



“Inditrade Capital Limited Q3 FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Inditrade Capital Limited Q3FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. Should you need assistance during the conference call, please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudip Bandyopadhyay - Group Chairman, Inditrade. Thank you and over to you, sir.

Sudip Bandyopadhyay: Good afternoon everybody and thank you very much for joining this investor call of Inditrade Capital. I am pleased to take you through the Q3 numbers of Inditrade Capital.

Before we move to the numbers, I would like to advise you that during the quarter, we were in a position to add some public sectors undertakings as our lenders. SIDBI of course came in last quarter, we had SBI CAPS, we had Punjab National Bank and also after the end of the quarter, we got NABARD to come in as a lender for our multiple businesses. During the quarter under reference, as on 31st December, our total AUM stands at 417 crore. The balance sheet size as on 31st December was 559 crore. Gross total income for the quarter was 78 crores. PBT was 4.7 crores. The detail financial statement has been shared already in the site and in the investor presentation. So I will not get into each item, of course I will be happy to answer all your queries. The balance sheet details again, I will not be getting into right now. If somebody has a question, I will be happy to answer.

We have broadly 4 businesses; one is Microfinance, second is MSME, third is Micro Loan, and fourth is Agri Commodity. So portfolio as on 31st December for the respective segments; Microfinance was 203 crores, MSME was 59 crores, Micro Loan 96 crores and Agri Commodity 59 crores. There has been healthy development on Agri, Micro, MSME and even Micro Loan segment. While the AUM has come down marginally between Q2 and Q3, the gross total income has gone up, PBT has moved up marginally from 4.3 crores last quarter to 4.7 crores this quarter. PAT is marginally lower on account of deferred tax adjustment. Our cost of borrowing is coming down fortunately. Microfinance has come down to 13.9, MSME is down to 11.25% and Agri to 8.5%. We have been adopting as usual a very conservative policy on provision. MSME segment gross NPA is 5.84 whereas net NPA is 2.51. Microfinance gross NPA is 1.45%, there is no net NPA. Micro Loan and Agri Commodity, there is no gross or net NPA. The main reason for the Micro Loan NPA not being there is we write off well before the regulatory stipulated period. We write off the entire amount of doubtful debt, same for Agri Commodity.

Portfolio and debt details on a consolidated basis we have shared with you just to provide you a snapshot of how leveraged we are and you would have seen that we have maintained a very healthy debt equity ratio, healthy in a very conservative way I would say. Our debt equity ratio is less than 1, it was 0.87 on 30th September and now it is 0.88 and solvency ratio if you don't include DA PTC partnership which is actually not in our book, then our solvency ratio has

improved from 51 to 48% .In other words even if 52% of whatever assets we have go back, still we are solvent..

Portfolio detail of breakup we have provided. In Microfinance, we have 168 crores of owned portfolio and 35 crores of managed, making it a total of 203. In MSME, we have 36 crores of owned and 23 crores of managed, making it 59 crores total. Micro Loan and Agriloans, 96 and 59 is our own portfolio, there is no managed portfolio.

Overall portfolio share, Microfinance continues to be the dominant business with 49% of portfolio share, other businesses constitute 51%. We have in the presentation uploaded in the BSE site provided you a segment wise breakup of businesses how each and every business has performed when these businesses were launched and what has been the growth in AUM and disbursement quarter-on-quarter.

I would just like to highlight couple of things. We have been extremely conservative throughout our journey and we continue to maintain that conservatism and that you will see reflected in our AUM as well as disbursement management while we are cautiously optimistic on the economic recovery. We are as I said cautiously optimistic. So Microfinance, our disbursement in Q2 was 16.31 crores. We have moved to 30.33 crores in Q3. We are hoping to make much bigger disbursement in Q4, but we are measuring and taking cautious steps. In Micro Loans, our disbursement had gone up and AUM had gone up during Q3, but because of multiple environmental reasons, we have slowed down disbursements in Q4. Agri Commodity has been a good story in Q3. Our AUM has gone up from 44 to almost 60 crores and disbursement moved up from 13 crores to 33 crores. MSME has been steady and stable. We are progressing in the MSME, but again we have been cautious, disbursement was miniscule in Q2, 1.76 crores, that has moved to 5.44 crores during the Q3. Overall, AUM because of repayments have come down from 67 crores to 59 crores.

Very briefly, that is where we are. As far as collections are concerned before I complete my part, collections have been improving on a continuous basis. As far as Microfinance are concerned, we are collecting, we last month collected that is in January, we collected about 97% of demand. In MSME, we collected about 93% of demand. Agri, I think it is 100%, there is no issues. Micro Loan, of course, there has been lot of challenges, but however, the situation is not as bad as the media and otherwise it has been painted. And as I mentioned, we have been extremely conservative. Thank you very much. I think with this, I will complete my monologue and we will be very happy to answer questions which investors may be having. I have with me my colleague, Mrs. Jhuma Guha, who is the Director of the company and Mr. Naveen Jain who is our Group CFO. We also have Mr. Vinod Mohan on the call who is our Company Secretary. Thank you.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Duby Rex who is an Individual Investor. Please go ahead.

Duby Rex: Sir, could you give the brief breakup about the other expenses and why is it recurring so much quarter-on-quarter and the interest income is only doubled or less than doubled, the other income, the other expenses are like tripled actually, could you give a topline breakup if possible?

