



## **“Inditrade Capital Limited for Update on Q2 Financial Results for FY2019-20”**

**November 13, 2019**



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**Moderator:** Ladies and gentlemen, good day and welcome to the conference call of Inditrade Capital Ltd for update on Q2 Financial Results for FY19-20. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudip Bandyopadhyay, Group Chairman from Inditrade Capital Limited. Thank you and over to you sir.

**Sudip Bandyopadhyay:** Thank you, Karuna. Dear friends, welcome to Inditrade Capital's investor presentation post Q2 results, which was announced on 11<sup>th</sup> November, afternoon. Inditrade Capital Limited, as some of you would have known, started its journey as JRG Securities way back in 1994. This was started by 3 individuals in the State of Kerala. Over the years, JRG Securities was established as a broking and distribution company with a large network in the southern states of India. During the period 1995 to 2014, there were many changes in the Company. Barings India Private Equity Funds took over the majority shareholding in the Company in 2007-2009, and thus, the management was taken over by Barings. And as you all know in 2006-2007, the Company got listed as well in the Bombay Stock Exchange. 2015 is the year when we acquired control of the Company from Barings, made a public offer and on conclusion of the public offer in February 2016, took effective control. We immediately forayed into agri commodity financing and in November 2016, bought over the agri commodity business of Edelweiss- Edel Commodities Trading Ltd. In April 2017, we launched our micro finance business and also the e-auction platform for commodities. In May 2018 to be specific, we divested the equity broking business through a slump sale. We also introduced MSME, specifically merchant cash advance business in July 2018. We also applied for a housing finance license through NHB with the objective of starting affordable housing. In 2019 January, we launched micro lending in partnership with Robocash Pte. That is briefly the journey of Inditrade Capital and its subsidiaries over the years.

As far as the group structure is concerned, Inditrade Capital Limited is the holding company where some of you are the shareholders. The promoters control 71.77% of the listed company and the balance is widely distributed. The main operating companies of the group are Inditrade Fincorp Limited, earlier known as JRG Fincorp Limited, which is the NBFC. We also have Inditrade Microfinance Limited which is a separate Company and which is regulated by RBI with a NBFC MFI license. Apart from that, we have Inditrade Housing Finance Limited which has applied to NHB for registration as some of you maybe already be aware, NHB's power for providing license has been transferred to RBI. Unfortunately, the process is on and we haven't yet received the housing finance license. But it is a separate company. We also have an insurance broking company. The insurance broking company does some business. But it is nothing significant as of now.

Apart from that, we have a couple of smaller companies which assist our agri commodity financing business which is Inditrade Derivatives & Commodities Limited, Inditrade Business

Consultants Limited and its subsidiary Inditrade Commodities Trading Limited which was the erstwhile Edel Commodities Trading Limited. That is pretty much the group. As far as the focus and the business of the Company is concerned, we are fully focused on impact segments. We are into impact lending, predominantly the segments which are not being catered to by large banks, financial institutions and NBFCs. So the segments we are in, just to reiterate, agri commodity finance, micro finance, MSME, particularly merchant cash advance, micro lending which is fully digital and eventually after receipt of approval we want to be in affordable housing finance. Our motto is individual progress, community progress and national progress. We are in the business of financing progress. Our approach is digital. So we rely on technology as much as possible. On the other hand, we also try and maintain fiscal touch with the borrowers.

Agri commodity finance which we started way back in 2016 beginning, the scope is huge, only about 12% to 18% of the 4 lakh crore market is properly served by banks and institutions, the rest is pretty much unorganized and serviced by multiple private sources. We facilitate post-harvest finance of non essential exchange traded commodities. Predominantly, there are about 25 commodities which we lend against. Just to name a few, let us say rubber, pepper, cardamom, chilli, turmeric, soya, maize, cotton, castor, coriander, etc. Apart from this, under the agri commodity finance umbrella we have auction services. We have won some awards and we have been recognized as one of the large players in this business under which we facilitate disposal of commodities by other institutions and semi government organizations. This is a fee business and depending on the opportunity, we earn fees. We are reasonably established in this business. The second business, I think most of you are aware is of microfinance, which we started in April 2017. About 98% women owned businesses are currently micro enterprises which are underserved. This is a huge market. The demand is significant. We run a completely digitized process from identification, KYC, credit check sanction, disbursement, the entire thing is digitized online. However the collection is in physical form, on the back of the fact that unfortunately, these women entrepreneurs are still not using the bank account to the extent we would love them to. In other words, we disburse the loan in their bank account, but they don't use much of the bank account for depositing back money. So collection is physical. I will move to the next business which is MSME, which is merchant cash advance in our case. Here, we predominantly, fund Kirana shops. So small businesses like petrol pumps, small restaurants, small mobile shops, small cloth merchants, these are the kind of outlets we finance. These are predominantly proprietorship and even these guys don't have access to bank and other organized sources of finance. If you have seen our presentation, a large portion of 63.3 million MSMEs in India don't have access to organized financial services and this is the segment where we are present. We try and ensure that most of our customers are accessed and assisted through the digital process. In other words, we work with merchants who have POS machines with them, point of sale terminals, where the credit cards and debit cards are swiped. So this credit card, debit card swiping happens and based on the volume of credit card, debit card getting swiped, will determine the limits up to which we

can lend to a merchant. The collection also is digital. There is no physical collection happening in this segment of the business, the collection is entirely digital.

