



“AU Small Finance Bank Q2 FY22 Earnings Conference Call”

October 29, 2021



MANAGEMENT: MR. SANJAY AGARWAL – MD & CEO, AU SMALL FINANCE BANK
MR. UTTAM TIBREWAL – ED, AU SMALL FINANCE BANK
MR. VIVEK TRIPATHI – HEAD OF COMMERCIAL BANKING, AU SMALL FINANCE BANK
MR. RISHI DHARIWAL – GROUP HEAD OF BRANCH BANKING, AU SMALL FINANCE BANK
MR. PRINCE TIWARI – HEAD OF INVESTOR RELATIONS, AU SMALL FINANCE BANK
MR. ASEEM PANT – VICE PRESIDENT (INVESTOR RELATIONS), AU SMALL FINANCE BANK



*AU Small Finance Bank
October 29, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the AU Small Finance Bank Q2 FY22 Earnings Conference Call. As a reminder, all participants' lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' in your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aseem Pant – Vice President (Investor Relations), AU Small Finance Bank. Thank you and over to you sir.

Aseem Pant: Thank you Rutuja. Good day to everyone and welcome to AU Bank's Earnings Call for the second quarter of FY22. We thank you all for joining the call today, and we hope you and your dear ones are safe and well.

For approximately the first 25 to 30 minutes of the call, we will have a few brief remarks by few members of our senior management followed by 30 to 45 minutes of Q&A. Firstly, we will have our MD and CEO, Mr. Sanjay Agarwal to share his thoughts on the performance and overall outlook for the Bank. He will be followed by our ED – Mr. Uttam Tibrewal, who will share his narrative on the business outlook and asset strategy. Mr. Vivek Tripathi – Head of Commercial Banking will discuss asset quality for the Bank. And finally, Mr. Rishi Dhariwal – Group Head of Branch Banking will discuss liabilities and branch banking. Besides them and the IR team, we also have few other members of our senior management to answer any other questions you might have.

For the benefit of everyone we would humbly request that the number of questions per participant be restricted to a maximum of two, and to join back in the queue or mail us in case you have any further questions. 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 morning, everyone. Namaskar, thank you for joining. We hope that you and your dear ones are doing well and keeping safe.

Let me start on an encouraging note that last quarter was one of the most healthy, happy and hopeful quarters in this series of last six around the pandemic. It was promising and action oriented. The economy both micro and macro, capital markets, liquidity, vaccination drive, drop in the active COVID cases, business continuity, confidence, hopefulness, entrepreneurship, everything kept the whole environment very-very upbeat. This time the energy was vibrant, and the feel was very high, which we haven't seen in the last 2-3 years. People are now coming out and looking forward to rebuilding themselves and their businesses. We could see a lot of progressive approach in every aspect. Demand across businesses looks strong, especially in the wheels and home loans. Businesses have also started looking for capacity expansions and a good festive season should further boost sentiments. Government expenditure and infrastructure contracts will also boost downstream demand as local level contractors and subcontractors start looking for Bank guarantees and funding facilities. Similarly, the green shoots are visible in

metals and mining, pharma and biotech, as well as agri processing projects, which is expected to boost demand for smaller MSME suppliers and retailers. Barring any severe lockdowns, we hope to have better demand visibility in the next couple of quarters. We as a Bank have capitalized on the opportunities offered in last quarter. It begins from improving the asset quality significantly by achieving NPA reduction from 4.3% to 3.2%, that too without any write-offs. The collection efficiency trends seen in June 2021 continued in Q2 as well, leading to a higher-than-expected asset quality performance. To further strengthen the balance sheet, we have used the provision released due to the reduction in GNPA to buffer up the contingency provisions amounting to 110 crores. We stood beside our customers with a solution focused approach and provided necessary support after understanding each customer's business situation. We appreciate the customer's intention to pay us as the normalcy returned. And we would also like to acknowledge the phenomenal dedication and commitment displayed by our team as well.

Other data points also demonstrates similar trends. During Quarter 2, we grew deposits by 45% year-on-year, reduced our cost of funds by 89 bps year-on-year. CASA ratio touched 30%. The disbursement increased by 57% and AUM by 24% on a year-on basis. And the yield on AUM was ~~13.7~~13.8%. The growth in every asset vertical has achieved our desired expectations. Our balance sheet size grew by 21% and net worth grew by 38% year-on-year. And the capital adequacy is at around 22% - very comfortable.

Our liquidity position continues to be quite strong, with an LCR ratio of 151% during the quarter. HR hiring, distribution and franchise building all remain in line. Close to 3000 employees joined us in this quarter. We have launched 53 new branches in this quarter. We are now serving 21 lakh plus customers as the largest small finance Bank and are offering over 30 plus products at 800 plus banking touchpoints across 15 states and two union territories with a team of 23,000 plus employees.

We continue to believe that India is at the cusp of the digital revolution in banking and to be relevant in the coming years, the Bank is investing in building advanced tech capabilities. Our digital outlook remains progressive, whether it's our super app 0101, video banking, our payment channels through UPI, credit card, , QR code. More than 6 lakhs pre-approved offers have already extended, we are using advanced analytics to deepen our relationship with the customers based on hyper personalization of offers. All cylinders are firing, and I personally believe that if the Indian economy remains north of 7% for the next few years, then all these properties will give us a lot of support for building the largest franchise of this country.

Further, in this quarter we launched our first mega campaign, "Badlav Humse Hai" and we are witnessing amazing results as higher brand recall value, leading to increase footfall in the branches, increased in engagement of digital properties, whether it's a website or app registration. The energy of our team has accelerated the momentum. We remain very excited in how we are progressing on our journey to be a tech-led Bank. Even as we continue to invest in people, new products, digital ecosystem, and brand building to become a strong and sustainable Bank of the future. Our ROA and ROE for the half year stood at 1.8% and ~~14.5%~~ (14.8%)

respectively, which is a reflection of our strong and differentiated business model. As we all know that we are building a unique formal Robinhood model by garnering deposits from Urban markets and disbursing them in ~~poor~~ core markets. 74% of our liability comes from urban markets and 65% of our lending happens in core market. Our purpose of being an SFB guide us and drive us every day. Continuing our legacy, we have exceeded the requirement of key licensing guidelines with 86% loans to the priority sector, 63% loans with ticket size less than 25 lakh and 30% of touchpoints present at unbanked rural centers.

The inclusion of the trader segment and the MSME classification ensures continuous flow of credit to them at a competitive price by retaining their PSL status with the Bank. I am really thankful to the government for this. Our commitment to financial and digital inclusion remains unwavering.

