Date: 30th January, 2025

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
NSE Symbol: SBFC

BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001.
BSE Equity Scrip Code: 543959

Sub: Transcript of Earnings Conference Call

Dear Sir/Madam,

Pursuant to applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript of the earnings conference call which was held on 27th January, 2025.

The transcript of the earnings conference call is also being uploaded on the website of the Company at https://www.sbfc.com/investors under the section 'Investor Presentation – Call Transcripts'

You are requested to take the above on record.

Thanking you,

Yours faithfully,
For **SBFC Finance Limited**

NAMRATA SAJNANI
Digitally signed by NAMRATA SAJNANI
Date: 2025.01.30 18:43:55 +05'30'

SBFC Finance Limited MUMBAI

Namrata Sajnani
Company Secretary & Chief Compliance Officer

Encl: as above

"SBFC Finance Limited Q3 FY '25 Earnings Conference Call"

January 27, 2025

MANAGEMENT:	**MR. ASEEM DHRU – MD & CEO**
	MR. MAHESH DAYANI – CHIEF BUSINESS OFFICER
	MR. NARAYAN BARASIA – CHIEF FINANCIAL OFFICER
	MR. PANKAJ PODDAR – CHIEF RISK OFFICER
	MR. SANKET AGRAWAL – CHIEF STRATEGY OFFICER
MODERATOR:	**MR. RENISH BHUVA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to SBFC Finance Limited Q3 FY '25 Earnings Conference Call, hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in 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 the "*", then "0" on your touch tone phone.

I now hand the conference over to Mr. Renish Bhuva from ICICI Securities Limited. Thank you and over to you, sir.

Renish Bhuva: Yes. Thank you, Steve. Good morning, everyone. Welcome to SBFC Q3 FY '25 Earnings Call. On behalf of ICICI Securities, I would like to thank SBFC Management Team for giving us the opportunity to host this call.

Today we have with us the entire top Management Team of SBFC, represented by Mr. Aseem Dhru – Managing Director and CEO; Mr. Mahesh Dayani – Chief Business Officer; Mr. Narayan Barasia – Chief Financial Officer; Mr. Pankaj Poddar – Chief Risk Officer; and Mr. Sanket Agrawal – Chief Strategy Officer and Head IR.

I will now hand over the call to Mr. Aseem for "Opening Remarks" and then we will open the floor for Q&A. Over the you, sir.

Aseem Dhru: Good morning and thank you for your time this early morning. Since our road shows, and in every quarterly call thereafter our guidance has been growth at 5% to 7% quarter-on-quarter, cost reduction of 50 basis points year-on-year, and credit cost in the region of 80 to 100 basis points.

If you compare our December '24 to that of December '23, because it is a long-ish period to give you a full idea, then I will talk about the quarter. December '24 to that of December '23, our AUM has grown by 30% year-on-year, while core operating profit has grown much faster by 38% year-on-year. This was aided by increased operating efficiency, because we have reduced our cost to income ratio from 45% to 40%. So, overall, against an indicated 50 basis point reduction for the year in nine months, we have delivered about 68 basis points. As we continue to invest in growth, our cost would be stable this quarter, and we will aim for a further reduction of 50 basis points in the coming year.

In a rising interest rate environment, our cost of funds has reduced by 3 basis points year-on-year, keeping our NIMs steady at 10.26%. The ROA has expanded from 4.31% to 4.49%, despite increase in leverage from 1.5 times debt-equity to 1.84 times debt-to-equity. Credit cost has inched up from 83 basis points to 97 basis points during the year. ROEs have expanded by a full 200 basis points from 10.77% to 12.77%.

In terms of quarter-on-quarter, we have grown within our guided range at 6% with core operating profit also growing at 6%. Quarter-on-quarter yields have further expanded by 12 basis points to 17.81%. And with the stable cost of funds, we have increased our spread to 8.43%. Credit cost is marginally down quarter-on-quarter to 97 basis points and a flat cost to income ratio quarter-on-quarter.

Bank finance is about 60% of our total liabilities. And as the year goes by, over the next financial year this number will come to under 50%. In April '24 call, we had called out that we would see the tides of the economy ebb, tightening liquidity and rising consumer leverage, and that the year is going to be a challenge on three fronts - Growth, NIMs and credit quality. The same was restated in the July and October calls, too. When we called it out, we were the canary in the coal mine, a lone voice. Now slowing consumption and elevated consumer leverage is common commentary and coffee table discussions.

