crores. And we are now carrying a INR 500 crore of provision on the book of INR 27,000 crores, right? And in my opinion, that is enough as of now. And it's a continuing story. It's an evolving story. So we'll see how we build more provision, if it's any situation or any need arises.

And in terms of your first question, quarter 4 is a little bit higher than quarter 3 expenses. But the large reason was -- is that we were anticipating a good year for us. So we hired our resources in the month of December and some impact is also there, but one-off items are 3. One, we've settled onetime litigation costs with -- around our securitization, taxation. With GST around INR 15 crores we paid that in the quarter 4. We had some auditor advise on our depreciation policies. So we also done that with a cost of INR 15 crores. We have done our CSR expenses of INR 7 crores. So I think these are one-off items in the spread of INR 70 crores. And other than that, it is around our marketing. And as I told you around our human resources, we've built it in the quarter 3, which will help us in quarter 4 and quarter 1. So that's the whole breakup of our expenses. But I think we are making all our efforts to now rationalize our costs for the year 2021 because we all know that we can't predict our growth. We can't predict our quality asset or those things. So only thing we have in our hand is our cost. So I think I would say that we had a cost of around INR 1,400 crores last year, in that 65% is fixed, 35% is variable. And I believe that the whole organization, every team member is working on that level that we should not be over projecting our cost for this year. And you will see more commentary on our cost-to-income ratio in next quarter call.

Anirvan Sarkar;Principal AMC;Fund Manager, [43]

Okay. Sir, one last question. What is the amount of write-offs for the quarter?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [44]

Write-offs for the quarter -- the year -- no, so we don't do write-offs because the write-off as per the bank RBI policy is too late. So -- but if you really want to see the credit loss, which is around INR 32 crores for the whole year.

Operator [45]

The next question is from the line of Haresh Kapoor from IIFL Asset Management.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [46]

Am I audible?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [47]

Yes.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [48]

Sir, just want to understand this behavior in this taxi segment. You spoke about monitor model and overall pool, and you've also kind of mentioned in your presentation 95%, used from point-to-point and 1.3% Uber, Ola. But if you could just talk about repayment behavior here and how is it different from the overall book?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [49]

No. So Wheels business, as I told you, the overall, around 50% people have paid us in some. So Wheel we have seen the data around 40% but again, our emphasis is that people who are taking moratorium -- people are not taking moratorium does not signify the deterioration in the asset quality, honestly. It's a matter of comfort. It's a matter of its own choices. And Wheels, in my opinion, every customer has the right to pay moratorium because that's the way we have designed this 3 months, right? And Wheels business, as I told you, taxi business might get some little bit delayed in part. But I personally have a very different feeling because there is a lot of discussion around your personal hygiene while traveling. So like for Delhi, for like Mumbai, I don't know, if people don't want to travel through metro. They don't want to use public transport. Then the next choice can either they buy the car, which is not easy choice. So the next only choice can be you have your personal taxi. So I think just wait for some time, and I think you will see new norms. And thereon, whatever challenge we are facing in terms of that, we won't get a business because of no tourism or there might be an issue around people might not taking taxis cannot -- can be challenging, honestly. So in my opinion, let us wait for some more time to really see how this taxi operator sustain and encounter these new norms.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [50]

But definitely on the number, if you could just give it out, you've spoke about the Wheels portfolio of 40%, but just for the taxi segment in particular, how is that number fit?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [51]

I'm sorry, we don't have as of now, but you can get in touch with the IR team. But largely, I would say, it's really around that, honestly. It will be around 40% only. But I think if you want the specific data, IR team will be in touch with you to give you that.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [52]

Sure. My second question is more in terms of the liquidity and the further -- as paid is obviously, borrowing a CBLO interbank has kind of moved performance up on the sales. So any commentary there. How we're thinking about that? Overall, is this some more to kind of just create some more buffer right now? And till when will you hold it? Or any thoughts around that.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [53]

Yes. Good questions. So let -- I hope -- can I ask Shantanuji or Yogesh to comment on this?

Shantanu Prasad, AU Small Finance Bank Limited - Chief Treasury Officer [54]

Yes. Shantanu Prasad here. I'm the Chief Treasury Officer. So yes, given the uncertainties around this COVID, we eased off our liquidity as of March. So if you see, we have eased the liquidity to almost INR 5,000 crores. As also in March, our LCR was about 133%. As we move into April, I think the liquidity has further improved. Now the deployment is largely that we are keeping in high-quality assets, like government bonds and obviously, some portion is also passed in RBI, depending on the requirement. So we do plan to carry a comfortable liquidity as we move into May and June. And yes, we will try to optimize it wherever it is possible in high-quality assets. And we will see how things emerge going forward.