As we move forward, I also welcome Deloitte and G.M. Kapadia as our new statutory auditor. After eight years of distinguished service by S. R. Batliboi, We are very thankful to their team. I would also like to conclude by saying that our strategy is well-defined and well-executed, and it has been developed over the last two decades. As of now, we are focusing on four projects. Wheel, SBL, home loan and commercial banking. And that team is well stitched and has good vintage. In terms of our liability strategy, we are focusing on raising low-cost stable money. For that, we are developing all the means in terms of product, processes, people, payments, digital, brand, distribution, and building trust since the start of the Bank. We are working on all those things with a lot of focus, and it continues to remain our prime job. We are very happy that our inputs will get us to the desired results.

As we speak today, we are gearing up for the festive season. Last quarter was better than the previous one, and we hope that coming ones will be better both in terms of lives and livelihood. We still choose to remain optimistic, but with a lot of cautious approach. It has been wonderful 4.5 years. However, we are still new in this journey of building the Bank and it may take some more time to understand every dimension of the banking platform. As promised last time we continue working towards our communication. And I just want to assure everyone that we are adhering to the gold standards in the governance and the compliance, and we will keep improving there.

So, thank you so much. Wish you all a very happy Diwali and festive season. And I also really want to thank the regulators and the government for handling this whole situation so well that there is more hope in the coming years. Thank you so much. Handing over to Uttam for business outlook and assets.

Uttam Tibrewal:

Thank you, Sanjay. Namaskar. Good morning, everyone. I hope all of you are safe and healthy. Last quarter was one of detailing, hardwork, activity and excitement. The team had to do a fine balance between managing customers, reassuring collections and asset quality, while also focusing on growth and competition. I am happy to report that with our on-ground connect and support from our customers, our disbursements for the quarter were at Rs. 5,135 crores, up by

57% year-on-year. While our GNPA reduced by 115 basis points over last quarter and 3.16% as on 30th September 2021. The improvement in customer cash flows, availability of legal recourses and empowerment to take decision on the ground, allowed us to see resolution now more than 37% of the gross NPA, that too in one single quarter. Despite the rapid fall in COVID cases across India, some customers were indecisive with a possible third wave on horizon. However, businesses are now more positive about the future outlook with customer's footfall reaching pre-COVID levels. With the ongoing festive season, we expect even stronger loan demand in the coming months. Even the most impacted segment during COVID pandemic like commercial passenger, tourism, and travel, education and hospitality, etc., have started to open up and are showing signs of revival. Domestic tourism is almost normalized, while schools and colleges are opening in a phased manner.

I remain enthused around the opportunity of our all-asset businesses in the post pandemic world, and I am happy to share some key insights and updates on each of our five key priority businesses. First of all, our wheels business. In the quarter gone by, we used their collective experience to produce fantastic results on the collections front leading to around 160 basis points reduction in GNPA within one quarter taking our GNPA on this book to 4.3%. Second quarter also saw a strong revival in demand in both new and used vehicle segment leading to our disbursement rising by 86% year-on-year to Rs. 1,906 crores during Q2 FY22. Supported by low grade effect and a strong rebound in demand post the second wave. Our yield in AUM has reached 14,280 crores across 6.5 **lac vehicles** with 52% being under personal segment and an average LTV of 80%. While the auto industry continues to witness challenges led by supply chain constrains, semiconductor shortage, low inventory levels at dealerships, we believe the near-term outlook for personal and commercial vehicles will remain strong due to the same factors. The formalization of used vehicle industry is a big opportunity, and I would like to highlight two industry research points to substantiate. In the next 4-5 years the ratio of sales of used cars to new cars is expected to reach 2:1 from the current 1.5:1. Similarly, the share of organized players in used vehicles is expected to increase from current 25% to 45% in next coming years. AU Bank is well positioned to capitalize on this opportunity by actively engaging with both online and offline used cars businesses. We have increased our focus on this segment forming a separate sales teams and building a robust channel distribution network of over 3000 used car dealers and their associate. Our new vehicles to used vehicles ratio has now reached 62% to 38% and over time we see this nearing 50:50. We continue to watch the opportunity in electric vehicle space as well.

Moving on to our SBL business. SBL has now become our largest business with an AUM of Rs. 14,378 crores, gross 1.5 lakh MSME businesses and has remained one of our most stable and resilient businesses. In the current quarter, we saw the NPA reducing to 3.14%, a reversal of 106 basis points in one quarter. It remains a highly granular book with an average ticket size of 10 lakhs and average LTV of 50% across well diversified businesses with no dominant segment or profile.

On the demand side, we saw some good demand in certain categories like FMCG, retail traders, etc., while green shoots were visible in other impacted segments. The disbursement for the quarter was at Rs. 978 crores down by 7% on a year-on-year basis as we continue to see customer display caution. Simultaneously, we did see growth in states like MP, Punjab, Himachal and Haryana signifying a better Q3 outlook. During the quarter, we also remained cautious in our underwriting assessment and kept the decision of non-standard cases at high levels with very limited balance transfer cases. With resumption in activity levels, opening up of education sector, the upcoming marriage season in north India, and the de-stocking during the ongoing festive season, we expect demand to pick up in the second half of the financial year. Our SBL team is all charged up and remains well geared up to capture this demand. With our digital onboarding solutions well tested, and our capacities well built out in the absence of any significant lockdown, we are quite hopeful of strong SBL disbursements in H2 FY22.

Moving on to our housing finance business. With around three years of building the housing vertical at the banking platform, the total AUM in the housing vertical has reached 1,699 crores, across 18,000 dwelling units. The portfolio comprises 80% home loans and 20% non-housing loans like LAP and top-up loans. Our disbursements in Q2 FY22 were at Rs. 376 crore against disbursement of Rs. 58 crores in Q1 FY22 and total disbursement of Rs. 177 crores in H1 of FY21. Timely changes in underwriting criteria, let us capture a good set of customers thereby creating a quality portfolio with only 84 cases in NPA amounting to 0.6% of GNPA in the HL business. The average ticket size in this book is 11 lakhs. whereas average LTV remained at 53% as on 30th September 2021. The reverse migration caused by the rise of the remote working culture has led to the heightened demand for homes in Tier-2 and Tier-3 cities. Decade low housing finance rates, stagnant property prices, and government's focus on housing for all, the affordable housing market is expected to continue and attract serious homebuyers. With our reducing cost of funds, we have also launched a new scheme targeting better credit profile customers and remain well placed to leverage new locations and markets going ahead.