The next segment which we wanted to launch was affordable housing which was predominantly on the back of the opportunity of cross sell to multiple other segments of customers. Here the loan size which we had earmarked was between 5 lakhs and 25 lakhs. Unfortunately, we haven't yet been able to launch because we haven't received the regulatory approval and I will leave this at this stage.

The next segment which we entered was digital micro lending. Here the loan size is between 5000 and 25,000, though average ticket size currently is around 6000. Everything is digital. There is no physical interaction with the customers. The way the markets are, we believe there is a significant opportunity in this segment. These are predominantly one month loan to the salaried employees across the country. The target segment is earning salary between Rs.15,000 and Rs.30,000 per month. To meet their emergency cash needs, we are very hopeful this business can be scaled up significantly over the years. We have a partner as I had mentioned, which is a reputed company, operating in seven other international markets. In all the markets they are among the top 5, in some cases they have the leadership. The financials have been presented to you and I think in this half year we have done reasonably well. Income from operations has moved up from Rs.46.79 crores in the last half year to Rs. 56.94 crores. Other income has moved up from Rs. 1.83 crores to Rs. 3.13 crores. Total revenue has moved up from Rs. 48.62 crores to Rs. 60.07 crores. Selling, general and other administrative expenses has marginally moved down from Rs. 31.63 crores to Rs. 31.46 crores.. EBITDA from Rs. 16.99 crores to Rs. 28.61 crores, finance cost from Rs. 10 crores to Rs. 17.06 crores, EBITDA Rs. 6.99 crores to Rs. 11.55 crores, depreciation Rs. 0.27 crores to Rs. 0.89 crores and PBT Rs. 6.72 crores has moved up to Rs. 10.66 crores. The quarterly figures are also there and those have been already given in the BSE site. So I am sure most of you are aware of that. So I am not repeating.

Some basic company info, I will just mention here before I open the floor to questions. The net exposure SBU wise on 30<sup>th</sup> September, the microfinance net exposure was Rs. 283 crores. MSME which is the merchant cash advance segment, the net exposure was Rs.76.34 crores. Agri commodity book was Rs.104.23 crores and digital microlending was Rs. 4.35 crores. The total exposure was Rs. 467.92 crores. Since the cost of borrowings over the years has been a matter of hot debate and discussion, I have put down that as well. The average cost of borrowings for the group as a whole has been 13.76%. The company-wise cost of borrowing - Inditrade Micro Finance 14.75%, whereas Inditrade Fincorp has been 11.31%.

I think, Karuna, with this, I end my presentation but will be happy to take questions and answer them.

**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 Raj Sharma, an individual investor. Please go ahead.

**Raj Sharma:** This is Raj. Thanks for starting this conference call. This will be quite helpful because I mean, I could not unfortunately attend AGM and now have a chance to interact with you. So sir, I think we had a very good performance considering the overall scenario. So first I would like to know, how are the things panning out especially when we are building the book, how our financing is happening because that has been challenging thing for most of the smaller NBFC is whatever I have been hearing. So that is my first question. Second is that, in the presentation if you could have mentioned the NPA in each segment, percentage wise that would have been very helpful. And then regarding this business, its Robocash actually, so how are you seeing it panning out? Is it that collections are happening online or is it that manually we have to collect? So these are the three questions right now. If I have more questions, I will come back in queue. Thank you.

**Sudip Bandyopadhyay:** Thank you for joining, Raj and thank you for asking the questions. I think I will start one-by-one. As far as the financing is concerned, you are absolutely right. It is an extremely challenging environment post the IL&FS fiasco and all the other challenges which the market is having over the last 1 -1.5 years. Couple of things I would like to point out to you as well as all our friends; fortunately, for us we are in businesses where there is absolutely no ALM mismatch. We have a positive ALM. In fact, the ALM mismatch is on the other side, we have a significantly positive ALM at all points of time.

