



“Ujjivan Financial Services Limited Conference Call”

November 21, 2016



**MANAGEMENT: MR. SAMIT GHOSH - MD & CEO,
UJJIVAN FINANCIAL SERVICES LIMITED**



*Ujjivan Financial Services Limited
November 21, 2016*

**MS. SUDHA SURESH – CFO, UJJIVAN
FINANCIAL SERVICES LIMITED**

**MR. RAJAT SINGH – HEAD (STRATEGY),
UJJIVAN FINANCIAL SERVICES LIMITED**

**MR. HIREN SHAH – HEAD – INVESTOR
RELATIONS**

MODERATOR: MR. PRAVEEN AGARWAL - AXIS BANK

Moderator: Ladies and gentlemen, good day and welcome to the Ujjivan Financial Services Limited Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Praveen Agarwal from Axis Bank. Thank you and over to you sir.

Praveen Agarwal: Thank you. Thanks everyone for joining the call and particularly Mr. Samit Ghosh for taking out his time to discuss the demonetization piece. I would request Mr. Samit to share his ground level feedback and spell his views post the demonetization for the target segment and for his companies in particular. Post that, we can have the Q&A session. Over to you, Mr. Samit.

Samit Ghosh: Thank you, Praveen. Good evening, welcome to all who are attending this conference on the impact of the recent demonetization and we want to share with you the current updates. During our last earnings call after the demonetization news, we had postponed our collection for the first three days in that week. So that it give some time to our customers to be able to garner the new notes to repay in the new legal tender. From 14th November, we resumed our collection and the results have been quite encouraging. On the average, our collection Pan India stands at about 61% for the period 9th to 19th November. On the ground, what we found and in fact we had all our senior officers in the last one week spending time in the field and at the branch to meet with the customers and with our branch staff. It was quite clear that the customers were facing very serious problems in terms of getting the new notes to repay and given our average loan size, the installment size is about Rs. 1,000 to Rs. 2,000, normally people use Rs. 500 and Rs. 1,000 notes which were demonetized. So it was very difficult for them and I have personally gone to various branches, I was in Delhi, then I went into the rural branches in Haryana etc. and customers have had to spend 12 hours and more in queuing up from early morning in the branch to get the new notes and sometimes they are unsuccessful, so there is a high level of frustration which was building up there.

However, the customers has every intention to repay, frankly they were so apologetic with this that we ourselves were feeling bad to put these women through this kind of a discomfort, just for our repayments, so we have actually given them time and told them that you take seven days or ten days or whatever it takes and do not be under undue pressure. So that is the situation in the ground level. The customers definitely have intention to pay most of, I mean I would say 99% of our customers, but it is only a question of availability of the notes.

Now we, I think, are one of the only MFIs who did not accept Rs. 500 and Rs. 1000 notes as soon as demonetization was announced. We only accepted legal pent up, consequently whatever repayments we have collected that we are able to use for our disbursement of new loans and that gives us a very strong position in the field because most MFIs including banks like recently converted MFIs who have become banks are unable to disburse loans because they are only getting old notes. So that is creating a very positive environment for us and what we are seeing is a gradual, as the work gets around that Ujjivan is not just collecting but also disbursing loans either people are coming forward to repay more and more to us and basically keeping their businesses and their family lives churning. So this is a very positive situation where we have already disbursed 170 crores between this period 9th to 19th and after today, we will have crossed may be 200 crores. So, that is the situation which is there in the ground of what we are doing. I think by end of December, it will considerably ease the whole situation and we will be able to slowly get back to normal, obviously it is a period of high stress both for our customers and for us and we have to go through this with patience and we feel wherever people have become impatient, there are reports in areas where some of the MFIs got impatient and become aggressive. The customers have reacted very aggressively because there is already a lot of frustration which has been built up. So, it is a question of patience and how do you handle this cold situation with great care because the customers are definitely willing to repay, but they need some time to repay the loans.

Now, the final thing I just wanted to tell you is, in the MFIN, we have set up a task force of the current board members and also of the leading large MFIs and we have taken this matter up with the Reserve Bank, with the Ministry of Finance and with the PMO. Our main request is to allow us to take the Rs. 500 and Rs. 1000 notes even for a limited period of time. So that it eases up the pressure both for us and for the customer. Now, this is going through various rounds in these three, I mean the PMO and the Ministry of Finance and RBI and ultimately it is the RBI's decision to allow us to do that; however, it is a bit complicated because at the same time they have request from PSUs and from other NBFCs.

