



We hope to grow our disbursement by 50% next fiscal as schools reopen

Current pandemic provided an opportunity to transform our business model, says Indian School Finance CEO Sandeep Wirkhare

Sandeep Wirkhare, CEO, Managing Director

Indian School Finance Company (ISFC) is an NBFC focussed on lending to unaided schools for their business operations and expansion. As the current pandemic has disrupted the educational year, it impacted the disbursements of the NBFC along with higher default rates. However, with schools reopening in many parts of the country, ISFC is slowly witnessing

demand coming back. In an exclusive interview with *Bizz Buzz*, the company's CEO and Managing Director **Sandeep Wirkhare** said ISFC's loan book is likely to grow more than 50 per cent in the next financial year despite a contraction this fiscal. It also sees asset quality improvement in the coming quarters

DEBASIS MOHAPATRA

HOW was the business last year for ISFC given the fact that the whole educational year was severely disrupted due to the Covid pandemic?

As we know, ISFC has gone through a transition process last year. So, the current pandemic has given us an opportunity to transform our business model. Of course, our business was impacted due to Covid and we have not done much disbursement last year. Our delinquencies, obviously, has been higher. But at the same time, ISFC is a well-capitalised company. In fact, our investors infused additional capital in June last year. So, as an organisation, we have improvised our operations during this time. On the school fees, parents didn't pay the fees for various reasons last year. We surveyed 2,500 of our partner schools and found out that schools were not receiving more than 20 per cent of the fees till November-December. However, most of our book is backed by collaterals. That's why most of our customers preferred to pay us installments in time. This put us in good stead. Also, the six-month loan moratorium period announced by the Reserve Bank of India helped. However, the delinquency percentage went up during the year. But one fact that comes out of the pandemic is that this segment is very cash-rich. That's what has started reflecting as fees collection has improved for most schools from January.

How big do you expect the book size will be by the end of FY21? Will there be any contraction in book size? Will growth come back in the next financial year?

We have restructured some of the accounts. But that is not big as compared to other financial institutions. We are even thinking of selling up some NPAs (non-performing assets) to ARCs (asset reconstruction companies) after restructuring the accounts. Once that is done, no NPA will sit on our books

We ended FY20 at a book size of Rs 389 crore. In the current financial year, we may see a contraction of around 15 per cent. In the coming financial year, we see a growth revival and our lending is likely to grow by around 50 per cent over the current fiscal year. In fact, we have already made plans of disbursing around Rs 300 crore. As an NBFC, we are in a very unique position with 2,500 unique customers.

As far as the delinquency rate is concerned, will you be able to give some numbers? How many accounts have turned standard in recent months?

I want to highlight the fact that ISFC is going through a complete transformation phase. I will call the earlier phase as ISFC Version 1 and

the current phase as ISFC Version 2. Earlier, our model was transactional with customers. Also, our total loan book was based on our equity fund base along with debts raised on this

base. Now in Version 2, we are transforming ourselves into a relationship and digital-based business model. To achieve this, we have worked on our products

and are also building up a technology team.

Now coming to the question of restructuring, we have restructured some of the accounts. But that is not big as compared to other financial institutions. We are even thinking of selling up some NPAs (non-performing assets) to ARCs (asset reconstruction companies) after restructuring the accounts. Once that is done, no NPA will sit on our books. We are ready to take a one-time hit arising out of this during the Covid year, but this will clean up our bal-

ance sheet. That will make the company attractive for equity infusion from investors.

Will there be an opportunity for borrowing term loans from banks and larger NBFCs after the balance sheet is cleaned up?

The intention is to raise more term loans from financial institutions once the balance sheet is cleaned up. Also, we have partnered with other NBFCs such as InCred, U GRO for co-lending opportunities.

How big is the market opportunity in the school funding space? How do you view competition? Will consolidation

adequate credit flow. Take for example the school education segment. There are around 2.5 lakh unaided schools in the country. If we serve even 10 per cent of these schools, then the opportunity is huge. So, due to the pandemic, some consolidation will happen. However, there is a likelihood of more specialised players emerging due to this consolidation, which cater to specific segments.

Going ahead, digitisation and technology are going to be the main growth drivers for us. Through technological intervention, we will also tap the school fees loans market to parents and personal & other loans to teachers. So, the opportunity is huge.

Are you adequately funded now as far as capital adequacy is concerned?

Our capital adequacy ratio is around 45 per cent now, which is one of the reasons for our withstanding the pandemic despite disruption. Due to the strength of our capital base, we can clean up our balance sheet.

What are your hiring plans in the coming financial year? Have you done any rationalisation of the workforce due to the pandemic?

We have done a bit of rationalisation last year. However, with the revival of demand, we have started taking those people who left us. About 10 people have already joined us back. We also plan to hire around 100 people in the next six months, which is likely to take our headcount to about 250 employees.

The market opportunity is huge in the school funding space and India is a credit-starved country with most sectors not receiving adequate credit flow. Take for example the school education segment. There are around 2.5 lakh unaided schools in the country. If we serve even 10 per cent of these schools, then the opportunity is huge

happen in the NBFC space due to the pandemic?

The market opportunity is huge. I can say India is a credit-starved country with most sectors not receiving