L&T Finance Holdings

Q1 FY22 Earnings Call Transcript

July 19, 2021

Moderator:

Ladies and gentlemen, good day and welcome to the L&T Finance Holdings Q1 FY22 Earnings Conference Call. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded

We have with us today Mr. Dinanath Dubhashi – Managing Director & CEO, and other members of the senior management team. Before we proceed, as a standard disclaimer, some of the statements made on today's call may be forward-looking in nature. And a note to that effect is provided in the Q1 results presentation sent out to all of you earlier

I would now like to invite Mr. Dinanath Dubhashi to share his thoughts on the company's performance and the strategy of the company going forward. Thank you and over to you, sir

Dinanath Dubhashi:

Thank you and good morning to all of you. What I will do is I will just give some very short comments on these results and then open to questions. Hopefully we will be able to take more questions than normal and hopefully we will be able to clarify more doubts as we go ahead

The Q1 results, they can be actually described in absolute in just one para and maybe four or 5 bullet points saying that:

- Profit after tax up 20%. Yes, of course it is up 20% over last year's same quarter, which was a very bad quarter. But again, Covid quarter to Covid quarter, it is still 20% up. And more importantly, it is 20% up after taking another ~Rs 400 Cr almost of additional overlays for protecting our balance sheet. So we consider it positive
- Another positive is the margins, the margin plus fees jumping back to 7.5%, on back of good product mix and on back of excellent cost of borrowings despite further movement towards medium to long term mix, so establishing our liability franchise
- On slightly negative side, of course, there is overall drop in book and I will go and explain that; and
- A slight increase in GS3, which would be perhaps to be expected at the end of a Covid quarter

So these are I mean, these are some very simple things to look in the P&L, but I wouldn't be doing justice if I don't put it in perspective. And the first thing which is important to maybe point out again is something that I had said 3 months back at the end of Q4 results. I will not be able to quote it exactly, but largely what I have said and I remember it was some 28th of April or something like that where just Covid wave 2.0 was being talked about, some curbs had just started

And what we had said is that we have built 4 to 5 important strengths which will help us. While we can't predict how the quarter will go or how the immediate future will go, these strengths will help us grow well, perform well,

in the medium to long term. And if at all there is a short term problem, short term disturbance, these strengths will help us emerge on the other side, not only safe but stronger. These strengths were:

1. **Business strengths**, the business franchise which we have built through our analytics and through staying in the right channels based on our analytics and strengthening that despite the need to reduce costs in bad times
2. A **strong collection framework** which is becoming more and more data oriented as we go ahead and hence showing results
3. A **well-established liability franchise** providing us the ability to raise money across tenors at the timings of our choice
4. **Improved balance sheet quality**, which was at that time bolstered by about Rs 1,000 Cr, Rs 1,033 Cr to be exact, additional overlays
5. And of course, we had just raised capital and **improved our capital adequacy**

So, these five strengths I'd said will hold us well if some problems happen in the short term and if they don't happen, then in the long term they will help us grow and again take profitability to the top quartile RoE, which we always aim for

Now, what happened obviously was almost immediately after that - things actually went worse. For namesake there was not a nationwide lockdown, but almost entire May the lockdowns were pretty severe across. Covid wave 2, I think it is very important for using the learnings from Covid wave 1 to Covid wave 2, it is important to compare Covid wave 2 to Covid wave 1. If you actually look at it, you know, just financially or just practically, we'll actually see that there are many things which were much better in Covid wave 2 than in Covid wave 1

- I think primarily the liquidity in the system. You would remember that everybody was sweating for liquidity last year same quarter, whereas this year there was no problem at all on liquidity, at least for good companies. And I think the regulator needs to be commended for that, for maintaining good amount of liquidity and making sure that there is no strain in the environment based on that
- Nature of curbs were more localized and also fairly short term, less lasting, that things started closing down in April, and by end of June things had started opening up, and so they were even less lasting than last year. Last year things started opening up only after August, I remember
- Even business impact, closure of point of sales across states, for example, for our retail, it was less complete, less total than last year. Notwithstanding the spread of Covid in rural areas, most of the point of sales in rural areas where actually reasonably open. It was only urban point of sales which were affected. Last year it was almost complete closure
- On-field collections impacted certainly and I will talk about those numbers, but less impacted than last year. Of course, in DPD terms, it was better last year because there was a moratorium and nothing was moving forward. But actual collections on the ground last year were negligible despite all efforts

So with all these positives, I will still stick my neck out and say that Covid 2 impact or the lockdown 2 impact was much, much, much higher than Covid 1. And why? And this perhaps cannot be measured by any financial metric. I think the fear, the happening of Covid very close to you was actually very different in Covid wave 2. And that is why I really pray to God that there is no Covid wave 3. It goes beyond what is the impact on financials. Frankly, our collections, our business numbers, everything looks better in Wave 2. But what looks worse is what happened to our people. We had out of over 23,000 people close to 2,000 people came down with Covid. I'm not counting people who were isolated because of cases in the family. We lost as many as 18 people in Covid in the last 4-5 months

And these are things I think I should take the opportunity to thank them and pay them respects. And that really hit the operations also for, say, about 30-35 days or maybe 45 days. It is very strange that last year, in the first

quarter, when there were government curbs on our movements, we had to actually convince our people who were straining at their leash to go out and perform. We had to actually force them to stay indoors, so as to not to break any law

While this year, initially, at least even wherever people were allowed to go out, there was a big reluctance in our teams as well as agencies to go out. And because there was a big fear, people were losing, if not in immediate family, at least in the related families, extended families. And I would think that was a big impact on I would say the rhythm of the Company

So what did we do? While many other lessons from Covid 1 had to also be applied to Covid 2 and it also worked well

1. **Focus on Employee Care:** One big thing we did was to become completely employee health focused for about 1 month. Within a month or a little more than a month, we gave top priority to employee health and did a very, very targeted vaccination. You know the numbers that happened pan-India for vaccination. But within a short period of two months which was beginning of May to 30th of June, almost 93% of our employees have at least received one jab. And why one jab? It is because our people are young, the average age is some 27 or something. So they would not have complete the required 84 days post vaccination. Old people like me are already fully vaccinated. So, that actually turned the tide, took away the fear. Lots of monetary support was given. People who unfortunately, lost their lives, complete support to their family has been given. I don't want to recount those; I don't want to show-off because nothing can replace their lives

   But the important thing for this call is to say that confidence in people to go out was very quickly restored by a project which was led by me personally. And made sure that whatever else happens, first people have to be fully vaccinated and protected. And I am glad to say that if you take business, if you take CE from the end of June, it is already showing great results. The July numbers up to 15th are even better than June. June numbers are in front of you. The July numbers are even better. And while obviously it must be because of shops opening up etc, I also give credit to the confidence of our employees to go out and do business or do collections. So that was one thing which was perhaps quite different than Covid 1. But in everything else we very cleared used the template which we used during Covid 1

