

**USFB/CS/SE/2023-24/80**

**Date:** October 30, 2023

**To,**

**National Stock Exchange of India Limited**  
Listing Department  
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,  
Bandra (E)  
Mumbai – 400 051

**BSE Limited**  
Listing Compliance  
P.J. Tower,  
Dalal Street, Fort,  
Mumbai – 400 001

**Symbol:** UJJIVANSFB

**Scrip Code:** 542904

Dear Sir/Madam,

**Sub: Transcript of the Quarterly Earnings Call held on October 27, 2023**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the Transcript of the earnings/quarterly conference call held on October 27, 2023 for the quarter ended September 30, 2023 is enclosed herewith.

The same shall be available on the Bank's website at [www.ujjivansfb.in](http://www.ujjivansfb.in).

We request you to take note of the above.

Thanking You,

Yours faithfully,

**For UJJIVAN SMALL FINANCE BANK LIMITED**

**Sanjeev Barnwal**  
**Company Secretary & Head of Regulatory Framework**

*Encl: as mentioned above*



“Ujjivan Small Finance Bank Limited  
Q2 FY '24 Earnings Conference Call”

October 27, 2023



**MANAGEMENT: MR. ITTIRA DAVIS – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – UJJIVAN SMALL  
FINANCE BANK LIMITED  
MS. CAROL FURTADO – CHIEF BUSINESS OFFICER –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. MARTIN P S – CHIEF OPERATING OFFICER –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. ASHISH GOEL – CHIEF CREDIT OFFICER –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. M.D RAMESH MURTHY – CHIEF FINANCIAL  
OFFICER – UJJIVAN SMALL FINANCE BANK LIMITED  
MR. VIBHAS CHANDRA – HEAD OF MICRO BANKING –  
UJJIVAN SMALL FINANCE BANK LIMITED  
MR. DEEPAK KHETAN – HEAD, FINANCIAL PLANNING,  
STRATEGY & INVESTOR RELATIONS – UJJIVAN SMALL  
FINANCE BANK LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Ujjivan Small Finance Bank Q2 FY '24 Earnings Conference Call hosted by IIFL Securities Limited. 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 an operator by pressing star then zero on a touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ittira Davis, MD and CEO, Ujjivan Small Finance Bank. Thank you, and over to you, sir.

**Ittira Davis:** Thank you. Good evening, and welcome to our Q2 financial year '24 and first half financial year '24 Earnings Call. I'm happy to share that our business performance continued to display a healthy growth for the eighth quarter in a row. Disbursements at INR5,749 crores continued its strong trend and were up 18% year-on-year, aiding in gross loan book of 27% year-on-year and 5% quarter-on-quarter.

We continue to expand our customer reach through physical and digital network, enhancing our product and services suite. This, coupled with our enhanced marketing efforts and further strengthened the bank's liabilities franchise. Despite elevated competition in the market, our total deposits grew 43% year-on-year and 9% quarter-on-quarter to INR29,139 crores. We added 39 new branches in the last quarter, taking our branch count to 700. Another 45 branches are expected to be added in the second half of the year.

These include splitting of some Micro Banking branches due to the higher customer base that they have. Asset growth was driven by micro banking as well as affordable housing and FIG. While group loans in micro banking is driven by new customer acquisition, individual loan is growing faster as apart from new customer acquisition, our existing group loan borrowers are also a track record of graduating to the individual loans.

This trend, we believe, will sustain going ahead. In fact, we expect mature individual loan borrowers to actually graduate to the secured loan portfolios like micro LAP and affordable housing. In line with this trend, we are investing in our micro LAP business, which is now active in eight states as against two states in the last financial year.

We expect this business to pick up scale in the coming quarters. Our newer offerings like gold loan and 2-wheeler loans are also catering to growing need of this customer base apart from new to bank customers. We are investing in our analytics division to accelerate this graduation to a secured book apart from exploring opportunities to cross-sell and up-sell additional products services like insurance, 3-in-1 account through our strategic partnerships.