Yogesh Jain, AU Small Finance Bank Limited - Group Head of Strategy - Treasury, FIG, DCM, Wholesale Liability and Investor Relation [55]

So Anil, Yogesh Jain this side. So just to add, I think -- sorry, Haresh. So just to add the purpose is to remain liquid at this point of time. In terms of cost, I think we got this liquidity on our average cost of around 7%. And broadly, what Shantanuji mentioned that we are keeping this liquidity in very high-quality RBI asset to remain liquid at this moment. We will see position going forward, how we will use this liquidity. And in terms of cost, I think it's 1 or 2 basis points on our NIM as of now.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [56]

Okay. Because once I look at your deposit pool also on a Q-on-Q basis, your savings has declined on a Q-on-Q basis by approximately 5%. So just thinking through combining both of them because the savings number is down, you're kind of creating some more additional buffer, though your number of accounts are increasing even on the series side also. But is there something to read right now that there is some behavior -- customer behavior is changing on the car front because of which we are taking customers proactively or is this normal use of sales because the environment has changed, and we are seeing a lot of the large banking deposits are moving, but a lot of the other smaller banks and developing banks are facing some challenges. So that is basically where my thought is coming from. And any comments on the car front will also be very helpful.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [57]

Sorry, Sunil (sic) [Haresh], can you repeat question for me so that I can -- sorry, because your voice is not clear.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [58]

Yes. My question is broadly around savings account. Absolute value also declining on a Q-on-Q basis.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [59]

Yes, yes. Okay, Haresh. Okay. So let me give you on my mindset around the whole liquidity and the cost of money around it. So let me begin with this that we remained NBFC for 22 years, and we became bank in last 3 years only. And I'm very happy and fortunate that in the time of COVID, we are bank. So first of all, I

think there is no liquidity crisis in a bank because RBI as a regulator is doing fantastic thing for us, not only about giving a lot many relaxation, lot many offers, also managing day-to-day compliance and whilst that, what is our amount of liquidity and what is our behavior per account and all those things, and that is very good to really remain float in this time.

Second, internally, you know that in last 1 year, there was a serious crisis around banking trust because of PMC and because of, of course, Yes Bank. And we being an SFB got really hit around it. We are actually becoming a bank. We already not arrived in that status where people really trust us. In PMC days, people really challenged us, how come a cooperative bank and SFB are the same. In Yes Bank time, a lot of cloud on the private banking, correct? So I think -- but still we're able to manage our CASA in 1 particular range. So -- and we actually built a lot of retail outlook from April '19 onwards, which Rishi is now captaining. So - - and we really was there on the ground to build trust, build product, build services. But it is taking more time. And something we are control, something we are not in control. I would say the number which you are showing in our retail deposit or in our CASA or in overall sense is -- has a beating, not because of us. I think it is because of external environment, which we can't control, honestly, right? But in that sense, we also don't want to put ourselves into a league of seeking wholesale money.

Still we are building the whole liability base around retail. And it is -- it will take more time, but I'm sure because I would also say you one more thing that post -- in COVID days, banker scalability has gone up. So I would say, and the whole retail team of my 3,000 people really done fabulous job to contact people, to engage with them. Even our teams called up around 50,000 senior citizens to give them alternative services. So I think AU will have -- will emerge, honestly, as one of the most retail-oriented liability franchise, but it will take more time. But nevertheless, that is not hitting us -- our cost of money, as RBI, NABARD, SIDBI, Mudra, NHB all has opened the gate for us, and they are offering cost of money around [6, 6.5] now, right? And money is still abundant, honestly. So I don't think that AU will go through some liquidity challenge, first. Second, because we will take some more time to build our retail, our cost of money will not go up. Rather, we have reduced our cost on April 15. And in our savings and in our FDR and we might reduce as we move forward. But in that sense, I think our cost of money, which was around 7.7% for last year should go more south way as we move forward.

