August 10, 2022

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

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

Sub: **Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, regarding Q1FY23 Earnings Call - Opening Remarks by Managing Director and Audio recording of the call.**

Dear Sir /Madam,

Further to our letter dated August 04, 2022, intimating schedule of the Earnings Conference Call on August 10, 2022 to discuss the Company's Q1 FY23 Earnings, we are attaching herewith the Opening Remarks of the said Conference Call by Managing Director.

Link to the Audio recording is also available on the Company's website on the URL:
https://www.capriloans.in/concall-transcripts/

https://s3.ap-south-1.amazonaws.com/cgcorpweb1.capriglobal.in/wp-content/uploads/2022/08/10162737/Q1Fy23-Earnings-Call-Audio.mp3

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

Thanking you,

Yours faithfully,
for **Capri Global Capital Limited**

YASHESH PANKAJ BHATT
Digitally signed by YASHESH PANKAJ BHATT
Date: 2022.08.10 17:40:09 +05'30'

Yashesh Bhatt
Company Secretary & Compliance Officer
Membership No.: ACS 20491

Encl.: As above

Capri Global Capital Limited
Q1 FY23 Earnings Conference Call
10th August 2022, 1200 hrs IST

Opening Remarks by Managing Director

1) Good afternoon, friends and a hearty welcome to Capri Global's Q1 FY23 earnings call. We announced our reviewed consolidated results for Q1 FY23 yesterday evening. I hope you had an opportunity to go through our investor deck.

2) Our results discussion this time happens in the backdrop of the filing for our rights issue. You may recall our Board had approved Rs1,200crores rights issuance when it met to approve the FY22 audited results. We took the first steps towards the same by filing a draft letter of offer with SEBI on 28th July, 2022. The same has been placed by SEBI in public domain on its website.

3) Given this backdrop, there are certain restraints on forward looking statements and guidance that we can make. I am aware we had set out certain goals for FY23 and the medium term in our previous earnings call. I would like to state that we are fully committed to a sustainable and profitable growth. As a rule, we shall refrain from giving any guidance on medium term strategy and shall restrict this discussion to analysing our results.

4) Please note we have made changes to how we report certain performance ratios. This has been done to align with the requirements of the rights issue related disclosures in our offer letter filed with SEBI. Such changes have been highlighted at the relevant place in the investor presentation with a footnote.

5) I shall now discuss our earnings performance during Q1FY23. We reported a consolidated net profit after tax of Rs461mn, which is flat YoY and higher 10% over Q4FY22 net profit. Although our net income declined 12% QoQ, a softer increase in operating expenses, and a sharp 57% fall in credit cost helped us post a sequentially better profit.

6) Adjusted for Rs77.5mn one-off income in Q4FY22, our NII is flat QoQ. The one-off gain in Q4FY22 was relating to the upfront recognition of unamortised fees on foreclosed accounts. Secondly, we have begun incurring cost on our gold loan business while the business is yet to commence operations. We incurred Rs69mn overall opex on gold loan business in Q1FY23. Adjusting for same, our opex would have actually declined 3% QoQ. Both these items negatively impacted operating profit by Rs147mn in Q1FY23.

7) Our NII was also impacted by a negative carry as we drew down all new sanctioned facilities between Apr'22 to the first week of Jul'22. This is seen in the bank balances in the balance sheet, which were heavier by 40% or Rs1.4bn in Q1FY23 over Q4FY22. Since we have drawn down on sanctions, our MCLR is locked for 6 months to 1 year.

8) Our NIM computed as a ratio of average net advances was 8.4%, lowest in trailing five quarters and reflected the weaker net interest income. We have begun resetting yields on new as well as existing loans and it could have a positive rub-off on earnings going ahead. Approximately 55% of our loan book comprises floating rate advances and the remaining comprises semi-fixed loans that convert to floating rates after an initial period of fixed rates.

9) Our cost-income ratio was 51.1% in Q1FY23. Adjusting for the opex of gold loan vertical, which is yet to commence contributing to AUM, the cost-income ratio compresses 400bps to 47.1%. With NIMs already at recent quarter lows and gold loan AUMs yet to become meaningful, we believe there is a higher probability of the cost-income ratio improving than worsening from current levels. It may also be noted that our earlier cost-income ratio target of 40% was set prior to the launch of our gold loan business. As of now, we don't have a specific target on cost-income ratio. To reiterate, we firmly believe a strong branch network is central to our business. Therefore, we shall continue to roll out branches in the traditional as well as gold loan business.