Our affordable housing continues to outperform and is now 15% of our total gross loan book. We disbursed INR541 crores this quarter, taking our book to INR4,036 crores. As I mentioned during our last call, the business is moving towards a hub-and-spoke model. We have added 10 new hubs this quarter, taking the total count of hubs to 13, while operational efficiency is setting in along with streamlining of processes, loans disbursed through these hubs have a much lower TAT compared to loans disbursed from other channels. This has resulted in improved productivity.

Also, our focus is more towards non-metro and smaller towns. Contribution of disbursements outside metro is slowly inching up. The FIG disbursed INR293 crores, up 39% year-on-year. Being a strategic business, we continue to garner good quality NBFCs with over 95% FIG customers carrying a credit rating of A- and above with collections stable at 100%.

The revamp of the MSME vertical has taken a little longer than anticipated. Currently, we are operating in select geographies, rebuilding the team, while we are simultaneously expanding our product suite. We have launched semiformal LAP in Q1, which is now scaling up.

We have tied up with two fintech partners and are in process to commence disbursements. Expect this business to contribute significantly towards the second half of the year. We continue to evaluate more such fintech partnerships going forward. During the quarter, we launched our first nationwide brand campaign to establish Ujjivan Small Finance Bank as a leading mass market bank.

The campaign has helped increasing trust among our customers, and increase our visibility. We launched premium current account and savings account products during the quarter, and the same has seen good success in terms of customer acquisition and deposit buildup.

Our digital fixed deposits went live this quarter, which provides smooth onboarding of our digitally savvy and new to bank customers. Jointly, these efforts yielded strong results. Our strategy to build a healthy retail liability base was displayed by CASA crossing INR7,000 crores and growing 28% year-on-year and 7% quarter-on-quarter.

Further, our retail term deposits grew 56% year-on-year to INR11,806 crores. Our recently launched app Hello Ujjivan is gaining acceptance among customers with total downloads reaching 4.3 lakhs and total repayments of more than INR40 crores in the quarter as against INR29 crores last quarter.

We have also activated loan acknowledgment on the Hello Ujjivan app, which saves the customer time of visiting branches for signing disbursement documents. This also reduces the pressure on our branches. Going ahead, we plan to introduce repeat loan facility on the app that is bringing a significant cost saving, as more than 60% of disbursements are actually repeat loans. As the application gains usage and acceptance, it will provide field staff greater bandwidth to cross-sell to existing customers and also acquire new customers.

Now moving on to our financials. Our total income growth for the quarter was 39% year-on-year, driven by a 40% year-on-year interest income growth. Yields continue to inch up as the book gets repriced. Currently, 47% of GL, IL book in March '23 onwards, 28% dispersed between September '22 and Feb '23 and the balance prior to September '22.

Just to remind you, we have taken 50 basis points hike in September '22 and another 50 basis points in March '23. Our cost of funds continue to rise as term deposits get repriced. Going forward, the cost of funds graph should start to flatten, as the TD pricing is mostly complete, repricing is mostly complete. This is subject to a status quo in the market interest rates.

Our NIMs have contracted to 8.8% for the quarter as against 9.2% in the first quarter. This is partially due to the rising cost of funds and partially due to increased investment book. As the cost of funds start to flatten, we expect some improvement in NIMs in the second half more towards Q4. Our asset quality continues to improve with GNPA at 2.2% as against 2.4% in June.

NNPA remains negligible at 0.09%. Collections remained strong with up to 1 EMI collection efficiency of 98.3%. Slippages for Q2 were at INR113 crores, was at INR103 crores in the first quarter. For first half '24, slippages are at INR216 crores with upgrades and recoveries of INR145 crores. Bad debt recovery continues to remain strong with INR73 crores in the first half of the year.

Now an update on the reverse merger. Based on the order received from the honorable NCLT, the shareholders have been invited to an AGM that is being convened on the 3rd of November by the bank as well as a separate one by the Ujjivan Financial Services.

One of the , once the merger is approved by the shareholders of both companies, we will proceed with the remaining procedural and regulatory aspects. We expect the merger to be completed during the fourth quarter of this financial year. Here, I'd like to highlight that the merger would bring benefit to both sets of shareholders.

Our outlook, we remain , we maintain our immediate and long-term guidance given earlier. The business is on strong footing to deliver a 25% growth with a sustained ROE of 20% plus. To conclude, I would add that business momentum remains strong and we are confident of establishing Ujjivan as a leading mass market bank. Thank you.

