



# “AU Small Finance Bank Q1 FY22 Earnings Conference Call”

**August 06, 2021**



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**BANK**



*AU Small Finance Bank  
August 06, 2021*

**Moderator:** Ladies and gentlemen, Good day and welcome to AU Small Finance Bank Q1 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aseem Pant – VP (IR) from AU Small Finance Bank. Thank you and over to you, sir.

**Aseem Pant:** Thank you Tanvi. Good Day to everyone and welcome to AU Banks Earnings Call for the first quarter of FY22. We thank you all for joining the call today and we hope that you and your loved ones are safe and well.

As you might have noticed in our Q1 FY22 invite, this time the expected duration of the call is one and half hours.

We will have our Management Team led by our MD and CEO – Mr. Sanjay Agarwal, our ED – Mr. Uttam Tibrewal, Chief of Strategy for Commercial Banking – Mr. Vivek Tripathi, Group Head of Branch Banking – Rishi Dhariwal, CIO – Mr. Ankur Tripathi and Lead Financial and Digital Inclusion – Ms. Sunanda Sharma share their prospective on the respective businesses. This will take around 30 - 40 minutes followed by Q&A for about 40 - 45 minutes. We have a few other members from our Senior Management Team here as well.

For the benefit of everyone we humbly request everyone that the number of questions per participant be restricted to a maximum of two and please joined back in the queue or mail us, and if we can avoid repeating any question which has already been asked.

With that I will request our MD and CEO – Mr. Sanjay Agarwal to share his thoughts on the Bank’s performance and outlook.

**Sanjay Agarwal:** Thank you Aseem. Good evening everyone. Namaskar, thank you for joining.

We sincerely hope that you and your dear ones are doing well and keeping safe. It has been close to six quarters since the onset of the global pandemic. We stand in solidarity with the world for the loss of lives and livelihoods that is suffered globally during this time. With heavy hearts we would like to share that we lost 14 of our dear fellow colleagues during this pandemic. Even though we cannot fill the void, we are trying our best to support the grieving families left behind.

Safety of our employees is of paramount important to us. We are happy to inform you that 90% of our employees have been vaccinated with their first dose and 45% with the second dose.

Quarter 1 of this year remained exceptionally challenging due to reasons known to all of us, but we demonstrated a very robust performance. I am happy to share that entire team conducted themselves with lot of commitment and courage and I am really proud of my team.

The standstill caused by the second wave of COVID was for six weeks from mid-April to May end, but the impact of the lockdown was till June end so the business has suffered for eight weeks, but we all came back strongly. The major difference between last year and this year as a financial institution is that there was no moratorium this time hence the customer demonstrated better financial discipline. However, the demand still has the overcast of potential third wave.

We received wholehearted support from the government and the regulators in terms of relief, reforms and packages. Recently the Ministry of MSME reinstated PSL status of the trader segment. It will boost our other income during the year and also ensure continuous flow of credit to them at competitive pricing.

As a result, in Q1 we grew our deposits by 38% year-on-year, reduce our cost of funds by 88 bps point year-on-year, grew our AUM by 22% year-on-year and asset quality which is so important in this time remained reasonably resilient despite the market volatility.

We are very happy to share the launch of our Digital Bank, AU 0101, video banking and credit card in this quarter.

Going forward, we have priority for six focus area which I want to elaborate:

- The number one is scaling retail focused and sustainable liability franchise. We manage the overall growth in our liabilities in last five quarters with focus on retail. Last quarter we calibrated it considering the muted disbursements and managing the cost side. I am happy, how we are putting a ‘Method to Madness’ by putting in place many SOPs, developing insights and effective use of data thereby they are building the right way to work. We believe that our deposit franchise on the right track. We are keeping a balance between growth and cost, we believe our CASA ratio, CD ratio, cost of money and ALM are going in the right trajectory. We have lot of confidence that we will continue to grow as a deposit franchise balancing of all these sectors. More on liability franchise will be narrated by Rishi.
- Number two priority for us is to drive the sustainable growth from our asset products and similar customer segments. Our historical approach to assets remain small ticket size, for income generation purpose, secure lending and risk-based pricing and this really have helped us to emerge much stronger from this once in century pandemic. Our performance, our customer behavior during this challenging times have boosted our confidence and we continue to drive our asset growth by focusing on existing products which are Wheels, SBL, home loan, business banking and agri banking and of course we will deepen our penetration in our identified customer segments and markets. More on the asset strategy will be covered by Uttam.
- Collection actually was in focus for the entire business team throughout the last quarters. We touch base with all the customers and understood their present situation. Due to lockdowns restrictions businesses were impacted. We stood beside our customer with a solution-oriented approach and provided necessary support after

understanding each customer's business situation. In this quarter despite of lockdown of almost 60 days we were able to manage our asset quality. We restructured 1.9% of gross advances in Q1 FY22 which we feel is quite acceptable based on with the current scenario. I am happy to share that our customer responded well and so did our team. Our customer has shown a strong intent to repay their loans which have resulted in significantly better collection efficiency in June and July. The availability of legal recourse in July has ensured that customer accord priority to the resolution of his dues which resulted in some collection activity in 40% of our NPA accounts in July. In my opinion this is the first quarter since March '20 in which we are able to actually recover our dues on equal terms and more color on the asset quality will be given by Vivek.

- The most important thing which we are all building is our tech led ecosystem. Amongst the learning from the pandemic the one that emerged on top is the importance of technology though we always focus on investing in technology, but recently we have made significant strides towards becoming a tech led Bank. Our strategy around technology has four, five pillars:
  1. Digital.
  2. Digitization/automation
  3. Data and its analytics.
  4. IT infra and security.
  5. Digital marketing.
- As per analysis there are likely to be 15 crores digital first families in next 10 years and for them banking is to be digital too. As banking is all about trust in the coming times will be defined by 'Convenience, Availability, Speed, Security, Flexibility and being Customer Obsessed'. These are the foundations on which we have designed our Digital Bank. The best part of the last quarter in our digital journey is that we have launched our Digital Bank that is AU 0101 and we are all very excited and thrilled about it. This App offers solution around savings and FDs, credit cards, loans, investment, insurance, bill payments and other life system solutions like cab and flight bookings, recharge and tax payments. We are getting tremendous response for this. We now offer multiple channels of digital and contactless banking like video banking, WhatsApp banking, chat box which enable our customer to fulfill their banking requirement from their comfort of their living rooms. We have also launched credit cards for our customers. I am happy to share that we are the first and only Small Finance Bank to have its own credit card and that too on Visa. Till date we have issued 25,000 cards around it. We also have installed 1 lakh QRs by Q1 and are scaling that up multifold this year. I personally believe that Digital Bank is the way forward and it has to be supported by data and data analytics which you are working upon. More will be communicated by Ankur in his call today.
- The fourth priority is around how we empower our team and make them more capable side. We hired close to 3,000 bankers in this quarter including the tech team and the senior management. However, the uncertainty due to pandemic with appreciation around the third wave combined with the heightened competition in the SFB space poses a challenge in terms of hiring, relocating and retailing talent across the country,

but more so at Jaipur. We are becoming the preferred poaching ground for many banks, NBFCs and Fintech. This remains an ongoing challenge which we are trying to address, however, we continue to see some churn including at senior level.

