



Ref: SSFL/Stock Exchange/2025-26/030

June 6, 2025

To
BSE Limited,
Department of Corporate Services
P. J. Towers, 25th Floor,
Dalal Street,
Mumbai – 400001

To
National Stock Exchange of India Limited,
Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051

Scrip Code: 542759

Symbol: SPANDANA

Dear Sir/Madam,

Subject: Transcript of conference call held on Friday, May 30, 2025.

Ref: Company letter No.: SSFL/Stock Exchange/2025-26/020 dated May 30, 2025.

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Friday May 30, 2025 to discuss the financial and operational performance of the Company for Q4 FY25.

The aforesaid information shall also be made available on the website of the Company at www.spandanasphoorty.com.

Kindly take the above on record.

Thanking you.

Yours sincerely,
For Spandana Sphoorty Financial Limited

Vinay Prakash Tripathi
Company Secretary

Encl: As Above

Spandana Sphoorty Financial Limited

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“Spandana Sphoorty Financial Limited Q4 FY '25 Earnings Conference Call”

May 30, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 30, 2025 will prevail.”



**MANAGEMENT: MR. ASHISH DAMANI – INTERIM CHIEF EXECUTIVE
OFFICER, PRESIDENT AND CHIEF FINANCIAL
OFFICER, SPANDANA SPHOORTY FINANCIAL LIMITED**



*Spandana Sphoorty Financial Limited
May 30, 2025*

Moderator: Ladies and gentlemen, good evening and welcome to Spandana Sphoorty Financial Limited Q4 and FY '25 Earnings Conference Call.

This Conference Call may contain certain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Ashish Damani – Interim CEO, President and CFO. Thank you, and over to you, sir.

Ashish Damani: Thank you, Sagar. Good evening, everyone. And thank you for taking time out to join on this call. Our sincere apologies for the delay.

I believe most of you have got some chance to go through the Q4, FY '25 results, and even the full year Results, which have been uploaded on Stock Exchange sometime back.

Before discussing the results, I would like to clarify on three issues:

First of all, just want to explain that every NBFC MFI will undergo routine audit by the RBI every year. And in the process, they do suggest areas of improvement as their observations. As always, we have been complying with all the suggestions made.

The company also conducts review through both internal as well as external experts, agencies for continuous improvement in a routine course of business. So, that is something that we have been doing. I would like to reiterate that there has been no forensic audit on the company whatsoever.

MFI customers tend to make their repayments through cash only. Therefore, this industry is susceptible to operational risk of misappropriation, theft, and robbery. Every prudent lender, including Spandana, has control mechanisms in place to control and manage such risks in the business.

However, in the recent past, the industry has seen higher stress and attrition, which has led to an increase in such incidents across the industry. Spandana too faced these issues during the 2nd, 3rd Quarter of the financial year. However, we are continuously working to reinforce control mechanisms through measures such as increased headcount on branch quality managers,



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increasing internal audit frequencies and coverage, etc. We have seen improvements in terms of a reduction in the overall challenges in past couple of quarters.

While Spandana adopted credit rules confirming to the Guardrail 2 and even going beyond in January of 2025, the deferment of Guardrail 2 implementation by SRO to 1st of April 2025 prompted us to rationalize our disbursements in Q4. During the period, the company was focused on improving its collections and its processes by way of increasing engagement with the customers on the ground.

Now I move on to one more important update:

Our equity raise plans are pretty much on track. We have received shareholder approval for capital raise during March for up to Rs. 750 crores. The Board Committee has been formed to oversee this capital raise, including a possible rights issue in Q2 FY '26. This rights issue will be done with the promoter participation. We will make all the necessary announcements in due course once all approvals are in place.