**Moderator:** Sir, shall we open the floor for questions?

**Ittira Davis:** Yes, you can.

**Moderator:** We will now begin the question-and-answer questions. The first question is from the line of Suraj Das as from Sundaram Mutual Fund. Please go ahead.

**Suraj Das:** Congratulations, sir, on a good set of numbers. Just two questions from my side. First is that if I see the segment-wise yield that you published on your Investor Day, so there, if I see the MSME and affordable housing segmental yield, so that has come down versus FY '23 versus first half of FY '24.

So sir, any rationale behind that? I mean while we are in a rising rate that yield coming down, is it more to do with the competition to spark growth? Or is it because of, let us say, slippages coming in? Or what could be the rationale here? And that is my first question.

**Deepak Khetan:** Suraj, MSME, actually the business is undergoing transition. So there's hardly much disbursement, which is going on. So we would say that take this more as an aberration. However, going forward, also what we'll suggest is that once we are getting more into formal and semi-formal kind of a business, so there, the yield will be more or less in the current range what you are seeing 12.5.

Also last year second quarter, there was a good amount of fintech partnership, which was there, where the yields are very high compared to the normal 12.5 kind of yield. So the blended yield was a little higher. And as Mr. Davis mentioned in his opening remarks, we have already entered into two such fintech partnerships. So once the disbursement starts in Q3, you will see those yields coming in.

**Suraj Das:** Sure. Understood. And on the affordable housing side, I mean, same story, more or less has been...

**Deepak Khetan:** Affordable housing is more or less flat. There is not much of a reduction going on there.

**Suraj Das:** Okay. Sure. Now if I see the quarterly yield so last year, on average, it was something like 12.8 that has come down to, let's say, 12.2 in first quarter and 12.5 in second quarter, so roughly 30 basis point type reduction more or less -- 30 to 40 basis points, but okay, I understood.

**Deepak Khetan:** Not much of a change in affordable housing. It's more or less flat.

**Suraj Das:** Sure, sir. Understood. And sir, while you have given guidance on the FY '24 in your Investor Day, if you can just reiterate your medium-term guidance in terms of what kind of credit cost you are building in FY, going into FY '25 and '26. And what kind of ROE you are targeting. Yes, that would be my second and last question. Thank you so much and all the best.

**Deepak Khetan:** So Suraj, we have not given ROA guidance. We've given an ROE guidance, which is 20% plus for FY '25, '26. For this year, we have given our ROE guidance of 22%. And this year's credit cost, we have given less than 100 bps and a normalized credit cost, we have given something around 125, 150 bps.

**Moderator:** Next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

**Shailesh Kanani:** Yes. So my question is with respect to yield, last time in the con call, we had guided that there is a good amount of repricing pending on the asset side? And sequentially, the yield seems to be on the flattish side. So can we expect the repricing happening in the second half?

**Deepak Khetan:** So Shailesh, we mentioned in our opening remarks, Mr. Davis mentioned that 47% of the book is which is at March '23 and post March '23 disbursed book. So the balance 53% of the micro banking book is still to be repriced. 28% will see a 50 basis point repricing and the balance will be 100 basis point repricing. This will happen over a period of next 3 to 4 quarters.

**Shailesh Kanani:** Okay. Sir, the second question is with respect to our ATS on the individual lending segment. There is some sequential decline of around nearly 11%. So how we should we read into that?

**Ashish Goel:** Average ticket size of individual loans is INR131,000. It was...

**Moderator:** Sir, sorry to interrupt you. You are sounding a little distant.

**Ashish Goel:** Sorry, our average ticket size in individual loan in Q1 was INR130,000, and it is now INR131,000. So it remains more or less flat.

**Shailesh Kanani:** Individual lending, I thought it come down from INR130,000, my bad. Okay. Fair enough. And on. just last question on reverse merger. We have extend in the time line by 3 months. Is that understanding right?

