November 9, 2021

The Secretary
BSE Limited
Pheeroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 531595

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No- 'C' Block, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051
Scrip Code: CGCL

Sub: Transcript of Earning Conference Call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Dear Sir /Madam,

Further to our letter dated October 29, 2021 intimating scheduling of the Earnings Conference Call on November 1, 2021 to discuss the Company's Q2FY22 Earnings, we are forwarding herewith the transcript of the said Conference Call. The said Transcript is also available on the Company's website on the URL: https://capriglobal.in/wp-content/uploads/2021/11/CGCL-Q2FY22-Earnings-Call-Transcript.pdf

The above is for your information and dissemination to all the stakeholders.

Thanking you,

Yours faithfully,
for Capri Global Capital Limited

(Harish Agrawal)
Senior Vice President & Company Secretary

Encl.: As above

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"Capri Global Capital Limited Q2 FY22 Earnings Conference Call"

November 1, 2021

MANAGEMENT: MR. RAJESH SHARMA – FOUNDER & MD
MR. RAJ AHUJA – ED & GROUP CFO
MR. RAVIKANT BHAT – SR. VP, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY22 earnings conference call of Capri Global Capital Limited hosted by Go India Advisors.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' and then '0' on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ravikant Bhat from Capri Global Capital Limited. Thank you and over to you, Sir.

Ravikant Bhat: Hi everyone. This is Ravikant here. Thank you for dialing in to the Capri Global's Q2 FY22 results conference call. Like always, we shall start with opening remarks by our MD, Mr. Rajesh Sharma followed by more detailed remarks on the earnings performance by our CFO, Mr. Raj Ahuja. Over to you, Sir.

Rajesh Sharma: Good afternoon and thank you for joining us for a discussion on Q2 FY22 results of Capri Global, especially on a day packed with results and concalls. On the eve of Festival of Lights, let me first extend to you all warm seasons greetings from the Capri Global family and wish you prosperity and happiness in the year ahead.

As you all are aware, the Board of Capri Global approved Q2 FY22 results on Saturday, 30th October 2021. I hope you had an opportunity to go through the investor presentation which has some enhanced disclosures on asset yield trends and asset quality. We have expanded the quarterly graphs to include rolling 5-quarter data instead of 3-quarter data so that it gives a better representation of the short-term performance trend. I shall keep my opening remarks focused on the balance sheet and business initiatives.

MSME: The growth in MSME was robust with nearly 41% of incremental disbursals happening in the segment. The robust 5.2% sequential AUM growth is indicative of the growth potential for the portfolio in H2 FY22. You may have noted our credit filters have been tightened with disbursal to login ratio at 31% currently compared to 34% two years ago.

Affordable Housing: As regards Affordable Housing, the housing finance segment has also delivered a robust growth momentum during the quarter. Although customer segments overlap between MSME and housing finance, it is pertinent to note that the salaried segment has contributed to a relatively better bounce back and recovery in this segment. As a result, the net NPA considering aggregate ECL provisions are once again negative in this segment.

Construction Finance: The Construction Finance segment continued to show robust momentum. It had the second highest sanctions in value terms in 12 quarters, the highest being in Q4 FY21. We therefore expect the vertical to contribute strongly to overall AUM growth in H2 FY22. There are no new NPAs in this segment. NPAs in absolute terms remained unchanged and net NPA remained negative.

New Car Loan Distribution Business: I had made brief references to the new car loan distribution business in the previous two concalls. In February of this year, we initiated this business to distribute new car loan products of commercial banks for a fee consideration. In a short span of eight months, we have tied up with three commercial banks to distribute their products and scaled up to 186 locations. We achieved a distribution volume of Rs342 crores in Q2 FY22. This is an asset light model with reliance on feet-on-street and minimal branch presence, leveraging our existing branches and manpower.

New Branch Locations: We now operate from 102 branches compared to 89 branches in Q1 FY22. Of these, 3 branches are exclusive to the car loan distribution business while the Urban Retail and Construction Finance segments operate from the rest of the branches. We are presently focusing on growing our presence and business in Gujarat, Rajasthan, and Madhya Pradesh.