We are still a small company and to that extent the size of the economy and growth does not matter. We stay focused on execution and navigating the currents we find ourselves in. A year back I had said that the industry is too optimistic, today I say it has become too pessimistic. The truth is always somewhere in the middle. We continue with our guidance of 5% to 7% quarter-on-quarter growth, annual reduction of operating cost by 50 basis points, and credit cost at the higher end of our guided range of 80 to 100 basis points.

As always, we remain cautiously optimistic. With that, I hand it over to Narayan.

Narayan Barasia: Thank you, Aseem. Hi, good morning everyone. Thank you, Aseem.

Our AUM for December '24 is Rs. 8,148 crores with a growth of 30% on a Y-o-Y basis and 6% on a Q-o-Q basis, with 99% of our book being secured by properties and gold. This growth is in line with our guidance given earlier. We added about five branches during this quarter and the total branch count now stands at 197 as of 31st December 2024.

Our borrowing cost has remained stable at 9.31%, given the stress in the liquidity in the market, this is a good achievement.

The yields and the spreads continue to remain stable at 17.81% and 8.5%, respectively, for the quarter. Our OPEX continued to reduce and is at 4.62% for the quarter due to improved operating leverage, which is again in line with our guidance of reducing OPEX as a percentage of AUM. Our return on average AUM for the quarter is 4.49% with a return on average equity further improving to 12.75%.

In terms of asset quality, our GNPA remained stable on a Q-o-Q basis at 2.7%. Our 1+ DPD portfolio for secured MSME increased marginally to 6.52%. Our credit cost is at 0.97% for the quarter, again, in line with the guidance. We remain healthy at a PCR of 40.2% as of December 2024.

In terms of capital and return ratio, our capital adequacy ratio is at 38.4%. Tangible net worth is Rs. 2,820 crores as of December '24. We made profit of Rs. 88 crores for the quarter, therefore reporting a profit growth of 38% on Y-o-Y basis and 5% on Q-o-Q basis. Our nine-month profit for the year exceeded the 12-month profit of FY '24.

With this, we open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: Hi, two, three questions from my side. One is, you kind of said that your yield on loans has gone up marginally, will be around 12 basis points quarter-on-quarter. So, just curious what is driving it, whether there is a change in the lending rates or the mix or what is it? And the second one is on gold loans, your book is sort of flattish or probably gone down a little bit this quarter despite the fact that there are a fair amount of tailwinds for the gold loan companies.

Mahesh Dayani: Hey, hi. Mahesh here. So, responding to your first question on the yield. So, in the mix, the ME yields have largely been stable. So, the bump up that you see in the yields is largely on account of gold which has come in. So, the yields on the gold portfolio have moved up, so at a consolidated level the 12, 13 basis points increase that you see is largely contributed from gold. That's one.

Second, I guess quarter three, the growth in gold was relatively lower, obviously it was coming off from a higher base in Q2 and Q1. But the run rate that's been there in Q3, we expect that the same momentum of that run rate is going to continue in quarter four without compromising on the yields.

Nischint Chawathe: Sure. Just extending the first question, what is your view on the pricing environment at this point of time? Do you see, with whatever is happening around, do you really see the rates going up? Or given the fact that we are kind of probably looking at a rate cut in the near future, would you kind of expect the rates to go down? We have seen competition tightening rates a little bit, so.

Mahesh Dayani: So, I do not think the rates, specifically on the gold, are going to go up from where they are. The range is anything between 18% to 21%, so I guess that's going to be extremely range bound. So, there's very limited room that's going to be available to increase the pricing there. Maybe on the lower end where probably the yields are in the range of 11%, 12% or 13%-odd, maybe there's going to be some movement there. But the ones which are already priced in and fully priced in, I guess there's going to be very little headroom available.

Nischint Chawathe: On the MSME side?

Mahesh Dayani: The MSME side I guess will be largely stable. I do not think that there's opportunity to increase or inch it up beyond from what we are already charging.

Nischint Chawathe: And just one last one, if I can squeeze in. I believe you have been sort of tightening your screens, so do we see the process further continuing or do you think we are now done? And in that sense, maybe on a sequential or probably maybe on an annual basis we will start seeing disbursements growth kind of leaping up from here on.