You look at our businesses, agri commodity lending, average tenure is not more than 3 months to 6 months. Normally it is about 3 months, maximum it goes to 6 months. As far as micro finance is concerned, some of you are aware, the first loan is for Rs.30,000/-. Nobody gets a loan of more than Rs.30,000/- for the first time from us. This loan is for one year. In other words, it is for 50 weeks. The collection happens on a fortnightly basis. So let us say you have taken a loan of Rs.30,000/- from us, you are a woman entrepreneur in some village where we are working, you will have to start repaying to us about Rs.1350/-, I am giving a very rough figure, don't go by that, around that figure depending on the interest rate, depending on whatever, per fortnight from the next fortnight. That is how the correction happens. In the second cycle which is after you have completed the first loan repaid and all that, second cycle we give a loan of maximum up to Rs.40,000/-, that is for two years, again there is a fortnightly repayment. So that is this business. Third is MSME, merchant cash advance. There again, the beauty is that average tenure is about 15 months. But the fact is, out of our portfolio or whatever you are seeing 76 crore, now it has gone up, let us say this 76 crore portfolio, about +60% is on daily collection, meaning these are shops. They are swiping, the cards are being swiped by their customers on a daily basis and we get paid from the card, the POS company who collects the credit card and debit card proceeds on a daily basis. So the repayment is

coming daily. So the balance repayment barring few cases is coming on a weekly basis. So the repayments also start happening immediately.

As far as digital micro lending is concerned, it is a one month loan. So collection happens after a month. So in none of the cases, no cases, we have a longer tenure loan where there can be a mismatch. Fortunately for us, the market, at least the lenders who we interact with, they understand this very well and touchwood, we have never found a significant challenge in raising funds. For us it is, we have to be extremely careful, like agri commodity business, even merchant cash advance, all these businesses we have been very carefully growing the book. We believe that we are in the collection business. Lending is very easy, we have to understand whatever mechanism of collection and how the collection will come. So unless we are sure about something we don't do.

I will give you couple of examples and probably that will explain my position. Micro finance, we decided to start the business the moment when we acquired this company which is around February-March 2016. I recruited the CEO of this business around the same time and we eventually launched the business in April, 2017. So about one year we spent doing the ground work, understanding the markets, identifying the locations we want to be present in, so we do a lot of work, sometimes it is tedious, sometimes it is a little frustrating for some of the members in the team, but we want to be very sure as far as what we are doing. So I won't say we don't have challenges in raising funds. Of course the whole industry has challenges, but we have been fortunate enough, we have been able to raise funds as much as we want at different points of time, till now. Unfortunately what has happened is, cost of fund has gone up. If I had spoken to you guys one year back, you would have seen my cost of funds were significantly lower in both Micro Finance as well as Inditrade Fincorp. That I think is an industry wide phenomenon. We can't do much about it at this stage. We hope that things will come back to normal sooner than later. That is as far as financing is concerned. As far as NPA is concerned, I take your point. We should have put it on the presentation slide and we will do that from the next quarter, definitely.

As far as MSME business is concerned, merchant cash business is concerned, we have a PAR, Portfolio At Risk, of 1.96%, that is the PAR in MSME business. As far as Micro Finance is concerned, our PAR is 0.85%. Now I will explain both a bit and then probably we will move on to the next question. Please understand Micro Finance PAR has got 3 components to it. One is death, second is natural calamity and third is genuine defaults. Now, in case of death of customer, it is 100% insured. Every customer and her spouse are insured. So the insurance company settles the claim. Till date there has been only one instance where there was a technical defect and that is why we didn't get the claim from the insurance companies, every other case we have got back the claim amount. As far as natural calamity is concerned, as you are aware we operate in Kerala, we operate in Odisha. Both these states have unfortunately flood and cyclone and that is why we had a hit in the portfolio. But I will give you my experience in Inditrade Micro Finance itself, last year Kerala had again floods. We had about

0.6% Portfolio At Risk from Kerala overall and by 31<sup>st</sup> March this entire PAR was regularized. So on 31<sup>st</sup> March, 2019, we didn't have any Portfolio At Risk as far as Micro Finance is concerned. I am not saying it will happen, pattern will repeat, but we have a precedence with the natural calamity related PAR eventually doesn't translate into net cash flows. There is a NPA in terms of the norms, but eventually recovery did happen last year. We will hope that things work out in a similar fashion this year, so that is as far as Micro Finance is concerned. As far as MSME is concerned, merchant cash advance is concerned, there are some delays and because of the delays we have to classify naturally in terms of the regulation as PAR, Portfolio At Risk, but I am not sure that all this will get translated into net cash flows, but we keep monitoring these very carefully and the teams continue to work on that. I must also say that this business will probably always have some amount of this Portfolio At Risk, but we will have to keep living with it and managing it. As far as agri is concerned, there is absolutely zero Portfolio At Risk because we operate in a structure where if the customer is not defaulting or anything we have a hedge in the exchange, and we can deliver in the exchange and collect money from the exchange. So under our structure agri commodity should never have any PAR. That is the agri commodity.

As far as micro lending is concerned, it is too new a business and at this stage we have a 90 day kind of PAR of around 5%. This we hope to improve significantly as we go along. But this is where we are. As far as collection is concerned, you asked a question on collection which is the digital micro lending collection, everything is digital. Look, if it is a Rs.5000/- loan, you can't afford to have a feet on street or any other mechanism other than digital. So today everything is digital with the exception that we make a lot of phone calls. If somebody is not paying he will get lot of phone calls, he or his whatever references and all of them will get phone calls, requesting to settle the amount. But yes, there is no physical mechanism and structurally it is not possible for this business to kind of install a physical mechanism for recovery.