Sudip Bandyopadhyay: Yes, absolutely. So I will tell you this is straight forward impact, I think I had last quarter briefly explained, I will explain in detail, this is pertaining to our Micro Loan business. Just before I go into the detail, I will also like to tell you that remember that our Micro Loan business is carried out in two parts. One is our own platform which is Robocash which is managed entirely in-house. There is no third party involved here, everything is ours. There is another segment where we work with digital lending partner and there are two of them who does 3 broad things; they source customers, they provide the platform with the artificial intelligence and machine learning capability and they also recover the money. Our job as an NBFC is to assess the credit and provide the loan. So the loan is in our book, we give the loan, we assess the credit, we do ensure that the KYC is proper, but sourcing customer, providing the intelligence and the technology platform which includes the digital lending app as well as the collection is the responsibility of the partner. So these are the two broad markets. Now, what happens is, when the amount of lending goes up through the digital lending partners, the expenses also goes up, why, because in this segment, we remember customer sourcing cost, there is a significant sourcing cost. I will give you some brief idea from the actual data which I am reading out, we use a WhatsApp platform which send messages to potential customers, we use Facebook, we use Google, we use NET Core, Screeno, Leadcash, Intellect etc, so these are the multiple platform apps we use for sourcing customers. Facebook is the most costliest and the Facebook cost overall, I would say customer acquisition cost at all stage, in fact last quarter, we calculated about 1300 bucks per customer. That is the customer acquisition cost. The other part of the cost in a Micro Loan is the server. Data is in cloud; computation is happening there. So it is an AWS, Amazon Web Service cost. There are transactional SMS which goes to the customer again and again, whether it is sanction of the loan, whether it is repayments due and all that, then there was credit bureau cost, every customer we have to check the credit score and all. Then there is transaction cost, which is the digital lending partners like PayU, CCAvenue, Razorpay, all this. Then there is KYC cost, you check Aadhaar API etc and all that. So there is a cost in that. So whenever there is a spurt in Micro Loans which is what has happened during the last quarter, there is a significant cost increase. Now, if you ask me what we have earned by doing this Micro Loans, we have earned about 2 crores net and we are telling you the figure. We have slowed down this business for different reasons and I am sure there will be some questions on that and I will explain that, but I tell you if the business doubles next year, the cost also may not double because it will start getting the benefit of scale, but there will be significant increase in cost. Profit you have will not be directly proportional to the revenue because along with revenue there is a cost also.

Duby Rex: Sir, could you give breakup of the Robocash AUM within the Micro Loans and also?

- Sudip Bandyopadhyay:** I will give you that. On 31st December, 95 crores must be AUM of Micro Loans and 73 crores was digital lending partner, 22 crores was Robocash. So if you see the presentation, which we have uploaded, you will find 95.77 crores was the Micro Loan AUM on 31st December 20 and 73 was digital lending partner, 22 was our own Robo. That has now come down to 55 crores, 33 crores is external partners and our book we have maintained roughly at same level.
- Duby Rex:** One more question is, how has the performance of the Scalerator been sir, is there any quantifiable measure you can quantify it sir?
- Sudip Bandyopadhyay:** I think Scalerator is, very honestly still to make a profit, we do business performance measurement on an individual business and segment wise. They have not yet started making money for the group, but we are still hopeful that by February-March, they will start making money. They have shown excellent signs. Month-on-month, revenue has grown significantly, but they are yet to breakeven on an SBU level.
- Duby Rex:** But we can't give a revenue breakup anything like that sir generally?
- Sudip Bandyopadhyay:** Just give me some time. Meanwhile, I will check with Naveen to get those figures. I will answer some other questions, but I will come back and give you the answer.
- Moderator:** Thank you. Next question is from the line of Saurav Singhvi, an Individual Investor. Please go ahead.
- Saurav Singhvi:** So I was looking into the results and also of the past performances and the first question which came to my mind was, where do you think in terms of the value for the shareholders that has been created, I am not talking in perspective of the price in the market of the share, but otherwise, because when I see the results, I always see that bottomline, I do not see that to be growing, it is always staggered, take it for the past performance, the revenue has always been equal to the expenses more or less, right, so bottomline has not grown. On top of that, the segment that the business was always focusing, so I do not know how much is the focus because I see a shift in focus per year, we used to focus a lot on Agri Commodity, then our focus also went to the Microfinance, then the MSME and now we are talking about the Micro Loans and the associated expenses that you mentioned, right. So as a shareholder, I am looking out for the value, I just wanted to understand the general focus that is shifted from time to time, the reason for that and what are we going to do in the future, so that the bottomline actually grows and there is a value created?
- Sudip Bandyopadhyay:** I really appreciate this question because if you ask then you will only know. I think you need to check the results. Till last 5 years, we have been continuously growing the profitability. I will explain the Micro Loan and I understand because you haven't joined earlier. Micro Loan segment didn't exist and Micro Loan segment profitability is very low because there was a question on Micro Loan by Duby, I answered that. It is not that is the main segment or we have shifted our focus to Micro Loans. Naveen will just give you the figures and I will tell you

quarter-on-quarter, year-on-year from what profitability we have moved to what profitability, every quarter we have grown. Fortunately or unfortunately, the COVID year which is what the current year is, the profitability vis-à-vis last year is down obviously because we have been aggressively taking provision and we have been conservative. Otherwise, if you see the year before compared to that last year, last financial year, the profit almost doubled and I do not have the exact figures, I will get you those figures, because those are old figures, I don't remember that and current year, yes, there is a COVID and there is a challenge, 6-8 months there was no business, but still we have quarter-on-quarter growth managed and grown the books also. That is point number one. Point number two is it is not that our focus has been shifting from very beginning and I understand because you are joining for the first time. We have articulated from day one what our strategy is and that continues to be our strategy and I am happy as a shareholder, you want to know what the plan for long-term value creation is, it is this segment which are not catered to by large institutions and banks, we are trying to cater to that. We started with Agri, which is again a very large segment and please remember when I say Agri, there is a huge distinction between pre-harvest and post-harvest. Banks and institutions give pre-harvest. Post-harvest credit for against Agri commodity is very limited, so we play in that segment. There are challenges, there are inefficiencies in the system and that is why we are cautious We picked up Microfinance because we wanted to work with rural women and we again believe that the huge segment companies are and would do well in that segment. That is another segment, again which is not catered to by large banks and institutions. Yes, there are large Microfinance players, but they are playing in the same playing field.

MSME, we moved into, these all I am talking about 4-5 years back. Again, MSME we moved because it is not typical MSME-MSME, we cater to again the segments which are not catered by others which is the Kirana shops, the typical mom-and-pop shops, those are the guys we lend to and this is a cash flow based lending, we assess their cash flow, it is not a secured lending. All this I am talking about is not secured lending, cash flow-based lending and we do that.