High Frequency Indicators: While portfolio restructuring has been relatively high among all the segments in the MSME, there is no further pipeline with the closure of the RBI window on restructuring. We are tracking certain high-frequency indicators like cheque bounce ratio which although is still not in our desired target zone, are still moving rapidly towards stabilization. The data is significantly better for Housing and Construction Finance. For a comparative picture, we would like our stakeholders to continue tracking the collection efficiency on POS which is stable.

Human Resources: As regards human resources, our recruitment drive is driven by the branch additions and the new car loan distribution business. I would like to mention here that our branch additions are not totally virgin. We always initiate business at a location before converting it into a branch. Hence, the branch break-even usually happens in a short span of 2 to 3 quarters. Therefore, the slightly higher than the trend cost-to-income ratio noted in Q2 FY22 should stabilize as the new branches become more productive.

New Products: We are gearing up to launch the new secure loan product. Our technology implementation process, hiring is happening as we speak, and we expect that in Q1 FY23, we should be able to launch the new product; and closer to the launch, we will share more detailed information with you all.

In conclusion, I would like to reiterate that our growth theme focused on secured Urban Retail lending is on sound footing. It shall soon be complemented by revenue streams from recently launched and soon-to-be launched products. We remain committed to expanding leverage through organic route and deliver mid-teen ROE to our shareholders over the medium term.

I now hand over to ED & Group CFO, Raj Ahuja, for his remarks on Q2 FY22 earnings performance.

Raj Ahuja: Thank you, Rajesh. Hello everyone. This is Raj Ahuja. I am the ED and Group CFO at Capri Global. I shall be presenting the key performance highlights of Quarter 2 FY22. Wherever not specified, all references shall be to the consolidated financials.

I shall start with the business highlights. After some roller coaster until the Quarter 1 of the current year, our consolidated disbursals in our three main products, which are MSME, Affordable Housing, and Construction Finance registered both Quarter-on-Quarter as well as Year-on-Year increase of 1.9x and 3.1x respectively. This reflected in our AUM growth which increased 27% Year-on-Year and 6.5% Quarter-on-Quarter at a consolidated group level. You would have noted Affordable Housing and Construction Finance share in overall AUM has gone up marginally in Quarter 2 while that of MSME and Indirect Retail Lending has declined. This has been on account of a more conservative MSME expansion during this quarter.

We continue to hold PTCs worth Rs1.73 billion representing a pool of affordable home loans. We had purchased this pool in Quarter 4 of last financial year which carries a credit enhancement of Rs596 million. The outstanding in this pool has since run down and current outstanding is Rs1.43 billion. PTCs in our balance sheet are shown as part of the investment portfolio and they are not part of AUM.

The granularity in our business segments in terms of average ticket size, LTV ratios, and geographic distribution remains unaffected. Overall, there is no chunkiness in any of our exposures and individual data is clustered around the mean. Please refer to Slide #14 to #16 of our investor presentation deck for segmental information.

On Slide #17, we have also added some granularity to the break-up of our borrowings. Although the share of commercial bank borrowings is up sequentially, we are in the process of securing more fresh lines from refinance institutions. Overall, our borrowings have remained to be a healthy mix of non-market liabilities. Slide #20 and #21 show the structural and short-term ALM positions which remain well matched in all the ageing segments.

Coming to the earnings, our net income increased 18.4% Year-on-Year to Rs1,398 million of which net interest income contributed Rs1,180 million. Although NII growth at 12% Year-on-Year is trending below the AUM momentum, it may be noted that the momentum in NII had been softening previously due to a hard stop on business as well as the negative carry on the funds. The trend is now reversing and a sequential growth of 7% gives a better picture on the movement ahead which also is in-line with the sequential AUM growth of 6.5%.