10) We have continued with the write-offs in Q1FY23. While we had expected the write-off to taper off post Q4FY22, we felt it necessary to continue proactively provisioning and writing-off in Q1FY23. However, the credit cost per se has declined by 57% QoQ to Rs246mn and is among the lowest in trailing five quarters. We are looking at the credit cost in aggregate irrespective of whether it is a write-off or ECL provision. Currently, our stance is to ensure we provide more than adequately. This could be in the form of ECL provisions or if necessary, a write-off. We expect write-offs to recur in the remainder of FY23.

11) Our asset quality declined after showing steady improvement between Q2FY22 and Q4FY22. The Stage-3 assets in absolute as well as percentage terms have increased, primarily driven by the retail segment. The wholesale segment continues to perform well and GNPAs remain close to nil. The consolidated Stage-3 assets were 2.71%, up 31bps QoQ. In absolute terms, GNPAs increased 18% QoQ. Detailed trend and discussion on the NPA ratios is given on Slides 23 and 24.

12) Our standard restructured assets at Rs1,776mn were 2.6% of AUM. We have maintained we expect 20-25% of restructured assets to slip. Of the outstanding assets, around 50% shall be out of moratorium period in Q3FY23 and the rest equally in Q4FY23 and Q1FY24. Currently, standard restructured assets are classified under Stage-2.

13) The Nov'21 RBI circular on asset quality becomes effective from Q2FY23 onwards. However, if we were to adopt the circular for Q1FY23, our GNPAs would have been higher by Rs145mn or ~7.9% and would have added 21bps to our Stage-3 ratio.

14) Coming to the business, although it was a slower quarter, we did maintain a healthy momentum. The YoY comparison may not be accurate due to near standstill we had in business during Covid second wave. However, on a sequential basis, we have expanded our overall AUM by 5%.

15) Although we are yet to launch our dedicated IT set-up for co-lending, the arrangement has already picked up pace with outstanding co-lending portfolio growing 72% QoQ to Rs2bn. Housing finance too showed a healthy trend increasing 7.8% QoQ. MSME including co-lending was up 2.6% QoQ. We remain convinced of the strong growth opportunities afforded by the MSME segment, given its substantial, 30%+ contribution to GDP. Similarly, affordable housing, as we have said in the past will remain a key driver of our consolidated AUM. An occasional weak quarter only reinforces our will to focus on growth in these segments.

16) We are gearing up for formally launching our gold loan business. Currently, we have done a soft launch and are testing the systems and processes. We have already leased 52 premises as exclusive gold loan branches. We have budgeted Rs560mn as capex for the vertical for FY23.

17) Our car loan distribution business continues to go from strength to strength, surpassing previous quarter origination milestones. The vertical achieved Rs11bn in new car loan originations and contributed Rs186mn in net fees. To offer you a perspective, the vertical contributed Rs276mn in net fees in the entire FY22. This is an entirely new income stream that has come up in a year, is in the form of pure fees and is therefore not subject to regulatory capital requirements. This diversifies and strengthens our earnings profile.

18) I am also happy to share that both CARE Ratings and Brickworks have reaffirmed our long-term issuer ratings. CARE has reaffirmed our A+ rating and Brickworks has reaffirmed our AA- rating. Further, both have upgraded the outlook from 'Negative' to 'Stable'. We view this as an affirmation of our strong balance sheet, our consistent and conservative ALM management practices, and robust capital ratios.

19) We reported a capital adequacy ratio of 29.9% for CGCL and 39.5% for CGHFL. Let me pre-empt a question here, since we have already filed offer letter to raise Rs12bn through a rights issue. We have mentioned in the offer letter that the object of the capital raise is to augment the long-term core equity capital of the company. Our fast-paced growth in last one year has led to a consumption of 758bps in capital adequacy of CGCL. Hence, the rights issue has been timed to support our growth. I would also like to clarify that we are open to exploring inorganic opportunities. But that is something we don't talk about and only internally evaluate.

20) Last but not the least, I cannot conclude without highlighting our work towards digital initiatives, some of which we continue to share in our corporate presentation. We have an in-house coding team of 20 and additional support staff of 39 in the tech team. Our business is evolving very well in the retail segment and our IT initiatives shall further aid in strengthening our business.

21) With that, I would conclude my opening remarks. We shall now take questions.