**Raj Sharma:** Thank you, sir. Thank you for the details. Just one more question if I can squeeze in. Do you see any signs of the borrowing costs coming down in near future?

**Sudip Bandyopadhyay:** Well, I think it is more of a macroeconomic question Raj. It has got nothing to do with Inditrade or Inditrade subsidiaries. If rates are coming down overall in the economy, ours also will come down. It has got nothing to do with Inditrade as such. We are always trying to do that. But the reality is in the economy rates haven't come down. So let us hope and pray. I am bullish obviously. I think the government is taking many measures which should over a period of time bring down the rates.

**Moderator:** Thank you. The next question is from the line of Sharon Samuel, an Individual Investor. Please go ahead.

**Sharon Samuel:** I have two questions. One is to ask about, you had plans about small finance bank plans for the next 5 years. Where do you see yourself at the current situation?

**Sudip Bandyopadhyay:** Well, I think I was quoted out of context. We have not announced officially anything like that. As things stand today, we are very focused on the businesses we have. Five year is a long time, let us see. We want to grow our business. We want to definitely be in a much better position so that we all as shareholders are much happier, in fact why shareholders, all stakeholders should be taken care of as far as we are concerned. Small finance bank will always remain an aspirational goal as and when there is an opportunity we will see.

**Sharon Samuel:** Thank you sir. The other question is about the economic condition per se, do you see any impact on the current economic scenario in terms of this growth?

**Sudip Bandyopadhyay:** Well, I think as I was explaining to Raj just before, economic conditions are improving. Very honestly as far as micro finance is concerned, I think there is a significant growth opportunity. In micro finance, the challenge today is natural calamity. The borrowers are genuine individuals who are trying to do their own businesses. I don't think inherently there is any default risk. Except when there is a natural calamity and they have to be moved out of the location, their livelihood gets disrupted, there is a problem. But as I was mentioning earlier, we have seen that over the period of time, they also come back and things start working alright for them and us. So micro finance I don't think there is much of a challenge, MSME yes, this entire MSME sector is under pressure. So we are also very careful. Agri commodity is a different business altogether. It depends on multiple factors. I just briefly touched up on one, is the rainfall. This is seasonal, rabi and kharif. You see the September book at 104, may be November end book will be significantly higher because the crops are supposed to start arriving soon. Again February onwards, book will start coming down. So March book again will be lower. So this is again a very seasonal business. It also depends on how the commodity prices in the international markets are working out and some of the commodities are very connected. Rubber, I would give an example. If the international prices crash, which did happen last year and the year before, people don't tap and the rivals in the market significantly comes down. Their excitement level in the market is down. So there are whole lot of factors, which some are related to the economic conditions, some are much beyond that. So this agri commodity business always will go through its ups and downs in terms of volume. Risk wise this is a very safe business. Micro lending, again digital micro lending I think the scope is huge. It is a challenge to do it in a cost effective manner. So we have to be careful, so that we do it the right way. That is pretty much our businesses and economy is concerned. But overall economic environment improvement will definitely help us in a) reducing our cost and b) maybe increasing the volumes in all the segments as well.

**Moderator:** Thank you. The next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

**Siddharth Oberoi:** I would like to know what constitutes this client financing, have you put all the businesses into this?

**Sudip Bandyopadhyay:** What is this client financing?



- Siddharth Oberoi:** In the segment report, you have written client financing as the revenues of 25 crore in this quarter, 47, so what does this constitute?
- Sudip Bandyopadhyay:** This is the interest income of Inditrade Microfinance and Inditrade Fincorp, so NBFC and Microfinance. Both are NBFCs, one is the NBFC MFI, the other is NBFC.
- Siddharth Oberoi:** So this includes the MSME and the microfinance business, is it correct?
- Sudip Bandyopadhyay:** All this, microfinance, MSME, agri and microlending, all 4, so the interest income which is financing, that is coming there.
- Siddharth Oberoi:** But you don't bifurcate it?
- Sudip Bandyopadhyay:** No, in the segment wise, in a consolidated result, it cannot be bifurcated.
- Siddharth Oberoi:** You can do it in investor presentation or somewhere, just for more clarity and transparency?
- Sudip Bandyopadhyay:** Yes, surely we can do that. I think this point is taken and we will do that and show it to you.
- Siddharth Oberoi:** And sir, what are the NPAs overall?
- Sudip Bandyopadhyay:** As I mentioned, the Portfolio At Risk at MSME business is 1.96 and microfinance is 0.85.
- Siddharth Oberoi:** This is gross or net?
- Sudip Bandyopadhyay:** This is net.
- Siddharth Oberoi:** Net, so what are the gross?
- Sudip Bandyopadhyay:** The gross will be about 1% in microfinance and 2.2% in MSME.
- Siddharth Oberoi:** Alright. And individually what is the growth in disbursement in let us say, microfinance?
- Sudip Bandyopadhyay:** Microfinance, we have been growing, we are the first who is growing microfinance company in the country. Last year, we grew about 217%, this year first quarter for which the figures have been published by the industry association, I think we had grown again by about 200%, so I think we should hopefully continue our growth pace which is about 200% is what we are growing. MSME is very difficult because there is no industry benchmark that way, but we have been growing very fast. If I have to take a guess, we will be above the fastest growing again in the industry but may not be the fastest. Agro commodity, we have deliberately slowed down because of the challenges in the agri market, so we are not growing very fast. Microlending we have just started, so to compare growth rate will be unfair. I would probably end up telling you that we have grown 100% because we have just started.