In this regard, the charts on the Slide #10 are instructive. The loan spreads and net interest margins show a clear reversal on the upside after Quarter 4 of the last financial year. As we deploy higher liquidity in our core assets as compared to investments, incrementally we expect the core earnings to strengthen.

The cost-to-income ratio rose above the five-quarter average trend of 37.4%. However, this is a short-term bulking up of the cost as we initiated some pent-up recruitment during Quarter 2 of the current financial year as well as rolled out our new branches. While commenting on cost-to-income ratio, I had previously mentioned that we will structurally remain in the 35% to 40% cost band and the target stays unchanged for us.

Credit cost including write-offs declined from Rs181 million in Quarter 1 to Rs107 million in Quarter 2. The credit cost to average AUM was noted at 84 bps. The credit cost in Quarter 2 of FY22 is not directly comparable with the Quarter 2 of the previous year owing to the asset quality standstill classification in the previous period and associated negligible provisioning that was undertaken in the same quarter last year. We had guided our credit cost to trend around 120 bps as we exit Quarter 4 of this year with an anticipated level of 150 bps for the first 9 months of the year. We are pleased to have remained well within the range while drawing comfort from being in a position to absorb higher provisions, if need be, in the future.

The Quarter 2 FY22 net profit, as a result of all the above, increased 14% Quarter-on-Quarter to Rs525 million.

I shall now turn to asset quality. Our Gross Stage 3 ratio softened 19 bps Quarter-on-Quarter to 3.3% and Net Stage 3 ratio softened similarly to touch 61 bps. Our total restructured book stands at Rs2,189 million versus Rs2,038 million in Quarter 1. The MSME book contributed Rs2,054 million and Housing Finance Rs136 million to this book. The aggregate restructuring book was 4.4% of AUM, an uptick of 3 bps Quarter-on-Quarter. There are no restructured accounts in the Construction Finance and Indirect Retail Lending book. Pipeline for restructuring in the MSME and Housing is now nil with the closure of RBI special dispensation window for restructuring. So, we are not expecting any further addition to the restructuring book now.

In summary, the Quarter 2 of FY22 offered fresh optimism and we chose to ride the momentum. Vaccinations have kept solid pace and fresh Covid-19 infections have remained range bound with an overall declining trend.

I would like to harp back to what we had stated post Quarter 4 earnings, that the first half year of this financial year shall be one of managing P&L challenges while the second half shall offer better growth opportunities. In retrospect, we can say that a more optimistic scenario played out in H1 FY22 for us. In this backdrop, I would once again like to reiterate CGCL has amongst the strongest capital adequacy ratios, a robust core operating profit, and multiple liability relationships to fund its growth. We therefore remain confident of our growth trajectory over the medium term.

Before I conclude, I would like to wish all of you a very Happy Diwali and festive season ahead. With this, I shall conclude my remarks. We shall now take questions. Thank you.

Moderator: We will now begin the question & answer session. The first question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: My question is with respect to the housing disbursement. That is close to Rs142 crore during the year and we have seen a strong sequential growth there. But I also see that ticket size there has increased significantly on a Q-on-Q basis. Just wanted to understand two things here. One is that how many number of applications are we seeing per month that have gone up over the last quarter and is the disbursement during the quarter also because there were a lot of cases in pipeline during the first quarter which got disbursed during the quarter?

So, if you could just give that what fresh loans we got during this quarter and how much would we have disbursed for that, and what was in the pipeline and towards that what was the disbursement? If you can just give some color there?

Rajesh Sharma: Shreepal, you have two questions. One is, whether the higher disbursement was on account of the first quarter cases which were already logged in but disbursed during Quarter 2. But that is a continuous process. Some of the cases that are logged in June are disbursed in July and so would the case be in September which are logged in. Some of the cases which will get disbursed in October. So, that is an ongoing thing. That gets neutralized in every quarter. It is not that because of that disbursement has gone up.

As far as specific number is concerned; Raj, will you be able to explain how much specific housing finances have been disbursed?