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [60]

And just lastly from my end. This NBFC portfolios that you have in your initial comments, you obviously spoke about 92%, if I'm not wrong, repayments coming through on the working capital side. Now I don't know if this NBFC portfolio that you have, first, what is -- could it be a combination of working capital term loan? So you spoke about working capital. But if you could give some sense on that. Second is if you could talk about -- we see the docket number that has been given out. Could you also talk about how much is lend to you, in particular because you have a lot of deposits. What particular could be lend and then the enforceability changes based on lend parameters? And also there is a lot of talk right now that the NBFC moratorium could be extended. So in that scenario, the behavior on that portfolio, could it change, how you see? So maybe any, if you could comment on that will be very helpful.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [61]

Yes. Sorry, there are a lot of perceptions in the market, a lot of negativity around NBFC. But you will surprise to listen me that my 94 -- 94% customer has paid their EMI in the month of April. Again, I repeat, my 94% customer has -- NBFC customer has paid the EMI in the month of April. And we are in the...

Haresh Kapoor, IIFL Asset Management Limited - Assistant Analyst [62]

Is this value terms -- value terms also or this is just in terms of...

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [63]

No, I don't -- I don't have the data -- so much detail data and how much is their EMI. I'm saying 94% of customer means 94% cost. So I would say that there is nothing to worry about. We are in touch with NBFC. We have around 130, 140-odd customers, and we are in touch with them. People have enough liquidity for next 6 to 9 months. And of course, they also recovered around 30% money in the month of April from the customers. So I think is about -- the challenge is about growth for them. It's not about sustainability, honestly, correct? So I think we have handled this NBFC book from last 6 years, and we have handled better in last 2 years, post IL&FS crisis, if you really see our book behavior is one of the fantastic in terms of asset quality, in terms of the overall profile and overall management, right? So I would say that -- and of course, if moratorium is extended, again, I'm saying moratorium is a facility to a customer to take the advantage if he doesn't want to pay.

But if he has the money, and it's not coming free. It has its own cost, right? So if a customer is willing to pay, I don't think it's any wrong from us, wrong from him also. So I think I would only ask everybody to take this view that if somebody is asking for moratorium, it does not mean that, that customer is substandard. Yes, the customer is a notch below than a customer who is paying on -- or without moratorium, but that customer is not substandard.

Yogesh Jain, AU Small Finance Bank Limited - Group Head of Strategy - Treasury, FIG, DCM, Wholesale Liability and Investor Relation [64]

(inaudible) Just to add on what Sanjayji said that we wanted to know maybe the previous portion of it is in working capital. So 92.5% of this book is a term loan book, right? So it's a predominant account number. It is not a working capital base. The deposit we have from NBFC, only INR 90-odd crores is lean to us or encumbered to us. Remember we have free money, and most of it -- yes a couple of customers have taken FD, OD, which is a facility they use, right? And that's a liquidity management tool, which we -- as a client, we can't deny it. We have to segregate that, right?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [65]

And Hareesh, just to add on. Regulatory is also very forthcoming to provide liquidity to all kind of NBFC in some or the other way, right? So NABARD, SIDBI, Mudra or through TLTRO, they are coming up with their plans to provide liquidity to all kind of smaller NBFC, MFI, HFC.

Operator [66]

(Operator Instructions) The next question is in the line of Jeetu Panjabi from EM Capital Advisors.

Jeetu Panjabi;EM Capital Advisors;Analyst, [67]

Thanks, Sanjay, Sunil and team for a very good presentation. I have 2 questions. I'll go one by one. So the first one is, when you think of the next 60 or 90 or 120 days, what would you say would be your path to normalization in terms of your new loans, write-downs, getting your branches up and running and also any restrictions you put on loans you've made to certain sectors or are there places where you'd be averse to lending, at places you'd be positive on lending?

Yes. So let me try to answer this. So the -- running a bank operation seamlessly is the most important work for us, honestly, and we need to build with all security measures around it. I would say last 40 days of lockdown, our 3,000-odd people were coming office on a daily basis. Our branches are up and running. Our operations back end were up and running. Customer service call center was up and running. So we didn't have any shutdown, honestly. So it's easy to restart from a level of 50% and reaching again 100% right. So -- and today is the first day of this lockdown relaxation. And I'm seeing that -- I think our -- as of now, I'm sitting at 11:00. The data which shows to me was this, that around 8,000 people have joined us office today. So I think a lot of activity is happening on the ground. And of course, there is a fear among people around for COVID. And that can only be solved if some medicine or some vaccine comes in place, right? And we need to live with this. So in that scenario, it's difficult to predict that how the normalcy will come and when it will come. So -- but we at AU has very certain things which have made us special.