2. **Shored up Liquidity:** The second thing which was our strength is the liquidity, we used once again, the opportunity to shore up liquidity. Not only that, raise a lot of medium to long term funds now to lock in longer term funds at this lower cost. So our cost of funds is 7.65%, just a little bit, I think 1 bp lesser than the last quarter year and over the last year, YoY reduction is close to almost 85 bps. Prepaid lot of high-cost borrowing and borrowed low-cost funds and raised record number of PSL funds actually, including about 650 Cr in this quarter and what it has done is actually ensured that even if interest rates go up in H2 which probably it will, our rise in interest rates will be less pronounced and we can… okay I don't want to sound too cocky but yes, for indication that our margins plus fees, will keep this good trajectory in the coming few quarters also

3. **Analytics based Collections:** The next thing which worked for use is excellent analytics driven collections.
   - **Farm:** The businesses which was least affected was tractors. We gave complete impetus on our early buckets on tractors and very clearly it saw a great impact on collections. This was a business with least impact on collection volumes. On ground collections were affected in May and regular CE is already back to close to 90% by June which was almost at pre-Covid level. And if you see compared to last year obviously, it will be far far better

- **Two wheelers:** The impact in May was much more certainly. But increased manpower allocation and increased digital modes which we did based on our data analytics has made sure that regular CE comes back to almost 97% by June already

- **Micro Loans:** One business where we saw a drop in June over May. So, Farm and Two wheelers, there was an improvement in June already over May, whereas Micro Loans we saw a drop over May. But still I would say it is daylights between us and competition - 90% CE very clearly indicates that the portfolio is good, continues to be good and one good thing is, I can share that in July in the first 15 days, we have already crossed 94% in Micro Loans

  So, what is common in all these three rural businesses is July is already better than June and we certainly expect CE even in Two wheeler and Micro Loans to come back to pre-Covid level by the end of Q2. Now all this obviously has a proviso of third wave. But we don't think the third wave will hit in Q2 even if it hits. So, Q2 we can say with reasonable confidence that CE will be far superior to Q1 already

- **Consumer Loans and Home Loans:** also saw smart recoveries in CEs. Consumer Loans in fact continues to be at pre-Covid levels after dropping a wee bit in May. And in Home Loans both cheque bounces as well as CE have actually improved sizably. Even in Two wheelers, the cheque bounces have improved sizably

- **Infra:** Another business that I would like to talk about collections is actually Infra. How the low interest rates actually have another effect also. So, yes we have a model which is we book, we underwrite and then we sell down. This quarter, we actually saw fairly heavy prepayments as well which indicates that there are other lenders who look at our book as good book and are ready to refinance at low interest rates. And that is the main reason in our overall reduction in total book. If you see, we have given the complete breakdown

The retail book, the rural book has actually gone up by 8% despite lower business in Micro Loans. But it is mainly because of the Infra prepayments that the overall book has gone down.

So, let me actually summarize collections. If we summarize collections across businesses, we have see a dip in CE in April and further in May and in many businesses, maybe with the exception of Micro Loans, we have seen an improvement in June itself over May. And then in July, across businesses it has improved. Now this is true not only for regular CE but the roll rates in the further buckets as well. So generally speaking, collections looking up. I don't want to count my chickens too early. If Covid 3 happens what will happen, I don't think anybody can predict when will Covid 3 will happen, how severe it will be, and more importantly, how much will be the impact on lockdowns and what will be the severity of lockdowns in that. Even in Covid 2 and in Covid 1, our conclusion, is collections are more affected by curbs and lockdown than actually by the impact of Covid. Covid or no Covid, if a lockdown is there, collections are affected. If lockdown is easy, collections are not affected that much. If we even see our state wide and region wise distribution. South is recovering much slower because the impact of Covid as well as the impact of lockdown was much higher in the South states. And it continues in states like Kerala, whereas in North, where the curbs have been reasonably easy and also lifted early as well, the collections have picked up much faster. Now let me talk about business disbursements.

4. **Collection led Disbursements**

   I will say now of disbursements, of course disbursements depend upon demand also and they depend on how the point of sales have been open but they also depend on our collection performance. So let me take it product by product

- **Farm:** We have seen increase in farm income which has very clearly mitigated the impact of pandemic. Rainfall has been good, the reservoir levels are smartly up over long term averages. Yes Kharif crop sowing has shown a decline over last year no doubt, but it is unlikely to affect the demand in tractors. We expect the industry to definitely grow in single digits but we are clearly focusing on counter share of top dealers and actually in this business of tractors this is our best even first quarter disbursement. You know that this is a seasonal business, but no Q1 before this we have done as much disbursement in farm as we have done in this year. It is almost anniversary of us achieving No 1 status in the industry, so it is now 12/13 months that we have maintained our No 1 status in tractor industry

- **Two wheelers:** Definitely more impacted, urban markets were affected, urban point of sales were affected. One good thing is most manufacturers except one were not affected by supply chain issues and hence the supply of vehicles in the market was not affected which was very different last year first quarter and we are seeing now gradual pickup of business by end June

- **Micro Loans:** Very interesting number I will give you. You know that in the first quarter my disbursements were Rs 797 Cr out which Rs 719 Cr were done in April itself. So, in May we did Rs 20 Cr, in June we did Rs 50 Cr. So that is how it is 797 Cr and you will see here big impact which has obviously impacted business and book, but that's the big positive. It is without question, we are going to do a multiple of this in Q2. Very clearly it will impact both interest income as well as well as fees as we go ahead it will impact extremely positively

- **Home Loans:** As far as Home Loans are concerned, yes I must admit we talked about management change last time and right now sorting out our structures our strategies etc. but in the meanwhile we have concentrated on salaried disbursements, building a good book and a large part of our disbursements have been salaried in the Home Loans book but the volumes are not too much to speak about but that's ok. We will pick it up as we go ahead

- **Infra:** Infra disbursements post unlock continues to be robust, we have done decent amount of disbursements but obviously I have explained why the book has come down

- **Real Estate:** We are seeing signs of some turnaround but we are still being careful. In Q1 also we have not done any new underwriting. We have continued to support the projects which are progressing well on our book. The current focus will be on completion of projects and in Q2 we may look at 1 or 2 very very selective disbursements and new underwriting as we go ahead. So this also might see another small uptick