- Siddharth Oberoi:** When you say 200% you are taking industry average 200% or the absolute value of your lending book?
- Sudip Bandyopadhyay:** No, the lending book has grown significantly. The lending book, last year we ended, year end was about Rs. 220 crores.
- Siddharth Oberoi:** In microfinance?
- Sudip Bandyopadhyay:** Yes that is right.
- Siddharth Oberoi:** So you have grown by 29% basically, is that correct?
- Sudip Bandyopadhyay:** That is right but it is not counted that way because the book comes down continuously because of the repayment. It is the disbursement at which level the industry growth is calculated, how much we have disbursed.
- Siddharth Oberoi:** That is okay but our shareholders would like to know how much growth in disbursement is taken place which is actually 29% because 220 and 283 is like 29% round?
- Sudip Bandyopadhyay:** That is right, you can say on a net level the book is up in these 6 months by 29%. You're right.
- Siddharth Oberoi:** And sir, what are you expecting by the end of the financial year?
- Sudip Bandyopadhyay:** Well, I think we don't want to give the futuristic projection but the way assuming the growth is maintained, we should end up here with a book of around Rs.500 crores, but this is a very basic guess, at this stage it is very difficult to give a predicted number but that is where we should end up with.
- Siddharth Oberoi:** Because we are already at 472, so 500 would be like little more.
- Sudip Bandyopadhyay:** No, please don't mix up, I am talking of microfinance.
- Siddharth Oberoi:** So you are saying that microfinance will grow to 500 from 283.
- Sudip Bandyopadhyay:** All these discussions was on microfinance. I am talking of microfinance. Please don't take that figure. All I am saying is if the trend gets maintained that is where we should be.
- Siddharth Oberoi:** So sir, basically what you are saying is that if the trend is maintained, probably you will end up with 75% more disbursement by the end of the financial year?
- Sudip Bandyopadhyay:** Structurally what we do, if you go back and see our numbers last year, the first half of the year, we set up the branches and do whatever expansion we have to do. In the second half, we don't do any physical expansion, we kind of work on the branches which have been established over the first 6 months and make them fully productive in the balance 6 months. Again the next year

April onwards, the expansion starts. That is how we have been working in most of the businesses.

**Siddharth Oberoi:** And what are the NIMs in this, in microfinance?

**Sudip Bandyopadhyay:** As far as this business is concerned, ideal NIM is about 4%, but we are still short on that. Predominantly on the back of continuous expansion, our NIM is about 2.8%.

**Siddharth Oberoi:** And in MSME?

**Sudip Bandyopadhyay:** MSME NIM is 4%.

**Siddharth Oberoi:** For that you are currently doing 4%?

**Sudip Bandyopadhyay:** That is right.

**Siddharth Oberoi:** And what is the status on the housing finance, I didn't get that?

**Sudip Bandyopadhyay:** As far as housing finance is concerned, we have applied last financial year, and the application in terms of the then prevailing Regulations was sent to NHB, but in the budget the NHB was stripped off its power of granting registration and the power was moved to RBI, so RBI has just taken charge and we are hoping that somewhere we should get our registration, we are still waiting.

**Siddharth Oberoi:** And also in your results, there is an item called commodity trade support services, what is that?

**Sudip Bandyopadhyay:** That is the auction business which I had mentioned briefly, so that is the auction business. That is what we get.

**Siddharth Oberoi:** There is some loss making business, right every year, so why would you actually carry that on?

**Sudip Bandyopadhyay:** No, it is not a loss making business as such. There are expenses and there are incomes, as I mentioned these are fee income which we get when we conduct auctions on behalf of different banks and institutions, but there is a fixed cost because of the people and the platform and depending on the business volume we generate, it should make money. It is not a loss making business as such but as you know in any fee business sometimes it is front ended, sometimes it is back ended.

**Siddharth Oberoi:** So you expect this to turnaround?

**Sudip Bandyopadhyay:** Yes, definitely. I will just try and explain this by giving an example, then probably all of us will be clear, let us say turmeric board. Turmeric board does lot of acquisition of turmeric whenever there is an MSP announced and all that. Now, they don't have a mechanism to

dispose the turmeric which they are acquiring, so they ask for players like us to help them dispose turmeric through an online auction platform. So our auction platform is probably as of now the preferred auction platform through which this turmeric gets disposed and we get a fee. I am just giving you one example, banks lend against agri commodities. Now banks, in some cases don't have the mechanism of disposal when they have an NPA and that is where we come in and we help them dispose of their agri commodity stock. There we get a fee. Now, this is very deal specific transaction specific revenue, just like investment banking or any other fee business.

