# Quick notes on risk

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**1. How is repeat May 1st cycle doing?**

We are trending better than ~1.30 terminal. This is the best ever for odd cycles.

**2. How is repeat May 2nd cycle doing?**

Too early to project D90/terminal at D6 , but numbers are slightly deteriorated

| | | |
|---|---|---|
| 10 | 2023-10-31 | 14.21 |
| 11 | 2023-11-30 | 12.57 |
| 12 | 2023-12-31 | 12.05 |
| 13 | 2024-01-31 | 11.59 |
| 14 | 2024-02-29 | 11.3 |
| 15 | 2024-03-31 | 11.21 |
| 16 | 2024-04-30 | 11.35 |
| 17 | 2024-05-31 | 11.69 |

With May 1st cycle getting us slightly better quality NU, I would expect a slight improvement in this cycle.

But then D6 is too early. Only by D10 we have some confidence. So, let's see how this unfolds.

**3. How is May cycles NU delinquency going?**

For May 1st cycle, D90 delinq is trending 12.5% terminal at TPV of 2.24 cr. So, loss here is 28L. Plus there is additional delinq of 15L from unblocking experiments.

May 2nd cycle was the first cycle where we got <1000 good users for all days. D6 delinq is indeed down:

| | cycle | overall_delinq |
|---|---|---|
| 10 | 2023-10-31 | 34.08 |
| 11 | 2023-11-30 | 31.82 |
| 12 | 2023-12-31 | 26.52 |
| 13 | 2024-01-31 | 27.7 |
| 14 | 2024-02-29 | 30.89 |
| 15 | 2024-03-31 | 29.06 |
| 16 | 2024-04-30 | 30.8 |
| 17 | 2024-05-31 | 23.3 |

It is immensely satisfying to see substantial dip in delinq. Roughly it means **"PD works"**. This is one ip which we have really built -- segregating good users from bad from basic non PIII information. [And very exciting is the fact that we are not done -- more improvements in approval algorithms are in progress]

TPV in May 2nd cycle was 1.5 cr and with expected terminal DLQ of <9% we are looking at DLQ loss of 14L.

So, May NU DLQ loss overall was 28 + 15 + 14 = 57L, and June onwards we expect this to be <25L per month.

**4. What does portfolio delinq in May look like?**

Assuming ~1.25% terminal delinquency for RU at 500 cr TPV and adding in another 3 cr of NU TPV at ~12% delinquency, we are looking at **May portfolio delinq of 1.36%.** This is a bit pessimistic estimate and real delinq is more likely than not to be better than this.

**5. What steps have we taken to reduce delinquency in the coming cycles?**

<u>Following steps have already been done:</u>
1. Permanent block has been brought forward from D60 to D45. This helps bring down delinquency by ~4 bps.
2. We have restricted higher AOV on myjio, which is expected to help by 0.5bps.
3. A more precise selmore version is expected to help by 2-3 bps.
4. Projet canopus is currently helping in collection beyond D90.

<u>Following steps are in flight</u>
1. We will likely bring forward soft block from D10 to D5. This should help us by 6-10 bps in delinquency at a reasonable exchange rate.
2. Spend limit feature will start getting used from ~next week. Simpl spend limits getting so high as to be too high for the user has been pointed as #1 delinquency reason of seasoned users. Spend limit will allow users to control their limits.

Future steps
Risk sharing with merchants, chargebacks, canopus (described in next section) expansion to before D90, better models coming from DS.

## 6. Project Canopus: exploiting opportunities hitherto unexplored

As a result of canopus and our previous efforts , collections beyond D90 have improved significantly. Earlier we used to collect only ~5bps beyond D90, but now it is 20bps+

| cycle | D90 RU Delinq | D365 RU Delinq | D365 - D90 improvement |
|---|---|---|---|
| 2023-01-15 | 1.84 | 1.56 | 0.28 |
| 2023-01-31 | 1.62 | 1.39 | 0.23 |
| 2023-02-15 | 1.64 | 1.39 | 0.25 |
| 2023-02-28 | 1.5 | 1.26 | 0.24 |
| 2023-03-15 | 1.61 | 1.32 | 0.29 |
| 2023-03-31 | 1.51 | 1.26 | 0.25 |
| 2023-04-15 | 1.59 | 1.29 | 0.3 |
| 2023-04-30 | 1.47 | 1.23 | 0.24 |
| 2023-05-15 | 1.75 | 1.43 | 0.32 |
| 2023-05-31 | 1.6 | 1.33 | 0.27 |
| 2023-06-15 | 1.7 | 1.39 | 0.31 |
| 2023-06-30 | 1.57 | 1.3 | 0.27 |
| 2023-07-15 | 1.68 | 1.43 | 0.25 |
| 2023-07-31 | 1.63 | 1.37 | 0.26 |
| 2023-08-15 | 1.83 | 1.53 | 0.3 |
| 2023-08-31 | 1.68 | 1.43 | 0.25 |
| 2023-09-15 | 1.77 | 1.51 | 0.26 |
| 2023-09-30 | 1.41 | 1.2 | 0.21 |
| 2023-10-15 | 1.62 | 1.38 | 0.24 |
| 2023-10-31 | 1.41 | 1.21 | 0.2 |
| 2023-11-15 | 1.39 | 1.23 | 0.16 |
| 2023-11-30 | 1.25 | 1.12 | 0.13 |
| 2023-12-15 | 1.6 | 1.47 | 0.13 |
| 2023-12-31 | 1.4 | 1.29 | 0.11 |

**7. What does the future look like? Will we meet our delinquency goals?**

In a few words -- I am cautiously optimistic. Lot of effort from lots of quarters is needed -- but with everyone contributing I would bet on us achieving these goals. Here are some details.

Here are our delinquency goals:

| **Month** | **Goal** |
|---|---|
| May/June | 1.25% |
| July | 1.0% |
| Sep | 0.9% |
| Dec | 0.75% |

Since we have restricted NU intake severely, portfolio DLQ mostly equals RU DLQ. As our RU users age, their delinquency becomes better. So, even if we do nothing, DLQ gets better. How much? Here is the chart for that.

| **Month** | **Goal** | **DLQ if we do nothing** |
|---|---|---|
| May/June | 1.25% | 1.35% |
| July | 1.0% | 1.20% |
| Sep | 0.9% | 1.10% |
| Dec | 0.75% | 1.05% |

So for the month of July, we need to bridge the gap by 20 bps.

We have the following plan:

- D60->D45: 4bps
- AOV restriction: 0.5bp
- Better selmore: 3 bps
- D5 soft block: 7 bps

So we have around 15bps available from above. Plus some efforts with unknown goodness: canopus and spend limit should get us additional 5 bps.

Beyond July, further spend limit experiments and canopus, plus other ideas discussed in a previous section should help us get to desired levels.