Moving on to our commercial banking business. Our two main businesses on commercial banking platform, are B banking and Agri banking, which are balance sheet-based lending, where we compete with mainstream banks and have gradually built a gross advanced book of about Rs. 3269 crores in these two businesses across 6,000 plus SME and MSME businesses performing resiliently during the pandemic with GNPA at 0.6%. Both these businesses provide strong fee opportunity in the form of non-fund-based lending and transaction banking. During the quarter, the disbursement in these businesses was at Rs. 778 crores growing by 130% on a year-on-year basis. We'll continue to grow this segment by focusing on providing bespoke banking solutions to MSMEs combining working capital, current account, promoter accounts and transition banking solutions.

We were the first SFB and probably among the few banks to launch our own credit card in the first 4 years of their journey and have started seeing some traction with our issuances reaching 50,000 plus credit cards till date. The entire layout and foundation of the product, right from conceptualization to launching was undertaken during COVID-19 period. And we expect to see

this business grow rapidly over near to medium term. Our merchant acquisition and engagement strategy is also shaping up well, the deployment of 2 lakh plus UPI QR codes with associated transaction-based lending.

To conclude, we have been sailing against the winds for the last 18 months. The Bank has used this time to focus on building our capabilities and capacities, expanding our leadership team, granularising our liability franchise, launching products like credit cards and UPI QR, integrating technology in our product journeys and focusing on launching digital properties like AU0101 and video banking. We believe we have the right technology and platforms with segmental leadership positions across collections, disbursements, branches, and team alignment and as Indian economy is gearing up for a speedy recovery, given our vintage product alignment, execution capabilities and our digital outlook, AU Bank is fully equipped and ready to be in the top quartile to take advantage of that recovery. 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 now invite my colleague, Vivek Tripathi to share our views on the asset quality of these businesses. Thank you.

Vivek Tripathi:

Thank you. Good morning, everyone. I'll be sharing a brief perspective on asset quality. We saw weaning effect of COVID and most of the businesses saw increased activity during the quarter which resulted into better cash flows. We saw collection efficiencies sustaining to the June and July level in the entire quarter. The collection efficiency and customer activation numbers of Q2 are in line with pre-COVID levels. The average collection efficiency in Q2 is at 109% compared to 101% in Q1. Customer activation also remained stable at 91% in September compared to 92% in June. Our gross NPA reduced by 115 bps from 4.31% in Q1. to 3.16% in Q2. And the net NPA number also reduced from 2.26% in Q1 to 1.65% in Q2. The improvement is seen sequentially in terms of economic activity, borrower connect, business continuity, the overall confidence in the operating environment and there's more visibility in the cashflows of customers, therefore customers are forthcoming for resolution. However, we continue to remain cautiously optimistic as there is still little uncertainty on the third wave. We have witnessed around 61% activation in the NPA book which was there on 30th June during the Q2 where customers have either done repayment or have surrendered the security. As a result of this, we saw 37% resolutions in the opening NPA book. Here it is important to note that more than 80% resolution happened due to repayment while residual almost about 18% of resolutions happened on account of security disposal. Further, we have security in hand for almost 10% of our NPA book. It may be noted that so far Bank has not done any write-off. However, we shall start cleaning the book going forward basis the recoverability on an account-to-account basis.

On the restructuring part, Bank has done 80 crores of incremental restructuring in Q2 which is 0.2% of our gross advances. And as on 30th September the Bank had a total of 1302 crores of standard restructured assets which represent 3.6% of our gross advances. Out of this pool billing has started from 48% of the restructured book wherein 14% of the book is NPA as on 30th September. We had anticipated the slippages of around 30% in this book. As of now, it remains

within the comfortable limit of that. During the quarter, 57 crores of NPA was added and 48 crores were resolved in the restructured book with net increase of only 9 crores and closing NPA of restructured book stands at 99 crores.

Our overall book if we look at the composition as on 30th September, 50% of book now originated before March and 50% of the book was originated after March 2020. So, further March 2020 book is 92% current and currently contributed only 5% of NPA and 2% of restructured assets. The overall resistance of our entire book has validated our approach of underwriting and customer segment we cater.

On moratorium book, as on 30th September we had outstanding 4 and 4+ months moratorium book of 4,500 crores which is contributing to 76% of NPA and 70% of restructured assets. However, 43% of this book is current and another 27% in the first and second buckets. Therefore, we expect minimal further slippages from this book. On ECLGS, Bank has done cumulative ECLGS disbursement of 958 crores out of which 87 crores was done in Q2. As on 30th September, Bank had total of 887 crores of ECLGS book which is 78% current and with 1.1% of NPA. We do not see any significant difference in the asset performance of ECLGS book vis-à-vis our normal book. During the quarter, 4 crore NPA was added while 5 crores were resolved in the ECLGS book with net reduction of one crore. The closing NPA of the ECLGS book was 10 crore.

On the provisioning coverage, Bank is carrying a provisioning of 560 crores against GNPA of 1151 crores with PCR of 49% and provision of 213 crores against restructured assets of 1302 crores. The Bank has utilized the entire provision reversal, net of repo losses, of 110 crores to increase the contingency provision to 300 crores. The contingency provision now stands at 84 bps of loan book which further strengthens the balance sheet and makes us better prepared for any unforeseen events. As you would be aware, our loans are granular, secured, primarily for income generation, coupled with a strong on-ground connect and agility, helps in faster recoveries. Also, in-house loan sourcing and collection helps in underwriting and providing flexibility in aligning resources basis the situation. Keeping these factors in mind, as well as NPA resolution movement of Q1 with 80% resolution being driven by our repayment and repo loss rate remains broadly stable versus historical levels, we feel confident that PCR of 49% is quite likely to be more than sufficient to cover any credit loss arising from this portfolio. With regards to the restructured book, as mentioned earlier, the slippages trend so far are within these anticipated level and the 16% coverage against the pool looks sufficient. Further, over and above this, the Bank is also carrying contingency provision of 300 crores for any unforeseen risks in the future.

Now I would like to request Mr. Rishi Dhariwal to give an update on our performance of branch banking.

Rishi Dhariwal:

Thank you Vivek and good morning, everyone. The launch of our “Badlaav Humse Hai” campaign with Amir and Kiara has done wonders for the retail branch banking business. It has

helped enhance our brand acceptability and recall in people's mind, thereby boosting customer acquisitions. Our digital banking platform AU0101 super app has made significant strides since its launch in the last quarter enabling a seamless banking experience for our customers. Over the last four years, the branch banking business and liabilities have matured substantially making continual improvements to build predictable, stable and scalable franchise.