So once again though I don't want to guide anybody towards a rosy future, I definitely want to say that Q2, I normally don't want to give such short term foresight. But in business as well as in collections, we believe that certainly Q2 will be better than Q1. Q3 normally is a great quarter, it is a festive quarter, disbursements are maximum. But I will be very careful there because I don't think the best of scientists will be able to predict when the wave 3 will come if it comes and more importantly what will be the nature of curbs that will come

5. **Strengthened Balance Sheet:** Which brings me to my, the most important topic is the need and the reason for creating additional overlays this quarter. So if I take you to last year and very simple big numbers I will give you. Last year when we began the year, we were carrying close to around 300 Cr of additional overlays. We created another close to 1400 Cr, these are big numbers, exact numbers Anuj will give you, to reach a balance of around 1700 Cr at the end of Q2FY21 in terms of overlays. Now where it helped us, it helped us tremendously in Q3 and Q4 as the curbs reduced and the visibility, the future visibility increased, we were able to write back ~Rs 700 Cr out of this ~Rs 1700 Cr. These ~Rs 1700 Cr were created to be used but the collections improved so well that we had to use only ~Rs 700 Cr out of that and carried Rs 1033 Cr into this

year. Now given that seeing the impact of Covid 2, we have created another about Rs 360 Cr, Rs 369 Cr in this quarter and at the end of the quarter, we are carrying ~Rs 1400 Cr of additional overlays. This is in addition to provision we are carrying on our OTR portfolio. On our OTR 2 that we did about Rs 983 Cr of OTR 2 and are carrying about 18% provision on Rs 983 Cr, about Rs 172 Cr on provisions are being carried on that OTR portfolio also

So we believe, we are carrying a good amount of provision. Lot of people have asked me how we will provide in Q2, Q3, Q4. I will only say that we will follow the same template that we followed last time. That if we see clarity clearly going ahead in term of Covid, third wave, curbs etc, we will start utilizing. Otherwise we will believe that if there is need to be more protective, we will create little bit more. In all probability, it may not be as high as we created in Q1. So, I'm only pointing out, short of giving guidance, I'm pointing out various things which not taking into account a third wave, will improve. I believe that business will improve, I believe that collections will improve and I believe that possibly lower overlays will be required as we go ahead in Q2 etc.

As far as capital adequacy is concerned, we are at 24.5%. Leverage is actually at now quite low at 4.44. Whether it is good or bad that I leave for you to conclude

Yes definitely, book drop has made that to happen but also there is also another positive thing that this book drop has happened is - because the Rural book has grown, Infra book has fallen and hence our retailisation percentage has run ahead of schedule and is at 46%. There are two more businesses that I would like to talk about:

- **Consumer Loan business:** a very small book at this point of time, but slated to cross thousand crores in Q2. Now this is our digital native business. This is a business which from day one has been completely digital, completely paperless, totally end-to-end digital and data analytics helped. At this point of time, this book is run as a loyalty program, cross selling, on our databases but yes, as we go ahead, hopefully by the end of this financial year, we will also launch end-use based responsible consumption products for education for medical . Further upside and further retailisation will come from here. Collection efficiencies of 99.5% in March in this business, dipping to 97.5% by May and again recovering to above 99% by June, is giving us a lot of confidence in this nascent book. No doubt it is very nascent, I don't want to talk too much about it
- **Mutual Fund:** the last business that I would like to talk about, we have seen a 27% AUM growth YoY, higher inflows in our hybrid funds, pure equity and hybrid mix now is 58% for L&T Mutual Fund vis-à-vis 45% for this industry, which actually augurs well for this business. We have beefed up this business, made some investments and this also augurs well for future performance and hence increase in fees

So with this, I will just quickly point out some numbers, important numbers, which you would have seen:

- 125% increase in disbursements YoY basis, led by Farm equipment
- 2 times increase in collection volumes and I think some slide we have put actually is that collection volumes obviously are majorly above last year same quarter, which is nothing much to talk about, but which is also above the quarterly average for last year
- Rural book is up by 8%, within which Farm is up 27%, Two wheelers book is up 8% and the Micro Loans book no doubt is down but we see a good potential here now based on pick up of business in Q2 itself
- Our defocused book is down 50% from last year. And these are some positives that I would like to talk about in the book description that we have given
- NIMs are up; NIMs+fees are at 7.5% not only above same quarter last year, but also above what we normally guide. Normally, I guide between 6.6-6.7% to about 7% for NIMs+fees, we have maintained well. Two reasons for this: one is cost of funds, which have been maintained low and second is the move of the portfolio towards retail. So NIM+fee is good

- GS3 is something to be mentioned. GS3 has definitively seen an uptick, some of the farm book flowing forward this quarter and also a couple of Infra accounts flowing forward. But the most important thing is that the absolute number of GS3 is actually lower than the last year and it is the percentage which is up. Primary reason is a big drop of almost Rs 10,000 Cr drop in the denominator from last year
- OTR 2 at Rs 983 Cr against which we are carrying Rs 172 Cr of provisions
- Additional overlay of Rs 1400 Cr

These are some of the numbers that I would like to point out

ESG

Before I end, I would like to talk about, especially talk about **ESG**. This is the third year of our sustainability report. Actually, it's our third sustainability report. It has been now 3-4 years since we've been focusing on working on ESG. And because of many things that have happened, it gives me confidence to speak about it very specifically.

- We have made GRI standards 2016, the fulcrum to work on, strongly working on the six capitals of ESG
- Using Ernst & Young as an external assurance partner for our sustainability report

Environment

- Our businesses are very closely related, very naturally related to ESG
- We have saved almost 49 lac tons of emissions
- LEED Gold certification for our corporate HQ
- Several technological solutions to save electricity, conserve paper, and very clearly taken targets as we go ahead to work on this

Social

- On the social front, our CSR projects work very closely with our rural communities for digital literacy and we reach out to close to 13+ plus community for going ahead, pushing this further

Governance

- I'm also proud to say on the governance side, a diversified board, segregation of MD’s and Chairman’s office now for the last five years
- Two women directors on the board when one is compulsory, and of the highest standards
- Our non-executive chairman, who is an independent director, has been confirmed the GCBD, the global competent boards designation

So a clear focus on ESG beyond it being obviously our focus and good for the country. I'm sure it will be great for the business as well as it gives us access to several ESG oriented funds and responsible funds across the globe. Our raising PSL funds is also an integral part of it. So, as we go ahead and I still believe that we are pretty young in this, have been ranked reasonably well by various agencies, but there is a good upside on this as well

So, with that, I will stop my comments. I will very simply say that what we said at the end of Q4, that the learnings, we have incorporated them into our way of being our balance sheet. And that has clearly helped us not only survive and emerge stronger, but also report good numbers at the end of Q1 this year. And while we hope that Covid wave 3 doesn’t happen or even if it happens it doesn't lead to any big disturbances in the economy, would like to assure that this company is strong and ready to face that. I have already talked about some of the early indicators how Q2 will be and which gives us a lot of hope as we go ahead. So, with that, I will end my comments and open the floor to questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

Rikin Shah:

Hi, thank you for the opportunity and apologies in advance if this was covered in the opening remarks. My line was bad, so couldn't really hear, but I have a couple of questions. Firstly, I just wanted to understand in terms of increase in the NPAs in the Infra loans. So, what would be the outlook for the recovery of the same? That's number one. Number two.

