ESAF
ESAF SMALL FINANCE BANK
Joy of Banking

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To,

Listing Department **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400001**	**Listing & Compliance Department** **National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor** **Plot No. C/1, “G” Block** **Bandra- Kurla Complex** **Bandra(E), Mumbai- 400051**
BSE Scrip Code: 544020	**NSE Symbol: ESAFSFB**

Dear Sir / Madam,

<u>Sub: Transcript of the Earnings Conference Call on Financial Results of the Bank for the quarter and nine months ended on December 31, 2024</u>

We would like to inform that the Transcript of the Earnings Conference Call in connection with the Unaudited Standalone Financial Results of ESAF Small Finance Bank Limited ("Bank") for the quarter and nine months ended December 31, 2024, held on Tuesday, February 11, 2025 at 16:00 hours (IST) is attached herewith. The above-mentioned transcript is also available on the website of the Bank at www.esafbank.com.

This is for your information and appropriate dissemination.

Thanking you,

Yours Faithfully

For ESAF Small Finance Bank Limited

RANJITH RAJ PARAMESWARAN

Digitally signed by RANJITH RAJ PARAMESWARAN
Date: 2025.02.15 21:22:04 +05'30'

Ranjith Raj. P
Company Secretary and Compliance Officer

"ESAF Small Finance Bank Limited Q3 FY25 Earnings Conference Call"

February 11, 2025

MANAGEMENT:	**MR. K. PAUL THOMAS, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, ESAF SMALL FINANCE BANK LIMITED** **MR. GIREESH C.P. – CHIEF FINANCIAL OFFICER, ESAF SMALL FINANCE BANK LIMITED** **MR. GEORGE K. JOHN – EXECUTIVE DIRECTOR, ESAF SMALL FINANCE BANK LIMITED** **MR. HARI VELLOOR – EXECUTIVE VICE PRESIDENT CREDIT, ESAF SMALL FINANCE BANK LIMITED**
MODERATOR:	**MS. MAMTA NEHRA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 Earnings Conference Call of ESAF Small Finance Bank Limited.

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 any assistance during Conference Call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mamta Nehra from Orient Capital. Thank you and over to you.

Mamta Nehra: Thank you. Good evening, ladies and gentlemen. I welcome you for the Q3 FY25 Conference Call of ESAF Small Finance Bank Limited.

To discuss this quarter's performance, we have from the Management, Mr. K. Paul Thomas - Managing Director and Chief Executive Officer; Mr. Gireesh C.P. - Chief Financial Officer; Mr. George K. John - Executive Director and Mr. Hari Velloor - Executive Vice President Credit.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other findings that can be found on the company's website.

Without further ado, I would like to hand over the call to the management for their opening remarks and then we will open the floor for Q&A. Thank you and over to you, sir.

K. Paul Thomas: Thank you. Good afternoon, everyone. On behalf of ESAF Small Finance Bank, I am glad to welcome you all to our earnings call where we will discuss our business performance for Q3 FY2025. I appreciate all of you taking the time to join us and show your support.

Here with me today, my senior colleagues, Mr. George K. John - Executive Director; Mr. Gireesh C.P. - our Executive Vice President and Chief Financial Officer, and Mr. Hari Velloor - Executive Vice President. I hope you all had a chance to review our quarterly results and investor presentation, which are already available on the Stock Exchange and our Bank website.

At ESAF Small Finance Bank, we remain dedicated to serving the underserved while extending our commitment to all. Our journey is built on the foundation of inclusivity, ensuring that financial services are accessible to everyone. We take pride in our comprehensive and uniquely designed product portfolio, crafted to evolve as social banking solutions that make a meaningful impact. As our vision statement goes, we aspire to be India's leading social Bank, one that fosters equal opportunities for all by ensuring universal access to financial services.

Talking about the macroeconomic environment, the India's GDP growth moderated slightly in the December 2024 forecast to 6.6% for current fiscal year from 7.2% earlier. While this reflects a slower pace of growth, key economic indicators suggest a mixed outlook. On the inflation front, consumer inflation is to 5.22% in December, down from 5.48% in November. However, the wholesale price index surge to 2.3% in December compared to 1.89% in November, indicating potential long-term pressure on wholesale prices.