**Siddharth Oberoi:** Okay. One last question, so the shareholding pattern that you explained at the beginning, when you say promoters hold, does that mean that you hold 71%?

**Sudip Bandyopadhyay:** My private limited company which is 91% owned by my wife owns 71.77%.

**Siddharth Oberoi:** The company name is Juno Moneta? Is that correct?

**Sudip Bandyopadhyay:** That is right. That is my company.

**Siddharth Oberoi:** You hold it through a Singapore subsidiary, is that correct?

**Sudip Bandyopadhyay:** No, there is no Singapore company here. My wife holds 91%, there is nothing else, no Singapore...

**Siddharth Oberoi:** And 9% is held by you.

**Sudip Bandyopadhyay:** No, there is a friend who holds 9%.

**Siddharth Oberoi:** So jointly two people hold this?

**Sudip Bandyopadhyay:** 91% through with my wife and 9% with a friend.

**Moderator:** Thank you. The next question is from the line of Rajesh Kumar, an individual investor. Please go ahead.

**Rajesh Kumar:** Sir, my question is just followup to this last discussion. The NIM reported, I wanted to know about the NIM, you said it is 4% for MSME and 2.8 for micro loans, is that very low compared to other NBFCs?

**Sudip Bandyopadhyay:** Not really Rajesh because microfinance, I will tell you the maths for microfinance, the RBI under the microfinance regulations, NBFC MFI act doesn't permit anybody to have more than 10% margin, so if your borrowing cost is let us say 15, you can't lend at a rate higher than 25. If your weighted average cost is 10, you can't lend at more than 20%. So the maximum gross margin you can get on a microfinance business if you are doing it legally, it has to be 10%.

Then from there you take out your operational expenses, your NPAs and everything, I think the 4% margin is what everybody in this microfinance business strives to achieve and I am not talking about the banks because they are in a different league altogether, but normal microfinance company should be happy with the 4% NIM, so I don't see there any problem. In our case as I was explaining what happens always is that we do all the expansions. Just to give an example like MP, we want to be in MP. Now, we identified Madhya Pradesh as the next State where we will go. We recruited the people there; we set up the offices there. Now in November end, the actual lending will start. So the cost gets built up for some time, then the lending and all that starts. So there is always a timing gap between the actual portfolio, NIM between first half and second half of the business. First half, we are at about 2.8, hopefully second half it improves.

**Rajesh Kumar:** So the gross margin we are running is close to 10%, is that correct?

**Sudip Bandyopadhyay:** That is absolutely right. That is under law that you cannot have more than 10% margin.

**Rajesh Kumar:** Okay. Next question is like, may be the answer is already there, you have told like expansion cost. My question is for this quarter-on-quarter, if you compare, we have more than 20% growth on the topline, but bottomline is more or less flat, so is that the cost of expansion is the reason?

**Sudip Bandyopadhyay:** Absolutely right, because we consciously do this like we have to expand and at this stage, if we stop expansion, then there is no point. You can be a small player with some good margin but that is not the objective. Since we have to do this expansion, we expand up to a certain level, then we try and recoup or cover the next half by harvesting that expansion.

**Rajesh Kumar:** Sir, the next question is, I think if I am right, we have reduced a stake in the Robocash joint venture as per BSE notification, so are we exiting this, or we are going to maintain 50% stake?

**Sudip Bandyopadhyay:** No, we are not exiting, so there are two things happening I must explain this, good question you raised. See the business today is done by Inditrade Fincorp. The entire business is in Inditrade Fincorp. There is a separate company which we had incorporated where we had 51% and Robocash, the promoter of Robocash is 49.9% stake. This company Inditrade Robocash applied to RBI for license. RBI returned the application as there was an NBFC in the group. Before 30<sup>th</sup> September this happened and we decided that it is important that we get the license, so we divested. We maintained 19.4% shareholding there. Now we will examine that, but as and when the approval is received, we will consolidate because it is a joint venture, the new accounting standards allows a joint venture also to be consolidated, so we will consolidate it if that is your question. Today, the entire business is in Inditrade Fincorp, so everything, the entire business thing is coming here. It is important that we have a global partner, it will help us grow the business rapidly and probably at some stage help us take it global as well.