Dinanath Dubhashi:

Can you just repeat that question? I lost you for a minute.

Rikin Shah:

Sure. So, first one was on the Infra, increase in the NPAs in the Infra business. So, what would be the outlook on the recovery and the resolution of those loans? That would be first one. The second one, just wanted to understand that, it's been a quarter, then we have changed the housing portfolio and delivered to the new business head. So, what are the early thoughts in terms of the new strategy and when can we expect the growth to pick up in this particular segment? These will be two questions of mine. Thank you

Dinanath Dubhashi:

Ok. Thank You. The Infra NPAs, there are just 2 NPAs totaling to about Rs 300 Cr and these were couple of assets sort of - one of them comes from legacy, I think underwritten some 8-10 years back and another one was perhaps more recently underwritten, maybe five years back. These were assets, which were, I think almost always in stage two and have slipped now because of, I would say shortfall in toll collections more than anything else. Whether they will roll back very quickly, I don't know, I don't think so. But yeah, at some point of time resolutions will come and both of them are road assets and our exposures are small. I think average about Rs 150 Cr each

So, if I interpret your question is, do we see as a trend with many more Infra assets suddenly becoming NPA, the answer is emphatic 'No'. These were two assets which were I think, always in stage 2. There are assets in which, when you get recoveries, you get paid at the 75th-80th day. These were the assets of those kinds. So, which rolled forward this time. So that's about it. It should not be taken as any trend. Does that answer your question?

Rikin Shah:

Yes, it does

Dinanath Dubhashi:

So, trend on Infra assets is definitely good. I don't think there is any reason to worry about that portfolio.

Housing. Good question. In the real estate, I would think that we are actually doing a very, very strong, and I would say even harsh review of each of our projects, making very sure that even if it is for one borrower there are, say a project, a large project, making sure that parts of them are completed, money comes back. I mean, I will just give you a number between last first quarter and this first quarter, Rs 2,500 Cr of Real Estate repayments have been actual repayments. There is a drop in book, right? A small part of that drop, close to maybe 25-30% is because of we selling something to ARCs and that you can see in the SRs. But close to 70% of that drop is because of actual repayments coming, either escrow collections or the developer, if the developer was very good, repaying to take advantage of cheaper rates

So, this gives us good hopes in Real Estate and hopefully in Q2 but definitely by Q3 we should be able to restart underwriting on this. Obviously, this will be on very, very select basis very select developers. There is also another way of doing underwriting here is doing what is called priority funding that, projects which are almost complete

and need Rs 100-200 Cr, or even perhaps lower than that disbursements with priority channel i.e., when first the money flows in first it comes to you, those kinds of structures is what we will very selectively underwrite as we go ahead. I don't want to promise necessarily Q2, but definitely in the next six months, we should be able to start underwriting here

As far as Retail is concerned yes, at this point of time the strategy is on conservation, climate is also not too good to, you know, make a roaring entry into the arena. Interest rates are also very low at this point of time. So here at this point of time, staying on the pitch, keeping our network on by doing small amount of business, but most definitely there are plans which are being pushed, which are on good quality, salaried of course but good quality SENP as well as good quality LAP. We will certainly start pushing these, I would say sooner than later. But very clearly at this point of time, concentrating on portfolio conservation, making sure that the portfolio remains extremely healthy, the team and network remains healthy. So maybe another three to six months in this as well. So, we're not too worried about that, the other two businesses are running on full cylinders and this business can take the time in garage, making sure that it is in good shape when we start doing properly. Does that answer your question?

Rikin Shah:

It does. Thank you very much

Moderator:

The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah:

So, a few questions on asset quality, particularly in terms of OTR 2.0, if you can just give some color in terms of which segments have got restructured and obviously there would have been a relatively higher request as well, wherein more will be implemented. So, what are the expectations? The last time we did the 1,300 Cr and 980 Cr are already implemented and what would be there in the pipeline and nature of current restructuring?

Dinanath Dubhashi:

Yeah. Good question Kunal. So, the difference between last time and this time is that last time OTR 1 was almost entirely for wholesale, almost entirely other than Home Loans / LAP, whereas OTR 2 is almost entirely for retail by the very nature the top level has been kept at Rs 50 Cr. We have not gone beyond Rs 1 Cr also. So, it is almost entirely retail in this and hence there is no pipeline of OTR because when you do for wholesale, after the OTR is invoked, then you have to go for rating and all those things. And then it takes 3-6 months to implement OTR. These are all which were requested in June done in June and finished and in July at this point of time, I can confirm that the pipeline is 0 at this point of time. That doesn't mean in Q2, we will not do anything, but as the requests come, we will be doing it. So, Farm was not allowed so Farm is zero. Out of this Rs 983 Cr, I think it’s almost one-third each for Micro Loans, Two wheelers and Home Loans / LAP. And in Home Loans / LAP, it is 95% SENP i.e., non-salaried

Kunal Shah:

Sure. This is helpful

Dinanath Dubhashi:

So, that’s it. Right now pipeline will be 0, but that doesn't mean we will not do anything in Q2. I believe more requests come at the end of the month because they are retail and immediately done also

Kunal Shah:

And of the requests the major part would have been restructured or maybe we are being cautious, conservative depending in terms of, what the viability would be

Dinanath Dubhashi:

Major part would be restructured. In Micro Loans and Two wheelers what you will see and do viability and all. When people have requested you have to do it. So, major part would be restructured. I think easily more than 80%

Kunal Shah:

Second is in terms of stage 2, we don't disclose that but it would be really helpful because I think in this kind of an environment that would be a number to look at. So, if you can just highlight how that movement would have been from Q4 to Q1

Dinanath Dubhashi:

I will tell you. In Q1, obviously in a Covid quarter, the movement has been substantial, but most of it we believe, because most of it is in retail so, most of it will roll back as collections improve further. So, I would think close to 9% will be the GS2 (retail) other than that the restructured portfolio. So, if we don't count the OTR portfolio, our restructured portfolio will be close to 9% (retail), which is if we take, I'm sorry, it's the stage 2 portfolio. So, if you take out the restructured portfolio, the stage 2 will be at 9% and the most important number that we need to point out is on the retail stage 2 portfolio, the provisions are at 37%. A lot of people ask me why you do these overlays and things like that, because I said that, this stage two will hopefully roll back, but we have to also provide for a probability of them not rolling back and hence we have to make the provisions