Micro Loan, again the digital lending or Micro Loan whatever you call, we started our platform way back in January 19 when I think the environment was much friendlier, positive and this is for predominantly Gig economy workers, OLA, UBER driver, a food delivery boy, a retail store worker. People whose salary is between let us say 15000 to 30,000 to meet their short-term requirement, this is the segment we are starting. So consistently, we are focused on segments which are not catered to by large players, these are small borrowers, they don't have all the balance sheets and net worth to support their financial requirement, based on their cash flow we assess their need and give them loans. That is the segment, and we believe there was a tremendous value. Unfortunately, there has been a COVID and I can't justify through this year figures vis-à-vis last year, but the year before and last year, you will get your justification.

In consolidated figure, if you see on 2018-19, we made a profit of 14.27 and last year which is 19-20, we made a profit of 20.76 crores and this year 9 months, it is 12.38. That is where we

are. The year before, we sold our equity broking business and made an extraordinary profit of 7 crores. So as far as the company is concerned, the businesses of the company last three years I am talking about, it has grown from profit of 14.27, last year went to 20.76 and this year in a COVID year, 9 months, we are 12.38. Does that reasonably answer your question?

Saurav Singhvi: I could see the jump in profits for sure, I was also concerned about the parallel expenses that we are incurring, whether it is on salary or whether?

Sudip Bandyopadhyay: I will explain once again, it is not an expense and not a single paisa, it is not the manufacturing company. What has happened I was explaining, this is cost of manufacturing. So if you are in digital lending using partners, how do you acquire customers, you have to advertise on Facebook, you have to advertise on Google, so there is a cost to that. So if you want to acquire 1 million customer, you have to spend may be 100 crores, so this is directly related, what you want to do with that. Now, this quarter, I will explain in detail later, we have reduced that business. So the expense will come down. Again, one quarter we want to increase it, that will go up, but we are making money. The point is we are making money in that segment. Now for making that money, there is an expense. In isolation if you see the expense, obviously we had, but the revenue has just gone up.

Saurav Singhvi: Just a final comment may be from you, I understand the core business of ours is to take the money and then lend it, so do you see that the curve of interest rate has gone down for us, I mean the lending rate, do you see that has gone down or will it tremendously go down given that there is high liquidity persisting in the market right now because I think that is where we will get our fish right?

Sudip Bandyopadhyay: Sauravji, I think this I have been explaining every quarter, in fact, I know you are coming first. So I just tell you once again, see our cost of funds in the agri business is about 8.5%. In Microfinance has been continuously coming down, it is now 13.9. The last few borrowings have been below 10%. In MSME, our cost has come down to 11.25%. It has also down from the earlier quarter significantly. So cost has come down. Now, if you ask me whether it will come down further, based on my personal analysis, I think there is very little scope for interest rates to come down further in the economy. We will benefit because we will still for multiple reasons, we will be able to reduce all cost even from here because in Microfinance which is one of our main businesses, normally PSUs don't lend to you unless you have completed 3 years. We completed 3 years on 31st March 2020. So that is the reason we have been able to progressively go and borrow from PSUs and bring down the rate which is why Microfinance cost rightly it used to be above 15, it has come to 13-13.5 now. Recently, we have been raising money from PSUs at around 10%.

Moderator: Thank you. Next question is from the line of Abhishek Khatod, an Individual Investor. Please go ahead.

- Abhishek Khatod:** I just wanted to give some suggestion. The PPT whichever you have presented for you have used it we were not getting a full kind of a detail centric, when we compare with the credit access so you can little work on it, if you need more details, what we need as an investor, so we can always mail you guys?
- Sudip Bandyopadhyay:** I have access to that. Thank you, I take your point, we will do, I don't know why our PPT is slightly different. Fortunately, credit access is a kind of single business. Their entire thing is Microfinance. In our case, there are 3-4 segments, okay, but I will take your point, we will give more information. Even if it may not be, I think we will do that.
- Abhishek Khatod:** That may be helpful.
- Sudip Bandyopadhyay:** We will do that, we have access to all the presentation.
- Moderator:** Thank you. Next question is from the line of Chitresh Lunawat from Gartner. Please go ahead.
- Chitresh Lunawat:** So my question was like for digital loans, first like have you disbursed around 340 crores in this particular quarter for digital business as like as per the last presentation, it was around 190 and this time it is around 530 crores, so is this the disbursement amount, am I getting it right or?
- Sudip Bandyopadhyay:** I will check this amount. About 528 crores, cumulative.
- Chitresh Lunawat:** Last time it was around 190, so we have done around 300 odd crores?
- Sudip Bandyopadhyay:** We don't focus too much on disbursement because Robocash we started 15-day product, so let us say Robocash last quarter. I don't have the exact figure how much we disbursed because we don't track that way. The figures will be exactly doubled this quarter. You understand, assuming there was time skew the same money rotating twice because it was 13 days, maybe 15 days and the 15-day product was in demand much more, so the amount of disbursement is not too relevant for us, but yes okay.
- Chitresh Lunawat:** So I just wanted to get the run rate. So like it is around 100 crores every month we are disbursing in particular digital loan, so going forward sir like how much increase in share do you see from third party to our own app like when we are giving, so we would have acquired some serious number of customers right when we are disbursing around 300 crores when we are giving loan of only around 10,000-15,000. So how much benefit do you see we getting from that and they coming to our platform like how are we working on the migration?
- Sudip Bandyopadhyay:** You are absolutely right, Chitresh. And I think you remember what I had told many quarters back that whole strategy was to acquire more and more customers by using third party digital lending partners. And I think we have done a decent job of that. And I am very hopeful that see what we have done is we have already started terminating. I am hopeful that in another 3

months, probably by 31st March, we will be able to terminate all the digital lending partners and move the entire business inhouse. So maybe on the next financial year Q1, everything will be inhouse. That is the internal target. We will move everything. About 4 partners we have already terminated. We still are working with 3 more, but we will gradually move out of that as well. So you are absolutely bang on. That is the whole strategy.