So I think RBI is giving a due consideration and we are hopeful that we will get some positive outcome from this. We have also requested that we meet with the Governor on this because so far we have been dealing at the RBI at the Deputy Governor level. So we all requested for meeting with the Governor and we have got positive support from Ministry of Finance and to a certain extent from the PMO for our proposal. So let's hope for the best and if they allow us, things will ease up completely. We just completed review internally and our team is quite confident that even by this month end, our situation will have turned around significantly as supply of new notes are coming in and we have given enough time to our customers without putting any pressure to repay our loans and plus the fact that we are disbursing loans is a great incentive for them to repay us. So we are looking forward to that. As far as this new RBI circular is concerned regarding provisioning etc., I think that will not be our priority, though it is a good thing but that really is not our priority for now, our priority is to get dispensation which will allow us to take for such period both Rs. 500 and Rs. 1000 notes.

So that is about all I have to tell you and I look forward to your questions. Is there anything I want to add Sudha or Rajat?

Sudha Suresh:

I think we are good to go and take questions from the investors.

Moderator: Thank you very much. We will now begin with the question and answer session. We have our first question from the line of Dhawal Gada from Sundaram Mutual Fund. Please go ahead.

Dhawal Gada: Sir, firstly just wanted to understand how do you see the entire industry shape up post this event, I mean what is your take on some of this smaller MFIs in this sector and how do you see the overall industry shaping up and secondly of the 200 crores that you may have disbursed by today, I just wanted to understand how much would have come from the individual disbursement? Thanks.

Samit Ghosh: As far as the small MFIs are concerned, let me tell you they are doing quite well in their collection so far. So I do not see a significant danger for them and as far as the breakdown is concerned, sudha will let you about the same.

Sudha Suresh: I think from the individual lending business, in terms of disbursement which has been 10 crores for IL and about 160 crores for GL and that was up till last weekend.

Dhawal Gada: Sir, just follow-up on the smaller MFIs, then for this overall industry per se apart from collecting old currency I mean, you expect the industry to sort of comeback by end of December, is that broadly good take away?

Samit Ghosh: I would expect the industry to come back, but if we are allowed to take Rs. 500 and 1000 notes, even for a limited period, is going to be of a great help because it is unnecessarily creating a lot of pressure in some parts of the country which will completely get diffused if we are allow to do that.

Moderator: Thank you. We have a next question from the line of Vikas Garg from Larsen & Toubro Mutual Fund. Please go ahead.

Vikas Garg: Couple of questions. As you said that you have been able to get very high goodwill of the people where you have been able to disburse the loans in this current time. So do you find some difference of behavior in terms of collection and the geographies where you have been disbursing the loans through your

cashless mechanism vis-à-vis other geographies where you are just not disbursing at all?

Samit Ghosh: See, in terms of our disbursement, what is the cashless and how much is the breakdown, there is no significant difference between those who have received cash and cashless.

Sudha Suresh: Cashless is about 60% and cash is about 40%

Sudha Suresh: Yes, this is up to 18th, the 19th data is to be updated.

Samit Ghosh: Okay, but from what I have seen personally, people when they are receiving this note in cash disbursement, they are literally over the moon. They cannot even expect because they are back linked to get Rs. 2,000 note by queuing up for whole night and day and here they are getting the whole loan amount in cash. So they are very pleased, I have not personally talked to the people who have got cashless but obviously they have to then go through the bank and collect their cash or use the cash which is a slightly more difficult process. So I would think that those who are receiving cash are really very excited and happy.

Vikas Garg: My second question is on your debt obligations or your repayment obligations that would be due over the month of November and December may be from the mutual fund context or banking channel and how are you placed on your liquidity situation as of now to be able to repay those obligations?

Sudha Suresh: So, our liquidity position is excellent. We have got sanction from various banks and financial institutions well in place and in November, we had ensured that we will pay away for additional liquidity so we held. So we have absolutely no issues in terms of all our obligation, be to the banking or financial institution channel or even internally for meeting all our expenditure. We are absolutely well and good in terms of liquidity to meet all our commitments till December and beyond.

Vikas Garg: Will that be possible to just give the numbers for perspective?

Sudha Suresh: Very simple, something like 540 crores sanction is there from NABARD, 300 crores sanction is there from SIDBI, we can draw all these any time. So, I think we are actually good in terms of having enough liquidity for both disbursement and meeting all our obligations.

Moderator: Thank you. We have our next question from the line of Karthik Chellappa from Buena Vista Mutual Fund. Please go ahead.

Karthik Chellappa: Sir, my first question is when we look at the collection efficiency of 61%, which are the states that will be significantly below this average and in your general conversation with your borrowers, do you see this as merely a liquidity issue or are there pockets where some of the businesses that they do has also seen a drop in volumes?