Mahesh Dayani: So, you are right, we have further tightened the screens and as we reiterated in the last call, that obviously the login to disbursal numbers have been impacted because of it. But that's what we see on the ground where, on account of high leverage probably we are not able to underwrite as much as we could. We expect this to continue and probably we will be watchful for at least a quarter more before we slightly open the gate.

Nischint Chawathe: Sure. And sorry just last one, since you mentioned this, when you say higher leverage, how do you look at it, if you could kind of give some data point or a portfolio cut on how you have looked at high leverage?

Mahesh Dayani: Yes. So, Nischint, our customers largely borrow against their property. So, these are largely driven by institutions who lend to them against the property. But there are only one odd loan or probably at best two. What we meant is that the amount that they have already borrowed in addition to the secured loan is a little too high, which impacts their FOIR or their repayment capacity. So, if you are not very comfortable on the amount that an individual is seeking, then we try and stay away because we feel that he is not going to be in a position to probably service the loans in the near future. So, that's a cautious call, that's a pretty guarded call that we have taken. And this is something that probably we initiated almost three, four quarters back, and that probably also explains why the disbursals have been slowly inching up despite the opportunity still existing. So, we feel that we will probably wait for at least a quarter more before we actually go back and revisit the underwriting norms.

Nischint Chawathe: So, quantitatively it means that you brought down your FOIR or something?

Mahesh Dayani: Yes.

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

Renish Bhuva: Sir my question is on like the current scenario in the small ticket LAP segment. So, of course you were the first one to highlight that there are some sort of stress building up or maybe customers are going through some sort of seasonal cash flow mismatch. So, sir, where do we stand in terms of that cycle? Do you feel that things have started improving? Or it's too early to call that we are at, let's say, peak of the cycle?

Aseem Dhru: See, these are economic winds. They move the way they move. It is not about that all customers are in trouble or that there is a major crisis. It is just that a certain segment of customers has got overfunded by the industry and those are the problems that are coming home to roost. So, at the very lower end of the spectrum we are seeing the problem the highest. So, when you are going at the lowest end of lending, that's when we are seeing the problem highest, which is why we have not gone below those ticket sizes of lending yet. And at the middle segment you have to be watchful. There is nothing dramatically that you are changing. We are financing bread and butter businesses, we are not financing manufacturing, we are not financing any exotic businesses. These are trade and services, basic B2C businesses.

So, you have to go borrower by borrower. So, there are equal number of good borrowers, but there are also some borrowers where it's a marginal increase that is actually what can cause a concern. So, I mean, in 100 if you make two mistakes it's okay, if you make five mistakes then that becomes a lot. So, those additional three is where the problem is. So, you just have to be watchful, nothing dramatically different. These cycles keep coming, one has seen many, many cycles come and go. You just have to do the right thing and watch the winds and play accordingly.

Renish Bhuva: So, nothing alarming as of now, at least in terms of cycle?

Aseem Dhru: No. See, the problem is this only that we get either too enthusiastic or we get too pessimistic. This is our problem as a nation. We are emotional people. And also, three quarters back I had a problem telling anybody that there is a problem, nobody wanted to hear it. Now everybody has gone the other extreme, saying the whole world is coming to an end. So, there have been many such cycles come and gone, you have to keep playing your game. Some damage will come and you have to take that damage and move on. And then as long as you are delivering a profitable outcome, it's part of the course.

Renish Bhuva: And maybe just a book keeping question. So, credit cost assumption, etc. will remain intact, right sir?

Aseem Dhru: We are not changing any guidance.

Moderator: Thank you. The next question is from the line of Mayank Mistry from JM Financial. Please go ahead.

Mayank Mistry: Sir, I wanted to know what would be our floating rate mix in the borrowing side? And secondly, would like to know, I mean, since you highlighted there are some of these stress building up in the small ticket SME segment, so I would like to know whether this is specific to few regions, few geographies, or this is like a pan-India situation that we are seeing?

Narayan Barasia: So, let me answer your first question. So, we do not take interest rate risk. On the asset side, we have all the assets which are variable, floating rate. So, on the liability side also 99% of our loans are on a floating rate basis.

Mayank Mistry: And related to the geographical, I mean, the stress, whether it is concentrated to few geographies or how is it, I mean, how are you seeing the trend?