- The most important thing is to create a brand, the fifth priority is around creating a brand awareness around AU. We believe that a strong brand equity can be significant enabler for a Bank to achieve its long-term objectives as it will enhance the awareness of the Bank, its visibility, increased customer loyalty and helping in attracting and retaining talent. I am very happy to announce on this call that we have onboarded Mr. Aamir Khan and Madam Kiara Advani as our brand ambassadors. We are going live with our brand campaign in next couple of weeks.

The most important purpose of being a small finance Bank is our commitment towards ESG goals. We have been socially inclusive organization by design. Our business model has been focused on lending to the under-served segments in rural and semi urban geographies thereby creating employment, empowerment and developing financial inclusive clusters. Recently we receive a special award as a best performing SFB from NABARD. It recognizes our efforts in facilitating agriculture credits, driving financial inclusion and in enabling technology adoption. More on financial inclusion and CSR will be followed by Sunanda.

As we speak today, I feel that things are settling down quickly. July was better than June and we hope that coming month will be far better in terms of life with mass vaccination drives and livelihood with demand picking up, but this is all subject to how the third wave pans out in coming month. The growth momentum in the country has largely recovered from the slump of the second wave and looks on course to meet RBI GDP growth forecast around 9.5%.

CAPEX has picked up especially for the SMEs and we are seeing Brownfield and Greenfield expansions. I strongly believe that India is on the verge of creating history through resilience and a strong comeback, however, we still have to remain cautious in next three quarters affecting the impact of potential third and fourth wave.

To sum up:

I would like to say that we are cautiously optimistic, happy with how we have handled the roller coaster ride of last six quarters and while we will hope for the best we are prepared for the worst. Quarter 1 and July gives me the confidence that life in the tunnel is slowly visible. We are all well positioned to make the best in the opportunity in this country and the banking platform has to offer. We are now three quarters away from becoming eligible to apply for the Universal Bank License and we will take right call at the right time. We are happy and grateful as how the five-year journey is getting completed and how we are growing as a Bank.

This brings me to the end of my time. Thank you and stay safe. Handling over to Uttam for his business outlook on assets. Thank you so much.



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**Uttam Tibrewal:**

Thanks Sanjay. Namaskar and good evening to all of you.

The quarter gone by has been one of the most challenging in terms of human loss and emotional vulnerability. The pandemic and its effect from society at large has been discussed in much detail.

Over next few minutes I endeavor to share some ground realities around our key businesses Wheel, SBL, Housing, Business Banking and Agri Banking.

But first I would like to extend my gratitude towards every AUite who stood firm on ground with customer during this tough time. Our all employees whether the sales, service or collections were fully operational during the quarter with one mission - To help customer, point solutions, and ensure that portfolio quality is paramount.

While the situation might eased out, the customer footfall is lower than expected at around 50% to 60% of the pre-COVID level and majority of the customers are deferring their business expansion plans hearing the possibility of a third wave.

The collection momentum in July has given us confidence to look forward to the remaining year. Ofcourse accepting that we have to live with this and the impact may not be severe. I am excited around the opportunity of all our asset businesses in the post-pandemic world.

I am happy to share some key insights on each of our businesses:

First of all, Wheels:

Wheels Financing is our flagship and largest businesses for the Bank where we have more than 25 years of experience. In line with the market and ease in this book is currently elevated to 5.9% but we remain hopeful that opening up of the economy, resumption of certain segments like taxi and commercial passenger will add resolutions in coming quarters. We have already seen some attraction in July. At Rs. 40,000 crore of AUM across 6 lakh customers, our Wheels business still remains relatively small compared to the larger players in this business who have AUM over the upward of 50,000 crores.

We believe we can continue to grow significantly above the market coming two, three years once the situation normalizes.

Demand in new vehicles is expected to remain resilient with COVID induced preference for personal vehicles as against shared mobility. OEMs remained bullish and indicators like advance booking, waiting period, etc., are all quite positive. Similarly used car market is expected to continue to grow at a higher than the new car sales market.

Contribution of tractor segment has now reached to our 8% in Wheels portfolio and tractor demand is likely to be supported by a record Rabi output, record Kharif procurement, favorable

crop prices and expectations of normal monsoon for the third year in a row, all supporting rural customer sentiment.

Two-wheeler is a fairly new segment for us and we will continue growing cautiously in this business. We also remain watchful of the upcoming opportunity in the EV space and have cautiously started funding there. We believe there would be good demand for the EV in the coming times. FAME 2 and state subsidies are making these vehicles affordable and raise an inclination in buying EVs. We are also looking at digital as a medium for enhancing customer experience and also automating and digitizing our internal process to drive efficiency and cost optimization.

We are building a customer journey, partnering with OEMs like Maruti and strengthening analytics for preapproved offers on AU 0101.

Further talking about our SBL business:

It is our own product with unique features like low ticket size, 50% LTVs, lending to unorganized MSMEs for business purpose and secured by collateral. It is a highly granular and well-diversified business with no dominant segment or profile. This book has now scaled to Rs. 48,000 crore AUM across 1.5 lakh MSME businesses and has remained one of our more stable and resilient businesses with NPA contained at 4.2% even during such a devastating pandemic. We will continue target profiles that performed relatively better during the pandemic like FMCG retail schedules, grain merchants, fruits and vegetables, traders, agriculture related equipments, bakers, shops have grown.

We are also focused on increasing the business share from our existing states of Maharashtra, Gujarat, Himachal Pradesh, Haryana and Chhattisgarh. While our core SBL markets of Rajasthan, Madhya Pradesh and Delhi provide steady growth, we also looked to enter some newer states like UP and Uttarakhand in near future. We have launched a new digital onboarding application 'Rapid' embedded in a handheld device for improving the efficiency of file loggings and processing. This eventually leads to enhancement in productivity, give stats, and cost optimization.