One, we do not fund lifestyle businesses. We fund essential businesses, right? We are more into semi-urban and rural areas. We are into a customer base who can't afford much to relax at his home and he not have a luxury of his own large savings. He has to come on the ground and earn and pay, right? Our -- we are -- 90% of our assets are secured. So security means that even he has his own -- the asset which we have given, is being used in business, or we are having his own residential or own commercial property as mortgage, right. And we are well diversified in our book sense, INR 11,000 crores is around Wheels, INR 11,000-odd crores is around in SBL. Then we have around INR 600 crores in housing, then we have INR 2,000 crores in NBFC, and our -- blah-blah things. So it's well diversified in the sense of our risk management. So I don't think that is -- we will be going into an era where everything will be so one lever. Yes, this is a very unprecedented and untesting time. And we, as an organization, had to come forward and help our customers to rebuild their business, rebuild their trust in life. I have only one ray of hope that my 98% customers are under 90 days as on March, 98% customers. So they have the right intention. They had a right business model because they had paid us in past so well, right? And you will also appreciate that India as such never had a great year for last 2 years, great time for the business in last 2 years. But still they are able to manage their EMIs on time, correct? Because 90% people were also paying on time, honestly. So I think these are the things which we have to need to take forward and believe that if a customer comes to us and if he talks very honestly, the bank has to be engaged with high care of attitude and then build on from here. So I would say that give us one, this quarter more to predict or to estimate our asset growth/asset quality for this year as such.

Jeetu Panjabi;EM Capital Advisors;Analyst, [69]

Okay. That was very useful. But just the next 30 days, 60 days, 90 days, are you going to open the credit into your system and include the customers? Are you going to keep the tap shut and say boss (foreign language), and we're going to keep -- so that's the color I'd love to get.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [70]

No, I think AU is never ever has done like this. In the time of 2008, in the time of 2013, '14, in the time of 2016, '17, AU actually has extended their hands to their customers. And again, say, that if I have to stay alive, I need to be with my customers. I need to understand them. I can't run away from them in these rainy days, because everybody always says the bank runs -- takes away the umbrella at the time of rains, right? So here, I think AU has to go to their customer, has to talk to their existing base, figure out how and what support they want and need to deliver that. But we have to do the calibrated way. And we are now setting our shop. We are not setting our shop. So there will be some disbursement. But based on the study around the customer needs, we might be more granular. We might be more specific. We might be more asking lot of those questions. But I hope because whatever way we have discussed -- and like, for example, if my 50% customer has paid in the month of April, in spite of having an option of moratorium, isn't that customers are AAA for me? That number is around 3 lakhs, right? So if my 3 lakh customer is paying me EMI without a due to them, so he's AAA. And that customer comes and say, boss, I need some working capital support for

2 months, why should I not give them. So I think that's our strategy to really focus on existing customers. Keep your head high, keep your energy high and believe and bring more trust on table.

Jeetu Panjabi;EM Capital Advisors;Analyst, [71]

Sanjay, one last -- my second question is, what is -- which pocket of your customers are you most worried about? Is there a segment of your customer you are most worried about?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [72]

To be very honest, I'm not worried for my customers because customer is my strength. So yes, I know people might say that Uber, Ola's customers can be -- can get inflicted. But I again say if customer is not paying because his business was shut, it's fine with me, honestly, because I know as soon as his business comes up, he will pay me. So I think the provision amount, the slippage is the accounting, is the accounting, right? It's not the reality in this time.

Sunil Parnami, AU Small Finance Bank Limited - Chief of IR, M&A [73]

And just 1 small point that we've seen that also across previous cycles as well. It's not that you are speaking out of -- it's the experience that you've seen like Sanjay sir said, in 2008, 2013, 2016. So that's the thing to be kept in mind as well I guess.

Vimal Jain, AU Small Finance Bank Limited - CFO [74]

And just to add here, regarding this Ola, Uber, I have a different view. I don't see these customers also more gullible because their average EMI is around INR 40,000. And they are livelihood operators. They are DCO, driver cum operators and owners. So as soon as economy comes back, they are the first one to come on the road, I think. And they can ply your taxis anywhere, not only on Ola, Uber. So as soon as economy comes back, they are the first one to come back, I think. So -- and that is only 1%. So I don't see much of worrisome at there also.

Operator [75]

The next question is from the line of Mansi Sajeja from SBI Mutual Funds.