So, on our entire retail portfolio in stage two, if you take the overlays, we are carrying the 37% provisions. So, which shows actually, you know, for your models, you show the probability that if some part of it moves forward also, we are very well provided, right? I mean, if let us say 1 out of 2, which is a horrible assumption, rolls forward our provision coverage will be more than 75%. And obviously 1 out of 2 will not roll forward much lower will roll forward. So that ishow this model works. That is how this whole black box works of you know, stage one to stage two, which product, and based on this, this overlays are calculated. The black box actually does probability of something becoming NPA six quarters from now, and then it provides and this gives us the confidence. So, have you got the numbers right? So about 9%. Okay Sorry, in Retail 7.5% is Stage 2 and that would be 37% provided

Kunal Shah:

Sure. And this number would have been how much by March end. So, you said it's a substantial movement but it would have gone up from 3-4% to 7.5%.

Dinanath Dubhashi:

Can we give you the number later on as it is not readily available right now?

Kunal Shah:

I just wanted to get a sense in terms of whether it has doubled or not

Dinanath Dubhashi:

Of course it is substantial, it's a Covid quarter. If it was not substantial I will be very worried. Usually, it is in the range 2-4% and moved to 7.5% which gives me confidence that it will be rolled back

Kunal Shah:

Sure. And you alluded in terms of the overall Real Estate financing the way we are taking the review of the projects. But overall how has been the behaviour in second wave? Is it like it's still steady as you said like escrow collections have been good and we have been receiving the prepayments but on that portfolio are we very

comfortable that in second wave that has been more or less as resilient as the entire corporate book would have been in general. Or maybe that's the plain view there

Dinanath Dubhashi:

I won't give such a generic answer. So, very certainly in second wave sales are down. Okay. The numbers we have given - portfolio sales, have been at 31% of FY20 levels in second wave. In first wave it was 25% of FY20 levels. So, is it better than first wave? Yes, it is better than first wave, but is 31% good. Obviously not, 31% is horrible. Right? You have to take these numbers in that kind of perspective

Collection in escrow in Q1, it is 77% of pre-Covid. In Q1 last year it was 23%. But entire FY21, in Q3 and Q4 the recovery was so good, that the overall FY21 was 87% of pre-Covid. So yes, if you compare to first wave, is the performance better? It was certainly better, but is it still anywhere close to pre-Covid? Definitely not. Nowhere, right?

I will tell you Q3-Q4 where the recovery was. In Q3-Q4, the recovery was mostly in middle income and lower income. Luxury never recovered. Luckily close to 90% of our portfolio is in low income-middle income. Now you take, let's take MMR where will be low income-middle income houses. They will be in places like Badlapur, they will be in places like Dombivili, Karjat etc. Now for sales for somebody to go and see the project for that category of people, how they will travel. They will travel by trains, right? Trains are not working. So how will sales take place? That is what I'm saying that these things are affected more by curbs than by Covid. But one good thing in this year, compared to last year, including our own experience, meaning L&T Realty's experience is if you have the funds to make sure that your workers are taken care of their lodging, boarding and their vaccination is taken care of on the site, almost 80% of the labour has stayed on the site. Whereas last year it was 0 on the site. So, constructions had stopped. This year if funds are available, money is available, construction is on. Sales certainly low, and we have given the numbers, but construction is on. Hence, our attempt is to see that we do very strong analysis of our projects. Identify the units within those projects, which we should complete, right?

We are also not investing, we have made the builder change plans. Say if there is a project of 20 buildings, we are not putting money there in all 20 buildings. We are actually seeing which buildings are very close to completion, good sales, where sold receivables are high, complete all that, pay for the OCs, make sure that the OC comes, ready for possession, recover the money. That's the strategy we are doing. I think this kind of very, very close monitoring will have to be done in Q2 also, and perhaps a part of Q3 also. So, is all hunky-dory in Real Estate? Certainly not. Is it better than last year Q1? Definitely, yes. Is it better than pre-Covid? No, again

I think really close monitoring will be required on the portfolio. It will be like project management. It will be like we are managing the project rather than the developer managing the project. The developer is only constructing we are actually making sure that, which building gets delivered, get the sold receivables in and go ahead. Because the more you depend on further sales in this quarter or the next quarter also you will have a problem because even in that category the sales are down because of the inability of people to reach sites. So, what needs to be done is buildings where there were sold receivables, completed and those sold receivables recovered, which is the way to go and which is giving the reasonable results. I think it was a long-winded answer to your question, but I thought I should clear the air on that.

Kunal Shah:

Yeah. The only thing was that, the entire overlay buffer was towards Rural (~90% of that) and not much towards Housing

Dinanath Dubhashi:

We are carrying something close to 300 Cr towards Real Estate. Out of 1,400 Cr, 300 Cr is towards Real estate, we are comfortable with that

Kunal Shah:

Yeah. Yeah, that is good enough. Sure.

Moderator:

The next question is from the line of Aditya Jain from Citigroup. Please go ahead.

Aditya Jain:

Thank you. Just wanted to check on the amount of write-offs in the quarter and a related question so we can see the NPA provision and additional provisions

Dinanath Dubhashi:

Easy question to answer. Q1 write-off is Nil

Aditya Jain:

Okay. Okay. And then just related to this, if you could tell us the stock of provisions as of March and as of June. The total stock including the standard provisions, NPA provisions as well.

Dinanath Dubhashi:

Please get in touch with Anuj he will give you all the details. Specific numbers I wouldn't have right now in front of me. Any details Anuj will share, no problem

Aditya Jain:

Okay. Got it. In Infra you talked about some prepayments happening if I heard correctly. Can you talk about the nature of contract in the Infra loans, how easy is it to refinance? Is there some penalty on refinancing? Is it more risk of loans getting refinanced as generally we have high quality loans, more loans may attract refinancing from the book

Dinanath Dubhashi:

Part of business, most definitely there is prepayment penalty. Which also contributes to fees. Part of life, but you know it is a very I would say flavour of the month, other than a few players who have always been strong and focused on Infra, for many people with Infra from a bad word to Infra is a darling, happens very quickly. But currently Infra is the flavour, Infra is the darling so there are many banks who had said we are not doing Infra at all are now funding that projects, long term projects at less than 8%. So this is part of life right and when we say that our model in Infra is underwriting and selling down, we don't look at it with a great amount of distress

We will be able to build back the book. Infra is not a book we need to monitor quarter-on-quarter. And any case, for the next 5 years, we don't want to increase the book too much, we only want to increase the book by single digit CAGR in Infra and high teen CAGR for Rural. So, that is how we will change our retailisation portfolio. Did we like our book suddenly falling about 4,000 Cr? No, we didn't like. But we have to take it in stride. We are not looking at it as some huge risk or something like that. Also there has been little less business this quarter, lower awards etc. which will pick, so there will be more business to do, more underwriting to do. That's ok.