- Rajesh Kumar:** The next question is regarding the holding company stake in Inditrade Micro Finance we have raised to 88% but Inditrade Fincorp is still very less, so any chance to raise the promoter holding?
- Sudip Bandyopadhyay:** You are absolutely right, Rajesh. We want to raise the stake in Inditrade Fincorp also at an appropriate time. We hold 57%, not very less. We hold 57% but we will like to raise it even further. At some point of time, we will definitely do it, let the opportune time come. Microfinance, we have been continuously raising stake and probably we will take it to even further, the next round of fund infusion. Let us see what we can do in Inditrade Fincorp as we want to increase shareholding there.
- Rajesh Kumar:** Sir, just as a disclosure, as per the annual report I am the largest non-promoter shareholder in the company.
- Sudip Bandyopadhyay:** Fantastic Rajesh.
- Rajesh Kumar:** And last three years the company has been really growing well and one reason I see, we have book value close to, we should be ending with close to Rs. 60 book value by the end of this year and we are trading one of the **cheapest** BFCs like one month back I think we are less than, almost Rs. 25, now after this announcement of investor presentation and all, we can see the share price improved actually. So the more disclosures we make like investor presentation should be containing more like data like say, return of assets, return of equity, whatever people are looking for from a financial company. So that is my request, like it was there from other participants also.
- Sudip Bandyopadhyay:** Rajesh, fully understood and factored in, we will do it. It is just the beginning. We will keep giving and sharing more and more information with all of you.
- Rajesh Kumar:** I think another reason for this low rating on the exchanges, we are not listed on NSE where now most people are trading, BSE, very less participation is there, so if you can think of NSE listing, it will be really good.
- Sudip Bandyopadhyay:** I understand. There are certain challenges as you probably know. I mean it takes some time before NSE accepts the listing and things like that but please be assured we are working towards it.
- Rajesh Kumar:** Okay, sir. Thank you. And last question is, now we are mainly borrowing from banks, but any chance of capital raise, fund raising?
- Sudip Bandyopadhyay:** We definitely will raise funds from external sources in microfinance because that is the business which is growing rapidly. We want to disburse close to Rs.800 crores this year, disbursement, net book is different, disbursement is different. So we want to raise capital some stage later this year or next financial year in microfinance. I am not very sure whether we need any

more funding in any other company at this stage but yes, if there is a good opportunity and there is evaluation which is appropriate from all the stakeholder's point of view, we will look at it.

**Rajesh Kumar:** So the equity dilution will happen at the subsidiary level, not at the holding company level?

**Sudip Bandyopadhyay:** As I said Rajesh, we need funds in Inditrade Microfinance because there is the growth. For some reason, some investor comes and says that I want shareholding in the listed company, we will explore that but whatever happens the funds will come to Inditrade Microfinance because that is where the money is needed.

**Rajesh Kumar:** So we can expect every quarter this investor presentation and concall from your side, right?

**Sudip Bandyopadhyay:** Yes, absolutely, we have started and we will give you.

**Moderator:** Thank you. The next question is from the line of Chitresh Lunawat from Gartner India. Please go ahead.

**Chitresh Lunawat:** Sir, my question is regarding the branches sir, so as we know we were having close to 90 odd branches by end of last year, so as of now how many branches do we have sir and which are the States have we covered?

**Sudip Bandyopadhyay:** So Chitresh, I will tell you the branches scenario. Inditrade Microfinance is the company which has got the maximum number of branches. At this stage, Inditrade Microfinance has got 149 branches. They are spread across 8 States. We are big in Kerala, we are big in Tamil Nadu, we are becoming big in Karnataka, we are also present in Maharashtra, Orissa, Bihar, Pondicherry and Gujarat. As I was mentioning slightly earlier while I was talking to Rajesh and I think Siddharthji that we are entering MP and MP branches are opening as we speak, so by the end of the year, most probably we will have about 175 branches of microfinance company. These are exclusively microfinance branches. As far as our MSME, merchant cash advance business is concerned, we operate in 4 markets, Bombay, Pune, Hyderabad and Bangalore. That is it. As far as agri, we operate through our Cochin office and Bombay office. As far as digital lending is concerned, it is only sitting in Bombay in our office because we don't need physical offices. Housing finance, unfortunately we haven't got the license, so the CEO and the team sits here only. That is pretty much where it is, so if you have to really count the number of branches, we are 149 in microfinance, we are 4 in MSME and you add one for the agri commodity and the Cochin head office, 149 plus 5. That is where we are on 30<sup>th</sup> September.

**Chitresh Lunawat:** Okay sir. My conception was like per branch disbursement is going down, so which we can seem to improve within the next half?