The Reserve Bank of India has maintained its monetary policy stance unchanged for the 11th consecutive time. However, in a move to enhance liquidity in the system, the RBI reduced the cash reserve ratio of CRR by 50 basis points to 4%. Meanwhile, favorable monsoon conditions and a strong Kharif and Rabi harvest have provided a positive outlook for overall markets. This has contributed to an increase in credit demand from rural areas signaling improving economic activity in this region. RBI has also started rate cuts, beginning with 35 bps, reduction in repo rates indicating a reducing interest rate scenario going forward.

In terms of tax collections, GST revenues grew at 7.3% year-on-year reaching INR 1.77 lakh crores in December. The steady rise in collection highlights India's economic strength driven by robust consumer spending and stable trade activity. Now, I want to take this opportunity to reflect on our progress and outline our key strategic priorities moving forward. In the previous quarter, we identified several critical areas that required our focused attention to strengthen our business foundation. These priorities remain at the core of our strategy as we navigate an evolving financial landscape. Our key focus areas are expanding secured lending, enhancing asset quality, strengthening recovery mechanisms and optimizing our liability mix.

I am pleased to share that this quarter we have made progress in putting our key priorities into action. Our overall performance reflects to work across many areas while we continue to take a careful approach in microfinance. Our total loan book has grown from INR 18,149 crores in Q3 FY24 to INR 19,161 crores in Q3 FY25 marking a 5.6% year-on-year increase. While Kerala remains our largest contributor with approximately 35% of growth advances coming from the region, we have been steadily decreasing share from 56% in FY21 in the Q3 FY25. We disbursed INR 4,226 crore in secured loans, 172% increase from INR 1,554 crores in same period last year. As per the strategic direction of the Board of Directors to increase the secured portfolio to 45% by March 31st, 2025, and 50% by March 31st 2027, we have made significant progress as December 31st 2024, our secured portfolio stands at 43.35%, our total loan book, a substantial increase from 27.91% as of December 31st 2023. Within this, gold loans have increased by 22.3% over the trailing quarter and 82.1% on a Y-o-Y basis. By expanding our exposure to secured lending, we aim to reduce overall risk while enhancing the quality and stability of our asset base.

Now, talking about the mortgage loans and MSME lending, which witnessed 30.83% growth from the trailing quarter and 83.30% on Y-o-Y basis contributing to the overall secured portfolio increase and the overall secured book contribution to our total loan book grew from 38.09% in Q2 FY25 to 43.35% in Q3 FY25 exceeding our initial projections. The significant rise in secured disbursement from 40% in Q3 FY24 to 76% in Q3 FY25 reflects our strategic shift towards a more risk mitigated portfolio which growth underscores our focus on enhancing asset quality, strengthening collateral backed lending and improving portfolio resilience. By prioritizing secured lending, we have reduced the risk exposure, enhanced capital efficiency and ensured sustainable growth, aligning with our long-term financial objectives. This shift also demonstrates our commitment to prudential lending practices reinforcing confidence among stakeholders and investors. In fact, our secured lending book has performed beyond expectations, surpassing our FY27 target ahead of schedule which shows strong demand and careful lending strategies. We will continue to build out this momentum ensuring sustained portfolio diversification and risk adjusted growth.

The liability book has grown as per projections, with overall deposit growth at 3.71% quarter-to-quarter. The increase in deposit strengthens our liquidity position and supports our lending activities, particularly in the secured segment. CASA ratio stood at 24.9% in Q3 FY25 and retail deposits constitute 92% of total deposits, highlighting our commitment to a stable and diversified funding base. Overall, our focus on secured lending, retail deposit growth and improving our funding mix is helping us build a strong and stable foundation for the future. The Bank has strengthened its reach and accessibility by partnering with 35 institutional business correspondents. These partners operate 1106 customer service senders, ensuring better financial services for communities across the country. In addition, we have 186 business facilitators, and 669 ATMs spread across 24 states and 2 union territories making banking more convenient and accessible.