Mansi Sajeja;SBI Mutual Funds;Fund Manager, [76]

Sir, you have taken an enabling provision for a capital raise. So just wanted your opinion on that, that would you be looking at that immediately? Or is it over the course of the year?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [77]

Yes, of course. I think this is just an enabling resolution for us to make our life easy, and it will be done on the -- because we have an adequacy -- capital adequacy around 22%, right? And the Tier 1 upward of 18%. So -- and as we don't know how the asset growth will happen, so it is not an immediate need, but we are creating it for our future reference. And we do have also Aavas with us. So we will -- again, I think it will be the same we commented in last quarter result also that we will take our own course, whether we want to demonetize Aavas for us or want to raise more capital. But yes, we will take action as and when it arises.

Mansi Sajeja;SBI Mutual Funds;Fund Manager, [78]

There is nothing -- no negotiations or pref issue plans right now?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [79]

No, nothing, nothing, nothing.

Operator [80]

We'll move on to the next question from the line of M.B. Mahesh from Kotak.

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [81]

So a question on the asset quality front again. Just kind of -- I'll just kind of make this a slightly long question so that it kind of covers the few topics that I wanted to ask. One is that when you said this INR 2,700 crores is down to INR 2,200 crores, I assume that you guys have not added the payments, which is coming in for the current month. We just kind of taken whatever is outstanding for a particular month and just see what repayments have happened. Is that right, one?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [82]

Yes. It's on 94%.

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [83]

It's always people, right?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [84]

Yes. So it is always done like that.

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [85]

Sorry, just wanted to clarify that. Second one is, see, just a question to Bhaskar. How comfortable are you on the guarantees, which is on the ground given that they too would be under similar stress level? And also the Cash on Wheels product, which is sitting there, will you go ahead and give these to existing customers who have taken moratorium as well?

Bhaskar Vittal Karkera, AU Small Finance Bank Limited - Chief of Wheels [86]

See, your first question was how comfortable we are with the guarantors you said, right?

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [87]

Yes.

Bhaskar Vittal Karkera, AU Small Finance Bank Limited - Chief of Wheels [88]

Yes. So Mahesh firstly, if you look at it, the guarantor is generally, generally, okay, as of thumb rule, is somebody who's either a peer to be higher or a notch above. Like for example, if I'm giving some FTU, then he will be a one vehicle owner. Or if I'm giving to a farmer who's got 5 acres, and he is with somebody with 10 acre. So typically, the guarantors are also, A, of the same preference. They are in the same locality. They have the same profile. And in terms of the overall security, they are generally a notch higher, okay, number one. And when you're doing funding for people who earn and pay, if the vehicle runs they pay, the guarantor is really only the last mile who in the event of this guy really going -- hiring away. So the guarantor is more from that point of view, number one.

Number two, we are not doing Cash on Wheels as of now. Obviously, we have to wait, see. As if you look at the ones who have asked for moratorium, are not the bad eggs. It is just that he's also waiting and watching. He's saying if I get money, if it's cross-sell, he gets a good price, he'll come and give us the money. So it is not essentially that just because he's asking moratorium, we may want to refuse. At this point in time, we have kept it shut. We have, for the moment, kept it off. We'll wait, see, calibrate, decide.

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [89]

Perfect. Just to kind of add-on to it to Sanjay then. If for any chance the business momentum does not pick up during the second half of this year, for constraints in the market or otherwise, how are you kind of approaching the -- how are you kind of approaching growth for FY '21 and '22? And what will be the bearing on the business?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [90]

Mahesh, my friend, it's so difficult to predict even tomorrow, and you're asking me second half this year. So I don't have an answer. Because what I have is, I have 2 million customers who require banking day in, day out. If this country has to stabilize this economy, back on track, then you need only 1 institution, which is called bank. So -- and we are in that platform, right? And we have 2 million customers. We have around 18,000 people on ground, and we are seeing a lot of activity. People have to understand and to have to live

with this corona. People can't have affordability to sit and relax in this country. And there are, I believe that AU will have the opportunity. And in that sense, maybe (foreign language) view (foreign language) there will be more opportunity. You have to select out of it where you want to go. So I think there is already inquiry starting coming from today itself. Maybe 2 days back also, we got some inquiries. So there would be some inquiries. But I think it will be up to our team to decide which risk they want to take and which risk they are going to take, right? So I believe that you have to wait for 1 more quarter to really take the larger clue for this year.