Like we have been reiterating on the fact that FY '25 has been the most challenging period for the microfinance industry in the recent times, multiple external and structural headwinds in increasing borrower leverage, weakening of JLG model, deterioration in borrower discipline and socio-political influences had adverse impact on the microfinance industry. Our short and long-term response to this industry headwinds has been bucketed into three broad domains. Operations, credit underwriting, and liquidity and capital position.

During the year, we remained agile and introduced a few changes in the way we operate. Among many, let me highlight a few important ones. Introduction of control and quality check layer at the branches which we call branch quality managers. The core function of this role is to be a checker at the branches and ensure that all due processes and quality checks are diligently followed.

We have increased the number of loan officers during the year at the branches to manage the workload as they had to make multiple rounds of borrowerhouse visits for collections. The increased stress resulted in elevated attrition at the field level. And taking cognizance of these issues, we have increased the bench strength, which had impacted the efficiencies in the interim.

We have put in place a dedicated team of collections, loan officers for the buckets which are 90+ DPD borrowers. This team is focused on following up with the borrowers in the 90+ and the write-off pools for recoveries. We currently have about 700 loan officers in this team, and we plan to intensify efforts in recovery during FY '26.

Increasing engagement with the field staff through various initiatives is something that we have been taking up so that the attrition levels can get controlled. Telecalling the borrowers to



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encourage them to make timely payments. Explaining them about the new guardrails and encouraging them to follow the discipline of making timely payments.

As a team, we keep looking for means to make our processes more efficient and improving our operations. We have always maintained that as an organization we continue to believe in core microfinance that is short tenures, low ticket sizes and geographical diversification.

Supplementing this, we introduced credit checks in January 2025 which go beyond guardrails. Our credit rules are more conservative as we have set a DPD threshold of 30 days for the existing borrowers and we have gone down to one day for any new borrower that we will onboard.

In addition, we are also checking the DPD status of the household to ensure that the household is not in any kind of financial stress. To increase the robustness of our KYC checks, we have entered into an agreement with NPCI for Aadhaar-based e-KYC.

With these initiatives in place, we believe that we can now restart the new to credit borrowers gradually. This is something that we have taken as a conscious call to stop onboarding the new to credit in July last year.

To manage our liabilities better in such testing times, we have been maintaining sufficient liquidity on the balance sheet. This liquidity provides sufficient headroom to be able to meet all short and medium-term requirements. Our liquidity position at the end of March 2025 were over Rs. 2,000 crores, which is about 24% of our assets on our balance sheet.

Spandana had witnessed improvement in key lead indicators in March and our X-bucket collection efficiency at the end of March 2025 improved to 98.9% if I exclude Karnataka out of it. Including Karnataka, it would be 98.6%,. And December was 98% when we looked at the same metric.

We have been consistently seeing an improving trend in the lender overlap as well. About 23% of borrowers had exposure to four or more lenders, including Spandana, in February 2025, which has now reduced to about 20%.

Similarly, intense field efforts have also translated into higher recoveries from the GNPA or 90+ buckets, including write-off pool, which stood at about Rs. 52 crores in 4th Quarter of FY '25 versus Rs. 44 crores, which we would have recovered across the three quarters in the financial year. Overall, we were able to recover Rs. 96 crores during FY '25.

As a Management Team, we had set ourselves a few priorities. While we made progress on all of these, the challenges in FY '25 have resulted in altered timelines.

Let me enumerate our way forward on each of these priorities:



Customer acquisition led growth:

We have always communicated that our growth will be fueled by customer acquisition, and we will be very careful in terms of onboarding the new customers that we get. Our stricter credit rules are a step in that direction.

Well distributed geography spread:

I am sure you would have noticed that our geography exposures have been well distributed. We have improved our geography spread over the past three years. North India now contributes about 22% of the AUM as against 13% in FY '22. We continue to maintain our spread going forward.

Weekly model:

We have rolled out many branches under the weekly only model over the last two years and these branches today give us the X-bucket collection efficiencies of 99.3% in March compared to the overall 98.9% across the business. So, our belief in this weekly business is reinforced and we will continue to see how we improve on the overall contribution from the weekly branches.