Our efforts to expand our customer base have also shown strong results. In the first 6 months of FY25 alone, we added 8.2 lakh new customers, bringing our total customer base to 91.2 lakh. Through these initiatives, we continue to build a stronger, more inclusive banking network for the future. At the end of Q3 FY25, the gross NPA stood at 6.9%, which is at the same level as of Q2 FY25 driven by stress in the microfinance segment, especially in certain geographies; however, net NPA remained at 2.9% supported by higher provisioning, improved collections and a shift towards secured lending. While legacy microfinance exposures continue to impact asset quality, fresh slippages are slowing due to stricter credit norms and focused recovery efforts, reinforcing our commitment to portfolio stability.

The stress test on the microfinance industry indicates that the current challenging cycle is expected to persist throughout FY25 highlighting the ongoing pressure on the sector. Customer indebtedness and lower disbursements have contributed to rising credit cost, creating a complex operating environment. However, despite these challenges, we remain optimistic about the industry's future, we anticipate a gradual recovery in the coming years. With improved financial discipline, tighter underwriting standards and regulatory support, the industry is poised for growth. We have taken decisive measures to enhance portfolio quality, reduce risk and ensure sustainable growth. To mitigate risk, we have regulated our microfinance portfolio while prioritizing quality over expansion, cap the maximum ticket size for microfinance loans at 75,000, limited the number of loans per client to 2, ensuring responsible lending, lowered the overall borrower exposure limit to 1 lakh from the previous 2 lakh, restricted new loans for clients with a DPD base past due exceeding 60 days.

Another notable improvement this quarter has been the significant increase in digital loan repayment collection. Digital repayment adoption increased by 66% quarter-to-quarter, reducing dependency on manual collection efforts. Digital repayment has also enhanced operational efficiencies and improving turnaround time. Additionally, we have introduced stricter recovery regulations by following responsible lending principles to maintain financial discipline and reduce delinquencies. Stronger credit rules now ensure through borrower assessment and prevent overleveraging while enhanced risk controls minimize slippages and strengthen portfolio stability. Our disbursement strategy remains highly selective, focusing on regions and borrower profiles with a proven history of timely repayments. At the same time, we are enhancing credit assessment processes and implementing proactive risk management strategies to safeguard our financial position. We have established a dedicated war room under the leadership of our Executive Vice President Credit to closely monitor SMAs, NPAs, track collection trends and take shift corrective actions. This initiative has significantly improved decision making on stressed accounts, allowing us to intervene early and prevent further slippages.

Second, we are increasing field level engagement for business correspondence given that a large portion of stress has emerged from BC originated microfinance loans. We have deployed additional field officers in high-risk regions. These teams are actively engaging with borrowers, reinforcing repayment discipline and ensuring that BCs adhere to stricter credit and collection protocols. Additionally, we have introduced a stronger recovery framework for BCs. Ensuring greater accountability in managing stressed portfolio, our focus remains on strengthening collections, minimizing delinquencies and restoring financial stability. One of our key steps in reinforcing repayment discipline is the revival of group meetings for micro loan borrowers. This initiative is designed to rebuild borrower engagement through structured group discussions and restored with additional joint liability group model, which had weakened post pandemic. Through these measures, we are ensuring a discipline structured and responsive approach to recovery. These efforts will not only safeguard our asset quality, but also reinforced trust, stability, and long-term resilience in our lending practices.

Our priorities for the coming quarters are clear. As we move forward, our focus will be on maintaining stability and reducing volatility in the microfinance sector. While microfinance has been a key driver of financial inclusion, we recognize the importance of a well-balanced and sustainable portfolio. To achieve this, we plan to gradually regulate the share of microfinance within our total portfolio, instead, we will concentrate our efforts on regions that demonstrate strong repayment discipline while simultaneously shifting our focus towards secured asset growth. This strategic realignment will not only enhance the portfolio quality, but also ensure long-term financial resilience.