Pankaj Poddar: So, there is no geographical concentration, some geographies here and there keep happening, but it's a general credit cycle we would say which we are watching and we manage it accordingly.

Moderator: Thank you. The next question is from the line of Hrishikesh Thakker from Value Quest Investment Advisors. Please go ahead.

Aniruddh: Thanks for the opportunity. Aniruddh here from Value Quest. My first question was on the moderation in OPEX. So, obviously you have been achieving the OPEX moderation target that you called out earlier, but does that at some point have a correlation with growth? And do you believe that in the interim with the challenges that we are seeing, and this moderation in OPEX, growth could slow down in the medium term? Obviously next quarter you will retain your guidance, but medium term growth is based on implication of the OPEX slowdown?

Mahesh Dayani: So, I think as a company we started with a significantly higher OPEX, to begin with. And I think now is the time where probably you see it sliding down. But I think a couple of quarters back the questions were as to why the OPEX was high. But thankfully, now the distribution is beginning to sweat and that's how you see the OPEX moving down. What we have always guided is, we will grow, we will consolidate, and we will grow again. Our guidance on adding 25-odd branches in a year continues intact, irrespective of the market, irrespective of the cycle. And that we feel is going to give you a good risk adjusted return on an overall front. So, if our guidance is anywhere between 5% to 7% growth on AUM, and to deliver the required ROE, I feel a lot of those investments have already done in, and incrementally these investments will continue to trickle in.

The reason that you would not see the significant uptick in OPEX is largely because most of the heavy lifting on the high costs have already been done. And they were done in upfront because you were laying distribution across the country in each of those states, which is extremely expensive. Now the incremental investments are more to do in spokes, in smaller cities and in variable costs with respect to employees at the front end. So, you would not see significant OPEX getting added. So, on a marginal costing basis, I feel that it's going to be a lot more accretive. And that's the reason we said that we are more than confident of meeting our OPEX outcome without compromising on any of our AUM growth or credit cost outcomes.

Aniruddh: Second question related to this was, the new client addition in this quarter in particular seems to be slightly muted, anything to read into that number?

Mahesh Dayani: No. So, let me just put numbers and perspective. As we had mentioned earlier that we did tighten up our underwriting screens at the beginning of the year. So, just to give you a sense that earlier if I was originating close to around 100-odd customers, 50-odd customers would pass through the door. Now that number has dropped to roughly around 45 or below, and that's roughly a 5%-6% impact. We originate close to around 20,000-odd customers, and out of which probably currently 7,500 pass through the door, which is less than 40%.

So, if you just put your numbers and say that if you were to go back to our original numbers of efficiency of going back to 5% or 6%, that's at 1,000-odd customers and average ticket size of Rs. 10 lakhs is almost Rs. 100 crores delta that you would otherwise get in a quarter. This we feel is a result of what is consciously, by design, being implemented at SBFC. As and when we feel a little confident that the market's beginning to open up or probably the credit risk is beginning to get a lot better, we will accelerate. So, I think the good part for us is that we have all our ammunition ready. We have the distribution, we have the people on the ground. It's on us to decide how much do we want to accelerate without compromising on any of our credit parameters.

Aniruddh: Final question was on this other income line item. So, other income slowdown is on account of this slowdown in disbursement growth or is there anything else?

Narayan Barasia: So, we have a business where we do servicing to institutions. There's been a slight slowdown in that income, so that is what we call a LMS fee income, a slight slowdown there. Other than that, as a percentage of disbursement, percentage of AUM, all other numbers remain the same.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: This actually pertains to the liability side. What we can see is that there is a little bit of an inch up on liquid investments on balance sheet over the last one quarter. Apart from that, what we can see is that the share of bank borrowings has actually been going up. Is it kind of some reading that you will probably be a little bit more cautious on liquidity at this point of time?

Narayan Barasia: Yes. So, I will take this question. So, Nischint, liquidity is certainly tight in the market, and the MCLR is also going up. The good thing is, we have been able to contain the cost of borrowing, right. So, we generally keep a liquidity buffer in a range. And so in September it was slightly lower, in December it was slightly higher, but it is in still the same range where we maintain the liquidity. So, liquidity is actually not very high. But yes, we continue to maintain a high liquidity given the tightness in the market.