To begin with I'll provide the overall business highlights. Our overall savings deposit book has grown by approximately 26% quarter-on-quarter from 8,102 crores in Q1 to 10,228 crores in Q2 FY22. And by 138% year-on-year from 4,296 crores in Q2 FY21 to 10,228 crores in Q2 FY22. About 5.8 lakh customers are digitally active and going forward we aim to ramp up this further. The current account book grew 13% in the quarter from 1,387 crores in Q1 to 1,600 crores in Q2 FY22. And by 54% year-on-year from 1,041 crores in Q2 FY21 to 1,600 crores in Q2 FY22. More than 200,000 customers have been equipped with QR and over 8,000 with POS, allowing the Bank to get better balances in their accounts with us, Monitoring transactions and present suitable products and services to our customers based on the same.

We have been able to improve our CASA ratio consistently over the last few quarters. As of September 2021, our CASA ratio is 30% compared to 26% in June 2021, 23% in March 2021 and 20% in September 2020. Improving our CASA balances and optimum pricing on our savings and deposits will help us to reduce the overall cost of our deposits over a period of time. We activated almost 77,000 debit cards in the quarter. 10 lakh transactions amounting to Rs. 267 crores in value were done by customers during the quarter using our debit cards. Our newly launched credit cards have been a game changer. We issued 30,000 credit cards during the quarter. 300,000 transactions were done amount to 120 crores in value. Also about 84% of our credit card customers are ETB with 70:30 mix of liabilities and asset customers. Our partnership with ICICI Prudential and Future Generali for life insurance and Aditya Birla and Care Health Insurance have enabled us to sell more than 10,300 policies in the quarter with increasing ticket size which is indicative of better customer profile. We have around 23,700 customers who invest in SIPs through us. Because of our well-integrated mutual fund and broking services on the AU 0101 app and our focus to grow our investment segment, we expect engagement with customers through these products to improve as we grow. We also have more than 43,800 three-in-one broking accounts through our partnership with Motilal Oswal Financial Services.

I will now talk about our medium-term priorities. Our focus on acquisitions and activation in the past has resulted in acquisition of over 15 lakh savings accounts and 1.3 lakh current accounts. As we had shared last quarter also, we are taking measures to boost engagement and deepen relationships to establish sticky long-term customer base. To this end, we are equipped with various investment products and services, namely debit card, e-com and POS activation, UPI, bill payments and FASTag, royale and platinum products for savings and AU power current account, for current account customers, SIP, three-in-one, asset products, life and health insurance products, etc., to build customer engagement. These initiatives have resulted in 49.1% of the customers regularly transacting with us with 20 transactions on average per transacting customer. Furthermore, more than 60% of liabilities customers use two or more of our products.



*AU Small Finance Bank
October 29, 2021*

We continue to invest in building relationship management to cater to the needs of customers and focus on the customer lifetime value. With our attention on family banking, we continue to organically drive new acquisitions through referrals of friends and family. We have equipped our sales team with the digital tools and gamified performance tracking for better sales experience and we continually utilize analytics to understand our customers better.

In terms of physical distribution, we have a well-oiled system in semi-urban regions which we will continue to operate. Our growth in liabilities will be driven by metros and urban markets. We have launched 26 new liability branches in the quarter. 25 in urban markets and one in the core markets bolstering our focus to grow the customer base in urban markets. We are optimizing the size of our branches to maximize productivity per square foot of a branch taking into consideration the shift towards digital banking. In terms of our digital initiatives, we had over 5.8 lakh registered users on our AU0101 super app as of September 2021 and it's growing. We opened more than 28,000 accounts via digital route using AU0101 app and video banking during the quarter. The number of transactions on the app have been steadily increasing with 28 lakh plus transactions recorded during the quarter. In August we launched the digital savings account, a no minimum balance account designed to provide instant banking facility to digital customers. During the Badlav Humse Hai campaign, the Bank rolled out a series of offers on platforms such as Big Basket, Jio Mart, Domino's, Make My Trip and many more. These offers nudge the customers to increase their balances in their accounts with AU Bank and is an important initiative to get the customers to engage with us.

In conclusion, our targeted efforts on customer engagement, optimizing physical distribution, and developing people capabilities along with the Badlav Humse Hai campaign have provided the Bank with the much-needed momentum to scale retail liabilities on the platform created over the last four years. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Antariksha Bannerjee from ICICI Prudential Asset Management. Please go ahead.

Antariksha Bannerjee:

I have two sets of questions. First is of the 3,000 employees that you have added this quarter that you mentioned, can you tell us a rough split between how much was in collections and how much was in business or maybe in digital? And on the total stock of employees also what's the rough split between the two businesses and how that has changed over the last one year because I am sure collections would have been much more important over the last one year. That's the first one. And the second is on your core customer segment, given the level of fuel price hikes that we have seen, how do you think the cash flows are impacted because at least ground check suggests that the tariff hikes have not kept pace with the rate at which the fuel prices are growing. So, is that an impairment on cash flows or do you think that as recovery happens the cash flows are still growing and it's so high?