**Ittira Davis:** The time line was, best estimate was the third quarter. Now the NCLT has asked EGM to be held. EGM is being held on 3rd of November. So depending on the outcome, it may even close during third quarter. We are waiting for the NCLT to tell us whether anything further needs to be done or they are happy with the results of the EGM, which will be announced soon after the 3rd of November. So once we know that, we'll know the exact date. We are hopeful of third quarter, but if it is for whatever reason, something else is required, we are hoping it will conclude in the fourth quarter. But yes, still the target, we still have two months to go.

**Shailesh Kanani:** Yes. So is it safe to assume that first attrition of half of fourth quarter. the reverse merger to be done?

**Ittira Davis:** Yes. I mean there are some formalities to be completed. We assume that, that will be done in the fourth quarter.

**Moderator:** Thank you. Next question is from the line of Gautam from GCJ Financial. Please go ahead.

**Gautam:** Good evening, everyone. Yes. I have seen your presentation that you mentioned your cashless collection is around 37%, which was like 20-odd percent last year. And you also mentioned that since your NPA and restructured book is going down, so your collection team will get reduced. So how much savings do you see, employee cost going forward? And with that also, I'm seeing that your employee has gone up significantly from March to now around 3,000, yes, 3,000-plus employee has gone up. So I want to know your comment on how that will impact our employee cost. And since our collection team is getting reduced, why our hiring is so significant? This is the first question.

**Ashish Goel:** Last year, we had a sizable off-roll team. That is where our reduction happened, and we have reduced about 300 people from the off-roll team. However, as we are building our secured book, we have strengthened our on-roll team to handle the secured portfolio. So you would see a marginal increase in the number of on-roll employees to handle the secured collections.

**Ittira Davis:** Also, I think we have got new branches, which we have opened. So all of those branches have to be staffed. We have -- by the end of this financial year, we will be adding, from last financial year, about 150-odd branches. So those 150 branches have to be staffed. We have crossed 700 now in overall number. So that is also adding to the number of staff, which we are hiring.

In terms of cost, we are aware that these costs have to be managed, but it is in line with all our projections. The new branches will, of course, bring in new business with a small lag. And that will compensate for the higher costs.

**Gautam:** Okay. And your comments, sir, on the cashless collection increased to 37%. So looking at Digital India and everybody got the mobile and a lot of multiple vendors to make the cashless payment. Can we be just 100% by next two years? What is your comment on that?

**Deepak Khetan:** We would say Amen.

**Deepak Khetan:** We haven't reached 100% cashless disbursement. Also, there are few customers who still take cash disbursement. So cashless collection 100% is a very far-fetched aspiration right now. But yes, we are pushing that as much as we can increase the 37%, we'll do that. We are any which ways far ahead of the industry and our peers in terms of pure digital and customer induced cashless collection. And this is actually bringing in a lot of efficiency on our , for our field staff.

**Gautam:** Okay. My second question is related to new customer acquisition. The run rate is still 2.6 lakhs, 2.7 lakhs per quarter, which is just not going up even with the opening of new branches. So can you just make your remarks on it? Because last year, we were adding more than 3 lakh every quarter. But this last two quarters, we are adding less than 3 lakh per quarter. So your comment on that why we are not able to increase that numbers even with the new opening branches?

**Deepak Khetan:** Gautam, we have added 5.3 lakh customers in the first half, which is marginally below 3 lakh. So it's not that significant change that has happened. Also, last year, the benefit was that we were in a far better situation compared to our peers to add customers, as there were changes on the regulatory front. And we were far better prepared on that front. And this we mentioned last year also that we are far ahead of the peers because the policy changes that came in, Ujjivan has been following that since a very long time. And thus, we are having that benefit.

**Vibhas Chandra:** And I would just like to add that you also talked about new branches. And as Ittira sir was mentioning that there is a small lag when you open a branch and the branch becomes mature and start generating good business is something which is, but most of the branches are relatively newer three months, four months old. And you will see these branches also generating business in quarter 3 and quarter 4 of this year.

**Moderator:** Gautam, sorry to interrupt you. I'll request you to come back in the question queue for more follow-up question. Next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

**Manish Ostwal:** I have one question on the balance sheet. So in this quarter, we have seen the sharp rise in the investment book along with the borrowings. So can you comment on the, what we have done in this quarter?