We are confident that the steps we have taken will lead to portfolio stabilization in the next few quarters. By strengthening our risk management practices and optimizing our lending mix, we are laying a solid foundation for sustainable growth in future. While the short-term impact of provisions and book cleanup was necessary, these efforts are crucial for long-term success. They reinforced our commitment to financial discipline and position the Bank as a stronger, more resilient institution, one that can navigate challenges effectively while continuing to serve our customers with confidence and trust. As we move ahead, our vision remains clear to build a stable, customer centric and future ready financial institution that rises inclusive growth and long-term value for stakeholders.

Now, I hand over the mic to my colleague, Gireesh C.P.

Gireesh C.P.: Thank you, sir, and thank you everyone for joining us today. I truly appreciate your time and presence on this Conference Call.

Let me begin by sharing an overview of our Financial Performance for Q3 FY25:

As a Bank, our primary focus is on solving the unbanked and underbanked communities, particularly in rural and semi-urban areas. We believe that financial inclusion is the key to economic empowerment and our efforts are directed towards bridging the gap in access to banking services for those who need them the most. As of December 2024, approximately 43.3% of our growth advances are directed towards customers in these regions ensuring that financial support to the individuals and businesses where it can make the most impact.

To further strengthen our outlets, 69% of our banking outlets are strategically located in rural and semi-urban areas, bringing essential banking services closer to underserved communities. Our growth advances reached Rs. 18,291 crores in Q3 FY25 compared to Rs. 17,153 crores in Q3 FY24 representing a 6.6% growth on a Y-o-Y basis. This highlights our continued efforts to extend credit to individuals and business across our key focus areas, particularly in rural and semi-urban markets. In terms of disbursements, we maintained a strong momentum with total disbursement standing at Rs. 5,544 crores in Q3 FY25 up from Rs. 3,893 crores in the same quarter last year. This translates into 42% quarter-over-quarter growth driven by increased demand across secured lending segments. The disbursement of loans as a percentage of total disbursement increased from 40% in Q3 FY24 to 76% in Q3 FY25.

On the deposit front, deposit grew from Rs. 22,415 crores in Q3 FY25 to Rs. 21,613 crores in Q2 FY25 marking a 3.7% increase on a sequential quarter basis. This reflects our ongoing efforts to enhance customer trust, expand our retail deposit base and improve liquidity to support our lending operations effectively. A key component of our deposit growth strategy has been the expansion of current and savings accounts CASA, which plays a crucial role in strengthening our liquidity position and optimizing our cost of funds. Our CASA deposits have shown steady growth reaching Rs. 5,592 crores in Q3 FY25 up from Rs. 3,562 crores in Q3 FY24.

Net interest income for Q3 FY25 was reduced to Rs. 487 crores as compared to Rs. 597 crores in Q3 FY24 on account of higher slippages and change in loan mix. Net interest margin for Q3 FY25 stood at 8.6% as compared to 11% in Q3 FY24. The return on assets for Q3 FY25 was negative on account of loss for the 9 months ended 31st December 2024. Pre-provisioning operating profit reduced to Rs. 127 crores from Rs. 288 crores in Q3 FY24.

As we continue to navigate the evolving financial landscape, maintaining a healthy balance sheet remains our top priority. In Q3 FY25, we saw an increase in gross NPAs, which now stands at 6.9%, which is stable with a 6.9% decline in Q2 FY25. This price is primarily due to stress in the microfinance segment. Our net NPA remains at 2.9% supported by higher provisioning, improved collection efficiency in new loan originations and continued portfolio diversification towards backward lending. However, we have proactively taken steps to strengthen our risk management framework and mitigate potential future risks.

To further safeguard our balance sheet, we have significantly increased our provisioning coverage this quarter also. Provision coverage ratio, PCR has risen to 78.6% up from 73.7% in Q2 FY25, reinforcing our ability to absorb potential credit losses. Write-offs, as part of our ongoing efforts to clean up the balance sheet and focus on higher quality assets, we have written-off Rs. 450 crores in bad debts this quarter. Additional provisions, to ensure that we remain well prepared for any contingencies in stress segments we have set aside additional provisions beyond regulatory requirements. This proactive approach strengthens our financial position and enhances resilience against future uncertainties. Despite the current challenges, we remain committed to maintaining a healthy net interest margin and will focus on recovering NPAs and growing high margin products especially in secured lending segments.