Moving on to home loans:

We started our housing finance business on the banking platform about three years ago and are right now build our portfolio of Rs. 1,400 crores onboarding 13,000 customers. Between the current portfolio and our erstwhile subsidiary AU Housing, the management has more than a decade of experience in the housing finance market and we are now well-positioned to take advantage of the market demand. Growth in this business is a natural progression for the team with a deep understanding of customer behavior, understanding of various local nuances with decade long relationships with a market participant. At present we are operating in seven states and offer home loans at (+190) locations and are adding branches every month. We do our asset



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business from (+600) locations and thus from here on expanding home loans will be on a plug and play model. Our reducing cost of funds also give us an opportunity to tap into the credit profile customers. Also with RERA stabilizing and providing for better control over buildup projects, we are also looking at increasing our share in good projects as we move forward.

Overall, we have a small AUM of 1,400 cr with stable team, policy and process. We have more than a decade of experience and relationship in this business and a opportunity to do expand our home loan offering to all our (+600) locations from the current 190-odd. We believe the opportunity is really big for this business and we can build a strong housing franchise in AU over the coming few years.

Further our two main businesses on commercial banking platform are Business Banking and Agri Banking which we started on our banking platform and after four years the team looks well settled, product policy and processes have all been put in place with business performing resiliently during the COVID induced pandemic.

We are purely based on gross advance book of Rs. 3,000 crores in these two businesses apart from a significant non-fund-based business. Both these businesses provide strong fee opportunity in the form of non-fund-based lending and transaction banking. The Bank has onboarded more than 6,000 MSME/SME customers in this business in the last few years and are also working with the branch banking team to convert them into liability customers helping our CA and SA balances. We will continue to grow this segment by focusing on expanding the geographic footprint, differentiating ourselves with servicing and providing the export solutions to MSMEs and focus on liability and transaction banking business from these customers.

With our declining cost of funds and settle teams, AU is well-positioned to take advance of this up cycle and grow this business.

Among the new businesses while we have to scale our credit card businesses initially focusing on ETV customers others like personal loans, gold loans, etc., are branch led products where we want to service all the requirements of our deposit customer.

All in all, our asset franchise is shaping up quite well with a mix of new and old businesses, all gunning to capture market share supported by a stable team, reducing cost of funds, faster adoption of technology in our daily working, our ground connectivity and our increased focus on penetration in non-Rajasthan geographies.

I am personally very excited to lead this business and look forward to sharing more with you in the coming quarters.

With this outlook, I will now invite my colleague Vivek Tripathi to share our views on the asset quality of these businesses. Thank you, stay safe.

**Vivek Tripathi:**

Thank you everyone. I will be giving a brief perspective on asset quality. Most of our borrower base is self-employed and running small businesses in the earn and pay segment. Therefore, was significantly impacted during the first and second wave of the pandemic. However, soon after the mobility improved and the businesses were allowed to open up, we saw collection efficiency is bouncing back to normal levels in both June 2020 as well as in June 2021. This time pickup in collection efficiency was steeper compared to the last wave. The collection efficiency and customer activation numbers of June and July are in line with our pre COVID levels which is Feb, March 20. The collection efficiency in June was at 114% compared to 95% and 94% level April and May.

Further collection efficiency in July 21 remains strong at 110% similarly the customer activation has also improved to 92% in June and July as compared to 87%, 88% in April and May. On a gross NPA, part our GNPA remained stable in fact reduced marginally from 1,503 to 1,496 crores in absolute terms, however, the situation remains fluid and if there is no third wave and no further lockdown happens then as of now it looks to be under control and July collection efficiency numbers also support the positive statement. On the restructuring front since there was no moratorium unlike Q1 FY21, therefore customer had to approach us for restructuring and we have facilitated these customers as per governance and regulatory requirement. We are seeing now significant tapering off demand by borrowers as the situation is improving.

Furthermore only 1.9% of book availed restructuring in Q1 compared to 11% who had availed complete moratorium during in Q1 FY21. The Bank has done 658 crores of standard restructuring in Q1 and as on 30th June, the Bank has total of 1,265 crores of standard restructure book which is 3.6% of our gross advances. Out of total gross advances on 30th June, 58% were originated before March 2020 and 42% were originated 4<sup>th</sup> March 2020. Further post March 2020 book is 92% current and contributes only 2% of GNPA and 2% of the restructured asset. The resilience of this book shows that the calibrated approach of underwriting during the pandemic time has validated our understanding of choosing customer segments, we have also been cautious on fresh exposures to secure such as hospitality, education, tours and travels which are yet to recover from the impact of COVID.

On moratorium book as on 30th June 2021 Bank had outstanding 4 and 4 plus month moratorium book of 4,900 crore. This contributes roughly about 79% of bank's NPA and 72% of restructured assets. However, 45% of this book is current and another 20% in the first and second bucket therefore we expect further slippages to be minimal from this book. Bank has done cumulative ECLGS disbursement of 871 crores till June 2021 out of this 302 crore was done in Q1. On a security enforcement Bank has limited legal recourse for security enforcement till April 2020 - June 2021 which is 15-month period both due to internal calls to facilitate customers as well as lenient view of judiciary and administration.

However, the customer's intention to retain their loans has shown very strong attraction also resulting into a significant better collection efficiency. Further availability of legal recourse to the banks have ensured that customer record priority to the resolution of their dues this has

resulted in some level of activity in almost 40% to 42% of our NPA account in July 2021. On the provisioning part, the Bank is carrying a provision of 730 crores against GNPA of 1,496 crores with PCR of 49% provision of 207 crores against the restructured asset of 1,265 crores and four out of this contingency provision of 190 crores. Bank has already provided accelerated provisions of 430 crores on NPA over and above the regulatory requirement.

Our NPA book is quite granular with ATS of almost 1.5 lakh in these which is secured by vehicles around 7 lakhs in SBL which is again secured by self-occupied residential properties or self-occupied commercial properties where average the LTV on NPA book on principal outstanding is around 29%. Therefore, our circle credit loss have been low in both these books. Similarly on the restructured book is very granule and backed by revenue generating asset, or self occupied collaterals therefore, we feel the current provisions are adequate to cover any slippages. It is also important to note that a significant number of our customers clear all their dues on the collection efforts or security enforcement notices. On the residual part where we need to impose our securities our historical Repo loss since FY19 has been around 35% in the vehicle or any loss on settlement or property disposal in SBL has been around 20%.

Therefore keeping these factors in mind, we feel confident that PCR of 49% is quite likely to be more than sufficient to cover any credit loss arising from this book. Further over and above this Bank is also carrying a contingency provision for any unforeseen slippages or unforeseen environment. So, that is it from my side handing over to Rishi ji.

**Rishi Dhariwal:**

Thank you Vivek and good evening everyone. The liability team has the onerous task of ensuring uninterrupted services to customers as part of essential services. My gratitude to the entire team for their commitment to serving customers in the phase of great difficulty and exposure to risk. In his fifth year now branch banking businesses are coming of age in AU and made these very exciting times for our 6,000 plus team members. Launch of AU 0101 super app or credit cards and the upcoming brand campaign that Sanjay mentioned are the most awaited boosters to deepen our relationship with customers and drive customer acquisitions. We have also used the last quarter to make significant changes in the way we drive retail branch banking to achieve greater retailization, customer engagement and productivity essentially bringing method to the madness of retail.