To your next question, whether the bank borrowing is going up? Actually, no. So, we are diversifying a lot. For instance, if you compare the data versus March, you will actually realize the journey we are into in terms of diversification. We added a lot of money from NCD investors. We are now moving towards DFIs and you will very quickly hear that. So, there's a diversification happening. As we go along, more and more diversification will happen. But as of now, if you have to look at all the bank borrowings we have, it is almost about some 60%-odd, including the FCNBs, etc., we borrowed from the banking system.

Aseem Dhru: Nischint, liquidity is the price of a good night's sleep.

Nischint Chawathe: That's true.

Aseem Dhru: Let us sleep in peace, do not object to liquidity.

Nischint Chawathe: Fair point. But you are not seeing any tightness by any of the banks?

Aseem Dhru: No. There's nothing sort of tightness per se, we are sitting on a large pipeline of approved credit. The problem is the rate of interest, so it takes longer to arrive at an acceptable rate of interest, rather than absolute amount of liquidity.

Nischint Chawathe: And what would be the difference in you --

Aseem Dhru: You guys keep needling the bank saying your net interest margin is falling so then they keep needling us.

Nischint Chawathe: Sure. What is the difference in incremental and weighted average cost of funds as we speak?

Narayan Barasia: So, we are borrowing at the same average cost of borrowing what is there today. So, our cost of borrowing, incremental cost of borrowing, and the weighted average cost of borrowing remains the same. The challenge is to really hold this at this price. So, that's the reason you will see over the last three quarters, even though MCLRs, etc. would have gone up, the cost of borrowing remained the same or slightly coming down. So, it's almost at the same level, incremental cost of borrowing is the same.

Aseem Dhru: But having said that, it's going to be tough to hold.

Nischint Chawathe: Okay. Because the MCLRs are going up.

Aseem Dhru: Yes.

Moderator: The next question is from the line of Himanshu Taluja from Aditya Birla Sunlife. Please go ahead.

Himanshu Taluja: Thanks for the opportunity and congrats for the quarter and your elaborative commentary, and at least showed your cautiously optimistic stance as well. Sir, just a few questions, firstly, in this environment what growth do you envisage for FY '26? Where you see that FY '26 can head towards from a growth standpoint?

Second, from the industry one question, any particular sweet spot in the ticket size where you are very comfortable to lend in the current environment? And which ticket size where you think that there's an increased delinquency or any customers segment which is showing the vulnerability? Also, in this if you can add, although you do not do less than Rs. 5 lakhs ticket size loans category, but any particular read through for this ticket size, how that segment is behaving, less than Rs. 5 lakhs?

And last question is around, when you expect to reach the part of the 15% ROE, return on tangible equity by when one can expect? Thanks, these are all my questions.

Mahesh Dayani: So, from a growth perspective, I think we do not want to bore you, but nothing changes, we continue to maintain a 5% to 7% growth even for the coming year as well, irrespective of how the cycles move. And that's a growth that we feel is comfortable both on our financial capital and human capital and will give us the required outcomes in terms of profitability.

I think your second question was related to the sweet spot on the ticket sizes. I think we lend out to customers where the pricing is anything between 12% to 21%. And that's a large range of customers that we cover. In the current context, I think it's more to do between 11% to 17% is what probably we are looking at. The lower end or the extreme low tickets is something that we are extremely watchful for. So, we have stopped peddling that particular segment. But as and when the market tends to open up, then probably we are going to start expanding there. But we have seen these cycles come in our professional careers over a longer period of time, and nothing lasts forever. So, I guess that it's a quarter or a couple of quarters before it seasons in.

Himanshu Taluja: Sir, any particular read through for less than Rs. 5 lakhs ticket size, how that segment is behaving in the current times?

Mahesh Dayani: That, I do not think we will be able to comment. That's not our domain, so we would have very little commentary to talk about that particular market. And 15% ROE is what your question was. So, what we are looking at is the last quarter of next financial year or the first quarter subsequent to that is where we will land at a 15% ROE or whereabouts.

Himanshu Taluja: Sorry, I missed out.

Mahesh Dayani: The last quarter of next financial year.

Moderator: Thank you. The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Sir, given the current situation and tightness in liquidity, how do you see evolving competitive landscape in MSME financing? Has it been lower? And since we are at a strong footing vis-a-vis our peers, are we thinking to push our growth more and increasing the market share? Anything on that front, sir?