- Sanjay Agarwal:** The first data which is around HR, I can give you a little bit of overall composition of team. We are having around 23,000 plus people in which we have around maybe 30% sales force, around 10% collection force and other than that another 20% are in the front-end job like credit, operations and all those things. And specifically, if you want to ask we haven't hired specific people for collections because we have built our capacity for every function way back. We were actually building our team from last maybe now 12 to 15-month period so all hiring done this quarter was a normal kind of hiring where we would have hired people on front jobs, backend jobs, across verticals, sales, credit risk governance. So, it remained a very normal hiring pattern. And I am not able to figure out your second question.
- Antariksha Bannerjee:** The second question is on the wheels. The end customer or the borrower, how has their income profile or cashflow been impacted because of the recent fuel price hike? Or has the tariff or revenues kept pace with that? Are the incomes reducing or is that not an impact?
- Bhaskar Karkera:** This is Bhaskar here from Wheels. While the fuel price increase in the profile that we lend to, which is a very-very retailized single vehicle owner, there the freight rate gets adjusted as a function of the fuel price as well. What the one that you are referring to is more impactful to the contractual fleet owners, the large fleet owners. So, for the retail business, like the one that we do, which is more intra-city, it is more short distances, here the freight gets adjusted as a matter of fuel in the business lines that we operate.
- Antariksha Bannerjee:** If it's possible, can you give us a rough breakup for the wheels book looks like? You used to share it earlier, but as of today, what would the rough breakup be, roughly across category?
- Bhaskar Karkera:** We have a personal segment of around 50%. We have commercial loading of about 22%. We have commercial passenger of about 18%. We have tractor of about 8%. We have construction equipment of about 3%. So that's how all gets played out. And all of them are pretty much retailized.
- Moderator:** The next question is from the line of Sonal Gandhi from Nirmal Bang. Please go ahead.
- Sonal Gandhi:** For the last quarter, we have revised it upwards to 206 crores and similarly we have also increased our other income by 30 crores. So, what exactly has happened over there?
- Aseem Pant :** There is an RBI guideline because of which there was some reclassifications. If you refer to slide 17, there's a footnote that makes the reasoning clear. So, the MTM losses have gone into the other income and that's the main adjustment.
- Moderator:** The next question is from the line of Himanshu Taluja from Motilal Oswal. Please go ahead.
- Himanshu Taluja:** Just need one clarification, if you can give on the moratorium pool. what is the total moratorium pool, and also like between standard, NPA, your restructured and SME overdue, what do you think of that, if you can give that classification.

Vivek Tripathi:

We have been giving detail on a 4 and 4 plus months moratorium. So, at the end of Q1 it was 4,900 crores. Now it has reduced to 4,500 crores as we speak. And as I had given the color on that that 43% is in current and another 27% in first and second bucket. So, as far as the contribution in the NPA and the restructuring book is concerned almost 869 which is roughly 76% of the NPA is from this book. And almost 70% of the restructured book is from moratorium book.

Moderator:

The next question is from the line of Arav Sangai from VP Capital. Please go ahead.

Arav Sangai:

I have two questions. My first question will be on the credit cost going ahead. So, you mentioned that you will be looking to take some write-offs in the coming quarter. And I think as a strategy, we might also like to maintain some counter cyclical provision going ahead. So, what might be the credit cost one can expect from next quarter?

Sanjay Agarwal:

To be very honest, we need to go with some more time because the whole recovery process has just started last quarter only. And we need to figure out the whole means available to us to recover our money. But I can only tell you this, that we have around now 1150 crores kind of NPA. And we have a provision of around 560 plus contingency of 300 crores. So, I genuinely feel that the credit costs will be under the provisions only. So, we don't have any extra P&L hit. So, you need to give us some more time, maybe a quarter or next quarter to really figure out what is the stable credit cost in the P&L.

Arav Sangai:

My second question is on the OPEX front. So, I know we are investing a lot in tech and brand building and specifically employee relations so by when we can expect some normalized level of employee cost? And also, the second part to this question is when we can expect more lateral hiring taking place. I know you have mentioned that you have added a lot of people from other like veteran bankers and all but when can we expect some more seasoned person in the top management as well going ahead.

Sanjay Agarwal:

To answer, so far, we have built our capacity from last 2-3 quarters and unfortunately Quarter 1 was completely washed out. But we hope that Quarter 3 and Quarter 4 will give us a space to again use that capacity. So, HR hiring remains very normal and we are in line. In terms of key hirings, we are doing as and when is required. We actually got Head of Video Banking. We got a new Digital Officer. So that is all been done and to remain confidential around it, we haven't shown you data, but we are getting people from across the board whether large banks, small banks, fin techs. So there, we remain very excited, we remain one the most exciting companies for people to join us. So that is also being seen. And on OPEX side I guess you rightly said that we are investing in our credit card business, QR codes. We want to build a very new tech led Bank. So, it requires a lot of investment in applications, infra and all those things, so we will continue to do that because it's a future requirement. But we have that added advantage. We have the high yield book and low-cost money. So that is why we are able to even deliver kind of 1.8-1.9 kind of ROA. So that is quite enough for us to really make ourselves investible in this kind of properties and initiatives.



- Arav Sangai:** Just one clarification, all this lateral hiring that we are doing, will it be more towards the Mumbai Branch, or it is for both units of Jaipur and Mumbai as when the need arise?
- Sanjay Agarwal:** It's across, so we are very sorted out ourselves there that the job which requires working at Bombay, people can join there but if the job requires you to be at Jaipur, people need to be at Jaipur. So, we are not compromising our stand there and largely we have sorted out. So, we are good to go there.
- Moderator:** We will move to the next question which is from the line of Renish Sareshbhai Bhuvra from ICICI Securities, please go ahead.
- Renish S. Bhuvra:** Sanjay sir first question is on our AU101 app. If you can share the unit economics and maybe the customer profile of this customer who are active on the AU101 app? Broadly the question here is most of your customers are captive customer and hence we would not be incurring any Bank processing cost as such. So, on a standalone basis whether AU101 is at breakeven as of now excluding the marketing expense?
- Sanjay Agarwal:** I'll let Gaurav who takes care of our digital initiative, so he would answer this question.
- Gaurav:** I'll give you sort of couple of points towards your questions. The first one is, if you look at the profile of customers that is being acquired so I think we have given out details on one of the slides but broadly, Rishi mentioned that we have acquired about sort of 28,000 liability customers, digital savings account customers through 0101 and what we have seen is these are largely urban and salaried customers, so this is a slightly different profile from what sort of our overall stock of liability customers have. So that's the first one towards the profile. Second point in terms of unit economics and breakeven, we are in the investment phase right now. So, there are two things we are doing. One is just building the product, so you saw us launching 0101 and we are continuing to add more products and more journeys on that. So, we will continue to invest on those. And the second effort is towards digital adoption, so there again, we have given out a numbers which is across all metrics, sort of both registrations, monthly and daily active users, we see a very encouraging trends and we have dedicated teams which are driving increased usage of digital channels for servicing, increase usage of digital channels for acquisition. So, we'll continue to sort of scale our digital Bank but it's very early to talk about unit economics here.
- Renish S. Bhuvra:** But even on a standalone basis, let's say on a transaction basis, you would not be break even?
- Gaurav:** So again, it's very difficult if you say can I break out the digital Bank separately to rest of the Bank. So that's not possible to do. Maybe one thing that will help you is if you compare cost of acquisition of a liability customer through 0101 that's significantly lower than the cost of acquisition of a branch customer.