Let me first touch upon overall business highlights before I share more details about how we are building the liability franchise. On the liabilities front, our overall savings deposits growth has been 166% year-on-year from 3,045 crores in Q1 FY21 to 8,102 crores this quarter. The Bank has close to 15 lakhs savings accounts as of June 21 almost 1.25 lakh current accounts in June 21 our current account business grew by 68% year-on-year from 824 crores to 1,387 crores. With a majority of our QR and POS deployed with these customers, we are able to capture the cash flows of these customers, opening up opportunities for lending. Our CASA ratio was 26% as of June 21 versus 23% in March 21 and 14% in June 2020.

Improving our CASA balances and optimum pricing on our savings deposits. Savings and deposits will help us to reduce the overall cost of our deposits. We activated 72,000 debit cards in this quarter. Our partnership with ICICI Prudential and future generally for life insurance and Aditya Birla and care health for health insurance has enabled us to sell more than 10,600 policies. We also have more than 34,000 three in one broking accounts cumulatively through our partnership with Motilal Oswal Financial Services.

In addition, we have about 9,000 customers who invest in mutual fund, SIPs through AU. With mutual fund and broking services now available through our AU 0101 app we expect these volumes to go up significantly. Over the last couple of years, we have built dedicated channels for current account, KAM, key account management, task, NR and enterprise salary. Branch banking follows the philosophy of AAEDRR which stands for acquisition, activation, engagement, deepening, retention, and referral. Since the past four years we have focused our efforts on acquisition and activation. Going forward we will be placing a lot of emphasis on engagement and retention to build sticky retail relationships.

During the quarter we have launched three new products AU platinum, a family banking program, royal world targeted towards NR customers and AU power current account to fulfill the needs of retail merchants and traders who are tech savvy and aim to provide digital payment solutions to their customers. These initiatives have resulted in about 47% of the savings customers regularly transacting with us with average transactions per transacting customers at 16.6 transactions during the quarter and product per customer at 1.4 products. Current account customers have better transaction volumes with 62% of the 1.05 lakh customer regulatory transacting with us at the rate of 57 transactions per transacting customer and PPC of 1.73. We believe that the RBI circular on current account should help us to grow our businesses with small businesses. I will talk about our plans for physical distribution.

So, physical distribution is important for branch banking and yet increasing digitalization poses a constant debate about the need for branch expansion. However, with 73% of all the deposits in the country located in metro and urban regions where we have about 135 branches we aim to expand in these markets to drive volume growth in deposits. With more and more transactions being done through digital channels we are optimizing the size of our branches given the shift towards digitalization and our investments in video banking where we take the branch to the customers home or office. Digital initiatives around mobile app and video banking are key to drive customer engagement and conveniences. On our 0101 super app we have about 4.5 lakhs users and growing daily.

The number of transactions on the app has been increasing rapidly recording approximately 20 lakh transactions in this quarter. We classify our customers as tech savvy or digital customers, migration of tech savvy customers to digital customers is targeted through payment and cash management offerings offers on credit cards on debit cards as well as e-com platforms. One of its kind offers platform embedded in our AU 0101 super app making it convenient for customers to avail offers etc. A series of offers have been rolled out with the intention to increase customer

engagements like discounts on Swiggy, BigBasket, Dominos and Make My Trip. These offers do result in balance improvement of customers, especially in the urban markets.

I will now talk about our way forward. The initiatives on customer engagement, distribution and people capabilities and investments coupled with the brand campaign that Sanjay touched upon will enhance our brand acceptability and provide the much-needed impetus to now take the foundation played over the last four years to scale the business from here onwards. Stability in manpower leadership our ability to attract talent and commitment and dedication of our teams, our initiatives and training, gamification of sales processes and customer engagement matrix through well designed recognition programs for employees and reward programs for customers ensure that we are all geared up to grow the business to scale. One of the badlav brought by us four years back is now being implemented by others with other banks also offering monthly interest on savings to customers thereby benefitting the citizens of the country. We are very excited about our liability journey and assure to make a differentiated retail banking franchise through our initiatives and customer engagement AU 0101 super app, video banking and the upcoming brand campaign. My colleague Ankur will tell you more about the digital initiatives of the Bank. Thank you.

**Ankur Tripathi:**

Thank you and good evening everyone. At AU we aspire to be a tech led Bank and have been building our capability across all five pillars namely digital, digitization, data, digital marketing and infra and security. Last quarter we launched our flagship digital properly AU 0101. It is accompanied by the ecosystem of net banking, WhatsApp banking, audio chatbot and video banking. Truly omni channel and mobile first platform AU 0101 offers full start payments should and end-to-end onboarding journeys for the savings account, fixed deposit, credit card, auto loan, personal loan, the insurance and investment products. It also offers host of lifestyle services including mobile recharge, hotel booking, flight booking which are integrated with customer's AU Bank account for payment.

Since the launch of 0101 we have seen 100% increase in new customer registrations and monthly active users have gone by 25%. As of now 97% of all financial transactions and approximately 63% of service requests are being done through digital channels. The feedback, love and appreciation our customers and employees have bestowed upon us is quite inspiring. We are pleased to share that AU 0101 is one of the top rated banking apps on both android and iOS platforms. Another key milestone in digital journey is our video banking service. Bank has rolled out the dedicated video banking contact center with 100 video bankers. We have onboarded more than 4,000 customers and have done more than 6,000 interactions in the month of launch. It purposely compliments our branch banking business. We foresee each video banker operating as one branch with cash and cheque being an exception.

In our industry first initiative, we have integrated video banking platform on AU 0101 that enables customers to open a savings account, fixed deposit account and perform financial transactions. Customers can also do more than 300 service requests available with the Bank. We launched AU Bank credit card on Fiserv and Visa platform through 0101 we have rolled out a

four-step journey for approximately 1 lakh existing Bank pre-approved customers. We are in the process of rolling out a similar journey for non pre-approved as well as new to Bank customers.

We are also building our merchant and SME stack offering payments, reconciliation, and digital collections. We have acquired more than 1 lakh merchants on UPI QR out of which we have the industry best activation of 60%. It gives us a great opportunity to build transaction banking relationships with these merchants. To further deepen our engagement, we have now started offering unsecured loans to merchant basis their transaction history. Another key player of Digital Bank is reaching out to the customer through contextual and real time nudges. We have partnered with Adobe to build state of art marketing tech platform to enhance our capabilities for running campaign at scale. We are utilizing technology to digitize our sales operations process and build an efficiency at scale.