Growing our AUM:

Our long-term goal of AUM growth remains intact, albeit with altered timelines. We will be cautious in lending and growing in new markets.

Improving efficiencies:

Our target in current financial year will be to improve borrowers to LO count to about 340 borrowers from the current 228 number.

We are working very hard to turn around things at the earliest and deliver on a quality growth that we desire for. To deliver on quality growth, we are reimagining our customer journeys by integrating multiple layers of technology, enable checks and balances including using tools like geofencing, face match, liveliness checks, digital questionnaires, etc. While some of these initiatives have already been rolled out, many others will be integrated during the year. All these we believe will help us improve our credit underwriting and filter in quality customers.

We have also been closely looking at our borrower base and identifying the borrowers that we would like to prioritize in terms of servicing. Of our existing borrower base, at the end of March 2025, about 51% of the borrowers qualify for new loan under the stricter credit rules that we have adopted internally. About 20% of the borrowers have 30+ DPD with some other lenders,



10% have three or more lender relationships, and about 4% have over Rs. 2 lakh loan amount outstanding in the MFI or unsecured retail or some other form of negative CB track record.

However, 96% of these borrowers, which is all the put together 34%, are current with Spandana. We believe that these two cohorts, 51% and 34%, together would provide us with a sufficiently large pool of customers to focus our efforts during the course of the year.

We also have a large pool of dormant borrowers who qualify for loans as per our internal guidelines and we would reach out to these borrowers as well. We will run regular analytics on our borrower data to identify early warnings while also look for opportunities to deepen our relationship with good borrowers without compromising on quality.

As I mentioned some while back, we have been working on improving efficiencies which we have touched upon on our presentation in Slide #13. Based on our portfolio behavior, we have identified a set of states where we would like to grow but cautiously.

We have also identified key states where we would maintain our position and a few states where we would prefer to scale back operations. We would conduct graded reassessments of our branches in terms of portfolio quality and growth opportunities. We would like to increase productivity and efficiencies at branches and expect to improve our loan officer productivity to about Rs. 1.1 crores per loan officer by end of FY '26 from the current Rs. 0.6 crores at end of FY '25. We continue to believe that loan officer productivity of about Rs. 1.3 crores to Rs. 1.5 crores is pretty appropriate.

Let me now just move to the results and business updates:

The key business drivers:

During the year, the company adopted a cautious approach to lending and implemented guardrails into our credit rule engine. Hence, our disbursements were calibrated for the year and were muted at Rs. 5,605 crores on a year-on-year basis, a decline of about 48%.

AUM at the end of the year was at Rs. 6,819 crores, registering a decline of 43% year-on-year. The AUM was the outcome of lower disbursement. However, we are confident that we will be able to take it back in the direction of growth during the current financial year.

Our LAP and Nano loans business under the subsidiary Criss Financial Limited is growing steadily. The AUM under these products crossed Rs. 200 crores for the first time. And we closed the financial year with Rs. 233 crores AUM under these product lines. The product quality under both these products continues to be strong with the net collection efficiency of 99.6% under the LAP for March 2025. We continue to believe in this strong market and potential for these products.



Portfolio quality:

We continue to maintain provisioning at 80% PCR. The standalone GNPA at the end of FY '25 was 4.85%, an increase of 3.4% over FY '24. Standalone NNPA was at 0.96%, an increase of 0.7% over FY '24.

Liability and marginal cost of borrowings, including borrowing mix:

During the year, we borrowed Rs. 4,482 crores. The borrowings were calibrated, keeping in view the disbursement and the organization's liquidity requirements. Our marginal cost of borrowings for the quarter was at 11.9%, which was about 20 bps higher than Q4 of FY '24 and about 20 bps higher than Q3 FY '25. Likewise, I look at the borrowing mix. We now have more healthy mix with banks contributing to our total borrowings at 57% at the end of Q4 FY '25.