Rajat Singh: So, if we have to break down this repayment efficiency, largely there are two states, New Delhi and Uttar Pradesh where we are seeing rates to be lower than the national average and overall, when we speak to our customers, there is some temporary dip in their business but there are different means for which they are continuing to do their business, some of them are going for credit, some of them are only dealing in small denomination and also as and when cash availability in market is improving, their business is also coming back to normal, so whatever has happened for a very small period of time especially for self-employed customer which we have.

Karthik Chellappa: And sir you mentioned early in your opening remarks that some of the MFIs have been slightly aggressive on the collection side, which states would they be and got for bid, do you expect any political response to this?

Samit Ghosh: Well, it is already in the press, UP is a place where we are seeing some adverse developments. So, it is in that state only.

Karthik Chellappa: Given that we are going into elections in UP within the next three months, do you foresee any risks that collections may get suspended in the next one or two months or at this point of time we just do not know?

- Samit Ghosh:** Well, we do not know but I think you should watch for this week.
- Karthik Chellappa:** And sir, there is a lot of compliance of currency availability especially in the rural areas or may be even let's say some of the parts in North East, any color there whether that is really the case or are you satisfied with the collection efficiency in those areas?
- Samit Ghosh:** See, it is a mix kind of thing. What we have seen obviously in lot of rural areas, the currency is difficult to reach but most of our branches are in semi urban. So when we went deep into Haryana in one of the villages, those ladies told us that they were not able to access the new currency etc., but on the other hand, what we have found that in the big cities specially in Delhi, the queues are humongous and it is not a very pleasant experience to be in a queue in Delhi or anywhere in North India. So people are not able to access money in the big cities because of that reason whereas in semi urban area and in the big cities people have to stand up to 12 plus hours to get the money, in the semi urban areas maximum they have to wait is three hours or something like that. So, it is a mixed kind of situation.
- Moderator:** Thank you. We have our next question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.
- Kunal Shah:** So firstly in terms of the collection efficiency, so 60%-61% is for us, but any sense as to how would the entire industry would be so, would the average across the industry would be similar or we are better off as compared to that of other guys?
- Samit Ghosh:** From what we know, those who are not BCs, BCs are allowed to collect the old notes, so obviously they are in a much better position, but those who are not BCs, our collection efficiency is better. Our collection efficiency is better than others in similar situation who are not BCs.
- Kunal Shah:** So even within that, ours would be relatively better?
- Samit Ghosh:** Yes, definitely.

Kunal Shah: And secondly in terms of taking up the question which was just asked, so in terms of economic activity also there is some kind of a derailment. So, obviously currency shortage is something which is there, which is leading to some kind of a delay, but suppose if this economic activity moderation continues for a while, then would that become more kind of say the relatively say the longer period problem as compared to that what we are anticipating that it should get resolved in a month's time or so?

Samit Ghosh: See, the thing is, that depends how long this thing continues. If it is prolonged, then it is a different issue but generally what we have found that microfinance customers are more sort of able to handle adverse situations and the kinds of people who will try and find out alternative approach, is much more there in this segment of customers than anywhere else. So for instance people who are vendors and others, they are giving people credit. So, they are working out various means to overcome this situation. But this is just a question of 50 or 60 days, I do not think there will be a serious adverse situation but if it prolongs, then it could be a problem.

Kunal Shah: I am saying for them in terms of say the economic activity level, there are not many alternatives or say there are not many resources which they can drop on to meet this obligation for the MFIs, it is like what they earn, they pay and if that gets derailed, obviously things would continue till the time it is not there. So to that extent, would MFIs segment be relatively more impacted as compared to that of may be the other products segments, other retail product segments?

Samit Ghosh: No, personally I do not think so and I do not want to focus but I think this segment is more resilient and then some of the other segments which are there. So, I do not see the MFI customer base actually becoming much worse than anyone else, in fact they probably be much better off.

Rajat Singh: Just I would like to add here is that this segment of customer, most of them are self-employed and they deal with middle class and affluent and they do subsistence kind of business and those business will continue to go on even if

there is some small crisis. So the kind of nature of their job probably will continue even if there are some small hiccups or problem economically.

Moderator: Thank you. We have our next question from the line of M. B. Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: Samit and Rajat, just a couple of questions here, you had mentioned New Delhi and UP being delay in terms of collection period, could you also tell us which are the states which are doing really well?

Samit Ghosh: Goa.

M. B. Mahesh: That is a very small one?

Samit Ghosh: No. Generally I think our experience has been the states in the West are doing quite well. Gujarat, Maharashtra, they are doing quite well.

Sudha Suresh: So I think, since you have asked which are the states that are doing very well. I think these include states like Madhya Pradesh, Chhattisgarh, Orissa, Chandigarh has done quite well. Himachal Pradesh of course has also done very well. So, these are some of the states. We have in fact right from talking about Punjab, Maharashtra, Jharkhand, Assam, Tamil Nadu.