With these automations we have also enhanced our data quality through more than 100 API validations in the backend. This makes our backend operations even more scalable. More than 90% of our sales officers are now enabled with mobile apps either through a separate tab or through BYOT. With digitization of the remaining 10% business plan for next quarter, we would be one of the very few banks to digitize its 100% of sales force. To bring an enhanced sense of security and convenience for our customers we have channelized our efforts to strengthen our cyber security framework, we have invested in best-in-class security operation center all components across network, infrastructure and application undergo periodic vulnerability assessment and application security check. From an infra-availability perspective, we have zero data loss for all credible transacting system with scale over to DR environment fully automated.

Over last one year we have achieved an infra up time of 99.99%. We envisage a tech savvy customers will only engage with the Bank through one of our digital properties and the only way to understand the customers is through data analytics, to sharpen our efforts, to acquire, engage and serve our digital native customers we are steadily strengthening our data warehouse in data analytics capabilities. At a Bank level, we have more than 400 employees dedicated to our Digital Bank agenda shouldering responsibilities across technology, digital marketing, product, analytics, sales, and operations. We are strategically investing in our technology team to attract best tech talent.

We have employees from premier institutes mostly with Fintech consulting, investment banking and ecommerce background working on our digital roadmap, we are ramping our technology team and plan to hire more than 100 full stack developers, product managers and designers to further strengthen our digital and analytics outlook. Other than these initiatives we are also building our stack for account aggregators, real time offers and VNPL which we expect to launch this year. There is immense excitement within our team and we are not going to miss out on joy of building more customer centric digital banks. To talk more on our technology and digital strategy we will schedule a tech day in the coming months, IR team will confirm on exact slots in due course. Thank you and now over to Sunanda for further updates on financial inclusion CSR and ESG initiatives.



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**Sunanda Sharma:**

Thank you. Good evening everyone. With the launch of our digital banks, we have expanded our wings which will help us soar higher towards the most prosperous and sustainable tomorrow. In the ever-dynamic world full of uncertainties it is our roots that have always guided us in the right direction. Mr. Tripathi just showed us the strength of our wings and now I am here to show with the depth of our roots. The very foundation of AU Banks was laid for empowering the economically weaker section by providing them better access to credit. Our business model is aligned with the UN sustainable development goals, SDG as we have been lending to the under-served segments to the last 26 years. Our purpose of empowering India begins with eradicating poverty which contributes to SDG 1 and reducing inequalities as per SDG plans. While we strive to build an inclusive society to address the social, occupational and residential vulnerability.

For us, financial inclusion is a vision of building the society where every individual has access to financial services irrespective of his or her social economic background. With a systematic approach, we have segmented our financial inclusion efforts in three key dimensions that increasing access, increasing usage, and enhancing quality through financial education. The access usage in quality framework approach is adopted from RBI national strategy for financial inclusions. For improving access, we have established 31% of our touchpoints in unbanked rural centers and have presence in 41 special focus districts as recognized by NABARD and NITI Aayog. For increasing our usage, we offer a bouquet of Financial Services that includes basic saving Bank deposit accounts, micro insurance and pensions and several products tailor to the needs of financially vulnerable sections.

We have served more than 1 lakh Jan-Dhan customers and secured over 30,000 under Jeevan Jyoti Bima Yojana, Suraksha Bima Yojana and Atal Pension Yojana. To address the occupational vulnerabilities, we have offered income generating loans under Mudra and PM SVANidhi to more than 3 lakh customers. We have funded affordable housing projects under PM Awas Yojana for more than 5,000 customers from economically weaker sections addressing their residential vulnerabilities. For enhancing the quality of consumption of banking services we conduct financial literacy camps through street plays in the local fold to focus on concept literacy. For profit literacy our digital literacy counselors aid a customer in their digital journey while financial inclusion is providing a strong social perspective to business at AU.

The CSR Wing is continuously working towards community development till date we have empowered more than 1,000 women under AU Udyogini program established to women community institutions to more than 50 plus entrepreneurs in rural areas. Besides that, the AU foundation team has conducted over 4,000 financial and digital literacy camps with an outreach of 5 lakh plus beneficiary across 12 states. Side by side AU foundation team works relentlessly to support the nation during the COVID times. The team set up infrastructure for COVID relief supported 10,000 migrant conducted vaccination drive and distributed safety gear for frontline works. In all we have contributed 7.5 crores towards COVID relief measures till date. Coming up with the ESG framework I have sufficiently covered the social aspect through our efforts in digital and digitization we have been able to positively impact the environment by reducing our

carbon footprint. Our digital customer on boarding journeys have led to positive externalities in terms of reducing paper and fuel usage.

Strong governance has been the backbone of our growth in the start of our journey which has been further validated time and again their market, regulators, and rating agencies. With our first integrated annual report in FY21 we have taken a step to track a ESG impact more closely and ensure increase monitoring and reporting in all three dimensions of this framework. We had AU understand that the new realities will require us to pivot our finances towards greener, responsible, and more sustainable areas while maintaining a strong asset book and ensuring growth for all our stakeholders where we know the journey is long we have committed to building a Bank for all. With this, I would now like to hand over to Tanvi for Q&A.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

**Rohan Mandora:** Sir if you could share what would be the total **30+** overdue including NPA as of June end and as of March 21 and second on Slide #22 we have shown a comparison on Q2 credit par 90 plus versus overall now as I understand the underwriting standard will be similar in both categories of customers, so what would be the reason why delinquency are higher than new-to-credit customer what have been our operations here?

**Vivek Tripathi:** So, as far as I would give you answer that 30 plus it is SMA-1 bucket you are seeing and SME 2 bucket both put together is about close to 6.7% as of 30th June. As far as if you look at our core customer segment and the areas where we operate it is over the year period we have mastered the understanding of those customers because most of them are new to credit. So, almost historically the ratio was much higher obviously now because the credit growth to these areas has also increased, but still 30% to 32% of our customers NTC and so our understanding of that customer segment enable us to underwrite them better and some of the urban segments and that is why that major of the segment historically has been better with us.

**Rohan Mandora:** Sir one more thing I think roughly 6% in SMA-1 plus 2 and from annual report we have indicated that 14% of the loans are contributing the majority of shares of which roughly 6% who are in the non NPA and noncurrent category, so would it be fair to assume that there is a fair amount of overlap between these segments right now?

**Vivek Tripathi:** So, it is not that the entire 4 and 4 plus book is under stress right within that book also 45% of our customer is current, the customer base which availed 4 and 4 plus moratorium 45% of that book is current.