**Deepak Khetan:** So what we have seen is that there is a high deposit growth this quarter. And second half for us is generally a little hectic and far higher disbursement. So it's just that build up for the second half, nothing much to read on that.

**Manish Ostwal:** Okay. And secondly in terms of margins, net interest margins, we have seen some dip in the margin because of the cost of fund repricing. So how do you see the margin in the second half given the stable market rates?



- Deepak Khetan:** So Mr. Davis also mentioned in his opening remarks that the cost of fund curve should start to flatten out and thus, that kind of a pressure on margin should not be there. And also I use this extra money that we have raised for disbursement, that pressure also from the margin should go down. So we expect margins to improve in the second half versus Q2.
- Moderator:** Thank you. Next question is from the line of Yash from Dante Equity. Please go ahead.
- Yash:** Congratulations on the great set of numbers. I just want to understand the NIM guidance from here onwards. Do you still stick to your 9% NIM guidance? And if yes, is the repricing of that percentage of book that you said is going to get repriced. Is that enough for you to kind of reach the 9% blended NIM guidance for H2?
- Deepak Khetan:** Yash, hi. We are not changing any guidance right now. So yes, to that extent, we stick to the NIM guidance. We already mentioned to the previous query also that second half, we expect that NIM should be better than the Q2 NIMs. First half, we are already at 9%. So achieving 9% for the full year, we do not really see that as a major challenge. And as far as the repricing, that repricing is what we are building into our NIM improvement.
- Yash:** Also, do you see yourself increasing the gold loan portfolio in, from H2 onwards? Or is that going to begin from the next financial year? Because I really, a lot of banks of your size are doing a lot of work at gold finance, so where do we stand with gold financing?
- Carol Furtado:** So we are doing a lot of work on the gold loans. There is a huge demand there. But this financial year, you will not see too much of a growth happening in the gold loan segment. We will first start product by offering it to our existing customers, and then we will take on the new customer. But this financial year will have very good growth.
- Moderator:** Thank you. Next question is from the line of Rajiv Mehta from Yes Securities. Please go ahead.
- Rajiv Mehta:** Congratulations for a very strong consistent performance. So just two questions from my side. Firstly is on the insurance income, we see a bump in insurance income. So how much of the bump is structural and will sustain in the coming quarters? And whether is there any one-off in this number?
- Deepak Khetan:** Rajiv, a little bit of a bump up is there in insurance income to, because of the change in the IRDA guidelines. Some of it is because of the Q1 arrears that we have received in Q2, but balance is something which is a structural improvement and should sustain. You should see that kind of a number in second half.
- Rajiv Mehta:** Okay. And when you say that kind of a number, can you normalize the number of Q2, I mean, excluding the arrears?
- Deepak Khetan:** I'll get back to you on that number.
- Rajiv Mehta:** Sure. And Deepak, just 1 more thing on group micro banking portfolio because the disbursement growth has been pretty tepid. The absolute disbursement number has been very flattish, while

getting new clients. I can see the ticket sizes have been stable for many, many quarters. So what is happening in the group micro banking portfolio? And when do we see a pick up, a meaningful pickup in disbursement and loan growth in the JLD portfolio?

**Vibhas Chandra:** Yes. So if you see general trend also generally first and second quarter is something where we have decent demand in loans, but you see the demand increasing in the quarter 3 and quarter 4 as far as micro finance typical group loan is concerned. So that is one region and second in quarter 2, you might have also seen that different parts of the country also faced natural calamities, including flood in various parts of the West and East that also slowed down to a little bit, but things are normal now in terms of business and collection. And you would see better pickup in quarter 3 and quarter 4, as it is a natural. We will see it every year that business will pick up and we'll have higher disbursement happening in quarter 3 and quarter 4.

**Moderator:** Thank you. Next question is from the line of Pritesh from DAM Capital Advisors. Please go ahead.

**Pritesh:** One question was on, that you have entered Andhra Pradesh this quarter. So what are the plans there, a lot of entities also want to enter that geography. How will it be different this time around?

**Carol Furtado:** So we have, yes, entered Andhra Pradesh with a soft launch and we've just started our, so it's mainly going to be liability-led, and based on the potential, we will also see if we can do other retail asset businesses. Micro banking is not in the picture at the moment.