Chitresh Lunawat: Going forward also, our run rate would be similar like 100 crores plus every month or we are going to..

Sudip Bandyopadhyay: Unfortunately, Chitresh what has happened, I am sure you guys are aware that whole lot people are not following the right practices and there is so much of noise around. So we have slowed down significantly this quarter and I am sure you are aware RBI has appointed a committee to formulate, most probably guidelines will come within the next 3, 4, 5 months. So I will wait for that before I will start scaling up and increase disbursement. Let the RBI guidelines come, let it be even more or better regulated and I am very hopeful some of you will remember how Microfinance works and what Microfinance has become post RBI guidelines. So I am very hopeful that this sector will be a winner post the RBI guideline coming in.

Chitresh Lunawat: And sir, how do we have control over the digital partner sir like the information they give it to customer whether it is correct or not because normally we see lot of complaints, right, those digital partners promise something and then customers get something else as a packet. So how do we have a control over them like for this kind of customer centric issues?

Sudip Bandyopadhyay: We have a full control, Chitresh. What happens is they sold to the customer, giving loan is our decision. Platform is there. So the algo is running on their intelligence engine, but whether we want to give or not, all customer details, everything is with us. And the collection, whatever collection necessary, they have to collect. So that is how we operate with digital lending partners and this is in terms of the RBI guidelines. RBI, I think took out a guideline in June last year. We follow that guideline. Under that guideline, we have signed with all these guys. Everything is monitored. We have a formal office of complaint kind of addressal. If I remember rightly, last week we were looking at the position because we had our board meeting. I think in Robocash, there were 36 complaints and I think 35 of them have been addressed already. One was pending. And now most of the complaints are because if the customer does not pay, we have to report to CIBIL. They do not get the fresh loan. So we challenge because then they start complaining why have you kind of reported me to CIBIL and this and that. And as far as digital lending partners are concerned, there were 131 complaints, and this is about as of last week and 119 of them were addressed because we monitored very well. There is internal system every Monday whatever complaint is pending, they highlighted to us and all that. So we take this very seriously.

Chitresh Lunawat: Sure sir because you are just a 30 number team and I thought there would be lakhs of customers. So like how we are able to....

- Sudip Bandyopadhyay:** This is the advantage, Chitresh of digital and everything is in the click of a button. So everything comes and it is managed pretty efficiently I would say.
- Chitresh Lunawat:** So going forward we will see little bit of slowdown as we are waiting for RBI guidelines. So next quarter onwards digital lending loans would be a bit lesser or that is what I guess?
- Sudip Bandyopadhyay:** Q4, this digital lending contribution, digital lending will be significantly lower. I am hoping this will get ramped up again in Q1 of next fiscal.
- Chitresh Lunawat:** So now coming to Microfinance like now how is the situation and by when do we think we can go to the previous run rate of 50 to 70 crores per month kind of disbursement and?
- Sudip Bandyopadhyay:** February, we should be doing about 40 and this is futuristic statement, so please this is subject to so many things. We are targeting a 40crore disbursement in February and March also, we should be able to do slightly higher than that, 50-60 crores we should be able to do in March. There are two things, Chitresh here, one is we need to be cautious. We have reached after a lot of efforts, almost 97%-98% collection efficiency. We want to be back where we were 99 plus. We do not want to take any risk. Being slow and steady is better. If you guys remember that we were the fastest growing microfinance company consistently for I think 1.5 years before COVID. Post COVID, we have kind of slowed down obviously. We do not want to be the hero in this situation, but yes, this quarter there will be significantly more disbursement in microfinance.
- Chitresh Lunawat:** And how about the liquidity sir? Is the money available as we want for?
- Sudip Bandyopadhyay:** Yeah, for us, money is available. I would not say we are flushed with funds. I am talking of microfinance specifically, but we are getting money. We just got from NABARD a sanction of 30 crores at a very attractive interest rate. Couple of other large institutions have also given us sanction. We raised from PNB 15 crores at a very attractive interest rate. And I told you guys earlier only that this year our focus will be on raising money from PSUs and reduce the cost significantly which is exactly what is happening. COVID was a big disappointment and plans got pushed back by 6-7 months, but it is happening now.
- Moderator:** Thank you very much. Next question is from the line of Kapil Bhatt, an Individual Investor. Please go ahead.
- Kapil Bhatt:** I am just looking at the AUM for the last 4 quarters including the quarter 3 which has been coming down every quarter. So I just wanted to know in next one year where do we see the AUM and how are you going to ramp it up?
- Sudip Bandyopadhyay:** So Kapil, I think as you know, Q4 last year was where the COVID hit us. We were at about 455 crores of AUM and after that, obviously there were not much disbursements in Q1 because of COVID, same for Q2. So why this AUM came down because repayments were happening.

The portfolio was coming down. The disbursements have just started picking up and I think somewhere the disbursement figures are also there for the quarter and you see that disbursements have started picking up now and I am hoping that this quarter the disbursement will be significantly higher compared to last quarter. Now if you ask me one year, I can give some figures, but I am not very confident that, that figure will be right. I tell you why, I am extremely bullish, I think we have seen last of COVID related problems, but it is better to be cautious. I will say we are cautiously optimistic. So I will not like to go and I think Chitresh was asking how much we will disburse, I do not want to disburse 100 crores monthly now. I will be comfortable at 50-60 crores monthly disbursement. We will watch one more quarter, maybe pick up pace from first quarter of next fiscal.

Kapil Bhatt: So for the Microfinance, you said I think in February and March, we will be doing around close to 100 crores and in January, we must have done, I think at the similar level. So can we expect for the microfinance in quarter 4 will be doing around 120-130 crores of disbursement?

Sudip Bandyopadhyay: I will tell you what. January, what we have done, I can share the figure. January, we have done 25. And these two quarters, you can say roughly around between 110-130, somewhere we will end up.

Kapil Bhatt: And I think on the MSME, we have not talked much about the MSME. So can you tell me how the picture in the MSME sector? Are we still slowing down or are we going to start disbursing more?