- Renish S. Bhuva:** Yes, actually, that is what, so let's say we are acquiring customer through 101 app, in what time we'll be able to recover that cost, any ballpark estimate there or it's too early to comment.
- Gaurav:** What I can share is, our cost of acquisition of a digital saving account customer is sort of, roughly let's say half of that of branch customer.
- Renish S. Bhuva:** Next question is to Bhaskar sir again sort of a repeating one. So, sir what Anthriksh was highlighting that at the ground level what kind of feedback we are getting, the fuel prices is increasing every day and of course, since we are in the segment where in your tariff will get adjusted may be immediately, but do you see any impact on the growth side, if not on the asset quality?
- Bhaskar Karkera:** Renish, I will want to stay specific to what we do and if you look at what we do on the commercial side, we are more a small commercial vehicle player technically and there if you see courtesy e-commerce, courtesy the kind of demand that is coming up even for agri movement, for this small haul movement, there, there is a visible traction even going on even at this point in time, in spite of the fuel price increase. There is also in some places, the fact that CNG option also does keep the market alive. That's another part of the story but even if you look at it on the small commercial vehicle side, we continue to see the same kind of requirement going on because there is a pending demand of all the waives which are also pending. So, on the small commercial vehicle, there does not seem to be much of an issue at this point in time courtesy that adjustment and requirement.
- Renish S. Bhuva:** Do we have any data on let's say entire our vehicle book, how much of this would be running on CNG and how much would it be on the petrol, diesel?
- Sanjay Agarwal:** At this point in time broadly, it will be around 10% to 15% is what I would think.
- Prince Tiwari:** Renish, we had given this in our annual report this time, so around 10% of our vehicles run on CNG right now.
- Moderator:** The next question is from the line of Amit Nanavati from Nomura. Please go ahead.
- Amit Nanavati:** Just wanted to understand the nature of reversals here? You had very strong reversals in NPA. What part of it, if you can give some colors would be, wave one kind of impact their customers who have moved into NPA early on or what parts were more transient which only moved into NPA last quarter and quickly bounced back?
- Sanjay Agarwal:** Amit, Vikrant our Head of Collection is here, he will reply on this.
- Vikrant:** So just to give you some color on the total 555 crores of reversals which have happened in Q2, 20% has happened through security enforcement, 10% have happened through foreclosures, completely moving out of the book and 70% is through cash collection.

Amit Nanavati: I've got that number, just wanted to understand those collections, those repayments which are coming, were these the ones we slipped into Q2 or even the ones which slipped in wave one or wave two versus wave one?

Vikrant: So, we haven't really looked at them.

Vivek Tripathi: We haven't looked at these numbers in the way you wanted to know. So, at this moment we don't have this data in front of us.

Prince Tiwari: Amit you have to also understand that I think the wave two didn't really see a lot of slippages to the extent that we saw in wave one. Like for us, if you look at the gross NPA tagged as on March end was 4.3% which was 1503 crore. And when you come down to 30th of June, when wave two impact might have come in, we still had 1496 crore. So, for us the impact was more upfront.

Amit Nanavati: Because in wave one we saw a similar trend what slipped in 4Q immediately bounced back in 1Q and just wanted to understand whatever at the gross level slipped in 1Q is bouncing back in 2Q. Second question on the cost front, at one end you have heavy investments being made on the digital front. At the other end if look at branches versus say 4Q 2020 or FY20/19 they are up by around 50% base points in terms of our branch count, and we'll also be having elevated collection cost. So broadly, which part will normalize sooner or later? What contribution of those costs are? Broadly if you can give some information on what would be whole costing equation?

Sanjay Agarwal: Amit, of course it might be a smaller elevation around collection costs but as you know, we are nearing to the pre COVID level in terms of activities, in terms of collection efficiencies and all those stuff and we're also growing. So, I think the most stabilizing item would be around the collection costs, we should be stabilized by maybe next 2 quarters. But we will keep on investing in our branches because we are just around hit 800 touch points and our digital outlook is not so big as of now. So, both the properties whether it's a digital properties or whether it's our branch properties need to expand, and we have that whole plan, so that will remain elevated. But I think this quarter, we had an exceptional quarter because of our mega campaign coming in and we launched the credit card, and we launched the QR codes and the digital properties. So, there is a certain amount of elevation there but those will also get subsidized in coming quarters but our investment in all those properties will continue.

Assem Pant: And if I may just add Amit, we've also built excess capacity on the asset side and because business disbursements are still picking up as disbursements pick up that should give us some improvement in operating leverage as well.

Amit Nanavati: Last thing, any growth aspirations that you want to point out?

Sanjay Agarwal: Not as of now, last experience taught us that this is still an unpredictable environment. India looks good but maybe not internationally. So, we just want to take every day as a new day and really want to come and execute our plans, not thinking too much about future and let this

overcast go away to maybe next 1 or 2 quarters, then we will say how really want to grow in coming years.

Moderator: The next question is from line of Hiral Desai from Anived Portfolio Management, please go ahead.

Hiral Desai: Congrats on the quarter and hopefully ours as well as India will sort of come out of this COVID related issue. So, the question I really had was on the disbursement side. If I look at the MSME disbursement while that's a more broad-based indicator of the economy, the disbursements are slightly weaker as compared to wheels if I compare both the business lines and the MSME disbursement even in Q1 was relatively muted. So, just wanted to get your thoughts on that.

Sanjay Agarwal: As we are with very small traders, service providers on the road and so they were largely impacted, and we also had done tightening our credits delivery process. And you will appreciate that this quarter 2 has allowed us some kind of hope and those guys are also settling down. Our team is also settling down and our focus was more on collections. But I think the coming quarter will be more festive and God forbid if COVID doesn't come, a lot of economic activity will help, trickle down lot of benefit to those people, then I think we will be able to come back to the similar levels of growth. But that book remains very exciting for us and the way those customers reacted after the normalcy has come in, that has given us more support and confidence that we need to build this book to the next level, but I think we need to keep patience for some time and then once everything settles down, we'll press our button.

Hiral Desai: The other question was on the wheels disbursement that we had of about 2000 crores, what would be the proportion of used cars within that? And if Bhaskar can generally talk about the used car market, given that there is a supply issue at OE end because of the chip shortage and the supply chain issue, so how is the used car market shaping up and the competitive intensity there?