M. B. Mahesh: Karnataka?

Samit Ghosh: Karnataka is also doing reasonably well.

Sudha Suresh: Yes, so Kerala is good. Name it because we are there in 24 states, so we have uniformly fair degree of consistent performance somewhere at above 60, somewhere above 70, somewhere above 80. So, we have mixed up all these three across main states. We have only that below the average as you asked or one of your predecessor asked, these are New Delhi and Uttar Pradesh where we have below the average.

M. B. Mahesh: And when you say weak, how weak is it below average, is it 20, 30, 40, 50, any range on the number??

- Sudha Suresh:** It is more in the range of about 35% to 40%.
- M. B. Mahesh:** And so just to kind of extent this further, I know you are pretty much urban centric but is there any difference that you have seen between rural and urban in these geographies or?
- Rajat Singh** yes, as Mr. Ghosh was also mentioning about this. Our repayment surprisingly in metropolitan and rural is slightly lower than semi urban and urban. Metropolitan because of the crowding and rural area because it takes little time for money to reach, but the numbers are not strikingly different. It is 4%-5% here and there. Semi urban and urban is the best.
- M. B. Mahesh:** Samit, in your constant remarks, you have been kind of mentioning saying that the importance of collecting old notes is far more critical than a delay in repayment for some of these borrowers. The net effect ideally is the same, if the underlying economic activity is not rather it is impacted less in either of the two scenarios. Any reason why you are preferring the old note as compared to delay in repayments, second how many times you have to actually go back to the borrower to get the repayment as compared to what you probably would have done a month back because earlier you would have gone once a month but I assume you would have increased that frequency today.
- Samit Ghosh:** I think people who are not able to repay in our center meetings, they give a promise to repay within 7 to 10 days and they come automatically at the maximum price to contact the customer. And the other thing is, see this whole thing is creating a very undue pressure on the customer because they are also very concerned that they are not able to repay. On the other hand, they cannot access the new tender. So if they are able to repay in the old notes will they have, it will just remove that kind of pressure which they have, that is all.
- M. B. Mahesh:** But ideally the impact is the same right, even if you delay it and ask for a new tender as compared to the old tender?
- Samit Ghosh:** Well, as far as we are concerned, it reduces our overdues and it reduces their obligation also because it is constantly in their mind that I have to repay this I

cannot get this money, that kind of thing. There is a lot of psychological pressure on them.

M. B. Mahesh: Sir I was saying because in general we have seen the response from most MFIs is that to kind of not aggravate the underlying situation. So why not we...

Samit Ghosh: Right. So one way to reduce this aggravation is allow them to repay it in these notes which they have and there is no chance of this being a funnel for black money or they being used as a mule or whatever it is because these are all documented repayments, so this is something which we cannot understand yet.

M. B. Mahesh: And my last question is that in the MFIN forum, have you been able to discuss what has been for the system as a whole in terms of banks response towards their liquidity or their outlook on funding the MFIs as well?

Samit Ghosh: No, actually that has not come up. Right now, we are all concerned to get the regulators to allow us this Rs. 500 and Rs. 1000 notes and that has been our main issue. This thing so far which has not come, nobody has really been worried about funding so far. So let us see.

M. B. Mahesh: No, it is just that we have worried that we translates into a liquidity crisis of some sort and that has repel effects for the entire system.

Samit Ghosh: Right. So far from banks, all financial institutions, we have not heard of any such negative this thing but it is a risk as you say which is there. Obviously as far as we are concerned, people are still very comfortable and if you were not that comfortable, we would not be disbursing loans.

M. B. Mahesh: There are few players which can be differentiated in the market right now, so that is the only reason. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Dhawal Gada from Sundaram Mutual Fund. Please go ahead.

Dhawal Gada: Sir, just if you could remind what proportion of our disbursement happen through electronic mode and secondly would you sort of look at revising the growth, disbursement growth guidance for the full year given the limited availability of new currency?

Samit Ghosh: So you know we disbursed something around 170 crores between 9th and 19th, 60% of it was cash because that is what customers wanted and we had the liquidity. So that is there and as far as what we are doing now, very frankly focusing on our existing customers and not trying to acquire new customers. So I think in terms of revised disbursement, we will probably be in a better position by month end. Our priority right now is to service our existing customers and we build up our collection as far as possible.

Moderator: Thank you. The next question is from Hardik Shah from Birla Sunlife Insurance. Please go ahead.

Hardik Shah: Sir, as you would have mentioned that you have not been accepting Rs. 500 and Rs. 1000 notes as repayment but some of the MFIs we have spoken to have permitted the borrowers to directly deposit the cash into the account which is also permitted by RBI. So why is not that kind of strategy being used?