Raj Ahuja: Shreepal, in the incremental disbursement, your observation is right that the average ticket size has gone up this quarter, but that is not because of any structural and fundamental change. This is mainly because of the fact that Quarter 1 was a subdued quarter for us and most of the disbursement which happened in Quarter 1 was only the top-up of the previous sanctions. They were not actually the new sanctions. Most of the new sanctions which started happening in June-July onwards, they built up in this quarter and that's why our average ticket size has been back at around Rs1.2 to 1.3 million plus. Also, some locations which contribute to the lower value continued to be in the lockdown – some portions of Maharashtra, some portion in some other parts of the country, and that would have resulted in a little bit higher ATS this quarter, but our focus on having a very retail book in housing finance continues to be valid. Our average ticket size will continue to be in the range of around 12 lakhs to 13 lakhs and we are not much…if you see the graph also, Quarter 1 is an aberration, all other quarters we have been in the range of Rs1.1 to 1.3 million.

Shreepal Doshi: Just a connected question and things that I wanted to understand was that…. my understanding and observation is that in the real estate sector, the segment that we cater to, we have seen the demand to be robust and the incremental construction cost has also gone up. So, we are anyway experiencing no price discounts from the developers. In fact, there are price hikes that the developers have taken. Is that also getting reflected in our fresh disbursements and in the kind of applications that we are getting currently wherein somebody who was taking a loan for Rs25 lakh ticket size home, now that is Rs27-28 lakh. So, probably a 4% to 5% increase is also because of that or which you can give more on a qualitative comment that you would have observed. That is something I wanted to understand.

Raj Ahuja: I don't think, Shreepal, that in our segment like the affordable housing loan, there was too much of discounting happening earlier which is not there now. There may be some partial impact, maybe a few percentage points, but it is not that…. Most of the discounting and the offers actually go in the mid to higher segments where we don't operate. Yes, there will be a little bit of an inflation impact. There will be some small dips of these offers and discounts no more available. Because of the higher construction costs also, there may be a little bit increase in the housing budgets.

Shreepal Doshi: One last question with respect to restructuring. We have 4.4% as a restructured book. What is the nature of restructuring that we have done for housing and for MSME loans? What would be the moratorium given and what would be the extension of tenure for most of our customers…the range if you can give?

Raj Ahuja: That disclosure is already there in both the press release as well as on our presentation that our MSME book is constituting the maximum of the restructured assets. Our total restructured asset book is Rs2,251 million out of which Rs2,115 million which is almost like 90% is MSME book and Rs136 million in the housing finance segment.

In terms of moratorium, it's very very customer dependent. We have ranged between 0 moratorium to around 12 or maximum I think 18 months moratorium. Most of the moratoriums are between 6 months and 9 months and some flowing down to 12 months' time also.

Shreepal Doshi: Ok. So, this is in the housing or is this across the book?

Raj Ahuja: This is across. We have not done a separate analysis, but this is across.

Shreepal Doshi: So, we are giving moratorium and we have not decreased their EMI or things like that, but we have just given them blanket moratorium to some of the customers which would be in the range of 6 to 12 months?

Raj Ahuja: That's right, and this is as per the RBI framework where it is left to the customer…. based on his condition, the customer is expected to ask for that kind of a moratorium and we are bound as per the RBI guidelines to honour that request. And based on our knowledge about the market also, I think everybody is in the similar range. It's not that we are much away from the mean in the market.

Moderator: The next question is from the line of Arjun Bagga from Nirmal Bang Institutional Equities. Please go ahead.

Arjun Bagga: I had another question with respect to the three separate effects of 4.4% on our consol book. I just wanted to understand that in terms of the slippages from this book, how much are we expecting? And, if you could just break that down from the MSME and from the housing?

Rajesh Sharma: You are asking how much slippage will happen from the restructured book in MSME as well as the housing finance?

Arjun Bagga: Yes. Sir.