Bhaskar: So, on the new and used proportion we continue to remain 50:50. So that's something which we have been doing for the last couple of quarters if you see that there has been a conscious design about going on the used business. So that continues in that same ratio. Your question on the used car business, yes, we are definitely seeing a demand because in the event of a new vehicle not being available and with used vehicle options actually getting better with every passing day because the kind of models which are coming, people are upgrading. If the earlier timeline was about 5 to 6 years, it is now coming down to about 3 and a half to 4 years. So, a) the availability of used car is going up with every passing day. Well, in the interim because of this short-term shortage of new, there has been a few lesser exchanges, so not to read much into it but I would see this continuing and sustainable over a longer period of time. And in terms of the competitive intensity frankly the same player are in the field. There are no new financiers who have come into the financing side of the used car business, as we see in the current situation.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers, please go ahead.

Bharat Shah: I had one basic question and I wanted your kind of insight and assessment so if we talk about a great Bank, future ready and forward looking, I would say that are 6-7 pillars, the liability management strength, business model and under writing capability, suite of products, so that there is enough to offer, customer engagement and acquisition efforts, technology, people and talent and geographies and distribution, leadership of course remains the most important but on this, I don't need to ask because I already know. On these other aspects what is your own assessment of where AU stands today. You said hopefully the shadow of pandemic is kind of being left behind and it looks like the country is more ready to embrace opportunities rather than keep worrying about the pandemic. So, in terms of the liability management, underwriting, product suite, talent pool, customer acquisition, geography and distribution and underwriting strength, and of course technologic, what is your own assessment, as to where are you today?

Sanjay Agarwal: Good morning, Bharat bhai, an amazing question. Let me start with because I commented in my opening remarks about the objective of a Bank, honestly, is to have the customer in a center stage and we need to offer.

Bharat Shah: I could join you little late, so I missed your earlier comments.

Sanjay Agarwal: It's fine, perfectly fine. So, I just want to say that the objective of a Bank is to keep customer at the center stage and to begin at a banking franchise, you need money. So, I strongly believe that the purpose of any banking franchise should to raise retail or a stable money at a decent cost. I won't say low cost or high cost but at a cost which that franchise can manage. And honestly, last 4 and a half years now, I'm very happy the way we have built up. We have understood first about the importance of this and then have built up the entire ecosystem internally and externally. We began with a high kind of rates but as we are now moving forward, we have all these things in place whether it's about people, product, processes, brand, trust, service attitude. And you would have seen that we have grown ourselves now from a zero level in April 2017, now at 40,000 crore at around 6% rate. And being an SFB, it was not easy journey but just putting ourselves on every day, applying ourselves on every day and building that connect with customers, building that relationship and also building the digital outlook around it. Because we started with the tab banking which opened up around 80% of our saving account in 30 minutes. We have just launched our super app. We launched our credit cards, QR codes. I think all these things have been done just to make customer very comfortable around franchise and we have learned a lot in last 4years because being an NBFC we were just lending money so there was little bit challenge around our relationship management that time. But we have understood the importance of relationship and offering the whole patience outlook towards customer handling and building all those things which is required to catch his imagination. And I'm sure our team will understand more and more as they get maturity. But the focus is immense, and we are able to take lot many leadership from the competition space and we are just honestly around 600 branches to have a real distribution for the branch banking. And in that also 50% is in the core

market side. And you'd be surprised to know, Bharat bhai, that in some of our core markets we are even bigger than the largest Bank of this country. So that is giving us a lot of confidence and we are building a lot of method there and I think this is in my opinion, 50% or 60% of the franchise as banking. So, if we can sort out our liability franchise, customer relationship, customer engagement, customer trust, we can actually lead this organization forever type. So, there we are not making any compromise, anything, we just remain, want to focus on that one part more heavily and heavily and doing everything, honestly, I spend my every day a couple of hours to really see how we are building our branch banking franchise. And if you build a branch banking franchise and you build a liability franchise at a low cost, I think lending becomes easy. And you will appreciate that AU has built up their asset franchise from last 25 years and there we have the ability to lend in the core markets and that is why AU always remains in a profitable banking even in initial years because there we're able to charge a little bit higher rates than to urban market customers and there I found that AU remain on there, we remain like a previous avatar NBFC. We know how to lend, how to collect and to whom to lend. So, our credit policies, our selection process, our collection strategies, our sourcing strategies remain absolutely same, same the way we have done in NBFC. Our even a book profile, which is Wheels as we are in home loans is now 10-year-old. So, the entire team is well stitched. And you will appreciate that in spite of this whole pandemic the last six quarters, it's just a long drive but our NPAs remains in a bound range. And I'm very happy the way the customer also reacted towards this and that has given us more confidence that we should go pan-India in coming years. So, the idea remains that we take money from urban markets and lend it to core markets, and we retail, have a priority sector book, have an income generating assets. So, our principles of assets is very clearly laid down. Now, we are adding commercial banking because in urban markets or even in core markets, certain kinds of customers look for a Bank CCs, Bank drafts, Bank guarantees, trades and international trades. So that is an icing on cake for us. And that team has also settled from last 5 years. Vivek is on the call, he is Head of Commercial Banking. And I think the kind of India would be next 5-6 years, I think that book has the ability to grow. I think there, in my opinion, liability and assets we have largely sorted out. Of course, every day we have to execute or based on the learning and based on the opportunity we will get. And in the last term, it's around digital. It's not an easy subject for a Bank. We are highly regulated and digital is very specialized skill but I'm very proud of the team, the way they have built on their own, on our limitation around our people, in limitation around our whole as a franchisee, we can't experiment everything. So, but the way, we have built our super app, the way we are building our video banking, the way we have built our whole UPI system, credit cards, QR codes and we have very amazing leadership at every level. And they are very passionate to do this. And for me digital is more of enabler and that we are doing it, but digital becoming a business for us, may take some more time but we are clearly focusing ourselves and that is why we are doing a lot of investment there. But as in that investment we are keeping ourselves for next 5 to 8, 10 years type of horizon because it requires that kind of runway. So that is there. Otherwise, other than that, I would say whether its people, who are so important for us, our team remains intact. Last time we also spoke about the challenges that we face, but I think it was one of the events and beyond a point we can't control people's choices and people's desires, but AU remains one of the most exciting companies for people to join and work. We have our own culture, and we are proud of that

because we have come to this level because of that culture and execution, and we really want to be continuing on that part because banking is a fragile business. We need to keep a lot many things in check and control. Because in the end we are dealing with the public money. So that is also been sorted out. And as we move forward and based on our growth, the whole India is our opportunity on, we are in 15 states, with lesser than 608 towns. So, we will go pan India in times to come but we are not in hurry. We will take every step based on some requirement. Hopefully you will see AU growing from here and becoming a pan-India Bank in coming times. So, I think this is there and other than that our compliance standards, our governance standards, the way we operate, is not because we are doing this as we are a Bank, we are doing from last 25 years and we got the support of every investors, big institutions, people like you who have supported us in a thick and thin times. So, I believe that we will be continuing on that path and our team is entirely excited, very young team, 30 plus age kind of team. So, I think just we need to have more patience around us and look for the opportunity when it's comes, and we execute on that line. Thank you so much, Bharat Bhai, I hope I answered you.