- Sudip Bandyopadhyay:** Yes, Chitresh this is exactly what I was explaining. So the branches I have put up in over the last couple of months, there disbursements will start or have started or will be starting. So per branch disbursement figure when you see at the March end, it will be God willing a much healthier figure. It is always. If you take up last year's number of microfinance branches 31<sup>st</sup> March and divide by the book, you will find much healthier figure compared to what we have today. Same thing should happen this year.
- Chitresh Lunawat:** And sir, when I compare like I think the equivalent company to compare, the company would be Spandana Sphoorty, so which also lends to women entrepreneurs and is into microfinance, so it would be right company to compare our company with?
- Sudip Bandyopadhyay:** Yes, of course, microfinance, they are into microfinance. They are much bigger of course, but yes.
- Chitresh Lunawat:** So sir, here my question was regarding the cost of funding sir, so cost of funding still looks to be pretty, I mean okay, compared to other smaller microfinance company, we are still at par but when compared to this bigger companies, we are anyhow at least 3% to 4% higher.
- Sudip Bandyopadhyay:** I completely agree with you. This is one of the challenges, we have to bring down the cost of funding. See Chitresh, the challenge today for me is whether to grow the book with a cost or keep the book small and focus completely on reducing the cost. We have consciously taken the call that let us grow the book because it is important to grow the book, acquire customers, establish presence in the market, may be the cost is a little higher than what it could have been but probably over a period of time when the interest rate start coming down, we will benefit. So while we are conscious and we want to reduce the cost, today the cost is not what we would like it to be and we need to reduce it definitely.
- Chitresh Lunawat:** My question was basically what do bank ask for when they lend us the money, like why it is different like what we are expected to do to get cost....? Is it the AUM size or is it the market presence or like how do we do it?
- Sudip Bandyopadhyay:** So Chitresh I will give you, it is a long story but I will give you in short. Let us classify banks, PSU banks. PSU banks and PSU institutions and all, they don't lend to us, why because they need a minimum 3-year track record, so we are not yet 3 years, so there is no point having a conversation with them. As far as private banks are concerned, we do deal with some of the private banks and there the cost is lower. We deal with IDFC Capital First, we deal with Bandhan Bank, we deal with Capital Small Finance Bank, so there cost is lower but in some other cases where we borrow from NBFCs the cost is higher, so this what we have given you is weighted average cost. The challenge for us is our vintage is not there, so we are a 2-year old company with two balance sheets. The first balance sheet was the first year when we started and the second balance sheet is last year's. The portfolio is growing now. In so many cases, even last month, we have been told your book is less than 300, we will not, so may be next month, we will be able to approach them, so these are the challenges which you face when you



are new. God willing, we should overcome all this within the next few years. Microfinance company borrowing from other NBFCs, the cost is higher. Obviously, NBFC, they have their own cost of funds, so they will keep margin on that so that is why the cost is high for us.

**Chitresh Lunawat:** And sir, as per other investors also requested, I would also request the same thing like, have presentation, we can get more details, more comparison and more industry studies also and how we are in par with those benchmarks, so that would be really helpful in presentation.

**Sudip Bandyopadhyay:** We will definitely give that, Chitresh. From next presentation onwards, you will have all that.

**Chitresh Lunawat:** And sir, will you be making a copy of this concall like in a text manner and circulating it to BSE because that would be also helpful for other investors as well.

**Sudip Bandyopadhyay:** Very honestly, I am not sure what is the process, but I will check with the Company Secretary and other regulatory persons whether that is how it can be done. If it can be done and possible, I will request them to do that.

**Moderator:** Thank you. The next question is from the line of Mukesh Gupta, an individual investor. Please go ahead.

**Mukesh Gupta:** Firstly, I would like to ask that you have not mentioned the name of the top 10 lenders?

**Sudip Bandyopadhyay:** On a consolidated basis, we will share with you from the next quarter, but I will tell you amongst the banks, we have HDFC Bank, Kotak Bank, Federal Bank, State Bank of India, Axis Bank and we also have IDFC Capital First, we have Bandhan Bank, we have Capital Small Finance Bank, we have Jana Bank and amongst the NBFCs, we have MAS Financial . So these are the top lenders for us, but next time, I think, point taken, will put it in the presentation itself.

**Mukesh Gupta:** And we would also like to know about the guidance like other peers, they put a guidance, so is there any guidance?

**Sudip Bandyopadhyay:** Unfortunately, I am not in a position to give a guidance. The situation as far as economy and credit markets are concerned is extremely volatile, so I will refrain from issuing or giving any guidance at this stage. We are hoping things improve and we are hoping we are able to perform even better in the second half but at this stage I will not give a guidance.

**Mukesh Gupta:** And I would just like to know if there is any dividend policy existing or if you are going to make any dividend policy?

**Sudip Bandyopadhyay:** At the board level, we deliberated this quite a bit last year and we decided that this year we will take a call. Last year, if you remember, we wanted to say thank you to the shareholders for

being patient and it was our 25th year as well and so I think that was the decision but we will formulate a formal distribution policy, may be during this fiscal.

**Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Sudip Bandyopadhyay, Group Chairman for his closing comments. Over to you sir.

**Sudip Bandyopadhyay:** Thank you, ladies and gentlemen for joining. Friends, I will like to say that it has been a learning experience for us as well and we have taken on board all the requests which all of you have made. I assure you that in the next quarter the presentation will be much more robust, will contain all the information you guys have sought. I also thank all of you for taking time out and joining us in this call. I also thank all of you for supporting Inditrade in its growth journey. For us, it is a challenge to grow and make the company one of the most loved NBFCs in the country. We are all of us professionally working to ensure that happens. I thank you once again and look forward to joining all of you again next quarter. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Inditrade Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.