Aditya Jain:

On the restructuring that is happening now, so what is the terms / period of moratorium on principal and tenor of the loan?

Dinanath Dubhashi:

I would think it is different for different loans. Generally speaking, for Micro Loans and for Two wheelers it will be around 6 months, for Home Loans it will be higher, maybe around 1.5 years on an average. You have to also ensure that the overall tenor does not increase by 2 years. So all that has to be done

Moderator:

The next question is from Saurabh Kumar from JP Morgan. Please go ahead

Saurabh Kumar:

So, two questions. One is on the disbursements. By when do you think you will come back to Rs 10,000-11,000 Cr run-rate. Do you think that will be possible from Q2 onwards or that its slightly longer? Second is again following up on renewable / infra, we are seeing a lot of large corporates now in that, RIL, Adani and all. You've been one of the earliest players in that space but given the cost of funds differential, do you think that the business is now attractive to you? And how would you now run it? Because this will be more mainstream since large corporates have now come in

Dinanath Dubhashi:

Okay. Very good question. So first was, I would like to break it up into various segments, Rs 10,000-11,000 Cr is dependent on largely what we do in Infra and RE because these are big numbers. In Infra, when it suddenly it happens 3000-4000 Cr. Let's talk business by business. So I certainly expect tractors, you know last year we did excellent business in tractors. We will do more than that this year and perhaps substantially more than that, maybe closer to 10% growth, minimum. That's definitely we will do. Two wheelers we will do more than last year. Micro Loans, Q4, Q3 we did excellent business. But Q2 was very low last year. This year we will start doing well from Q2 itself. Now why I don't want to give full year projections, please understand Saurabh, is I am with all modesty and studying everything, I have reached this conclusion that the effect of wave 3 when it comes will depend more on the kind of curbs which are put on the main markets. And who can guess? At least I can't, I am sure none of you can. We can make intelligent guesses and we can be prepared for eventuality. But otherwise who can guess? You know it is actually very strange that I can predict to you almost accurately, which I don't want to give on calls, is how much business or how much collection I will do in Q2. About Q3, I will have to give this kind of proviso that depending on wave 3 and curbs and all those political statements I will have to make

So that's the issue on giving you disbursements predictions. One thing I can say Saurabh definitely is the business strengths that we are building, the analytics and especially that digital push we are doing. I mean, there are several exciting projects on digital and maybe at some point of time, we can talk about it. Either one to one or maybe in couple of quarters, I will be able to talk about them on calls, is exciting projects on direct to customer digital projects, customer tracking, geographic tracking projects. These are, very, very exciting projects that we are doing. The new products we are launching, which will be completely digital native, those products are exciting. I would think that the progress of the disbursements, the push of disbursement, which will come at some point of time, once this Covid nonsense is largely over, mainly because of vaccination, is more to be measured in the quality of those disbursements, the retail heaviness of those disbursements, rather than just numbers of those disbursements. So, I would not say whether Rs 11,000 Cr or Rs 12,000 Cr is the number to see, it is what part of it comes from Retail, what part of it comes from the new products that we will launch over the next six months, over the next five years, will excite me much more. And I'm not, please don't misunderstand. I'm not saying that wholesale we don't like etc. Obviously, you see that more granular business retail, more modernized business, it can be modeled more and much more importantly, one reason that I believe that more retail is good is because credit costs can be modeled and taken in that year itself rather than waiting for event to happen in wholesale. In wholesale, a particular asset, like for example the ~Rs 300 Cr became NPA this time, we had to take credit cost this time, whereas in retail, even for 0DPD, credit cost can be modeled and taken, and that use a much more solidity, much more predictability to the P&L. That's why my appeal, I mean, when we will go to Rs 11,000 Cr, frankly, I will have to wait for entire Covid to go. But one thing I can say confidently that year on year business will move to more retail, more predictable and definitely more exciting because it will be more native digital as we go

Saurabh Kumar:

Okay, understood. And sir on the renewable part?

Dinanath Dubhashi:

So, okay. There's just large corporates coming. I mean, you're talking about as developers, right?

Saurabh Kumar:

That's financiers, sir. So basically you've been, you know, financing Renewables for probably the longest time in the industry. And, you know, at a certain point of time, there was spread in the business for you to do it, but now are seeing, you know, big corporates…

Dinanath Dubhashi:

I get what you're saying, you know, what with large corporates coming, the bigger threat, I'm not so worried about banks coming and funding at cheap rates. It's because largely it is temporary. Second, they'll look at our loans only, as you know, as a source. So it helps sell down and frees up our balance sheet. And that is why I would like to invite you not to worry about the overall book growth anymore because this is going to happen. We will free up balance sheet. We will grow retail in that. The bigger threat is because large corporates coming into the business, the ability for them to raise bonds. And that will be at rates where no bank also can compete. And that according to us is bigger threat and hence our model will have to be more and more actually, on our underwriting capacity for under construction projects. As our expertise now is almost templatised in that, we'll have to further work on our underwriting TAT, almost what we did in retail, underwriting, turnaround time, doing it fastest, helping the promoter, putting up the project in just about nine months. And then after one or two years after the project becomes operational, helping him to convert it into a bond which we will not subscribe to. And that would be the model at this point of time. It looks like that will be the model going ahead, as more and more external funds also, get interested in annuity Infra business. And that's what is very clearly happening. And we will have to further adjust our model for that

So Infra is not a business, which we will be looking now for book at all. I mean, you know, that we have been moving in that direction for the last three years, but I believe that that direction will be, enhanced, now because frankly very ironically at the end of Covid, all of a sudden the Infra business, especially Road and Renewables, is being seen as the safest business, that people who have not modeled, retail or rural credit costs may maybe hit by, you know, sudden credit costs in this year; Housing, same thing, Real estate, same thing. Infra because of the must-run-status of renewables, and a reasonably lower impact on tolls, government making sure, at least NHAI and all that the annuities keep coming. The risk perception of Infra has actually fallen. So there are two sides of a coin and as risk perception falls, interest rates will fall. And, we have to change our models to adjust that, and I can today say that with some amount of pride that we have never pushed the balance sheet model for Infra, we have always pushed the underwriting and the sell down model. Yes, temporarily there will be these book drops, etc, but generally we should be okay.

Saurabh Kumar:

Okay. So that's the syndication that gets you fee income.