Bharat Shah:

Yes Sanjay, always very eloquent, let me simplify what I was asking and maybe for some other day. But for the moment I got a lot of good answers on what I was raising. So, to summarize what I was trying to say was that I believe India is emerging into a very large opportunity where banks will have a huge amount of role to play and if AU is taking that step-in future and to engage into that opportunity then I think some of the most important key pillars have to be well founded. And of course, on leadership, entrepreneurial capability, agility, I give AU 10 out of 10 because that is what my personal opinion and belief is. But other areas whenever you think kind of introspective analysis done on these, in subsequent call or any other call when you think if you can kind of do a more detailed discussion on these, each of the key pillars, that would be great. It will be good to hear your viewpoint on various things.

Sanjay Agarwal:

Yes, we will take care of that and thank you so much for your input.

Moderator:

The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare:

Sir first one is that on asset quality. When we look at the first and the second quarter together, we have seen like 800 odd crores of recoveries and upgrades, but we still have something like 450 odd crores fresh NPLs. And looks like the segments where inflow and out flow is happening, it's the same one, vehicles and SBL. So, where's the disconnect here as in which category or profile of customers are recovering so quickly and which are the ones which are still sort of slipping into NPL.

Sanjay Agarwal:

Largely I would answer this that the people who are having a commercial passenger vehicle like school buses and the normal buses, they are not doing well. So, in a restructured asset, they got the restructuring done through that but once that get maturity, they are slipping in the NPAs because their business has not come back. Like, for SBL like the penthouse, the schools, some kind of marriage related events, companies and all those things, we got restructure them in last year, but they haven't come back. So, there are certain kinds of profiles which has not even

started or is still struggling. So those businesses and those customers are not even able to pay, and they are defaulting it. And otherwise lot many businesses like taxis, saloons, the kirana stores and all those things which were getting some struggles early, but they have come back strongly because of this opening up. So that is the whole reason of some kind of slippages and more of upgrades.

Abhijeet Sakhare:

The second one was on, you said that you hired like 3000 people during the quarter, but the employee base is still marginally lower. It gives the impression that the attrition levels are fairly high. Is that a correct observation and if yes, which portfolios or segments where we are still seeing very high levels of attrition?

Sanjay Agarwal:

Abhijeet, this remains an issue for every organization, and we are not saying that we don't have that. So, it remains always on the front end. You will appreciate that people in the core markets and villages join Bank to do something and when they find that banks were difficult things, then only the people leave. So, most of the people who leave is on the front level people. So, their attrition is close to around 40% and that will continue to be very honest. But if you see the whole attrition at top 100 people of AU, it is very less. I will appreciate that many companies have published our internal transfers also but that's our policy. Because I don't think that Bank is a rocket science. And if you are a chartered accountant or if you are a professional, you can be used for many functions internally. For me, if you are a Head of Risk or Head of Accounts or Head of Audit or Head of Compliance, it hardly a difference in the whole job and that's our policy. So, we are running this kind of whole practice from last 25 years and we have reached to this level because of all those practices. One off events should not change our course and I strongly believe that we really take care of our people and in our AU, 10% people have ESOP. And there are people who are working for the last 20 years. So, I think we will take the course actions wherever required and there is an industry phenomenon around attrition. You will appreciate that, lot many banks are coming, lot many fin techs are coming, lot many NBFCs are coming, everybody has ambition. And once we became Bank, we also hired from our competitive banks only. So, I think this is how the whole circle will happen. But I think we need to be very aligned on our whole objective and keep working on those lines.

Moderator:

The next question is from the line of Abhishek Murarka from HSBC, please go ahead.

Abhishek Murarka:

My question really is on credit cards. So, the acquisition is happening nicely. You've issued about 30,000 cards this quarter, any plans to tie up with any of the card issuance companies like Slice or Uni Cards or something like that to accelerate acquisition? And also, can you share how many of your 21 odd lakh customers, how many of them are eligible to get a card? I heard that you said 3 to 4 existing card customers are ETB. But how many are really eligible? Have you done some analysis and if you can share that?

Sanjay Agarwal:

The first one, yes, of course we have just launched our credit card and our team processes, product is just settling down, just two quarters. But the discussion is on and so the team will take the call at the time of the requirement, but I think that to do in a partnership with some good

brand or some kind of sourcing partners or even doing the credit, it's on the cards. So as and when it comes, we will figure it out. And the second one, to be very honest, when we figured out that who is eligible, it depends on how and where we really want to give the card, at what scores and all those things. So rough back of the envelope calculation is that our one-third customer is eligible of credit cards because they already have a credit card. So that's one data which support us that one third of our customers can get our own AU card. And then of course, another 17%-18%, we can actually lend them based on our relationship with them whether it's in branch banking relationship or a loan relationship. So overall, 50% of our customer base in next 2 to 3 years should get a card from us.

Abhishek Murarka: And the incremental issuance that is happening, I know the composition might change later on as well but currently, what is it? Is it more salaried or more self-employed or what kind of customer profile is really being given cards?

Sanjay Agarwal: In credit cards?

Abhishek Murarka: Yes.

Prince Tiwari: I think broadly, if you see the issuances, we had done some really shortly basically out of 50,000, if you see 55% customers are broadly new to credit cards so they are not new to credit, but they are using the credit cards for the first time and within that almost 80% is existing to Bank clients, 20% are new to Bank clients.

Aseem Pant: Around 60% are salaried, around 40% are self-employed.

Abhishek Murarka: You said 80% are existing to Bank but I think earlier you said 3% to 4% of the card customers are existing to Bank. Did I get that wrong?

Sanjay Agarwal: I don't think we mentioned that. Most of the customers in the initial phase are existing to Bank because we are moving ahead with the pre-approved offers basis the analytics that we have run.

Abhishek Murarka: Okay. So, I guess I heard that wrong. Thanks so much for this clarification.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Aseem Pant for closing comments.

Aseem Pant: Thanks, Rutuja. Thank you everyone for joining the call. On behalf of the entire AU team, we wish you good health and Happy Diwali. Please 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.