Samit Ghosh: No, in fact we discussed this today whether our customers can go and deposit in banks directly to our account, operationally it is a nightmare and I do not think there are too many people doing that. We had a discussion in MFIN on this very subject this morning. So I do not think, see operationally it is a nightmare. How do you reconcile this, that, first of all we do not even know whether the banks will allow that.

Hardik Shah: That RBI is permitted because we already spoken to some NBFCs who have already started practicing it and banks have not shown any objection to doing this because they know who is the borrower and the obligation is there at front, so there is no case of actually black money coming in, in this case.

Samit Ghosh: No, that is not, but the point is you can manage, all ticket sizes are very small and all this customers queue up in the branch to deposit, it will be a nightmare.

Now we have received many complaints from our customers even though RBI has made it quite clear that anyone can come and exchange this earlier 4000 and 2000 now. Lots of banks are actually not entertaining those who are not their own customers. They are only entertaining that branches customers. So the practical reality is quite different here and occupationally you can imagine all the microfinance customers, Rs. 2000, Rs. 1000 all queue up in front of branches to deposit then it will be a complete nightmare.

Hardik Shah: So, it cannot be pooled together and a list may be prepared of all the depositors deposited together.

Samit Ghosh: We will explore this but it is very difficult.

Hardik Shah: And secondly on the economic activity front, other than just the availability of cash do you see any quantum of decline in economic activity of underlying borrowers?

Samit Ghosh: It is too early to say. What we found that customers are carrying on, they are very resilient to all kinds of hazards which they face in life. So they are carrying on they are figuring out how to do it. So it is too early to say. But may be a small percentage of our customers may be affected but we will have to see later on.

Hardik Shah: And may be any move on finally moving towards noncash kind of repayment structure, I know the disbursements are being done noncash but may be educating them towards...

Samit Ghosh: We are encouraging customers who have bank accounts also to deposit, give us cheques.

Hardik Shah: So what portion of your current base would actually be those customers?

Samit Ghosh: It is very small, lot of them have accounts but they actually do not have cheque books, a lot of our customers who have Jan-Dhan account, they have account but they do not have either a debit card or something, but lot of them need to

be educated also as we were hearing today that they are not aware that they can go to the branch and withdraw up to 24,000 with a withdrawal slip. They are even if they do not have a cheque book, they can go to the branch and withdraw it and that is one, our West region has done very well. They have sort of educated the customer, so the customers are going and withdrawing using withdrawal slip.

Moderator: Thank you. We have our next question from the line of Chandra Govindraj from IDFC Securities. Please go ahead.

Mahrukh: This is Mahrukh. Sir just had a couple of questions. Firstly that so your request is not clubbed with other NBFCs, it is gone out as a separate request to the MOF through the RBI?

Samit Ghosh: No, it is we are doing everything through MFIN, no other NBFCs or NBFC MFIs.

Mahrukh: Because other NBFCs also claim to have made a similar request, I just wanted to clear that confusion.

Samit Ghosh: Yes, all our requests are through our association, Micro Finance Institution Network (MFIN), so the members are only NBFC MFIs.

Mahrukh: Sir and your ticket size or at least your repayment size of 2000 that you have mentioned earlier on appears to be slightly higher than other MFIs?

Rajat Singh: Yes, so our ticket size is slightly higher than the monthly repayment that takes our EMI higher.

Mahrukh: And are you insisting on the entire group paying or you are okay with individuals paying?

Rajat Singh: So depending on the situation and field and if individual has the money and we are taking it.

- Mahrukh:** So you do not insist because some MFIs are insisting on the entire group paying or no one....
- Samit Ghosh:** No, we do not insist on that.
- Sudha Suresh:** At this juncture, we have been sensitive and if one of the customers of the group is unable to pay because she does not have the legal tender, we have asked her, given her time to go back and convert and this is a special situation, so we have addressed it accordingly.
- Moderator:** Thank you. We have our next question from the line of Manish Oswal from Nirmal Bang. Please go ahead.
- Manish Oswal:** I have only one question on this allowing RBI to collect all notes. If we do not get the permission, in that case how do you see these things to normalize especially your business growth and collection given the liquidity scenario at the ground?
- Samit Ghosh:** See, if we are not allowed to collect the old notes, it might take us a little longer to collect the entire money but on the other hand very frankly what we have seen that we have an advantage because we are not collecting the old notes, we are not deloused with the old notes and if we have collected the old notes, all we could have done it is to return it to the bank. We are only getting in legal tender which we can recycle immediately. So that gives us big advantage and the customers are also very happy with that.
- Manish Oswal:** And secondly sir, one small data point in terms of disbursement, daily disbursement run rate before the 8th November and post that what is the run rate drop?
- Rajat Singh:** So first 3 days, numbers were slow, the first 3 days of the demonetization. From Monday onwards, we are more or less maintaining the similar run rate.
- Manish Oswal:** That is before this demonetization?