M.B. Mahesh, Kotak Securities (Institutional Equities) - Associate Director & Senior Analyst [91]

Sanjay, my question -- sorry, I'll just kind of retrace this. Sorry, it was not right from my side. I just wanted a sense. The portfolio has got a relatively lower duration from the asset side. If you're assuming that business comes back to normalcy from a collection side, it is still not clear whether the demand side on the ground is going to be fairly robust. So in this kind of environment, just kind of understand, if the book does not grow this year, do you have a plan of action around the overall balance sheet? That's all.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [92]

No, no, I understand. But what I want to say that our SBL book is around 7 years. Housing -- only the Wheel book is around 3 years, right? So I can take your view that if you have more receivable and you don't disburse, your asset growth might decline, right? But I believe that, that's all assumption, honestly, Maheshji, we need to wait for 1 more quarter. And then only we can estimate, right? But I -- if you take my -- want to take my feeling around it, I would say there would be a lot of inquiries, a lot of opportunity available with us around maybe SBL, maybe housing, maybe in terms of used car, maybe in terms of our CD business. Because we are so well diversified in terms of our asset classes, maybe our new model like 2-wheeler or maybe gold loans. So -- and you could appreciate that AU has that all franchise in place for all this kind of product lines. So in case we see that some other sector is coming up, actually, we can push ourselves more quickly than others. So I mean that's the way I want to sum up this because neither you, neither we have that kind of clarity that what will happen in the future.

Operator [93]

(Operator Instructions) The next question is from the line of Pranav Gupta from Birla Sun Life Insurance.

Pranav Gupta, Aditya Birla Sun Life Insurance Company Limited - Research Analyst of Banking & Financial Services [94]

Most of my questions have been answered. I just have 2 quick questions. Firstly, you spoke about collections being down from about 90%, 91% to 75%. So going forward, obviously, it's not the case with everyone, but going forward, how do you look at collection once things normalize, given that obviously, we have limited collections force and they have limited capability. So how do you look at the collections piece, once you normalize? That's my first question.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [95]

So I think I replied a lot of these things in last 1 hour, but just for repeating. Again, I repeat that whatever we got at 75% people have paid us in the month of April, there was no collection effort on those

customers. It was done on the voluntarily basis from customers. We have only put our collection efforts to our customers who are having up to 89 DPD as on February last, right? And there, we got around 7% to 18% resolution on a working of lesser than 10 days. And people were really supportive on the ground. People were really talking to you. People were really warm. Of course, they are cautious. They are a little bit anxious also. But I believe as of now, once the lockdown has been relaxed, and in this period, in this month, when the things become a little normal, and then, of course, June become more normal you will find that our collection efficiency going back to the normal levels. And even I believe that customer will come and pay your EMLs because, again, I repeat, the moratorium is not free. It has its cost. Unless until customers believe that he does not want to pay me at all, right, which is can be very little cases because he has the security in place. So I think we have to also read how the customer has behaved at the time of demonetization or maybe at the financial crisis. So I think you have to take the clue from that data also that we believe and that there might be a case where our asset quality improves because of this moratorium period.

Pranav Gupta, Aditya Birla Sun Life Insurance Company Limited - Research Analyst of Banking & Financial Services [96]

Right. Right. So basically, where my question was coming from is basically that, obviously, right now, we're seeing that a lot of customers are paying voluntarily. And obviously, you're taking clues from demonetization and GST. But why I'm asking this question is because at that point in time, there was still some business which was going on. And as we all know that in the last 40 days, there has been no business which has been running. So how does the customer react?

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [97]

Every time in my 25 years of career, every time when some issue comes, we always say, (foreign language), right. And at the time of demonetization, we said, (foreign language) oil crisis (foreign language), correct. 2008 (foreign language). But what I want to say, every time human race will come up and will win the environment. So we have to believe in future, right? So what I want to say that even 75% -- because 75% customers were not paying on time in the time of demonetization. But this time they are paying. So what is the data other than perceptions which supports us that there will be lot of assets to pay. That's the only perception, right? That's the only way. In my opinion, 40% economy was working. Last -- from 15th April onwards, there was a lot of activity around agriculture. We saw a lot of trucks movement on the highways. So I think you have to also believe, in my opinion, on the strength of an human kind, where these all comes together to sustain and to build ourselves.

Pranav Gupta, Aditya Birla Sun Life Insurance Company Limited - Research Analyst of Banking & Financial Services [98]

Right. Right, sir. So just one small question sir also...