FY '25 Financial Performance:

The net interest income for the year was at Rs. 1,228 crores over Rs. 1,289 crores reported for FY '24. NII was lowered by 5%. PPOP for the year was at Rs. 608 crores, down 35% year-on-year. Declining PPOP was largely on account of shrinking loan book, higher operating expenses and reversals on interest income due to flows in GNPA.

Yield on the portfolio was down by 1.7% year-on-year to 22.5%. Yield declined by 41 bps over the previous quarter. NIM for the year was at 12.8%, down by 1.3% year-on-year. NIM declined as a result of decline in the yield and increase in marginal cost of borrowings. We are consistently working towards improving our cost of borrowings.

The company reported a net loss of Rs. 1,035 crores for the year on account of higher provisions.

Given the challenges, we will continue to maintain cautious stand. We are optimistic that the situation should normalize by the second quarter of this financial year. All our efforts are directed towards identifying opportunities for improvements and implement corrective steps where necessary. We are also closely monitoring outcomes thereof.

We continue to be prudent in our approach to lending ensuring that our portfolio is well diversified while staying conservative on ticket sizes and customer indebtedness. We are comfortably placed in terms of capital adequacy at 37% and close to Rs. 2,000 crores in liquidity. Our gearing at 2.1x is also accommodative of future growth.

Despite the rapid global policy shifts, India remains a largely positive growth story. The early arrival of monsoon and expectations of above normal monsoon bodes well for the microfinance industry where most of our borrowers are placed in rural India and are dependent on agriculture



as a primary source of income. This we believe will be a factor that will drive the revival of the sector along with the SRO guardrails that have been put in place.

Thank you once again for taking time out to join us on this call. The entire management team of Spandana is thankful for the consistent feedback that we have been receiving from all of you. We look forward to your continued support. And now I can ask the moderator to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Good evening. So, I have a couple of questions. Firstly, on Slide #17, you have given some projections for FY '26. And it seems to be reverting back to FY '24, whereas FY '25 is a big blip. So, how do you plan to cover so much ground? What gives you confidence? Especially because most MFIs are saying that a better part of the recovery including growth will come in the second half. So, what gives you that confidence of covering so much ground? That's my first question.

And secondly, just in terms of credit cost, forward flows and slippages, you have given some data till April. How does early May look like? And where do you think will you see a meaningful or when do you think you will see a meaningful decline in credit cost and some rollbacks as well? So, that's my second question.

And my third question is any size of the equity issue? So, these are my questions.

Ashish Damani: Hi, Mahrukh. This is Ashish. So, I believe you are talking about Slide #12, where we have given the disbursement trends which we had in FY '23 and '24. Is that correct?

Mahrukh Adajania: I am talking about the projection, right? You have given projections and in terms of loans for LO, disburses for LO, you have given projections for March 26. That is what I am talking about.

Ashish Damani: Okay, so these projections are for productivity matrices at a loan officer level, which will be a combination of increasing the customer base, doing the disbursements, as well as there is attrition that is likely to happen in the branches wherever we would have taken higher number of loan officers. So, the idea is to keep looking at that productivity of 340 by the end of this financial year in terms of the number of customers per loan officer. So, I am not sure if that has answered your question, but that is what we are trying to explain here on this slide.

If I can move to your second question in terms of how the current trends are shaping up, how is May looking like and when there will be a meaningful decline? So, yes, March was pretty solid at 99% in terms of collection efficiency. However, April and May there has been a slight blip. We are presently trending at about 97% and thereabouts on the current bucket or X bucket.



Last question was about the size of the transaction. I think we have taken approval from the shareholders at about Rs. 750 crores. However, we are looking at presently doing maybe a rights issue of, it will obviously be a lower number, but we will have to calibrate the number in due course.

Mahrugh Adajania: I will come back for more later.