**Pritesh:** Great. Okay. Second was on the margin side. So the 9% guidance was quite clear, but as we move along in next year, and we expect MSME and affordable housing share to increase meaningfully. How do you see NIMs panning out next year after the second half increase which you expect?

**Ittira Davis:** The NIMs, I think, while the lending rates or the yield on the portfolio maybe slightly lower because that's a secured portfolio. But we see other sources like CASA and I mean CA especially coming into play as far as the MSME portfolio is concerned. So that should offset some of the decline that we are seeing in the overall things. To keep NIM, we expect, as the interest rates start coming down, that will also help as we go forward. So we expect NIM to continue to be at a healthy level, next year as well.

**Deepak Khetan:** Yes, Pritesh, we are not giving any number-specific guidance for next two years, apart from what we have already given.

**Pritesh:** Got it. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Ashlesh from Kotak Securities. Please go ahead.

**Ashlesh Sonje:** Hi, team. Good evening. Firstly, on West Bengal, if I look at the AUM growth that we have had there, it's been around 28% odd over the last year. However, at the same time, if I look at the micro banking portfolio for the entire industry in that state, in West Bengal, that has been

shrinking. So it looks like, we are gaining some market share in the state. Can you shed some light on who is losing market share over there?

**Vibhas Chandra:** So I would not like to take name, but, yes, we know that industry has been facing issues specific to certain organizations, both in West Bengal and Assam. And if you see at , look at our growth, our growth has been constant over the last few quarters. So we are -- it's a result of some of the players not being very active because of issue that is happening. Two, which is very internal to the organization. But we are gaining market share pan-India in all the, whichever state we are working in the last four quarters to five quarters after the pandemic. And that is something which happening as we are growing much better than the average industry.

**Ashlesh Sonje:** And just 1 follow-up on that one. So all these new customers, which we are acquiring in West Bengal, would you say that they are all customers who have never been NPA?

**Ashish Goel:** Yes. So we do filtering out of all the customers who have had track records. It's all based on bureau. So all customers who've had NPA track records are naturally phased out.

**Ashlesh Sonje:** Okay. Perfect. Thank you, sir.

**Moderator:** Thank you. Next question is from the line of Anand from Soar Wealth Managers. Please go ahead.

**Anand Mundra:** Yes, hi. Thanks for the opportunity. Sir, I wanted to check about the bad debt recovery. How much more debt recovery we expect from the write-off book?

**Ashish Goel:** So the bad debt recovery, you would see in the first half has a small part of money, which came in from Assam also. That was a one-off you would, that we got, that was about INR3 crores odd. Apart from that, we've said in the beginning of the year that we will try and do about INR100 crores of bad debt recovery. We seem to be on course to do that for the remaining part of the year.

**Anand Mundra:** Okay. So sir, the question was post this INR100 crores, do you expect this to continue also in the next year?

**Ashish Goel:** There will be bad debt recovery, not to the extent that we currently see because obviously, the book would have aged by a year more than what we currently have. So then, let's say, if you are looking at what percentage, so if it's, let's say, x percentage today, it would be something lower than that next year. So the rate of recovery will not be the same. So therefore, there will be a reduction in absolute numbers as well.

**Anand Mundra:** Sir, second question is with respect to slippage. The gross and net slippage, are they coming from the same pool or they are coming from a different pool. One is the product segment? And second is the portfolio, whether it is old portfolio, which is getting recovered and the new portfolio is getting into the gross NPA?