Sudip Bandyopadhyay: No, we have started disbursing more. Obviously, if you see, there is a presentation slide on the MSME finance specifically. Q2, we disbursed only 1.76 crores. Last quarter, we had disbursed 5.44 crores. And I am hoping this quarter we will do about 20-25 crores. So we have significantly kind of pressed the accelerator here but again I will be cautious. I will not kind of become a cowboy here. I will be cautious. Pain in MSME is real. It is not a political thing one way or the other. The pain is real. So we have to be extremely selective and careful while taking fresh exposure on MSME.

Kapil Bhatt: So I think in quarter 3 we did around 102 crores of disbursement in all 4 verticals. So quarter 4, I think we would be looking at around 160-170 crores in all 4 verticals?

Sudip Bandyopadhyay: Yes, you are right, we should.

Kapil Bhatt: And just one more question. On the presentation, in the portfolio performance, you now added the disbursement collection of Micro Loans are shown as a net basis. So can you just explain that what does net basis mean?

Naveen Jain: See, the total disbursement minus total collection, other numbers we have shown separately like disbursement, we have shown separately in Microfinance, MSME, in Agri Commodity, but if you see the Micro Loans, the tenure is not more than 15 days. So instead of showing

separate numbers, we are showing a net number. The disbursement we have done and that minus I am reducing that number by collection, the amount which we have collected in the quarter 3. So net disbursement in the current quarter is 33.17 because the tenure of the loan is very small like tenure of the loan is not more than 15 days.

Kapil Bhatt: And is that the reason why we have not showed any principal collected in quarter 3 for Micro Loans?

Sudip Bandyopadhyay: Yeah, obviously. It is showing net.

Kapil Bhatt: I think as you said as we are moving away from the partners in Micro Loans and going inhouse, so I think your other expenses will come down significantly and it will help our bottomline, is that correct?

Sudip Bandyopadhyay: Kapil, that is the ultimate goal, but I am not saying that it will come down. See, what happens is I think one of our friends here made a comment that you have 30-40 people and you managed this. See, in a Microfinance, as of close to 1000 people. So there is a people cost. In this business, I will not have 1000 people, I will have 50-60-100 people maximum, but there will be these costs which will not come in as a salary or an employee benefit, but you fit in whatever other expense or something because we will spend on digital acquisition and I think most of you are aware, digital advertisement is costlier than putting an advertisement in Times of India and Economic Times these days. So cost of customer acquisition will be there. So yes, it will come down. It will be more under our control. We will monitor everything closely and of course, our benefit will be much more if you see direct acquisition and direct everything.

Kapil Bhatt: So I just said in last quarter we just made 2 crores from Micro Loans and we almost collected interest of 52 or 53 crores. So out of 53 crores, our only profit was 2 crores. Is it correct?

Sudip Bandyopadhyay: Yes, to some extent. Turnover is not a profit. turnover is turnover profit is profit.

Kapil Bhatt: So just for the Micro Loans, what is our margin like how are the NIMs for the Micro Loans?

Sudip Bandyopadhyay: Let me answer this at two level. We aim for about 4% in all our businesses. If you ask me RBI score anywhere, I do not think we have scored anywhere. We end up anywhere between 2%-3.5% now against NIM, that is where we are. Agri, we probably try for just 2.5-3% nowadays. Microfinance, we are struggling to take it to 3.5. We are still at around 2%. MSME, we are at about 3-3.5. So that is where we are on the NIM.

Kapil Bhatt: In next one year or so, can we see the improvement in the NIMs in all the 4 sectors or all the 4 verticals?

- Sudip Bandyopadhyay:** Yes and no, but NIM, I think above 4% NIM I do not think will be possible. I tell you the Microfinance is a regulated business. RBI regulation very clearly says your margin cannot be more than 10%. That is the thing. So formulas and all that, I am not getting into the details, guys who track Microfinance are aware. So if you say margin is 10%, you have 6%-7% as cost. So end of the day you end up with 3-4, I think best of the company will have 3-4%. It is not more than that. That is where it is. Micro Loans, I was explaining the new RBI regulation is in the anvil. I am sure it will also do something like that. Net margin is good. I think there is no reason for complaining.
- Kapil Bhatt:** And just last question on the expansion in geographies. Are you going to expand in next year now, what is the plan for the new year or the next year?
- Sudip Bandyopadhyay:** Microfinance, we want to expand, but it is only in the contiguous state. We went to Bihar in last financial year and we want to go to the Eastern part of UP. We want to go to Chhattisgarh because we are in MP, we want to go to Chhattisgarh, that is pretty much about it because we still have lot of work to do in MP, Bihar, and Chhattisgarh and Eastern UP. And our existing large States, Tamil Nadu, Kerala, Karnataka, we are doing touchwood very well. So we will continue expanding there.
- Moderator:** Thank you very much. Next question is from the line of Akhil Arora, an Individual Investor. Please go ahead.
- Akhil Arora:** So just couple of questions. I think first one is on Microfinance disbursements. If I remember correctly, during the last call you indicated that in the month of October, the disbursements have been around 26 crores and the overall quarterly disbursements are 30 odd crores. So can you give us understanding as to how the disbursements were in November and December or why was the slowdown?
- Sudip Bandyopadhyay:** You are absolutely right. In fact, there was this second wave of COVID and all that post a month if you are familiar with the festivals, in Kerala there was a second wave. So we kind of slowed down immediately and that is the reason you see that in Q3, our total disbursements in Microfinance has been about 30 crores. So we slowed down actually in third quarter because of the second wave fear. And now in January, we have done 25 crores. February, we should be doing around 40 and god willing no further issues on the COVID front, we should do about 50-60 in March.
- Sudip Bandyopadhyay:** Whatever we have done in Q3, we have already done, and we are speaking to you and we have already crossed that in these 45 days.
- Akhil Arora:** I think you also indicated that salary base or the salary levels were reinstated as per pre-COVID levels. So whatever impact we have seen like in this quarter, that was the normal run rate on employee cost front and once we have higher disbursement this year, hopefully that will help us increase the net profit in the quarter.