Operator [99]

Sorry to interrupt, Mr. Gupta. Sir, we may request that you return to the question queue, so that other participants can ask theirs.

Pranav Gupta, Aditya Birla Sun Life Insurance Company Limited - Research Analyst of Banking & Financial Services [100]

It's just a data point, if I can ask that. Okay. I will come back in the queue, cool.

Operator [101]

The next question is from the line of Hiral Desai from Anived PMS.

Hiral Desai, Anived Portfolio Managers Pvt. Ltd - Portfolio Manager [102]

Sanjay, most of my questions have been answered. Just had a small question on the liability side. So over last couple of quarters, you've spoken about engaging your SAAR customers with a lot of the e-commerce and other offers. So qualitatively, have the engagement rates improved? That's my first question. And just a follow-up. What is the traction on AU Royale that you guys are seeing? Because it's a phenomenal product, so I've been using it since last couple of months. I think it's a great product.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [103]

Thank you for that. My team is getting some appreciation from public, right?

Hiral Desai, Anived Portfolio Managers Pvt. Ltd - Portfolio Manager [104]

No. No. I think on the debit card side, it's a phenomenal product, especially for the HNI segment.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [105]

Thank you for that. Thank you so much. I will let Shoorveer.

Shoorveer Shekhawat, AU Small Finance Bank Limited - National Business Manager of Current Account & Merchant Acquisition [106]

Shoorveer this side. So your first question was regarding that what is the shift in terms of primary account transition.

Hiral Desai, Anived Portfolio Managers Pvt. Ltd - Portfolio Manager [107]

Yes.

Shoorveer Shekhawat, AU Small Finance Bank Limited - National Business Manager of Current Account & Merchant Acquisition [108]

Which is the reason by which, since September, we started Shopping Dhamaka. We came up with a lot of offers, whether it was Swiggy, whether it was Paytm, whether it was BookMyShow. And we tried building engagement with those customers. So just to give you certain numbers. We have seen 25% growth in transacting customers in September. Average transaction per transacting customer has moved up to 8.1. This was typically 5.6 till September. So there is a growth of 115% there. Per -- product per...

Hiral Desai, Anived Portfolio Managers Pvt. Ltd - Portfolio Manager [109]

Sorry that 8.1 transaction is per month or per quarter?

Shoorveer Shekhawat, AU Small Finance Bank Limited - National Business Manager of Current Account & Merchant Acquisition [110]

Per month.

Hiral Desai, Anived Portfolio Managers Pvt. Ltd - Portfolio Manager [111]

Okay. Okay.

Shoorveer Shekhawat, AU Small Finance Bank Limited - National Business Manager of Current Account & Merchant Acquisition [112]

Okay. And product per customer, which we measure internally in terms of the engagement, has moved up to 1.4. There is a growth of 11% there. Customers with greater than 4 transactions, which is a benchmark which we have created internally to differentiate the engaged customers, that has moved up to 1.7 lakhs, which is a 54% growth over September. Then this proportion of greater than 4 transaction customer on the overall base has reached to 16%, which is growth of around 45% on this. So we are seeing clear strong indicators in terms of the engagement of these customers and their transaction pattern. On Royale, we have got approximately 11,000-odd customers onboarded already. And in Jan, Feb, we saw great momentum there with 6,935 families and accounts of 11,120 customers, which in terms of value, contributes to approximately INR 1,200-odd crores on the overall book side, including [CAR plus] TD. And apart from that, I think the engagement continues to be the core focus, specifically during this lockdown period. We have engaged with approximately 4 lakh odd customers using technology and various data points. And that is especially the reason that the overall liability about which Rishi spoke in the beginning has been consistent, and we have seen good traction on the term deposit side.

Operator [113]

The next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Kumar Aggarwal, Motilal Oswal Securities Limited, Research Division - Research Analyst [114]

I have 2 questions. Firstly, on margins. We have mentioned in the PPT that there was an impact of INR 15 crores to INR 20 crores because of the excess equity that we carried, though, this was only for the second half of March. Now that we are likely going to carry the security in the near term, how do you see the margin relatively going ahead? We have seen some good improvement in the recent quarters. So any color on that? And secondly, on the LTV part. Now on the Wheels, the LTV were around 18, while non MSME this summer is like quite comforting at 45. So with the rise in mix of used vehicle how this LTV has changed? And this number, per se, like how the comfort doesn't relate to you?