- Ashish Goel:** So our -- the book as it ages. So today, the post-COVID book has very, very low slippages and the rate of slippaging is also going down. So you would see that on a percentage basis. We've been at about 50 bps consistently for the last five quarters. So this is a natural thing to happen as the book starts to age. So there will be some amount of slippages, but I would say that it'll be in the same range as what we have currently.
- Anand Mundra:** So the current INR216 crores slippage for the six months, it has come from the current book itself, obviously, but the recovery is coming from which book? Old book, pre-COVID book or restructured book, sir?
- Ashish Goel:** So if you look at it this way, then the micro banking book starts slippages only after 15 MOB. In the first 12 MOB to 15 MOB, there is hardly any slippages. It starts only after 15 MOB. In housing and MSME, it typically starts at 18 MOB to 24 MOB. So you could say that the slippages that you see are largely representative of the 15 and 18, 24 for unsecured and secured assets.
- Anand Mundra:** Okay, thanks. Thanks for the clarification.
- Moderator:** Thank you. Next question is from the line of Darpin Shah from Haitong Securities. Please go ahead.
- Darpin Shah:** Yes. Hi, thanks for the opportunity. Congratulations on good set of numbers. Just one question. A few days back, there was a media article saying that the regulator is unhappy regarding the pricing offered by MFI lenders, including banks and nonbanks. Any comment would you like to make on this or you have heard anything from the regulator about this?
- Ittira Davis:** No, we don't want to comment on observations of the regulator. All what I can say that, ever since the interest rate hike cycle started, we have seen 2.5% increase in the repo rate. But our rate increase for our micro banking customers has been only 1% or 100 basis points. So net-net, there's been some benefit, which has been passed or not hike has not fully been passed on. We have absorbed a lot of the hike, which is why you are seeing the cost of funds going up slightly and net interest margin being squeezed. So all in all, it is something that we have understood as part of financial inclusion, and we have built it into our financial model.
- Darpin Shah:** Okay. Thanks. And just 1 last question related to this only. For our MFI customers, do we have a policy of graded pricing?
- Vibhas Chandra:** Yes. We have risk based pricing for both group loan as well as individual loan in micro finance, where based on the customer's score and end use, we have differential interest rates.
- Darpin Shah:** Okay. Great. Thanks a lot for this. Thank you.
- Moderator:** Thank you. Next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

- Sarvesh Gupta:** Yes. Good evening, sir, and congratulations on a good set of numbers. So the first question is on the credit cost in this quarter, given that our NPAs have come back down and the floating provisions haven't gone up as well. So is it possible to give a breakup of how this INR47 crores was caused?
- Ashish Goel:** Sarvesh, you're talking about product-wise breakup?
- Sarvesh Gupta:** Yes, product-wise breakup or the reason behind it. Is it because of the movement in the buckets? Or how have you accounted for this?
- Ashish Goel:** So INR47 crores is about 17 bps, 18 bps or I would say about 20 bps, less than that. So that's a standard credit cost that we will see because our guidance was less than 100 bps. So currently, for this quarter, the number would be in the range of 17 bps, 18 bps.
- Sarvesh Gupta:** And do you expect this to be the normalized sort of range going forward also?
- Ashish Goel:** So we would, we've said that we will maintain credit cost for the year within 100 bps. So what you see in Q2 is about 17 bps, 18 bps, which is largely in line with the estimates and the way we have sequentially put the provision, the way we had planned for the provisions. So this is largely in line with the plan.
- Sarvesh Gupta:** Understood. And on the impact of the past collections, so is it possible to give the impact on the P&L because of the past or the legacy collection that we are doing from the write-off books for H1 and this quarter?
- Ashish Goel:** So write-off book, we have done about INR71 crores in H1. This includes about INR3 crores, which we got from Assam as part of the relief package. Excluding that, it was INR68 crores for the first half.
- Sarvesh Gupta:** Is this the collection or the impact on the P&L? I'm asking about the P&L impact specifically.
- Ashish Goel:** So since these are write-back accounts, every amount which is collected is actually part of the P&L.
- Sarvesh Gupta:** Okay, understood. And on the ROE guidance, so given that you have already done 29% for the H1 so why you would set at 22% plus, I mean, given that even if you do 25% for the remaining half, you should end with 27% for the full year.
- Deepak Khetan:** Leave some upside for us as well.
- Sarvesh Gupta:** Understood. Understood. Then finally, one question on the deposit strategy. So I mean we are seeing across all SFBs and almost all banks so Q-o-Q CASA has been relatively bad only. But in your case, I think we have seen healthy accretion. So is it mostly because of the higher interest rates that we are offering? Or is it because you are seeing more customers getting added to your CASA pool. So how is that getting driven and that trend is somewhat different from the industry?