- Rajat Singh:** Yes. I mean you can see that from 9 to 19th, sir was mentioning close to 170 crores has been disbursed.
- Moderator:** Thank you. We have our next question from the line of Gaurav Jani from Centrum Broking. Please go ahead.
- Gaurav Jani:** Sir this is to do with your branch spread. So currently about top 4 states contribute 55.6% or 56%. So they would similarly contribute to the AUMs?
- Rajat Singh:** Yes, AUM contribution is from 4 states.
- Gaurav Jani:** So can you give a color on the kind of collection efficiency in these 4 states together?
- Rajat Singh:** Sure, our four top states are Karnataka, West Bengal, Tamil Nadu and Maharashtra. Karnataka, Tamil Nadu and Maharashtra actually have more than 60% repayment rate, in fact Tamil Nadu and Maharashtra are going even higher. In terms of West Bengal, we have number closer to 60%.
- Gaurav Jani:** And sir, looking at your rural, semi urban and urban mix in terms of customers, predominantly most of them we have in semi urban and urban about 72%. So is it a correct number?
- Rajat Singh:** Yes, approximately two third of our customers are in semi urban and urban area.
- Gaurav Jani:** If you can just throw some light on the kind of difference that rural customer faces right now as compared to an urban customer in terms of exchanging notes.
- Samit Ghosh:** See, as I mentioned to you, these are anecdotal because we have just gone, visited and met them. In lot of rural areas access to banking and ATMs is much lower than semi urban and urban areas. So consequently it is much more difficult for the rural people in deep rural areas to access new currency. So they are taking a longer time to repay our loans whereas their willingness is

probably very high and they are very embarrassed that they are not able to repay on time. On the other hand if you look at the big metros, the overcrowding at the branches and queuing up at the ATMs also makes that a very negative thing for customers to access the money. I think this reducing amount which could be converted to 2000 and this indelible ink and all that business has reduced the queues in the banks and in the recent last couple of days, so things might ease up or bit more as things go by in the big cities.

Gaurav Jani: But sir my question was more direct to the fact that in terms of the number of days taken by customer to repay. So how much would that be for rural customers compared to an urban customer right now or a semi urban...

Samit Ghosh: It is very difficult to say but we have told all our customers to take 7-10 days to repay whether they are in urban or in rural.

Rajat Singh: Whatever feedback we getting from these centers, customers are asking for 7 to 10 days' time. So that has been the average hours.

Moderator: Thank you. We have our next question from the line of Roshan Chutke from ICICI Prudential Asset Management Company. Please go ahead.

Roshan Chutke: Sir, firstly the moratorium period that we are offered, so is it proper interest fee period as in after they start repaying, we do not collect interest for this 7 days or 7 to 10 days that had gone pass by?

Samit Ghosh: We are not permitted actually by RBI to charge them penal interest.

Roshan Chutke: And secondly, are we seeing any unfair practices in the market as in player getting aggressive or buying out your customers and the like, see it is not a level playing field now right, you have some who can collect 500 and 1000 Rupee notes, some who cannot. So, are there any players who are going out and getting aggressive and making most of this opportunistic movement?

Samit Ghosh: No, I do not think so. Right now, people who are able to collect the 500, 1000 Rupee notes are collecting it and they are happy because maybe their collection

efficiency is better than those who cannot collect like us but for us, our ability to give them loans is what makes the difference.

Roshan Chutke: My point is BTs, we cannot do BTs still, the customer is frustrated, they can make promises of BT and you come here, I can accept everything Rs. 500 and Rs. 1000 and if they feel that the experience is going to be better at the bank right, then there is a possibility of switching over to a bank?

Rajat Singh: Yes, but those possibility in this segment does not exist at this juncture.

Samit Ghosh: No, they will not run over to a bank at this stage because they had a long experience, most of them have taken loans for us for years and banks have not given them loans, so they are not going to switch.

Moderator: Thank you. We have our next question from the line of Aditya Sharma from IIFL. Please go ahead.

Aditya Sharma: The dispensation given by RBI, do you think does it help the situation or does it actually vitiate, does it actually make the payment behavior any worse?

Samit Ghosh: I hope our customers do not see this and I do not think the customers will understand this that this 60 days added to substandard provisioning and all that. I do not think it is going to vitiate the atmosphere. So to us, the priority was to immediately diffuse the situation especially in states like UP etc. allowing us to take Rs. 500 and Rs. 1000 notes, this is something RBI could have considered later, it is a good thing but they could have considered later.