- Sudip Bandyopadhyay:** You are absolutely right. We have done lot of cost restructuring in Microfinance also. So there will be some cost savings also we have done, all that we have done. So god willing, all that will reflect.
- Akhil Arora:** Perfect. What is the update on the Boonbox transaction? Is it going to close this month or what is the update?
- Sudip Bandyopadhyay:** Yes, it should. In fact, we have been working on all the approvals and I think all of them have come. I think we are very hopeful of closing in the next few days.
- Akhil Arora:** That is good to hear. And so that will work very closely with Suresh Kumar's team of Scalerator, right that is the plan or how are you looking at both of them together for the next 1 or 2 years?
- Sudip Bandyopadhyay:** No. I think let me just take one minute and explain. What Boonbox does is physical goods, electronics predominantly household goods and all that. They provide these to the Microfinance customers, not only our Microfinance, they work with 7-8 already and they are planning to expand it to somewhat 15 large Microfinance companies. They work with these companies and provide goods to their customers. This is Boonbox. They are large mile ruler, that is what they do whereas Suresh is in the financial services space. So for Suresh, he tries to meet all these financial needs of the customers. Let us say an MSME sitting in Coimbatore needs a loan, Suresh will arrange the loan for that customer. He will handhold the customer, do whatever is necessary and get a loan. Now that loan may come from Inditrade, may come from any other NBFC. Just to tell you Inditrade share is not even 5% of Suresh's business as things stand today. So that is how it is. So I will just give you an example. Tomorrow, we have just tied up with Muthoot now for gold loan. Now anybody wants to get gold loan, Suresh will help that. Anybody wanting a health loan, Suresh will facilitate that. Anybody wanting a personal loan, Suresh will facilitate that. So this is hard core financial service. And Boonbox has nothing to do with financial services. It is a piggyback on financial services.
- Akhil Arora:** And if my understanding is correct, both these businesses are clubbed together in Inditrade derivatives and commodities limited or they would be in different?
- Sudip Bandyopadhyay:** They are in different companies. Now we call Inditrade Scalerator where Suresh's business it is Inditrade Scalerator Limited, it is an independent company. And Boonbox business will come in, you are right, Inditrade Derivative which the name has changed now to Inditrade Rural Marketing Limited.. All our businesses are, as you know, housed in independent companies. They are led by individual CEOs or business heads as the case maybe that is how it is run. So there is a clear view concept and performance monitoring.
- Akhil Arora:** And sir this question is regarding the Micro Lending business. I am not sure if it has been discussed. I was not there in the entire duration of the call. This Micro Lending business has brought a lot of bad name for our company and there have been talks of regularly from

external parties of standing entities who are involved in these things and the name of our company creeps up on a regular basis. So what is the update now like have we been contacted with regulatory bodies with regards to the way we are running these operations or are there pressures for us to curtail these down significantly or probably even continue that going forward, if you can provide an update that would be helpful.

Sudip Bandyopadhyay: So I think first thing I have to say, to my knowledge our name has not come in a negative manner, at least I am not aware. This entire segment has got a bad name because of what is happening. Unfortunately, we cannot do much about it. As I have said, we are hoping that RBI regulations come, the sooner the better. The real problem is people without a NBFC license created an app and started lending directly which is completely illegal in this country and that created all this problem, but anyway that is not, we will not comment on that what other people did. As far as we are concerned, we are compliant to the last full stop, semi colon, comma. We are in regular touch dialogue with RBI. I do not want to tell in the public call, but we are whenever possible giving them inputs, sharing our views. There are calls happening at different levels to kind of give a feedback on what the industry should get and should not do and we like to play a role in framing the right regulations, that is what I would say. Yes, we are also impacted because what happens is so many cases, the customer who are not in a position to pay are using excuse and creating havoc, so many people are telling us we are not paying a Chinese company. We know that China is in map, beyond that we have nothing to do with China. Here is our certificate, we are Indian company, everything is Indian, but this is the reason we are living with, this is the reason why we have slowed down and kind of probably we would have dissociated with this digital lending partner sometime later, but he said let us get out of all these and do everything inhouse.

Akhil Arora: Because I think as we speak Robocash app is still not there on Play Store and I think that..

Sudip Bandyopadhyay: I tell you this is the unfortunate thing. Google has a process. So they have started a process of reverifying everything. So they have asked for our certificate which we have given them. Now apparently Google US timing, there are some 5-6 days lag between it is getting out and coming in and nothing you can do, there is nobody to speak in Google. Anyway, this is part of the process I would say, we cannot help it.

Akhil Arora: But at least if you could take care of that we are following all the rules of the land and you should come out stronger out of this. And sir lastly, we will be curtailing down this Micro Lending book. We have a strong solvency ratio and better clarity of the impact that COVID is going to have on our books and the operations going forward. So I think like we have lot of excess cash that can ideally we use in dividend source, I am not sure if you can do buyback because of the debt-to-equity ratio, probably you can clarify that. Do we have any plans to go through either of the routes to pay the excess cash that we have on the books?

Sudip Bandyopadhyay: Well, I think from NBFC, there is no onset of excess cash. I think our shareholders will appreciate if we deploy more in business like all our friends here have been suggesting and

talking so my thought will be to as things improve to deploy more and more in the right businesses, so that the company becomes more and more profitable and builds a large book that is point number one. Point number two, the year before when the situation was normal, we did give dividend and as and when things normalize, we will definitely love to give dividend to the shareholders, but I think it is little too premature very honestly. We will have to review it when things improve.

Moderator: Thank you. Next question is from the line of Nikhil Ahuja, an Individual Investor. Please go ahead.

Nikhil Ahuja: I just want revenue breakup. So, the GNP of Micro Lending is around 96 crores and if I am not wrong, the interest income is 55 crores on that. So, can you elaborate on that front?