**Carol Furtado:** We have done well on the CASA side and we have a quarter-on-quarter growth of around 7%. This is also because of our attention to granular retail customers and also strategy of, so we've also introduced new products, the Maxima in the CA and SA category. Also, our brand campaign has helped us a lot in, I mean it has created customer awareness and visibility.

We've also made some people additions in the branches like introduced relationship managers. And we've also been able to deepen our relationship with our customers and also acquire new customers. So all these put together, and we have a branch-wise strategy. So this is helping us in getting deeper into the areas that we are working in. And it's helping us build the CASA book.

**Moderator:** Thank you. Next question is from the line of Kanwaljit Singh from Balaji Finvestment. Please go ahead.

**Kanwaljit Singh:** Congratulations on good set of numbers. My first question is regarding the 3-in-1 account that you have started opening with SMC Global and which is a broking firm. So what is the traction you have received on that? Second, you are already doing banca insurance. Are there any other measures that company is taking to enhance the other income?

**Carol Furtado:** So the SMC Global relationship was very recent. So we have not started acting on it. We are doing a lot of back-end activities. And once that is stable, then we will start getting deposits from there and 3-in-1 accounts will start activating from that. But at the moment, this relationship, there's a lot of work that is being done at the back-end. We have not started seeing the results of it yet.

**Kanwaljit Singh:** So the bank is acting as an authorized partner for SMC? Or it is just an account that is getting linked? So as a authorized partner, you get a higher portion of income?

**Carol Furtado:** Yes. It's for our customers that we are opening these accounts.

**Kanwaljit Singh:** Okay. So you were acting as an authorized partner for SMC, means a type of a sub-broker?

**Carol Furtado:** No. I mean these are our customers, we are giving them an opportunity to get it down through the SMC Global relationship.

**Kanwaljit Singh:** So there is a sharing of Fee with SMC?

**Carol Furtado:** Yes.

**Kanwaljit Singh:** The brokerage? Okay. The second question is regarding the advertisement expenditure that the company might have incurred in last quarter. Are we going to see a similar run rate on advertisement?

**Deepak Khetan:** The brand campaign cost is largely taken in. So to that extent, the marketing cost should reduce.

**Moderator:** Thank you. Next question is from the line of Gautam from GCJ Financial Advisers. Please go ahead.

- Gautam:** This question is in regards to your reverse merger, when it happens, what was the impact on the book value in terms of net worth, overall net worth, will it be diluted or accretive and versus book value also? Can you guide us?
- Deepak Khetan:** There will be around 400 and a little more than INR400 crores of addition to the equity network. And around 2.82 crores of shares will get reduced from the total base. On the book value side, that should add to the book by around INR2.4 or a little more than that.
- Moderator:** Thank you. Next question is from the line of Ayush Agarwal, Individual Investor. Please go ahead.
- Ayush Agarwal:** So I had two questions. One was regarding your current and saving accounts numbers. I've noticed that current accounts make up less than 10% of your total CASA. And I was wondering if this is because you're not being able to attract a lot of businesses to open accounts with you? Or is there another reason?
- Carol Furtado:** This is an industry wide problem, and it is not just contained to Ujjivan. But we -- this -- in the last quarter, we've been able to introduce a lot of product variants, mainly Maxima and the Privilege accounts. And we are seeing good deposits coming through that. The CA actually is increasing there. This quarter, we should see some good results on the CA side and also on the SA side. We also have introduced a separate channel in place to help us fast track the CA acquisition.
- Ayush Agarwal:** My second question is regarding what happens after the merger. I have read the news report where I believe the MD was saying that you are planning to start to get a full banking license from the small finance license that you have right now. Is that still in the cards?
- Ittira Davis:** Yes. I think to clarify that, I said that the Board would consider the application for the universal bank license, and that stands. So in the next financial year, assuming that the reverse merger is completed in this financial year, the Board would deliberate on what are the next steps and the Universal Bank license is one of the options.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to Mr. Davis for closing comments.
- Ittira Davis:** Well, I'd like to thank all the participants who have been on the call for all the good questions that you have asked and made us think and respond, but it's been very good for these questions to come through. I'd like to thank IIFL for organizing this call and look forward to hearing and seeing you in the next call, which is three months away from here. Thank you.
- Moderator:** Thank you very much. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.