Our increased CASA ratio provides a low-cost funding base that will help sustain NIM level. We are also implementing productivity and cost control measures to enhance the efficiency within the company. We will continue to maintain a healthy portfolio and minimize risk exposure. These efforts will enable us to navigate current challenges while positioning the branch for long-term success. Thank you.

Moderator: Would you like to begin the Q&A session, sir?

K. Paul Thomas: Yes.

Moderator: Thank you. We will now begin the question-and-answer session. Participants who wish to ask a question may press * and 1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Sunidhi Joshi from NM Financial. Please go ahead.

Sunidhi Joshi: Thank you for the opportunity. Sir, PCR grew to 78.6% from 59.5% in the corresponding quarter last year. How do you assess the adequacy of provisions, and do you anticipate further provisioning requirements in the near term? Given the increasing stress in unsecured loans across the industry, what challenges have you made in underwriting practices and risk management to mitigate further asset quality risks?

Gireesh C.P.: As far as provision coverage is concerned, we are consistently increasing the provision coverage despite the fact that the bottom-line turning into red, the Bank is always providing higher than the minimum requirement as well as the policy which is over and above the RBI minimum requirement. So, we proactively provide more to strengthen this balance sheet and profitability for the time being, we are not giving too much concern for that.

Hari Velloor : I will speak something on the underwriting part of it. Can you hear me?

Sunidhi Joshi: Yes.

Hari Velloor : So, I am sure you are aware that our SROs, the self-regulating organizations of the microfinance industry have come out with the guardrails. All of those guardrails have been implemented by us in letter and spirit. That is the first part of it in terms of microfinance. And in terms of seeing that the underwriting standard maintained at a ver1y high level. The other major thing we would like to say is a very conscious, deliberate, planned shift from unsecured to secured. Mr. Paul Thomas has already spoken about this when he was describing our business in the last 3 months. When he said that the gold loan portfolio has gone up and our disbursements which was about Rs. 1,400Crores-1,500 crores was Rs. 4,000 odd crores and the large part of that is from gold loans. Today, the secured portfolio is at about 47% and so from the other side, when you look at it and primarily gold loans, so the credit quality has improved dramatically.

Sunidhi Joshi: And if you can just help us understand legal actions and asset sales have not yet contributed significantly to reducing NPAs, so are there any plans to self-stressed assets to asset reconstruction companies and if so, what quantum can we expect?

Gireesh C.P.: As of now, almost whatever assets were slipped into NPA, till last March, it stands fully provided for. So, we have a saleable portfolio in the fully provided loan itself is around Rs. 1,000 crores.

Sunidhi Joshi: And if you can throw some light on how technology can play out in improving collections and how digital interventions like automated reminders and analytics-based tracking yielded better recovery rates?

Hari Velloor: Definitely. What we would like to say, I will take it to start with in terms of digital collections. About last June when we started pushing digital collections in a big way, the collections coming in was about Rs. 53 crores or so. When you look at the December end figures, our collections were Rs. 142 crores. As you know the portfolio per se we have been maintaining at almost a similar level or actually rather shrunk from a microfinance point of view. But digital collections have almost stable, and this trend is continuing as we speak. From another point of view, MD had spoken about having a war room and various ways in which we are supplementing the collection efforts in the field. What we are actually doing is forecasting what we would call a pre-NPA or a pre-SMA, that is SMA-0 first level of delinquency etc. We are doing a lot of predictions based on trends. We are studying geographical trends even up to district etc., and this is being constantly supplied to the field areas and guiding them on specific actions we take. The traditional methods are also continuing in terms of 4 or 5 things which we do. Apart from the physical collections in terms of sending notices, in terms of calling them, in terms of SMA blast, in terms of phone messages that are being sent, following a logical sequence. And this we are doing at specific geographies, seeing what is working and then applying it across the other geographies. So, these are some of the 3 or 4 big things which we have done from a collection point of view.