Aseem Dhru: First of all, strategies do not change as per what the wind changes. So, we are doing nothing new, we are doing nothing different. We will keep doing what we are doing, the same ticket size, the same customer segment, and growing at the same pace of growth. So, there is enough for us to do right there. We have enough challenges. There is also going to be a challenge to both maintain the profitability as well as maintain the credit quality. We have enough challenges; we will try our best to meet to those challenges. There is nothing new that we would wish to do at this point of time. We just wish to keep steady, we have to deliver cost efficiencies. We still have a long road to get to where we wish to see the organization at. We are still an early-stage organization. We are not even seven years old. We have a long path and we have to work hard to get to that path. So, nothing, there is no gate change. We will keep doing what we are doing and hopefully keep getting better at it with time.

Shailesh Kanani: And any color on competition? Has it kind of subsided? How it is?

Aseem Dhru: No, competition is always there. The shape and form keeps changing. Sometimes some players get active, sometimes some players cool off. So, competition in India is always there. And the segment that we are doing, technically in financial services, there is no moat in any segment. So, all players end up doing everything, it is just that, the beauty of financial services is that everybody does the same thing, but they do not get the same results. So, we have to just focus on our execution. And if we execute it right, we will get the results. If you do not execute it right, we will not get the results. Competition doesn't matter. We do not meet competition really in the field as much. It is more conceptual thinking on Excel sheet. The reality is that, we have to work hard to execute well on the ground. That's what our job is, and that's what we will stay focused on.

Shailesh Kanani: Fair enough. You, I think answered my second question but still, any plans to enter into another segment or increase the ticket size? As of now it doesn't seem like, right?

Aseem Dhru: Nope. There's nothing really exciting that we have to say. We would hope to continue on our boring journey.

Moderator: The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Sir, I joined the call late, so sorry if I am being repetitive. But just one thing in terms of any of the segments wherein you would have made the credit filters slightly stronger, no doubt it's evolving based on the macro and the operating environment, but any changes either on the credit side, on the underwriting side, on the collection side that maybe you would have done over past three to six months looking at the environment?

Pankaj Poddar: So, last two, three quarters actually we have been a little more cautious. Some underwriting parameters which we can specifically say are some underwriting parameters we have tightened around the eligibility and the onboarding. So that we can take care of some of the emerging aspects, including the leverage aspect. So, parameters around that we have become a little more cautious.

Kunal Shah: And should that reflect in terms of the overall approval rates what we are disbursing and the files which we are evaluating or logging in, so is it like very well reflective of that? And would it mean that maybe either we need to strive more to get a similar disbursement run rate or maybe we should be satisfied with a slightly lower growth?

Mahesh Dayani: So, I guess if I were to summarize the last three quarters, I think we did two, three things at the beginning of the financial year when we announced that we could probably see the orange light or the green turning into orange. One was largely on the credit filter that Pankaj articulated. Then there were certain geographies that we had paused in some of the markets where we saw that the overall delinquencies was moving up, independent of the SBFC's portfolio behaving. So, that's something that we paused. Third I guess we invested upfront a lot --

Kunal Shah: Sir, geographies would be?

Mahesh Dayani: There's one state in the east and one state in north. In some of these markets, we have decided to go a little slow. Also, in terms of our collections, infrastructure is something what we strengthened during the course of the year. So, these were the conscious investments that we made. What I can tell you is, from an overall login perspective, the logins obviously is a lot higher. As I had reiterated earlier, I am not too sure whether you were there in the call then, but I was just giving a perspective that obviously what we were logging in earlier and what is going through the door is probably 6% to 7% less. So, if we are originating close to around 20,000 applications in a quarter, 6% is roughly around say 1,200, around 1,000 to 1,200, so that's a delta of almost Rs. 100 crores to Rs. 120 crores in the quarter. That's something that we feel could have been accommodated, we could have done it,but given the market, we are trying to leave that on the table which is on account of either we feel the leverage is a little too high, or the pricing probably is not to the effect that we would want.

These are the kind of cycles where we feel that we have seen that in the past come through. But it's just a matter of a couple of quarters here or there before it just comes back to normal. What we remain committed is that we remain committed to investing in the businesses, investing in the distribution. As far as the catch up to where probably the original metrics was is just a matter of time. Having said that, we are not changing any of the guidance. Our guidance for growth continues to be intact, irrespective of the cycles and irrespective of the outcome that you see.