**Rohan Mandora:** But the remaining amount comes to roughly 6% of the book and we are having a similar SMA-1 plus 2?

**Vivek Tripathi:** So, that is fair Rohan I would say in addition to what Vivek ji said I think that is a fair assumption to make that there will be a significant overlap between 4 and 4 plus and the SME book.

**Moderator:** Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal Securities. Please go ahead.

**Nitin Agarwal:** Couple of questions like firstly of the disbursement side of the 1,900 crore that you have disbursed in this quarter if you can indicate how much we have done in June and how has been the trend in the current quarter so far and also like out of curiosity if I look at the disbursements in Wheels are like more than 6 times of the MSME which is the largest vertical for us, so what has caused this gap this quarter because I thought Wheels is like equally at stress or maybe more at stress?

**Sanjay Agarwal:** So, June number is close to 1,000 crores and July also we have touched around 1,300 crores. So, July is far better than June and what is your other question?

**Nitin Agarwal:** The other is like of the total disbursements Wheels is like more than 6 times MSME which is the largest vertical for us, so why this sort of anomaly I thought Wheels is like more probably more under stress than other segments?

**Management:** Nitin Wheels is 5.9% gross NPA if that is what you are mentioning in SBL.

**Vivek Tripathi:** The disbursement in Wheels and the SBL difference is because primarily the Wheels there was a written demand for eVehicle and so the disbursal number has picked up in the month of June. SBL where it is largely B2C customer segment retail trade largely therefore the effect of lockdown on that segment, was for a much longer period and the disbursement which you would see has started picking up from this month and we would see greater momentum in the coming months. So, we expect with the festivity and festive season this number will pickup again, but yes Wheels is a very direct correlated business with activity at our dealership and that is why you see a greater attraction there.

**Nitin Agarwal:** And secondly on the liability side if you can touch upon how the far balances per customer are moving now. We are seeing very strong attraction on savings rate backed by the interest rate also that we are offering and so what are thoughts also on the SA rate like we have changed some slabs, but we will continue to maintain this high savings rate?

**Rishi Dhariwal:** So, we have reduced our if I first talk about the rates right the structure of the rates that we offer allows us to tweak them to ensure that our cost of funds is sort of optimized and I mean how till how long we will offer the high rate is something that we will calibrate as our book draws, but currently our SA book is at 8,102 crores. So, I would believe that is a call that we will take over a period of time, but if you would look at the structure that we offer up to 25 lakhs we are not really offering a very high rate which has helped us to optimize our overall rates. We are able to retailize the overall savings book with the good traction on the savings acquisition and the

current account acquisition in the last couple of months again. Of course, April and May were difficult, but June and July our acquisitions are back to what we were doing in say Jan and Feb. So, we do believe that I mean we can continue to retailize the book and keep the costs under control because if we originate at the lower end of the overall buckets in which we offer pricing we should be able to continue to retailize and manage the cost of deposits on the savings book.

**Moderator:** Thank you. The next question is from the line of Hiral Desai from Anived Portfolio Managers. Please go ahead.

**Hiral Desai:** I have couple of questions one was on the collection side so just wanted to get a sense on how you guys have managed collections post the second moratorium because you know clearly delinquencies have gone up, people movement has been a challenge in last couple of months, so how large is the team today versus where it was in FY20 and for deeper buckets do you work with agencies so if you could just give us a framework on the collections bit?

**Vikrant Jethi:** Regarding the field approach collections approach I would say things have definitely eased out over the last two months with the COVID restrictions lifting up our face-to-face interactions with the customers gone up, with regards to our strategy what we have done is we have formed a special task force comprising of collections, credit, business scheme and of course we have been providing solutions oriented approach this is the feedback which has been coming from this taskforce. Of course, our legal recourse which were little subdued I would say in April and May with June onwards we have changed our stance and that is also helping us pickup our recoveries. We talked about agency penetration largely our agency is set up this Tier 1 and Tier cities in Tier 3, Tier 4 we continue to have our strong presence of the inhouse team.

**Hiral Desai:** And how large is the team on the collection side as in number of people?

**Vikrant Jethi:** So, we will have over 2,000 collection executives on the ground.

**Sanjay Agarwal:** So, Hiral just to add what Vikrant has commented I would say from last one year post June 20 our collection team remained very agile and very specific on collections. Of course last full year we did not have any legal resources so we have very soft kind of collection approach, but the entire team whether sales, operations, credit, field investigation guys, even collection guys through agency we put all the resource to really have a focus on understanding customer first whether he is able to pay us, whether he is able to build his business. So, I believe last year also we have had a phenomenal number also on because of our efforts this year of course April, May was completely washed out, but June we came very strongly and again we build entire ecosystem so we really have to understand our customer first and then see whether we can repay in near future or whether he is not able to pay us. So, I think it is a really well rounded of growth and with lot of focus on senior team ownership and I believe the kind of response that we are getting now after we build an equal kind of system with customer now because we do have also legal recourse available. So, I strongly believe if COVID third or COVID four does not come then again can build a very decent number around it.

**Hiral Desai:** And Sanjay the second question was I think during the asset quality update I think there was some numbers mentioned on the vintage of the pool like on the restructured book, book which was sourced prior to March 20, so if you can just repeat that number because I missed those numbers?

**Vivek Tripathi:** 58% of books was originated before March 20 and that was on overall gross advance levels so at the restructure book level and 42% is post March. I was talking about the contribution the older book was contributing largely on the NPA and restructured assets, the new book has shown very good resilience and the learning around COVID was there in an entire underwriting approach.

**Moderator:** Thank you. The next question is from the line of Amit Nanavati from Nomura. Please go ahead.

**Amit Nanavati:** Just wanted to check again on the collection trend it is the entire quarter so to say 101% collection efficiency was slight strongest especially in the context of April, May where the collection teams were also impaired in general when we take feedback across companies, so to your mind what has really worked best for us in the sense that you have a legal recourse option which is available this time around not available last time around much strengthened collection team this time around versus last time when we entered into Wave-1 or in general if there is a resilience in the customer this time versus last time if you can just quantify that?

**Vivek Tripathi:** So, if you compare last year as I said the major difference was with the approach itself. There was a moratorium lot of people opted for moratorium. This time the option was for restructuring that customer has to come forward and request us. We would evaluate, that was one of the major driving factors and if you even look at the collection efficiency during the peak of pandemic in April and May which was around 94%, 95% vis-a-vis of 58% of the similar period in last year so the difference was itself was from the approach of customers right and second I would want to really compliment my collection team and the whole environment around AU in terms of our approach. So, I think we might be running one of the best collection team in the country to be very honest because the way they build themselves even in the toughest time it signifies that right and it is not about last year and this year if you really see our data even Q2 of last year or Q3 of last year or even Q4 of last year you know was significantly higher from the competition. So, I would say collection in AU is in our DNA and we run a model called lending and collection I think that is the overall approach which really helps us in this tough time also.