Moderator: Thank you. We have our next question from the line of Sahil Kothari from Unique Investment Consultancy. Please go ahead.

Sahil Kothari: Sir, my question is with this demonetization, you feel or customer segment which is self-employed entrepreneurs, small, medium enterprises, their risk profile in terms of our loan giving to them we change, we have to access the risk profile differently now, do you see any long term change in because of this situation?

- Samit Ghosh:** I do not think it is going to change in the long run as far as the risk profile of these customers is concerned.
- Rajat Singh:** This is one of the steps taken by government to regularize and bring them into regular economies. So, we have to see what other steps can be taken and basis that we can take a call. At this moment, we do not.
- Samit Ghosh:** Even this customers we have talked to who are going through this harrowing experience, they seem to be quite happy, they are saying this is a sacrifice we are doing for the country and all that. They are obviously expecting that things will dramatically change and they see this as a sacrifice of the trouble they have to take in these whole things. So, I do not think as far as risk profile will change or their attitude will change or anything.
- Moderator:** Thank you. We have our next question from the line of Pradip Raghunathan from Arohi. Please go ahead.
- Pradip Raghunathan:** The first question is on the collection efficiency, this 61% number, this would be the average days how is the trend in the sense you said going up and so what is the last two, three days collection efficiency?
- Sudha Suresh:** Yes, so we are quite encouraged by the trend that we have seen and the trend has been moving upward day on day, in fact the trend has been very positive in the last three days when it has moved up almost to an average of about 65% and so, there are states which are backed up with the collection efficiency almost up about 73% to 80% and the trend has been increasing and that is why we are indicating that we feel that it is a matter of a few weeks where we will be able to see some amount of normalization and is about collection fees.
- Pradip Raghunathan:** Understood. Secondly, the 61% number should be how much you are supposed to collect versus how much you collected but is there let's say, for example, 80% of the customers have paid at least part payment or something, would you measure something like that?

Sudha Suresh: This year, we are measuring that also but predominantly almost 90%-95% constitutes whatever has been due and collected, it constitutes the full payment and very small percentage or those whose came and said we will do a part payment this week and as soon as we get the new notes, we will do the balance.

Pradip Raghunathan: And from your perspective, are you continuously engaging with the customers even though they cannot pay, is the meetings etc. that is still on?

Samit Ghosh: Yes and that is very important and especially to handhold them, as I told you not many of them are also aware that they can go and collect with a withdrawal slip up to 24,000.

Pradip Raghunathan: And finally I do not know your view point on this, why RBI has been because RBI has been seen as pretty MFI friendly, in spite of that after 10 days they still have not gotten back to us on this Rs. 500, Rs. 1000 when banks, even SFBs are allowed to collect. What is the thought process behind that? Can you share some thoughts on that?

Samit Ghosh: See, the concern is, as I told you they are very sympathetic to our case. However, there are also demands from PSUs and also from other NBFCs. So, it is very difficult for them to unilaterally decide, as to, we will allow NBFC MFI and we won't allow these two. So I think that is the dilemma they are facing.

Moderator: Thank you. We have our next question from the line of Hardik Shah from Birla Sunlife Insurance. Please go ahead.

Hardik Shah: Sir, just one follow up question. What portion of your loan book would have actually fallen due in this particular period between say November and December?

Rajat Singh: So on an average, our monthly collection is in tune of 600 to 650 crores, that is over the whole month.

- Hardik Shah:** And sir, MFIs have actually started collecting weekly, so have you may be thought about doing something on that grounds that EMI comes down?
- Samit Ghosh:** MFIs which were collecting weekly are continuing to collect weekly, some of them were collecting fortnightly are collecting fortnightly and other MFIs who are doing like us monthly are continuing on a monthly basis. That is not this thing.
- Moderator:** Thank you. We have our next question from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** I believe your customers will have cash in hand but in old currency, so now with this reduction in the exchange limit, do you think that you will face more problems now?
- Samit Ghosh:** No, I think most of them have bank accounts so they can go and deposit this money in their bank account and withdraw from their bank account instead of going into an unknown bank and then converting money.
- Ritesh Poladia:** So, majority of your borrowers will have a bank account?
- Samit Ghosh:** Majority will have bank accounts but very frankly they have not been operating that, but they have bank accounts.
- Ritesh Poladia:** Your borrowers, what would be their average annual income profile and their saving profile and in which form they would be saving like gold or any physical assets or what kind of savings they would be having?
- Rajat Singh:** See, their annual income will be in range of 1.5 to 2 lakhs that will be the broad range, average and as far as saving is concerned largely informals, different informal segments of savings, sometimes livestock may be little bit of gold, chit fund etc. or cash also.
- Ritesh Poladia:** So, as we have also seen that majority of them having this chit fund savings, would they face the problem from that side and then it gets impact to you?