Sudip Bandyopadhyay: I think you have to understand 96 crores is the AUM on a particular date while I would be discussing and I think it is in the presentation also. The total disbursement is much higher and these are 15-day loans. So please do not link with 96 crores. 96 crores is the loan balance as on 31st December and that has got nothing to do with the revenue. You keep disbursing loans and keep earning revenue. So, these two figures are not related. To one you are trying to relate Micro Lending segment has a higher interest rate compared to Microfinance because everything is on digital and there are defaults in this segment. You factor in that and that is the reason why these unsecured loans carry a higher interest. Now, we can keep discussing what is right, what is wrong. We are all familiar with credit cards. Credit cards overdues, they attract 36% interest and they have been attracting 36% for last, I think 30-40 years. Now whether it is right, I do not know. Whether this is wrong, I do not know and I do not want to comment also on that. This segment I can tell you having run this, the default rates are anywhere between 10-15%. If there is a 10-15% default and you are doing business, obviously interest rate has to be higher to ensure that the business survives. If you ask me, are we doing something wrong by charging higher interest, I do not think so because these people will not get interest alone from anybody else. Only this segment will lend to them. The other option for them is money lender and the practices they follow are terrible, we all know that. So, I do not think there is a problem. The entire segment and as we all are discussing got into a problem because of this unnecessarily aggressive recovery practices, which is unwarranted. I have been running these businesses for quite some time. We have seen this getting played out in Microfinance. The moment their discipline comes in the industry like Microfinance, there is no aggressive collection practice. If you do not pay, we have to necessarily upload the information to all the 4 credit bureaus and the borrowers will not give next loan. Remember, it is different from you and me. You do not need fresh loans every day, but these people need. It is not a lifestyle loan for them, it is a livelihood loan for them. So, they fall in line when they realize that this is the default they will not get next loan that what industry should do. We do that. Half of our complaint on the Micro Loan segment is because why you have declared in app as defaulter with the credit bureau, we are not getting next loan, this is how it should be. Anyway, let us hope the regulations come and it gets better regulated.

- Moderator:** Thank you. Next question is from the line of Vaibhav Kacholia from VK Capital. Please go ahead.
- Vaibhav Kacholia:** Regarding the Micro Loans business, I wanted to understand so again the loans are for 15 days period sir largely?
- Sudip Bandyopadhyay:** Yeah. There are 30-day loans, there are 15-day loans and there are extensions. So, we are comfortable if the customer takes extension and the extension can go up to 3 months also.
- Vaibhav Kacholia:** And so, sir in this quarter suppose we disbursed around 30 crores, so that would be like 30,000 customers approximately?
- Sudip Bandyopadhyay:** No, I will say 30-crore figure. You are talking about past or future?
- Vaibhav Kacholia:** No, this quarter we disbursed some 33 crores loans in Micro Loans. So, the total AUM is coming to I think some 90 crores something. And sir this is done through Facebook and all these digital channels, the acquisition?
- Sudip Bandyopadhyay:** Yeah. Facebook, Google, NET Core, etc.
- Vaibhav Kacholia:** So, sir our acquisition cost is more than the interest which we recover from these customers, you said the acquisition cost is some Rs. 1000 or Rs. 1500 per customer, right?
- Sudip Bandyopadhyay:** It is slightly different. See what happens is this economics, I think we need to sit separately and discuss. Let us say you are my customer, for the first time I need to attract to you through some Facebook, Google, in another business they have put an advertisement in Times of India, so that is how you know there is a service available. In this business just the dynamics is such that the first time a customer gets a loan, you do not make money, finally when the customer becomes a regular customer, he keeps regularly taking loans, repaying, taking, repaying and that is what happens. In Robocash book, I think if I remember, I think about 70% is my repeat customer. They are my existing customers. Now, they will only take loans from me. The first time, I think why this, any business, every business, customer acquisition cost is very high today in this country in everywhere, but the customer retention is the whole game. If you are able to retain the customer once you have acquired, you will start making money from the customer.
- Vaibhav Kacholia:** So, do we have any estimate of the lifetime value of the customer to us?
- Sudip Bandyopadhyay:** No, we do not have a lifetime estimate at this stage because we are just new, maybe one year down the line we will be able to do that some models for we are trying to work on that. But the reality is the customer takes the second loans, we start making small money because second loan has no acquisition cost attached to it. We start making money. Third loan, fourth loan, we start making more and more money, that is it.

- Vaibhav Kacholia:** Got it, perfect. And sir the customer acquisition cost is how much approximately, per customer?
- Sudip Bandyopadhyay:** So, 10% of the loan amount, that is what it works out to roughly.
- Vaibhav Kacholia:** Got that, perfect. And sir on a macro basis like to what level is our target to scale our overall book all 4 segments put together over the next maybe 2-3 years or 4-5 years whatever?
- Sudip Bandyopadhyay:** At this stage with this COVID and all that, it is very difficult. Normal call, I would have given a ballpark tradition, but I think next quarter you ask me this question. By the time hopefully we would have taken all the vaccines and we are in a better position to discuss the future.
- Vaibhav Kacholia:** So, like maybe sir 15-20% kind of growth in normal circumstances if COVID is not there?
- Sudip Bandyopadhyay:** By and large
- Moderator:** Thank you. Next question is a follow-up from the line of Duby Rex, an Individual Investor. Please go ahead.
- Sudip Bandyopadhyay:** Q2, their income was 45 lakhs and Q3, their income was 74 lakhs.
- Duby Rex:** Sir, what is the shareholding in the Robocash venture sir currently?
- Sudip Bandyopadhyay:** 100%. It is part of Inditrade Fincorp. This is 100%. Robocash is the brand.
- Duby Rex:** Initially, it was a joint venture company, is it right sir? Now, it is 100%..
- Sudip Bandyopadhyay:** It was a joint venture and all that, but that did not happen. So we have used their technology platform, that is what we do. It is our will.
- Duby Rex:** Just a request. Going forward maybe could you put some slides on, half a slide or one slide on the Scalerator business and on Robocash separately or the Micro Loan breakup of Robocash and other non-Robocash and also maybe...
- Sudip Bandyopadhyay:** Scalerator, we will do with the slide. In fact, our plan is to start putting the slide from next quarter. Boonbox will come in the following quarter and we were telling the breakups and I explained the breakup between Robocash and digital anyway, but I will put a slide, in the slide also I will put.
- Duby Rex:** And also, is it possible to give an interest income breakup sir because the AUM may not be a correct thing for the Micro Lending, so if you can have an interest income for the quarter for the 4 segments maybe helpful.
- Sudip Bandyopadhyay:** We will do that.