Rajesh Sharma: First of all, our portfolio is entirely secured by collaterals. Every loan is secured by either hard asset – self-occupied house or self-occupied business premises. Second, the loan-to-value ratio is almost 50% in MSME and about 68% in home loans. So, there is an adequate security cover available. So, even in these restructured portfolios assuming that some percentage – which we expect about 20% – this is an estimate, this can go here and there because there is no formula by which…. but our judgement is that around 20% of it can slip into the NPA over a period of time. It will not happen in one quarter or two quarters. Even though that NPA happens, out of Rs218 crores, if 20% slips, even that will be scattered over a period of time, and then with the tool of SARFAESI and other recovery methods, and because of the secured collateral and there is enough security cover of loan to value, we don't expect that this will give some kind of surprises or some kind of a credit loss which will go beyond the estimate we have given.

Arjun Bagga: Another question I had. This was regarding the branch network. We have a target of doubling our branch network. In that regard, I just wanted to check how are we going to be expanding? Would it be in the existing states or would we be targeting new geographies and what would be the new geographies if we target?

Rajesh Sharma: We will go deeper in the states we are currently operating. Currently, we are operating in Gujarat, Maharashtra, MP, Rajasthan, and NCR. We have already acquired the understanding of local property laws, local valuation norms, and local business practices. So, we will go deeper in that and we believe that there is an adequate scope in growing our branch network in these states. Our competitors where we have 30 branches, they already have 150 branches and there is enough business happening. We, with our regional team in presence, it is much cost effective and much smoother to go deeper in that. So, first, we will go deeper in those states. Our target to go to 225 branches in the next 4 to 5 years, I think we will achieve much earlier than that. So, we are not adding new geography at the moment in the next 2 years. We will continue to open our branches in the current areas where we are operating.

Arjun Bagga: A related question; despite these branch expansions – I just wanted a confirmation – we are keeping this cost-to-income guidance at 35% to 40%, will it still remain in this ballpark?

Rajesh Sharma: Yes, because when we open the branches, it is a continuous process. Till we stabilize our branch network and all, I think…. but still with the growth in AUM, it will still give a better return on equity when the AUM grows and leverage goes up. Yes, till we keep on opening the branches, that new branches which will stabilize in 6 to 9 months' time and achieve break-even, hence our cost-to-income ratio will remain in that range. Once we stop new branch opening, then perhaps it will slightly come down or with the gradual increase in the branches when we cross a particular AUM, then also the cost-to-income ratio will come down.

Moderator: The next question is from the line of Srishti from Wellwin Consulting. Please go ahead.

Srishti: I just have a few queries. First, I wanted to get an understanding of the new car loan segment that we recently got into and what are the economies and synergies involved in this car loan business. And also, it would be helpful if you could brief us about the future plans in this particular vertical. And second is on the home loan side. We are currently seeing a strong demand scenario and also the company is being a little more cautious than peers are. Considering these things, what pace do you expect us to grow in this particular home loan segment?

Rajesh Sharma: As far as car loans are concerned, we have existing branch network of about 102 branches and we have a front-line sales team in excess of about 1,000 employees. We are using cross-sell for generating the car loan lead because NBFCs cannot give new car loans…banks are giving in the range of about 7% to 8%. However, we get a very good incentive and commission to do that. So, we are leveraging on our existing branch network and our existing sales team. Besides that, we are also adding in our network some new employees specifically which are handling this new car loan origination. We get a good amount of incentive and we expect that next year, this will give a good amount of income. We expect at least Rs20 crores will be generated from this vertical alone after meeting all the expenses. And there is no risk involved. There is no capital employed in this segment. This is purely a fee income, and this is giving a leverage too. Currently our monthly run rate has come about Rs175 crores. Perhaps we are among the top 2-3 in this as far as the originators are concerned. We believe that with the help of technology and further expansion and all, we should be able to achieve a volume of Rs250 crores to Rs300 crores per month and this should give a good profitability. In future, when we start the used car loan, this will give a good database of the customers when they sell their cars and some customers wanting to buy. So, it will also give some leverage when we start the used car loan financing, which we are evaluating. So, overall, this should give a good kicker to our Return on Equity.