**Amit Nanavati:** Secondly if you can just give some comments around the ONAN pool 1.5% has reduced to 0.2%, just wanted to understand whether there is a flow forward or reversal through earlier B2B buckets?

**Vivek Tripathi:** On ONAN pool since there was an onset of major issues in April and May so almost 20% of ONAN pool as we speak as we have out of if we talk about whatever we had at 31<sup>st</sup> March our 30% got upgraded where they have repaid the overdue and became regular with us. Almost 50% got slipped because the further pandemic second wave hit them hard.

**Amit Nanavati:** Last thing any outlook on growth if you want to kind of comment on I understand Wave-3 will still have uncertainty, but similar to last time if you have seen in traction where we can kind of cover it further....

**Vivek Tripathi:** Difficult to answer to be very honest I would rather want to wait for one more quarter because there is a lot of discussion around the COVID 3, COVID 4 so otherwise you have seen our data which says that once the normalcy comes in we will have a lot of opportunity honestly and I personally believe post pandemic and I do not know the timeframe India is in the verge of another kind of growth story for next 10 years, lot of CAPEX I am seeing it, lot of new things coming in, our own market whole tax how they are shaping up. So, I believe let us wait we handle this COVID 3, COVID 4 kind of we challenge and then I think we should talk about growth.

**Moderator:** Thank you. The next question is from the line of Renish Hareshbhai Bhuvra from ICICI Securities. Please go ahead.

**Renish Hareshbhai Bhuvra:** So, sir just couple of questions one on the preventive customer pool of 8% so I am referring to Slide #21 so full paying customers are 88%, part paying are 4%, so I am assuming the rest 8% are inactive, so what percentage of this customers are already a sort of recognized either as NPL or restructured or we have disbursed during the year?

**Prince Tiwari:** Renish you are referring to the activation slide right where basically we are saying that 88% of the customers had paid full EMIs and 4% had paid part EMIs just to understand your question better what you are saying is where is the balance 8% is that the question.

**Vivek Tripathi:** Renish it is not the same customer who pays every month so there is a pool where you have a consistent customer repayment. There is a pool which pays this month and maybe because of certain difficulties may not be able to pay next month. So, the formation of that and it is at a gross advance level this would be around the same level even in the peak COVID time this is of the same level where almost 90%, 92% of the customers would pay every month which 92% that 8% is not constant I am saying.

**Renish Hareshbhai Bhuvra:** This 8% is not a static pool?

**Vivek Tripathi:** Not a static pool.

**Renish Hareshbhai Bhuvra:** Next question is again referring to what Rahul has asked initially on the moratorium book so as per the Annual Report our total 14% of the morat books our 3% was already recognized by March 21 and of that 11% 44% was current so the rest 6% to 7% what is the current status, how much of it is again sort of restructured in June quarter and how much is recognized as NPA increase 200 kind of a slippage number?

**Prince Tiwari:** I mean Renish we do not have, but I think the way you are coming from is if 45% of them are current and what we have mentioned in our annual report commentary as well that most of the

challenges were faced by this segment and any kind of facility in terms of restructuring or ECLGS or even forward flow to NPA has come from this portfolio. So, it is safe to assume that most of them would have been falling in one of the three buckets.

**Moderator:** Thank you. The next question is from the line of Bhavik Dave from Nippon India Mutual Fund. Please go ahead.

**Bhavik Dave:** Two questions sir on the restructured pool this time around if you see that 600 crores going to 1,200 crores but the number of facilities of the number of customers if I may put it has like almost more than triple. So, that means that either the customer incrementally are either vehicle finance customers or customers who have significantly paid out there loan in last maybe 20%, 30% is left and that data that you have provided last time around, so just wanted to understand what is it an incremental restructuring of 600 odd crores and the number of customers are also higher this time so is it like the customer has paid up most of it and remaining is 20%, 30% or is it like lower end of the customers may be used vehicles or restructure request if you could explain that?

**Vivek Tripathi:** On an absolute term if you look at 658 crore the number of customers looks higher because there was a good amount of restructuring happens in the Wheels book as well. So, the average tickets in Wheels is very, very less and that is why you see more number of contracts.

**Bhavik Dave:** So, incrementally 600 odd crores is more towards Wheels is that a fair assumption?

**Vivek Tripathi:** So, I would not say more towards Wheel 90% is between Wheels and SBL and it is almost equal in both the rows, but as I said contract for the ticket size in Wheels is much lower hence you see a large number.

**Bhavik Dave:** Second question is, I remember RBI last time around in monetary policy talking about having a special window of 10,000 odd crores there for SFB or where we can borrow from the RBI at Repo rate on lending towards the types of customer that we lend are we utilizing that limit and that will help us get our cost of funds down further versus our 6% odd cost of funds the incremental borrowing can come at the Repo rate, so is that a facility that we are utilizing for on lending have we utilized during the quarter or what is the thought?

**Yogesh Jain:** So, we have not utilized that facility because we are flushed of liquidity. As of now in March also and this quarter also so at the right time you can see because ultimately that money will come with the government security pledging. So, I have to first buy security with my money and then only I can go and get that money on Repo rate. So, ultimately using my money only first I have to go to market on some way and then only I will get that money in 4%. So, as far as we have lot of liquidity I think we have not utilized that facility.

**Moderator:** Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

**Nidhesh Jain:** Just two questions firstly in the affordable housing finance how are we structuring our debt segment in the book, have we created a separate team and how ready we are to scale that book, how do you see that book scaling up over next four, five years and secondly on the collection and asset quality if you can give some more color because if I look at the performance that we have seen that is significantly better than any other company operating the same segment, so is it to do with that geography which has helped us in showing better improvement or entire credit goes to our collection team or if you can give some more color on that would be helpful?

**Vivek Tripathi:** I think we have given a very specific slide to which talks about and there is a highly correlated lines if you look at the mobility, how our books as I said in my opening remark as well it is a very granule book and the kind of businesses we fund the customers the movement you have these businesses shut and there is mobility restricted they stop paying, but as soon as the mobility improves and as they are allowed to operate the collection efficiency picks up. Obviously there could be a difference as you said that vis-a-vis our competition, but there could be difference between the customer segment I would say more or less same, but approach engagement and as well on our collection efforts I think it is a combination of all three.

**Nidhesh Jain:** Sir if I look at the collection efficiency of the month of April and May and April and May were two months where there was sort of complete lockdown in Rajasthan and our key geographies even those months the collection efficiency is pretty good?

**Vivek Tripathi:** Yes as I mentioned that the customer this time had to choose for something called restructuring if they wanted to avail some facility as moratorium and lot of people did not offer it. So, we continue to pay and those who are severely impacted and those who had issues around health issues or family issues the businesses were completely shut those customers only opted for not to pay.