Vivek Tripathi, AU Small Finance Bank Limited - Chief of Strategy Business Solutions & Transaction Banking [115]

So Nitin, Vivek here. These are initially 2 different kind of businesses, right? I mean mortgage-backed business, if you look at our SBL or home loan or for that matter even business banking and SME both, individual topically just a security we are forming a business and typically there are lot of comfort. So overall LTV will always be lower. We serve is that business is completely recurring business, right, where even in a used case, if you are funding a weaker, typically, a customer would like to avail 70%, 80% of that as a loan amount. And we -- you cut -- as an industry level trend in these, our LTV price is always high. LTV segment, you would see that there is always 100% funding in this typical (inaudible) market, right.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [116]

Nitin, in terms of metrics, which you're talking about, so let's take one, one metric so that we can arrive on the right conclusion that our -- I believe, the pricing power with AU will remain because we are more into the areas where NBFC lending happened. And I don't think that come 18 months, NBFC lending is available in those markets. So that is allowing us to price our risk. I would believe that cost of money will further go down in -- for maybe another 6 to 9 months. So I think the spread here can improve. I don't think that it can go down. Second, in terms of our OpEx, as I told you, the whole team is coming together to build an environment where we don't do unnecessary expenses, unproductive expenses that we cut down. We don't want to do expansion unless it is required. So there will be some rationalization around OpEx. And of course, the only thing which we all do not know is our anti-provisioning, right, or maybe the slippage around rate. But I still believe that seeing my experience of last so many years and the way we handle our customer and how the customer respond to us is very encouraging. And I don't think that there will be much challenge around it, provided, of course, the normalcy comes sooner than later. And in that sense, I would say that our ROA, which we are expecting around 1.6, 1.7 as of now remaining that, of course, how much asset will grow, how much other things will grow is a matter of time. So ROA in that sense is still -- I want to say that it will be in that range only subject to our growth.

Bhaskar Vittal Karkera, AU Small Finance Bank Limited - Chief of Wheels [117]

Also just to add, what Sanjayji said that -- also I have to understand that our almost 70% book is a fixed growth. So any -- in this environment where we said that the interest rate would go slightly downwards, we will have advantage on a very good leverage.

Nitin Kumar Aggarwal, Motilal Oswal Securities Limited, Research Division - Research Analyst [118]

So just one clarification on LTV, [for the rules] and new business separately and how has it trended in last say one year?

Sunil Parnami, AU Small Finance Bank Limited - Chief of IR, M&A [119]

Nitin, there's a data point we can take offline. So we'll share that with you.

Nitin Kumar Aggarwal, Motilal Oswal Securities Limited, Research Division - Research Analyst [120]

Okay. And is it possible to also just color on the proportion of customers availing moratorium within MSME and Wheels, given these LTV differentials, because that will be like...

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [121]

Yes. So MSME SBL customer has paid around -- in customer side is a better ratio. 56% customer has paid us full EMI and 23% customer has paid us partial EMI in the month of April.

Operator [122]

Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Sunil Parnami, AU Small Finance Bank Limited - Chief of IR, M&A [123]

Yes. Thank you. So I think we have tried to give you color. And like Sanjay sir mentioned on the call that there are a lot of these moving parts. I think one thing that you need to use is that we have been an organization that has remained absolutely close to ground, very well in pick up things when it comes to customer behavior and our own history. So of course, these are evolving situations with respect to growth, outlook and other things. We'll keep on giving you more information, like we have done in the past. With that, I think we sign off from this call and look forward to be in touch with you.

Sanjay Agarwal, AU Small Finance Bank Limited - MD, CEO & Director [124]

Okay. Okay. So Sunil, just 1 minute more. So I would like to sum up in a way that being a cricketer, right, I always believe these are very -- I would say this is the English condition with overcast situation, windy, unpredictable, and we all have to not only win -- well, not only to survive, but win also. But I think this team has a lot of capability to win from here. And of course, there will be a lot of support from our customers. And I'm very hopeful and optimistic about the future. There will be a lot of fluctuation around the whole, even psychology and, of course, around economic activity. But I think this will be amazing learning for us to build an AU which we always intend to build forever. So in that sense, I believe we need your support also that let's be more real than a perceived fear and build from here. So thank you so much. Stay safe, stay healthy.

Operator [125]

Thank you. Ladies and gentlemen, on behalf of AU Small Finance Bank, that concludes this conference call.
Thank you for joining us, and you may now disconnect your lines. Thank you.