As far as home loan is concerned, we are operating in affordable housing finance segment with a conservative valuation. We are focusing more on salaried income where we are getting a good credit line from NHB at a very attractive interest rate of 3.5%. So, we are adding more salaried customers whereby we are earning 6% spread and still can compete in the market because we are lending to the rural segment which the government and NHB wanted to promote by giving low interest rate loans. There is a huge demand supply gap in terms of availability of loans and the new houses of smaller sizes are being built after Pradhan Mantri Awas Yojana credit subsidy has kicked in. So, even though when we give the loan, there is a margin of own contribution put up by the borrower plus the interest subsidy comes from the Government of India – about Rs2,30,000. That further improves our loan-to-value ratio. So, in this segment, the risk is minimal. Except for fraud cases, we are not bound to lose money in this segment. The challenge remains that within the high operating cost, how do we improve our margins? I think that will happen with scale. I do not think there is a huge credit risk involved. I think the high operating cost is some challenge which we have to deal with and improve our return on equity.

Srishti: One more question if I may ask, our MSME collection efficiency was slightly lower at 85.9% versus 86.5% last quarter. So, what are the challenges here that we are facing and how do you see the same shaping up?

Rajesh Sharma: If you see in MSME, the non-paying standstill portfolio currently is about 13% while the collection efficiency is nearly about 86%. Thereby, it means that except the restructured portfolio, nearly all the customers are servicing their dues in MSME. We expect with the full-fledged economy now rebounded, Covid impact is negligible, businesses are bouncing back, activities are at the pre-Covid level, I think with the enhanced demand in the MSME sector, the business activity level will go up. So, the requirement of the new loans, so business will grow. Similarly, their income also improves, their ability to repay will improve. So, we do not see that there will be any surprises in that. I think the worst phase in MSME segment is over. Now, whatever little challenge we have in restructured portfolio over a period of time with their improvement in the income, I think we should be able to do well and we should be able to contain our delinquency. SARFAESI action, which was prohibited by courts, has also opened up. That will also give a bump to the recovery proceedings and results thereon. So, the new NPA will keep coming or they will be getting resolved, and this cycle goes on like this, but we expect our NPA and GNPA will remain overall in the expected range.

Moderator: The next question is from the line of Ankita Nayar from Rubics Investment. Please go ahead.

Ankita Nayar: I have a couple of questions. When I look at your pre-Covid presentation, say 2 years back, you were targeting a growth of around 40% to 45% CAGR and now it's in the range of 22% to 27% if I am not wrong for the next 5 years. So, what has changed? Is it Covid or is there some change in the business strategy? Could you please throw some light on that?

Rajesh Sharma: I think with the increased base and the impact of Covid, of course, have slowed down the 1-year growth plus we are launching a new product, and with various discussions within the company including the board, we have decided to keep our growth targets in the range of 22% to 27%. And if you are seeing Quarter-on-Quarter, we are trying to achieve that growth. Last year, all the four quarters combined put together, we have grown 20%. This year, we are on course to deliver the growth between 22% to 27%. Long-term growth, we have decided to keep in this range only. And there is no change in the strategy except that we will add a couple of products in the gold loan and we have also started this new car loan distribution and tied up with the 3 banks. We will remain on our stated strategy and our growth will be in this range, 22% to 27%.

Ankita Nayar: My next question is regarding the Construction Finance division. Do you see better growth given that there is a real estate boom or will you maintain a cautious approach with respect to growth over here?

Rajesh Sharma: Our major growth drivers will always be MSME and Affordable Housing. The Construction Finance on an overall level will be below 25% and more in the range of about 20%. While we are cautious, our ticket size is lower, our collection efficiency is better, our portfolio is doing well, but major growth will be happening from MSME and Affordable Housing. So, this segment will not go beyond…. it will range between 20% to 25% of overall AUM of the company.