Sunidhi Joshi: That was helpful. Thank you so much.

Gireesh C.P.: Thank you.

Moderator: Thank you. We have the next question from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Yes. Hi. Thank you for the opportunity. Sir, can you share PAR-0 numbers for last 3 quarters, Q1, Q2 and Q3 of FY25 and also the collection efficiency numbers?

Hari Velloor: You mean past due data?

Rishikesh: Yes, past 3 quarters data on SMA-0?

Hari Velloor : Would somebody else like to ask another question while we collect the MIS and give it to you.

Rishikesh: I have only these 2 questions.

Hari Velloor: If there is somebody else, we will definitely come back to you.

Rishikesh: Got it. Thank you.

Moderator: Rishikesh, do you have any further questions?

Rishikesh: No.

Moderator: Alright. We move on to the next question from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Sir, just a data keeping question from my side as well along with PAR-0, if you could share the PAR-30 number for Q1, Q2 and Q3? And secondly, could you share the yield on disbursement for the different segments that we operate in, so for agri, MSME and personal loan, whatever numbers?

Hari Velloor : You are asking about the disbursement figures?

Chinmay Nema: Yes, the yield on disbursement?

Hari Velloor : Yield on disbursement, on argi, personal loan and MSME. We hardly have any personal loans, because largely we have been in the unsecured field for the last few years and so we are really not doing any other personal loans other than the microfinance loans. In terms of yield on MSME, just put that figure, it is 10.83%. In terms of agriculture, it is 13.24%.

Chinmay Nema: Mortgage also?

Hari Velloor : Mortgage is at 11.38%.

K Paul Thomas.: Gold loan is 13%.

Hari Velloor : Yes, gold loan is 13%.

Chinmay Nema: Understood, sir. And going ahead to the next few quarters, could we see similar level of provisions in Q2 or Q3 or do you expect reduction going forward?

Hari Velloor : He is asking if we see a similar level of provisions for the coming quarters or what is the?

Gireesh C.P.: Definitely, the expectation is that the slippages will come down and also some efforts on recovery measures also will yield results. So, the provisioning impact is expected to come down going forward.

Chinmay Nema: Got it, sir. And if you could share the PAR-0 on PAR-30 numbers that will be helpful?

Hari Velloor : Yes, I think the same question was there from Rishikesh.

Gireesh C.P.: Yes, PAR-0 is Rs. 501 crores, SMA-0.

Hari Velloor : Q1, Q2, Q3.

Gireesh C.P.: Q1 was Rs. 448 and Q2 was Rs. 506 and Q3 is Rs. 501.

Chinmay Nema: Got it and the PAR-30 number?

Hari Velloor : Yes, Gireesh has already given you the figures for SMA-0 that is PAR-0. Then if you go to 30 days, it was Rs. 270, Rs. 307 and Rs. 331 crores.

Chinmay Nema: And if you could share the collection efficiency number?

Hari Velloor.: We are classifying it into various ways. The collection efficiency without NPA is 91.47% as of December 31st, 2024.

Chinmay Nema: Got it, sir. Nothing else. Thank you.

K Paul Thomas.: I think we have answered for Rishikesh also.

Hari Velloor : I think so. I hope you handle answer the question on the 0, 30 and 60 days. There was an earlier question also on that.

K Paul Thomas.: Rishikesh, can you please confirm whether your question is being answered?

Hari Velloor : He has to log in again, is it so. Right, that is fine. Please go ahead.

Moderator: Sure. Chinmay, do you have any further questions?

Chinmay Nema: No, that is all from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Hi, team. Good afternoon. Sir, the first question is on the slippages in microfinance portfolio. Out of your total slippages of Rs. 505 crores, how much of it came from microfinance and how much was from gold?

Hari Velloor : Well, to give you a ballpark figure, exact figures we can give you. Gold is almost nothing. In fact, microfinance would be the bulk of it.