Kunal Shah: And despite this, I think there are enough levers on the OPEX efficiency side, productivity side wherein we are not worried even in terms of OPEX. So, I think on the earlier question you answered that still you seem to be confident in terms of the cost ratios. So, when we are seeing these investments being slightly stringent, I would say like more volumes getting into the logins but not getting approved, still not impacting the cost ratios as such.

Mahesh Dayani: So, on a variable cost structure, part of that is funded. So, that's not so much going to have a bearing on the overall structure. As I also covered earlier in the call that most of the heavy fixed costs have already been accounted for, are already penciled in. Incremental costs are very, very marginal, which will literally have no bearing on the overall cost structure.

Kunal Shah: And proportion of fixed vis-a-vis variable in the overall cost would be?

Narayan Barasia: You are talking about OPEX?

Kunal Shah: Yes, OPEX.

Narayan Barasia: So, largely, everything is fixed, right, because the rentals and the salaries etc. are fixed in nature, but also in a way it is variable because every front-end team gives us incremental business. So, for instance, when we added five branches, in a way the cost of five branches is variable to the extent that these five branches would give us more business, right. So, in a way, everything is fixed. But yes, it's variable because it's about productivity at the end of the day.

Moderator: Thank you. The next question is from the line of Shweta D from Elara. Please go ahead.

Shweta D: Sorry, even I joined late, so this might be a repeat question. Sir, you mentioned that the yields range now, at least in near to medium term, would be around 11% to 17% as against 20% plus on the higher side earlier. So, do we change our credit cost targets going forward? Like, now do you see the agreeable range could be closer to 1% or higher, one, in the near term given the glitches currently in the system; and two, across cycles? Thank you.

Mahesh Dayani: So, what we have maintained on our credit cost outcomes has been 80 to 100 basis points. In the current cycle we have been guiding that it's going to be towards the high end, it could be probably 10 basis points here or there. But given the current cycle that we are in, we have adjusted our origination also accordingly. If we were not to adjust the origination accordingly, then probably these credit outcomes were difficult to achieve. When I maintained that our range is anything between 11% to 17% is what we are currently focusing on, but your credit cost is on your overall portfolio. So, currently what we originate, the color of that portfolio comes in only with a lag. So, it's a little difficult for us to juxtapose the credit cost in the next quarter versus what we are originating currently. But what we are currently doing will help us to be within a guided range of what we have been projecting of 80 to 100 basis points.

Moderator: Thank you. The next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Congratulations on the quarter. Sir, as you mentioned sir, we have tightened the underwriting standards at the beginning of the year. So, probably would there be a case of relaxing the same and how far that would be as of now? What could be the triggers for relaxing those standards? So, any thoughts there?

Mahesh Dayani: I think a little too early for us to say that we are going to be relaxing any of those parameters. The current trend what we are seeing does not seem to suggest that it's time as yet. So, what we are going to be doing is going to be watching for another quarter before we revisit any of those filters that we have implemented.

Chintan Shah: Sure. So, the main parameter would be the consumer leverage sir, so if that probably cools down a little bit, then there could be some relaxation, is that correct or not?

Mahesh Dayani: Yes, I think there are multiple things, you could have a customer where the CIBIL score is upwards of 700, but we feel that the leverage is high, the inquiries are high. The LTV is probably not to the acceptable level that we would want. I mean, there are multiple variables that go in before we actually take a call on the customer. So, currently, we would like to hold on to whatever filters that we have done. Maybe at the end of or probably the next quarter call we can give you an update as to how comfortable we are, but currently the status quo remains.

Chintan Shah: Sir secondly, as you told the market opens up, probably we could further accelerate on the growth momentum. So, could there be a case also for an 8% to 10% Q-o-Q growth for some quarters or we would expect ourselves to 5% to 7%?

Mahesh Dayani: We will, as of now, commit ourselves to 5% to 7%. We will see how probably the market opens up, probably at that point of time we can be in a better position to comment on it. But as of now, as what we see, our guidance remains the same.

Chintan Shah: But in case the market opens up, so probably one, two quarters down the line if we relax also on underwriting front, so there could be a case for even higher growth than the guided one, right?

Mahesh Dayani: Could be. But I am not going to fall in for that as of now.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Sanket Agrawal: Thank you. That's it from our side.

Moderator: On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.