Dinanath Dubhashi:

Yeah, hopefully, hopefully, we will see. It is still a recent phenomenon and we are still working on it. But yes, , we will have to develop, you know, a very, very strong turnaround times for this business, it will have to also come down to less than a month, from beginning to end to very clearly, show our strengths in underwriting. And I believe we should be able to do that because most of our learnings are templatised now.

Saurabh Kumar:

Okay. Understood. Thank you.

Moderator:

The next question is from the line of Alpesh Mehta from Motilal Oswal. Please go ahead.

Alpesh Mehta:

Congrats for the decent set of numbers. Sir, 2-3 questions. The first one is are there any one-offs in operating expenses in this quarter related to the merger or any other one-offs?

Dinanath Dubhashi:

Not in this quarter, right? No, not in this quarter, but the increase that you see in opex obviously is because last year, same quarter there were no operations, so there was no opex

Alpesh Mehta:

Sir, my question was, in this quarter since disbursements were also little bit soft considering whatever the Covid situation was, so should we expect a rising trend from that particular line item?

Dinanath Dubhashi:

Q2 to be higher than Q1? A hundred percent sure. Most definitely as business, as well as collections go up, the expenses will go up, but contribution will go up much better

Alpesh Mehta:

Agreed. Okay, on the net worth allocation, in this quarter we have increased the allocation towards rural and housing and reduced the allocation towards Infra. Any specific formula you guys work with as to how to allocate the net worth to various businesses?

Dinanath Dubhashi:

I will, I will leave it to my CFO. That has to do with the merger now, but I will leave it to my CFO

Sachinn Joshi:

So, basically post the merger, we have only one balance sheet. Earlier there were different balance sheets, different leverages for Housing and Infra, all of that has now got merged into one. So D/E for the company is the D/E for the businesses and hence there's a one time adjustment, which we had to do, which has been taken care of now, and you will see uniformity going forward

Alpesh Mehta:

Okay, great. Another question is when we are converting this IDF to ICC, what are the advantages and disadvantages? One thing I am sure is that the tax advantage that you used to get may not be there anymore right?

Dinanath Dubhashi:

Okay. So, first of all, let me not pretend that this is some great strategic brilliance that we are converting from IDF to ICC. The situation has come to pass. Clearly, the merger was necessary. We have done the merger. We were hoping that both the initiatives i.e. the merger and getting a majority partner in IDF, which were launched at the same time, would go through . Both these resolutions were passed on 22nd of March, 2020. So you would, grant that in terms of timing, we couldn't have got it more wrong. 22nd of March, from 25th of March, there was a national lockdown. So both these projects were basically were not in control. They took their own life, right? Both, the merger because of NCLT closing and obviously getting a majority partner - people interested in India, etc, those were the calls that were going on. Finally, what happened was that the merger happened before the majority sale. At the time of the merger, we were actually having a non-binding offer in our hand. That much I will be able to say, not more than that. But then we didn't get a grandfathering or a forbearance from the regulator. So the merger happened. The moment the merger happened, we don't have an Infrastructure Finance Company (IFC). So, the merger had to happen within one month of NCLT passing the orders. Otherwise we will be in contempt. So, since the merger happened, IDF didn't have a sponsor. So it is not IDF. So that is why we are going for this ICC. It is not as a part of some great strategy or something like that. We are seeing various strategies that we can do with that entity. It will be too premature to talk about that at this point of time. Now, as far as financials is concerned, certainly there is a tax loss, but will be more than adequately compensated by, simply the money or the lower cost of funds, because now my treasury can actually manage the ALM. For IDF, it had to manage exact tenor by tenor, almost only funded by NCDs, nothing else. Now we will be able to manage the ALM the way we manage

everything else, safely, but yes, we will be able to raise some additional CPs there. And based on that, that tax benefit lost will be very easily made up by the interest cost differential

Yeah, but all this provided, depending on the date on which we get the ICC license, till then we are not allowed to do business there. And because of that, we will be carrying some load of liquidity that is there because we can't lend anymore till we get the license. We are hoping that we will get the ICC license in Q2 and then restart

Alpesh Mehta:

Okay. And last question, related to Infra business. When I look at the cumulative provisions movement from GS3, that number has increased by Rs 20 Cr but the charge to the P&L is almost 125 Cr in this quarter. You mentioned that you did not do any write-off during the quarter. And there is hardly any Covid related provision. Is it because of the movement of GS2 and the incremental provisioning?

Dinanath Dubhashi:

No. It is a mix between provisions and credit costs. Credit costs also have MTMs on certain SRs, right? So, Anuj will give you the details. There are just two different numbers. So total credit cost has the provisions as well as MTMs. MTMs on investments, which are MTMs on SRs. SRs you have to MTM or mark down every quarter. So Anuj will be able to give you the reasons

Moderator:

We take the next question from the line of Piran Engineer from CLSA. Please go ahead

Piran Engineer:

Congrats on the quarter. A couple of questions and a couple of clarifications. So firstly, when we talk about our strategy being selling down in Infra and this has been the strategy for the last three, four years. But now if I look at this quarter, for example, our sell down volumes are up QoQ and YoY significantly, but the fee income is down. So how exactly does this sell down, if you can just elaborate a bit translate into P&L impact and does it come with a lag or does it happen in the same quarter? Just so that we can better model

Dinanath Dubhashi:

So fees don’t come with a lag, sell down comes with a lag. You don’t earn fees when you sell down, you earn fees when you underwrite. And then when you, sell down, that time, the book goes down and because of that the fee percentage only goes up, but the absolute fees come when you underwrite

Piran Engineer:

So then what is the logic of selling down apart from freeing up capital?

Dinanath Dubhashi:

That's the main logic. So you can book more on the same capital because we don't allocate too much more capital to Infra right? We want to move to retail. At this point of time it is irrelevant, because of a very high capital adequacy. But generally speaking, when you are operating on a 17-18% capital adequacy, we have to be very careful about where you allocate capital. So as it keeps freeing Infra capital, you can do more underwriting and book more fees. There is also another technical one that when you book fees, you amortise them for Ind AS. And when that asset goes out of your book, the entire non-amortised portion you can write-in. So that's the technical part of your model, you’ll have to take care. You get it?