**Prince Tiwari:** Just to add there if you again go back and see our March numbers right so there was a significant portion of portfolio which was classified as NPA but were staying paying customers I think 88% of the ONAN pool was paying. So, some of the businesses post pandemic I had kind of being recovering over a period of time and probably the cash flows were there to support for one or two months ultimately it was just a two months lockdown or rather six weeks to eight weeks.

**Uttam Tibrewal:** So, Nidhesh regarding the team towards housing business so it is a specialized business and we have formed a separate dedicated team to scout housing loan business and as I mentioned that we are presently working out of 190 locations out of total 600 locations so we are performing a dedicated team be at business, be at credit because we understand this business from last 10 years. So, it is a dedicated team separately for slotting this business.

**Sanjay Agarwal:** So, just to add on what Uttam said actually to be very honest our core housing business is due to affordable housing finance. We have done from last 10 years and we are very confident that the team which Uttam has built is doing fabulous job and I think we are looking very strong to do affordable housing space for AU Bank.

- Nidhesh Jain:** Because I see the opportunity is pretty huge where players are lending at 13%, 14% so that cost of funding if we can build a very large, good quality book over next three to four years and if you can share any guideline or any vision that we have for this over next three to four years that would be useful?
- Sanjay Agarwal:** I would say housing we started just three years back, but it would be our number three in next five years and of course you know about the whole cost of money at Bank level and the whole land profits so I do not think that housing being built at around 13%, 14% the average IRR around even in the affordable housing stage is around 11%, 12% and we are very comfortable with the NIMS there equally supported by government, to be supported by NHB and this book is very exciting and the kind of growth we are showing there it gives us lot of hope.
- Moderator:** Thank you. The next question is from the line of Manish Shukla from Citigroup. Please go ahead.
- Manish Shukla:** Just one question on credit card just wanted your thought process and plans around the businesses that you have given about 100,000 preapproved of which 25,000 have been issued, will it largely be from existing liability customers or you intend to go to open market as well?
- Sanjay Agarwal:** For me, credit card is one of the most important payment modes and we are very happy that the team has pulled up incredible whole system around it till now and we are really open for the open new customer or even if we approved this so it will be combination of both, but it is still very early days we just launched in the last quarter only. So, I think the whole strategy will be forming in this year only, but we are open for whole lot of ideas there and I would love everybody to use that card it comes with lot of offers, lot of excitement.
- Manish Shukla:** And you have a sense of how large could it be in two to three years time of your overall affect?
- Sanjay Agarwal:** Data again if we talk about opportunity is just for 6.5 crore people have the cards and a number of people may be around 5 crores and how India is growing and how the whole e-commerce space and online space is growing and any number can be only guessing game. So, we are such a small to begin with honestly. I have my finger crossed let us build the right product, right delivery, right kind of branding around it this year and then we may talk about the whole long term plan maybe in coming quarter.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Sir going back to the collections yet again in normal times how much of our collections generally happens in cash once there is a bounce with the customers?
- Vikrant Jethi:** So, normally we see around 25% of our customers who walk into our branches or our team members reach in for cash collections. Remaining 75% collections happens on presentation and online mode.



- Abhijeet Sakhare:** Sir just following up during April and May this number would have like gone up significantly higher?
- Vikrant Jethi:** April, May of course a slow month for us so no.
- Abhijeet Sakhare:** And one more on the collection with the 88% activation as of June the number that you have given what would that number be in April and May?
- Vikrant Jethi:** So, it was around 83% in April and May.
- Abhijeet Sakhare:** And second one quickly if you can give two numbers one is what would be the size of cash on Wheels book as on June, and second one is ECL book of 800 crores that we have ECLGS book, which segment of the loan book have used this facility the most?
- Vivek Tripathi:** My cash on Wheel book as on 30th June is close to 1,800 crores and ECLGS as a facility largely utilized by MSME segment which cut across largely SBL because we have larger book there and a small amount of business banking and agri banking customers. The contribution of Wheel is still lower in that, but because of second pandemic wave Wheels customers availed as well.
- Moderator:** Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.
- Rohan Mandora:** Sir just one data keeping question what would be the unbooked treasury gains at currently?
- Yogesh Jain:** We had not disclosed actually Rohan because it normally goes with the treasury activities so once we see interest rate opportunity accordingly we take call and those then go with the market.
- Rohan Mandora:** Sir just one more question was on the call rate interest expense line that we have for the quarter, so if we see from Q3 to Q4 that is almost 10.5% sequential growth in deposits plus as borrowing, but if we see the interest expense in Q1 vis-à-vis Q4 there is a decline what is the average cost of fund decline by only 20 basis points, so what explains the sharp decline in the absolutely interest expense sequentially vis-a-vis the growth that you have seen in the previous quarter?
- Prince Tiwari:** Rohan so this is a data keeping question. Can we take it offline please I mean you write to us and probably we will get back to you.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Abhijeet Sakhare. Please go ahead.
- Abhijeet Sakhare:** Just one follow up on the savings account side have we revised rates again in the last one month let us say in July itself?
- Rishi Dhariwal:** We have taken a small change in the savings rate in higher buckets where some rates let us say higher end have been revised to (around) 4%.



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- Abhijeet Sakhare:** So, in effect that brings down the cost of SA or....
- Rishi Dhariwal:** Yes definitely it will reduce the SA cost.
- Moderator:** Thank you. The next question is from the line of Madhu Gupta from Quantam AMC. Please go ahead.
- Madhu Gupta:** I just have one question for the first quarter your cost to income ratio is around 50%, but what would be the sustainable rate like ahead is it going to be low or it is going to increase for the going ahead, any kind of guidance what should be the cost to income ratio looks like going ahead?
- Sanjay Agarwal:** As you know AU is growing franchise and we are investing in lot of properties around digital and our brand campaign and also we are building new product line across credit card, QR, housing business and you know, there are lot of levers to actually manage your ROA. So, we are using around cost of money, asset yields. So, I think this variable we are not so much focused to be very honest, but anything low to mid of 50s can be a number where we want to drive on as of now is around 52%, but because we do not know how the market and how the environment would be next two to three quarters so do not want to comment much on that, but I think anything around 50% to 55% is quite acceptable to us basis our yield IRR and the cost of money.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I now hand the conference over to Mr. Aseem Pant for closing comments.
- Aseem Pant:** Thank you Tanvi. On behalf of the entire AU team, I thank you for joining us and we wish you good health. Do reach out to us in case you have any further questions. Thank you.
- Moderator:** Thank you. On behalf of AU Small Finance Bank that concludes this conference. Thank you for joining us and you may now disconnect your lines.