Ankita Nayar: Lastly, how do you expect the asset quality management ahead for the next two quarters and do you see any surprises in MSME sector happening?

Rajesh Sharma: I don't think so because economic activity levels are back and we are clearly seeing the Covid…whatever 3rd wave was expected, it doesn't look like that will happen and we will face any lockdown again. With this hope and assumption, we do not think there will be any surprises in the MSME and Affordable Housing segments.

Moderator: The next question is from the line of Palak Chopra from Kapoor Capital Private Limited. Please go ahead.

Palak Chopra: Sir, my first question is that I wanted to know how are you moving ahead in terms of leveraging technology in your business model given that it's the only way forward and so many new fintechs have already entered the fray? Just wanted to know your opinion on that.

Rajesh Sharma: As you rightly said, now the new edge is that we have to use the more technology to reduce the overheads and to make the processes better and faster. We have already employed one of the best consulting firms BCG where they are guiding us and advising us on tightening of our processes, using more technology, data analytics. While in our business, front end cannot be entirely on technology because we are dealing with the customers who have no income proof, but there are various tools like customer app, sales mobility application, collection app where immediately receipt can be issued, data can be updated, balance can be shown, all those are being implemented and in a phased manner. The first phase should be over by 31st March and we will see that there will be improvement in efficiency and there will be improvement in the overall productivity of the sales team. So, we are focusing in these areas where I think without increasing manpower if we can improve our overall productivity, that will give us a very flip in the profitability. So, we are working on the technology side. We are using best of the consultants. Recently we hired a CTO and we have hired a Head Data Analytics. There is enough focus to build the team with the right people in the technology team and data analytics team.

Palak Chopra: Sir, my second question is that our cost-to-income ratio has inched up again. As I can see, we have added a lot on our employees this quarter. Which business verticals are we hiring more and what should be the cost-to-income expectations for the full year if you can give something on that?

Rajesh Sharma: The full year cost-to-income ratio will remain in the range of about 40% to 42%. We have added more employees in the MSME and Affordable Housing and also in New Car Loan origination. We have added a lot of people who come at a significant cost in the technology and data analytics teams which have also contributed to the higher cost but they will result in a great saving in terms of tightening of processes and lower cost in terms of better productivity. Those benefits also will accrue next year.

Palak Chopra: Sir, I am expecting that no capital raise is required at this point or maybe over the next few years also. If you could just shed some light on the ROE targets of yours going forward?

Rajesh Sharma: I think we have given in our presentation on our website also over the period of next 5 years, we are targeting an ROE in the range of 16% to 18%. Already, this quarter's ROE is about in the range of 11.7% and if you talk about H1, about 11.5%. Next 2 quarters, I think, will be better. We hope that ROE will be in the range of about 12%. But more we leverage, more our AUM goes up, ROE slowly will move towards our targeted area of 16% to 18% and that might take 3 to 4 years' time.

Palak Chopra: Sir, one last question. What was the rationale to bid for IPL team? What would have been the cash outflow had we won the bid? And also, does Capri balance sheet have this much strength?

Rajesh Sharma: That bid was not from the listed entity. That was from one of the promoter entities and that entity would have handled it from its own sources.

Palak Chopra: Thanks for the clarification, Sir.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Rajesh Sharma: As we have said, we will continue to grow on our stated strategy of growing the book through MSME, Affordable Housing, catering to those customers who are in a no-income-proof segment and add more secure products. Our entire philosophy of serving those customers who do not get access to credit from the banking system will remain intact. And we believe that now the economy is back on track, activity levels are back, even rural and urban areas both are bouncing back, festive season we are seeing a full activity. So, with this hope, we see the next half – second half – will be better than the first half significantly. And in the long run with adequate capital adequacy in place, good banking lines in place, and good collection efficiency and sharp focus….and now, we are almost in this business for more than 8 years…we see that we will continue to grow in the range of about 22% to 27%. With this, we are quite confident to improve our profits year after year as we have done in the past. Thank you.

Moderator: On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.