- Samit Ghosh:** I do not think chit funds will get affected by this, so far. I do not think there is going to be a problem with chit funds as what we have heard.
- Moderator:** Thank you. We have our next question from the line of Siewwai Mah from Sagatee Capital. Please go ahead.
- Siewwai Mah:** I just have one question. In terms of this loan that you are doing right now, the loan disbursement you are doing right now, are you doing anything differently in terms of credit control?
- Samit Ghosh:** Sorry, are we doing anything different in terms of credit control?
- Siewwai Mah:** Yes, credit control.
- Samit Ghosh:** So, whatever our usual processes there which we are following in terms of credit control but we are also looking at the particular area where we would disburse the loan and if there are any issues there, we would also look at the repayment behavior of the groups and, etc. much more carefully.
- Siewwai Mah:** So, you have in terms of home loan disbursement?
- Samit Ghosh:** Well, for three days we stopped the disbursement and as I mentioned, now we are focusing only on our existing customers. We are not acquiring new customers.
- Moderator:** Thank you. We have our next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Just one question. I think in recently you have announced that you got the nod of this SFB from RBI, so by when you are looking to accept deposit through your banking. I think there are some more approvals that is pending right?
- Samit Ghosh:** That is right.
- Deepak Poddar:** So, by when you are expecting to start accepting deposits?

Samit Ghosh: Well, we planned to start our operations early next year, probably February or early March.

Moderator: Thank you. We have our next question from the line of Prolin Nandu from Goldfish Capital. Please go ahead.

Prolin Nandu: You said that the rate of collection in these two states of Delhi and Uttar Pradesh are the least right, I mean 35% to 40%, so is this more to do with availability of currency or is it something else?

Samit Ghosh: Well, Delhi from what we hear is very difficult to access the currency because of the overcrowding at branches etc., that has been one of the major reasons for low collection in this thing. Uttar Pradesh again it is in pockets where we are facing problems and basically again its access to currency which is the main started with that but there could be some political interference also.

Prolin Nandu: So, sir again, coming back to, you are saying that it will be good for us if we get the repayment in the older currency right? So do you think that RBI not allowing you to take new currency, would further aggravate problems in such kind of pockets of Uttar Pradesh, is that the way to look at it although you might not be able to?

Samit Ghosh: I would look it at the other way. It would ease a lot of our problems in Uttar Pradesh if we are allowed to take these.

Prolin Nandu: That is what I was saying sir, I mean that although you won't be able to disburse it because it is older currency and you won't be able to give new loans.

Samit Ghosh: It will ease up a lot of our problems.

Prolin Nandu: And last question sir. I just wanted to understand typical MFI household, would it be fair to assume that it will constitute of some kind of a daily wage, daily laborer and do you see some kind of displacement of these laborers and that affecting the household income, I mean is there some initial tenders kind of a

data point to suggest that this might be a growing problem when it comes to household income?

Samit Ghosh: See, 70% of our customers are self-employed. Most customers have multiple sources of income. So, it could be that the husband is a driver or auto worker or is a farmer whereas the wife is running some small business usually tailoring and things like that, if it is the matured family it might have a son or a daughter who is working, normally they have two or three sources of income, all of them virtually majority of them. So, they are able to consequently absorb a lot of variation in cash flow of individual members of the family. They are not as you are thinking he has only one income, daily worker, daily wage this thing or these families have multiple sources of income and as you know we only lend to women and actually the women also provides the family a supplemental source of income apart from the husband.

Moderator: Thank you. We have our next question from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Sir, just one followup of the disbursements of 190 crores that you have done, is there any sense of what is the end use and what portion of that the borrowers might have used to repay other NBFCs?

Samit Ghosh: As far as end use is concerned, when we lend to them it is based on their occupation etc. So, bulk of our people are in business, so they would put it in business only. Individual loans, we go and look at what end users and verify it, etc. But the group loans, largely we go by the kind of occupation and if you see in the group loans basically these are family businesses, so the money goes into a kind of a pot but usually if they are in business, bulk of it will be used in business and right now their demand to make payments for businesses and all that is much higher. Some of it may go to repay some other MFI or whatever but bulk of it will remain go to the business.

Karthik Chellappa: So, indirectly you believe that the risk of us bailing out some other NBFC or MFI is pretty low?



*Ujjivan Financial Services Limited
November 21, 2016*

Samit Ghosh: Very low.

Moderator: Thank you. Ladies and gentlemen, that was the last question from the participants. I now hand the conference over to the management for closing comments.

Sudha Suresh: We thank you all for your interest in understanding the impact and your interest in Ujjivan's particular performance and updates. Thank you very much.

Moderator: Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect lines.