Moderator: Our next question comes from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Thanks for giving me the opportunity. And I think your earlier commentary was very easy to understand a lot of aspects, but just had a question on our business model per se. So, are we looking to say, decouple the sourcing and the let's say, operations and the credit at the ground level which would also be learning in this cycle per se? Or are we continuing to just go ahead with weekly as a model and continue to have the LO or the loan officer managing both the functions at the ground level?

Ashish Damani: No, so, weekly, we will continue in the branches where we have the weekly model. We have about 14% of our business in weekly branches. And we would obviously grow that portfolio given the portfolio quality is definitely better than what we see in monthly branches. On the monthly branches side, I don't think so we are making any changes. It's only about increasing the engagement with the customers by the loan officers.

Shreepal Doshi: So, are we looking at, let's say, having a credit officer at branch level who will look at, let's say, underwriting and we are shifting towards a model which wherein we will be underwriting individual customers while maintaining the JLG model from the operations point of view?

Ashish Damani: Definitely there will have to be a little bit more credit appraisal that needs to be done at a borrower level over and above the joint liability that you have on the ground. We are having a branch quality manager, like I have said earlier, at the branches, who is doing further checks in terms of understanding the borrowers which are getting onboarded. We have used like I have mentioned earlier, we are using technology to improve our understanding of the borrower at the ground by doing geofencing, by doing liveliness check, making sure that the KYC that we are getting is more robust and more foolproof. This is what we are doing in terms of additional checks.

Shreepal Doshi: The second question was pertaining to something that you also alluded in our earlier commentary, which was on Aadhaar-based, linking Aadhaar of the customer for the new customer onboarding. So, I think there was a lot of duplication of accounts at system level. And so, have we got approval from the RBI to use Aadhaar as a medium to onboard the customer and to do even credit bureau check accordingly?



- Ashish Damani:** So, Shreepal, we are presently following this e-KYC process where e-sign is the format that we use, where Aadhaar becomes the aspect that you use through OTP-based verification. So, we still don't have the license in terms of AUA or KUA. What we are using is the next stage we will move to is, we are working with the NPCI and others for the e-Setu piece, where we will be able to do this much more smoothly. It will be Aadhaar-based customer identification where other than the OTP, there will also be a face recognition that we will use.
- Shreepal Doshi:** Thank you so much for answering my questions. I will come in the queue for more questions.
- Moderator:** Our next question comes from the line of Viral Shah from IIFL Capital. Please go ahead.
- Viral Shah:** Hi, Ashish. Two questions. One is you mentioned that the current X-bucket collection efficiency trends are trending closer to 97%. This is excluding Karnataka or this is at an overall level basis.
- Ashish Damani:** This is overall. If you exclude Karnataka, it would be about 97.8.
- Viral Shah:** And another question I have is, see the deferred tax asset that we have recognized in this year, now also this quarter, do you think that is an aggressive estimate given if you look at another peer of yours, who has also suffered a couple of quarters of losses, heavy losses, they have chosen not to, say, recognize that as a deferred tax asset at least as of now until there is a visibility or one delivers profits? Do you think that was an aggressive, I would say, practice that you took in this quarter?
- Ashish Damani:** Viral, I can talk for ourselves. I think what we look at in the deferred tax recognition is how our business plan will shape up in the next 5 years. In fact, the authorities allow you to look at the next 8 years and we were sufficiently covered.
- Viral Shah:** That's it from my side. Thank you, Ashish.
- Moderator:** Our next question comes from the line of Rajiv Mehta from YES Securities. Please go ahead.
- Rajiv Mehta:** Hi, Ashish. Just on this borrowing side, this fund raised in the quarter of Rs. 473 crore, can you tell us from which sources was this raised? And what percentage of lenders or bank loans will be under covenant breaches and how does the covenant breaches go away? And besides capital, can there be profitability constraints or high liquidity constraints for funding the growth that we are planning to have?
- Ashish Damani:** Sorry, Rajiv, your last question, can you repeat?
- Rajiv Mehta:** Sir, I am talking about covenant breaches, if you are having any, for the borrowing that we have. And when does it go away? And whether, you know, besides the capital that we are planning to raise, can profitability also act as a constraint for the covenants to remain in place?