Piran Engineer:

Yeah. Just one further clarification on this. In Retail loans when you sell down you also earn a spread right? What you lend to the borrower and what the bank is giving you. So here, do you earn a spread or is it a refinance? Because it sounds like a refinance

Dinanath Dubhashi:

If is a loan, you don't earn a spread. If that loan is just assigned, then loan you don't earn a spread naturally, it will have to be done on the same terms. And the fees that you have earned you keep it, unless two things happen is that if the loan is completely refinance, if the loan is refinanced and a new loan is written, then it is at a lower rate, you negotiate with the borrower to keep a little bit, it's not a model, it goes on negotiations. Of course, if you have lent in the form of NCDs, then based on credit spread going down, the interest rates going down, you can earn a spread. But it can go the other way also. That interest rates rise, there will be an issue

Piran Engineer:

When the NCDs are sold down, you'll just make a mark to market right? You won't continue to earn spread throughout the remaining tenure of NCD

Dinanath Dubhashi:

Yes, we don't. But same with loans also. If there are any technical questions, I'm not even sure I'm the right person to answer it. You can always ask Anuj, in detail he will tell you

Piran Engineer:

Did we give an EMI holiday to our MFI customers? Like some of our competitors did?

Dinanath Dubhashi:

No

Piran Engineer:

Okay, cool. And so just the last question. If I heard you correctly, you said that, we've got 37% provisions on Stage 2 in our retail book, is that correct? Because if I do the math of that, then the provisions on the stage 2 book in retail is more than Rs 800 Cr. Whereas last quarter on the whole company it was Rs 350 Cr. So the increase is almost Rs 500 Cr, which kind of does not reconcile with your, with your PPP

Dinanath Dubhashi:

I will be frank, I read out of numbers, which are in front of me. It's not my core competence. I just make sure that book is well-provided, so detailed numbers, Anuj is the right person

Piran Engineer:

Last suggestion, if you can give, like your competitors, stage 1, stage 2, stage 3 as well as provisions across stages. If you all can provide that on a quarterly basis, that would be really helpful. Absolute amount and the corresponding provision

Dinanath Dubhashi:

I take that feedback. And since I've told you this time in perhaps what is the worst quarter I believe we will get the confidence to give it quarter on quarter

Moderator:

The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead

Karthik Chellappa:

Hello, sir. Just two questions from my side, sir. Firstly, on Farm equipment, have the share gains been pretty much across OEMs or is it restricted to specific geography/OEM? And how does our pricing right now compare with that of the other NBFCs who are also in the tractor financing segment?

Dinanath Dubhashi:

I will first talk to you about the strengths that we have. Our strengths - one is turnaround time and fairness. Second is we are very, very concentrated on what we do. We don't spread across the list. Our analytics shows us which dealers to do what business at what LTV. And based on that, we concentrate our manpower, all attention, all best teams, for that dealer. So, the market share if I may say so, and I believe I have explained this before sometime, we don't aim for a particular market share. We identify some dealers maybe, which will be between 20% of the universe of dealers let me say and go for almost a 100% counter share with those dealers. We try, we don't get 100%, but we try. In Tractors as well as Two wheelers, that is the strategy – identified dealers

And then we throw the bucket at them, we do everything for those dealers, we are fully concentrated. And that actually helps us that is our strength and not pricing. In pricing we will not be out of the market. We will be very clearly in the market. I would think, some financiers who are captive will have higher yields. I don't think any NBFC will have yields lower than us but bank certainly will have lower yields than us. So that's if I may say generally. One thing that we can stand by is on the whole, our LTVs will be far lower than all other NBFCs. And how we are able to do that is by, segmenting. So we know what are the type of farmers where we can go for a slightly higher LTVs, which are the kind of business we should go for very low LTVs. And hence average our tractor LTV is a little bit below 70%. So that's where we actually concentrate, that's the strategy, not pricing

Karthik Chellappa:

And this 20% dealer that you talked about will be across OEMs or related to a specific OEMs?

Dinanath Dubhashi:

So largely across OEMs. Our maximum share gain has been in Mahindra, has been in TAFE. But we have a good share in Sonalika, Escorts also etc, but Mahindra and Swaraj, so almost 46% will be Mahindra and Swaraj, Sonalika will be around 19%, TAFE, Eicher will be another 15%, JD will be 11%

Karthik Chellappa:

Okay, good. So my last question is basically on the Micro Loans, two things which I noticed in the presentation this time. For Micro, in the major geographies, both MP and Orissa are absent. So does that mean we have effectively exited the market? And if yes, why? Slide 59, MP and Orissa which was always there in our previous slides is missing. So I was wondering whether you've exited.

Dinanath Dubhashi:

No. It is the top 5 which have been put there. We have not exited in any of those markets. The only place where we are not doing disbursement right now is Assam

Karthik Chellappa:

Okay. So last question. If we look at the average ticket size on disbursement right now, it's about Rs 45,000 whereas about four to five quarters ago, this was about Rs 36,000, which is a 25% increase. How much of this will be explained by lending to existing customers who have completed multiple cycles vs an organic increase in tickets size?

Dinanath Dubhashi:

Hundred percent. Right now, almost entire disbursement is happening to existing customers. So 43% is new and 60% almost is existing and that is the reason for the increase in the ticket size

Karthik Chellappa:

And what would be the difference in yields when you lend to let's say a higher vintage, higher cycle customer vs a new customer?

Dinanath Dubhashi:

Same yield, only ticket size will be higher

Karthik Chellappa:

Okay. Okay. That's all from my side. Wish you and the team, all the very best. And look forward to speaking at the end of the second quarter. Thank you

Moderator:

Thank you. That was the last question. I would now like to hand the conference over to Mr. Dinanath Dubhashi for closing comments

Dinanath Dubhashi:

Thank you, all of you for you for very good questions, helps us to clarify a lot of things. Anybody is welcome obviously for any detailed numbers. We will be very open, very transparent, whatever numbers you want, Anuj will be very glad to give it to you. Of course, I am available, Sachinn is available for any strategic meetings that anyone of you, would like to have about how we have dealt with Covid. What are the future strategies, etc. I will only close by saying that, I talk to you today at the end of a very bad Covid quarter, fairly satisfied that the way we had prepared in Q4, at the end of Q4, for facing any such situation, we have been able to do it well. We have emerged stronger in most parameters, Q2 seems to be definitely trending better than Q1

I can only say two things at the end that I hope that if a Covid wave 3 happens, in terms of loss of life, as well as loss of business, it is less crippling than wave 2. Hopefully, us as private citizens and the government will be better prepared, for that, than what we were in wave 2 and then hopefully very soon business as usual can come back. Once again, I would like to thank you and once again, I would like to pay respects to the 18 brave hearts, that L&T Finance Holdings has lost, over the last few months. We can't get back their lives but we will make sure that the business and the efforts for which they have actually lost their lives, we make sure that that legacy is continued. Thank you very much

Moderator:

Thank you. On behalf of L&T Finance Holdings Limited that concludes this conference. Thank you everyone for joining us. You may now disconnect your lines

*Since the transcript has been derived from a voice recording tool, necessary corrections have been made to remove anomalies as well as manifest but inconsequential factual discrepancies which would have unintentionally crept in, if any