- Moderator:** Thank you very much. We have another question which is from the line of Rajesh Kumar, an Individual Investor. Please go ahead.
- Rajesh Kumar:** I am invested in Indicap for last 3 years and I have been following all the concalls and I have few suggestions to improve the investor presentation. One is like for this quarter specifically, we made 2.79 crores of comprehensive income and shareholders got 1.76, that means works out to around 64%. So how this like okay, Micro Lending makes 1 crore profit, how much it will come to Inditrade Capital, like that all 4 lending verticals if you can show it like flow chart like structure, then we get a better idea of how the....
- Sudip Bandyopadhyay:** I think you are talking about different thing. You are talking about promoter and non-promoter breakup, is that what you are talking about?
- Rajesh Kumar:** That is one thing. That we can get from the profit and loss statement, but what I cannot make out is Micro Lending makes 1 crore. Now I understood that we hold 100%, say Microfinance if it makes 1 crore, how much is coming to Inditrade Capital like that a flowchart like structure, economic interest of Inditrade Capital in each of the lending subsidiaries?
- Sudip Bandyopadhyay:** We will put a chart.
- Rajesh Kumar:** Second one suggestion is sir if we can include net worth and book value like to understand the intrinsic value of the company. I think in one of the....
- Sudip Bandyopadhyay:** We have given it, in fact you open the debt equity slide, solvency ratio slide, it has got.
- Rajesh Kumar:** I will refer that.
- Sudip Bandyopadhyay:** net worth is 197 crore.
- Rajesh Kumar:** And the consolidated book value, is it specified somewhere?
- Sudip Bandyopadhyay:** You just can divide and get it, but we will do it.
- Rajesh Kumar:** Divide by the equity, I got it sir. Now like few return ratios if you can include in the presentation to just get to know how effectively each quarter-on-quarter our return ratios are changing like return of assets, return of equity and return of capital employed?
- Sudip Bandyopadhyay:** Okay.
- Rajesh Kumar:** And then next one is NIM for each of the segment that means main participants are asking each of the lending segment, you are showing in a vertical column the EPS, so alongside if you can add one more line with name for each segment, it will be grateful for us.
- Sudip Bandyopadhyay:** Okay.

- Rajesh Kumar:** And then customer base of Micro Lending that like Microfinance you are reporting like 2.45 lakh customers off late and this Micro Lending also if you can include that, it will be great sir.
- Sudip Bandyopadhyay:** Anyway we will do that, but it is a meaningless. See, Microfinance customer stays with us for, first time they stay with us for one year. Then the next month, they take from us for 2 years. It is a long-term relationship whereas for micro loan it is not really that, but anyways we will see.
- Rajesh Kumar:** I did some calculation to see why the networth is following the trend please correct if my calculation is wrong. For 9-month period pre-COVID like financial year 2020 ending December, that period, we did topline of 73 crores for 9 months and profit before tax of 16.7 crores, that way our PBT margin 18% and for this year 9 months period, you reported PBT of 12.4 crores and if we include COVID provisioning of 16.2 crores, if you asking that there was no COVID, can we safely assume that this 16.2 crore also would have gone to the PBT like making it 28.6 crores as the total PBT?
- Sudip Bandyopadhyay:** you to be conservative and next time maybe 20% of the provisions would have been required anyway. So 3-4 crores, yes.
- Rajesh Kumar:** My doubt is our pre-COVID level PBT margin was around 18%, in future once we become more linear like a month our borrowing cost come down and all, can we expect to get back to those 18% PBT margin level?
- Sudip Bandyopadhyay:** God willing, we should do better.
- Rajesh Kumar:** And this quarter 3, I think quarter 2 we made around more than 7 crores provisioning and quarter 3, it came down to 5.6 crores. So how early you expect to this COVID provisioning to come down to nil level?
- Sudip Bandyopadhyay:** Well, I think hopefully by next quarter, we should depending on the scenario, I really do not know because this is a COVID thing and we see that is difficult to answer I would say that, but we would like to get out of that quickly.
- Rajesh Kumar:** Sir, now our debt equity is very low level, less than 0.9. So many NBFCs like go up to 5 times, so we have any plans in future to reach there.
- Sudip Bandyopadhyay:** No, we were never, and we will never go to the 5 times and all that. I think maximum 2 times, that is all, not more than that.
- Rajesh Kumar:** Congratulate the promoters being so transparent to answer all the shareholders queries and also the open market purchase done in the last quarter to increase, so that gives us lot of confidence for us to hold the value the company.

Moderator: Thank you. Next question is a follow-up from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

Vaibhav Kacholia: Sir, I wanted to know who is the competition which we come across in the Micro Loans business?

Sudip Bandyopadhyay: Well, there is Early Salary, I would like to only talk about the established and credible players, so there is Early Salary, there is MoneyTap, there is Capital Float. So I would say Early Salary will be our nearest competitor.

Vaibhav Kacholia: And this is all digital sir?

Sudip Bandyopadhyay: They are digital, yes.

Vaibhav Kacholia: We do not actually talk to the customer as such?

Sudip Bandyopadhyay: No. See, there is a system of KYC. During the KYC, the customer is spoken to but entire process, everything is digital.

Vaibhav Kacholia: Do we come across names like Bajaj Finance and all sir?

Sudip Bandyopadhyay: Bajaj Finance is not in the segments where we are. This is not their segment. They are in a different segment.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to Mr. Bandyopadhyay for closing remarks. Over to you, sir.

Sudip Bandyopadhyay: Thank you everybody for joining and asking all the questions. I hope we have been able to clarify and help you. We want to be extremely transparent and clear with our investors, markets, regulators and we will maintain that. Thank you for all the support and wishes and advice. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Inditrade Capital Limited, that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.