Ashish Damani: Sure. So, the covenant breaches, yes, there have been certain covenant breaches due to both the portfolio quality numbers as well as profitability. The number stacks up presently at Rs. 438 crores in total where Rs. 260 crores is from the capital markets and about Rs. 178 crores from the term lending side. I see this number start going down in near future. We have got the necessary waivers and comfort from the lenders. They continue to support us. And we don't see this acting as any kind of a constraint on future growth plans.

Rajiv Mehta: Just on this disbursement activity being low at this point in time and now when you also follow the guardrails of your own self which are tighter than the industry, and then you also given us the cut of your customer base and that 51% of the borrower base currently only eligible for incremental disbursements as per the current rules that you are following, when does it really change, the runway change for us?

Because I think if you are trying to tell us that like a normal year, the first half will be slightly decreased and second half you can pick up. But when you look at the eligible customer pool, currently at the start of the year, that seems low. So, how would, I mean, if you can just quantify, I mean, would there be any way you can quantify what kind of growth or how do you see the year playing out for yourself in terms of the book by the end of the year?

Ashish Damani: So, I think the industry is slated to grow, let's say, between 10% to 15% with the kind of customer base we have and the numbers that we have kind of put up on the slide, both in terms of existing borrowers and the number of borrowers that we would want to bring on board. I think we can look at about 20% kind of the growth from the current base. That's the number that will work out.

Rajiv Mehta: Yes, that's it.

Moderator: Our next question comes from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Hey, hi, Ashish . Good evening. Sir, the first question is on the employee base. Firstly, do you think you are adequately staffed right now? And secondly, you indicated a few employee-related issues in the beginning. Can you broadly quantify what is the amount of money which is currently outstanding from your employees? Or any magnitude which you can share of the employee related issue?

Ashish Damani: Hi, Ashlesh. So, there is nothing outstanding from the employees or anything which has not been disclosed, or which has not been accounted for. Yes, there have been attritions . I mean the percentage terms, it was very high for the previous financial year, 56%. And what we have done is we have let go , we have not back filled some of the geographies wherever the borrower to loan officer count was much lower than the national average to let it adjust on a normal course, the productivity matrices. And that is something that we will continue to do as we go forward.



- Ashlesh Sonje:** And in terms of geographies, where do you see higher collection efficiencies and lower collection efficiencies?
- Ashish Damani:** So, our challenging markets in the recent times have been Andhra Pradesh, Karnataka have been the challenging geographies for us. The rest of the states, while April was a bit lower, May, things are picking up and we are confident that June will be even better, given the monsoon setting in.
- Ashlesh Sonje:** And just one last clarification. If I go to Slide # 9 on your PPT where you have shared the lender level overlap, this is as a proportion of borrowers or as a proportion of the loan book?
- Ashish Damani:** This is at borrower level. But I think in our case, given that the average ticket sizes and average loan amount outstanding is relatively uniform, I think both should be more or less in line.
- Ashlesh Sonje:** Those are all the questions I had.
- Moderator:** Our next question comes from the line of Abhishek M from HSBC. Please go ahead.
- Ashish Damani:** Hi, Abhishek.
- Abhishek M:** Hi, Ashish. So, this 20% growth target you saying, that is at AUM or disbursements, which one, AUM I am guessing, right?
- Ashish Damani:** That's right, Abhishek.
- Abhishek M:** So, on an absolute level, how much disbursements will be your plan for this year?
- Ashish Damani:** I think the disbursement number will also be in line with roughly about the AUM size only. Given that most of the disbursement happened towards the second half of the financial year, which is what we have tried to explain in the PPT on Slide #12, so, more or less, equal amount of disbursement is what we will have to do.
- Abhishek M:** Wouldn't it have to be higher given you are defocusing on some states? There are obviously a lot of customers who are ineligible to be given a repeat loan. So, considering all of that, don't you think disbursements has to go much higher than just 20%?
- Ashish Damani:** No, I think we have done our math. And what we need to do is get that 53% of the existing borrowers to be serviced from the overall bucket. And obviously, there will be new customer onboarding that we are starting. So, there will be disbursements from there as well.
- Abhishek M:** And in terms of productivity, with 340 per loan officer, is this a sort of new normal which you are targeting? Because even '24 you were there and when things went south, you had to increase



a lot of people to ease the pressure of collection. Again, don't you think you have to keep slight excess capacity to prepare for a rainy day or do you think 340 builds in it enough excess capacity that can be handled if something goes wrong in any state or any local area?

Ashish Damani:

So, FY '25 was a relatively challenging year and one would not call it as a BAU in any stretch of imagination. I think with the guardrails which have been put in place, we strongly believe that the discipline in the borrowers will improve from here on. And that will definitely ease out the challenges which are being faced by the loan officers on the ground. The fact that the borrower is not going to get a fresh loan if they are not paying to all the lenders will definitely help. And with that easing of pressure, I think we should be able to improve on this borrower to loan count number as we go on.

Moreover, the tightening on the credit rule that we have done also gives us the confidence that the book that we will build from here on should relatively be easier for the loan officers to manage. So, that number also should help us improve the productivity. And we are also transforming the center penetration. That should also help the loan officers to improve the productivity.

Abhishek M:

And how are you thinking about yields from here? Would you be in any position, I think, one of the banks who does MFI, they took a little bit of an increase in yield. But would you be in a position to increase yields or this is BAU and from here, whatever NIM benefit has to come, has to come from basically cost of funds?

Ashish Damani:

I think our pricing to the borrowers is pretty fine. The challenge has been primarily on account of the quality which has led to reverses on the interest income and impact on the top line. So, I don't see a need or a reason right now to look at the pricing at the borrower level.

Moderator:

Your next question comes from the line of Patanjali from Nuvama Crossover Fund. Please go ahead.

Patanjali:

So, one question. I understand the situation is difficult, but just want to understand when can we see some kind of profitability, in which quarter, say, Q3, Q4? And any kind of guidance that you can give for FY '26? I understand it is difficult, but still.

Ashish Damani:

So, I think you are pretty correct when you say that it is a difficult one. I think the right way to look at it is our focus would be to improve on the discipline on the ground, improve on the X-buckets are trending fine. We have to just make sure that it starts stacking up above 99%. And as we start improving in terms of our credit rule and making the new portfolio at a better efficiency, then I think 99% should be pretty straightforward. And that should help the profitability as we go forward. Giving any number or any guidance at this point in time will be getting ahead of ourselves. So, probably, I think the right way to look at it is, by end of this financial year, I think the 3rd Quarter onwards, things should start looking up much better.



Moderator: Our next question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good evening, Ashish sir. Thank you for taking my questions. Sir, first thing, just trying to understand, you spoke about the rights issue, planning to do it in Q2. I mean, if you could just sort of understand from what we know until now, Kedaara, which is a promoter, they have already taken a one-year extension. And they have to now exit by September 2026. So, does that still hold or under such extraordinary circumstances, we can get a further extension from that fund? And B, when we say the promoter is looking to participate in the rights issue, I mean, even if there are rights which are denounced by the existing shareholders or the team to pick that up.

Ashish Damani: So, what we presently understand is, you know, they have confirmed their participation. The denouncing and picking up of the other shareholders is something that we will have to look at it when we get closer to the transaction.

In terms of their existing fund and in terms of this, what I understand is they do have time for 1.5 years from now. And what I understand is that they don't have pressure to do any action on that holding of theirs as of now. And the extension part is something that I believe can be done if need be.

Abhijit Tibrewal: But at least when we say that the promoters are looking to participate, Kedaara is looking to participate in the rights? issue.

Ashish Damani: Yes.

Abhijit Tibrewal: Ashish, the thing that I wanted to understand is, I mean, you will recall recently when Bharat Financial also reported a lot of discrepancies which were identified in terms of processes, accounting, reporting, given that you spoke about the regular audits which are done by RBI in the normal course, have we until now identified anything like that in terms of maybe accounting lapses or some reporting lapses between what needs to be classified under interest income or what needs to be classified under fee income, anything of that sort?

Ashish Damani: No, RBI has not identified anything of that sort. Yes, there has been a discussion with the regulator on how we look at the ARC transactions that we have done, but nothing other than that.

Abhijit Tibrewal: And then lastly, I mean, you kind of spelt out that we will be looking at 20% kind of AUM growth this year. There are other questions already that people were trying to ask you, when can we get to profitability? Difficult indeed.

But, sir, when we speak to MFI industry experts today, all of them say that roughly anywhere around 20% to 22% kind of loan losses should be there at the industry level because of whatever



we went through in the last one year. Last year, our credit costs were roughly around 23%-24% on the average AUM.

Just trying to understand from here to next year now, what could transpire into credit costs? One is the current GNPA pool that we have. The other thing could be the flows that we are seeing, which is where we are reporting X-bucket collection efficiencies of around 98.9% thereabouts. And in addition to that, some BAU credit costs, which are there in the normal course of business. So, how should we look at credit costs then in FY '26?

Ashish Damani: I think on the credit cost bit, the right way to look at it is when do you get into BAU. And that, in my mind, should be Q3 or Q4 of this financial year. That is when probably we should start seeing the stabilization of the quality in the book. There are some, I am sure you would have looked at our numbers and we do have the Stage 2 bucket which is there. And there would obviously be some flows from there. So, the percentages in the first half may be elevated in terms of the credit cost. However, in the second half of the financial year, we are positive that these numbers would start normalizing.

Abhijit Tibrewal: And just one related question, the last question. At least in terms of, I mean, while total disbursements are very low, but at least in terms of the disbursements that we have done in the last maybe six months, there is the portfolio quality holding up well, very low delinquencies or I mean, we continue to see flows from the newer disbursements as well, the ones done in the last six months?

Ashish Damani: So, I would say in the last six months again there will be two pieces to it. The guardrails implementation and the free regime so to say. So, it may not be exact comparable kind of a thing. Having said that, I think, the last quarter's disbursement definitely was showing us better portfolio quality compared to what we have seen through the year.

Abhijit Tibrewal: And sir, lastly, I mean, when Shalabh sir resigned and we hosted a call, there were obviously questions around what is the way forward. Any discussions in the Board meeting today on how we are kind of looking to put together the leadership team again?

Ashish Damani: So, if the question is about the leadership team, yes, it was unfortunate to see Shalabh going, but the rest of the team is intact. However, on the CEO bit, I think the Board will do what is in the best interest of the organization and they will definitely follow an approach which is comprehensive, probably evaluating both internal and external candidates to see who fits the need. And idea is to identify a leader who will best align with the long-term strategic priorities of the organization.

Abhijit Tibrewal: Thank you so much for patiently answering all my questions. I wish you and your team the very best.



Spandana Sphoorty Financial Limited
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Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Ashish Damani for closing comments.

Ashish Damani: Thank you once again for joining us, although it's very late. Thank you for all the support. We expect you to continue to give us all the feedback. And if there are questions, we will be available subsequently for you to reach out. Thank you very much. Good night.

Moderator: Thank you. On behalf of Spandana Sphoorty Financial Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.