Ashlesh Sonje: Almost entirely, it could be MSME?

Hari Velloor: Yes, let me put that gold would be around Rs. 20 crores or so, even that it is because of some loans would have a microfinance exposure, then it has gone into NPA, not gold loan per se having become an NPA.

Ashlesh Sonje: You mean some of the borrowers, who have the gold loan, if they were?

Hari Velloor : Also have. Yes, that is correct. That is why the gold loan has gone into NPA.

Ashlesh Sonje: Understood. And roughly out of the gold loan book, how much of the portfolio would be to borrower from microfinance loan?

Hari Velloor : As of now, roughly, it would be around 20% or so.

Ashlesh Sonje: Understood. And sir, you mentioned the PAR number, can you just repeat those numbers, I missed out?

Hari Velloor : SMA-0 and I am reading from June quarter onwards. SMA-0 is Rs. 448 crores and September, it is Rs. 506 crores and December it is Rs. 501 crores.

Ashlesh Sonje: And this is SMA-0 only for the MFI, microfinance book?

Hari Velloor : No, it is for the entire book.

Ashlesh Sonje: But last time, you had given a number about 24% of your microfinance book was in PAR-0 plus?

Hari Velloor : Yes.

Ashlesh Sonje: So, comparable number for this time and along with that, if you can share the NPA number in MFI?

Hari Velloor : Total NPA in MFI would be in the region of Rs. 1,131 crores and for the Bank, it is Rs. 1,273 crores. So, the total NPA is Rs. 1,273 crores and within that the MFI segment is Rs. 1,131 crores.

Ashlesh Sonje: Understood.

Hari Velloor : In fact, gold, I will give you the exact figure. It is Rs. 31 crores.

Ashlesh Sonje: And the PAR number for microfinance would be?

Moderator: I request you to kindly be a little louder or closer to the microphone. Your audio is not very audible.

Hari Velloor : Yes, it is roughly excluding NPA, it will be about Rs. 650 odd crores. Did you get that? Hello.

Moderator: Did you get the answer for your question?

Ashlesh Sonje: Yes. So, you said SMA 1 to 90 in microfinance is Rs. 650 crores roughly?

Hari Velloor : Rs. 646 SMA-0 to 90 and 90 and above is Rs. 1,131 crores.

Ashlesh Sonje: Understood. Sir, just qualitatively, out of all the slippages which you have seen across states,, how is the performance across the top few states, let us say Kerala, Tamil Nadu, MP?

Hari Velloor : Well, one of the good things we are able to say is that Kerala has been a good story for us in the last quarter. We have been able to bring down these slippages by very good factor. So, Kerala has been a good story. Madhya Pradesh, Tamil Nadu, Tamil Nadu is showing some improvement, but Tamil Nadu is still a bit of a concern. Madhya Pradesh remains more or less at the same level. The fresh problem that has presented and that is not just for us is Karnataka, especially in the last 60 days or so. But the Karnataka government has also come out with some clarification. So, we hope that going forward, the regulated entities should be able to operate without a problem.

Ashlesh Sonje: Understood, sir. Thank you. Those are all the questions.

Hari Velloor : Thank you.

Moderator: Thank you. We have the next question on the line of Priyesh Jain from HSBC. Please go ahead.

Abhishek Murarka: Hello. Yes, sir. Thanks for the opportunity. This is Abhishek Murarka from HSBC. Sir, can you give some sense of this quarter so far. So, in MFI, if I look at your disbursement numbers Q3 was slightly better, do you see disbursements trending up? Also, the disbursement in gold, is it mostly going to MFI customers or is it going to non-MFI customers if you can give some sense and collection efficiency so far in January early February, how is that versus December, if you can give some idea of recent trends that will be very helpful?

Hari Velloor : I think there were 4 or 5 questions, two questions were clear. One is how much is the gold loan is going to MFI segment, and I think I had handled that earlier. That is about 20%. The second is collection efficiency.

Abhishek Murarka: Sorry to interrupt, but after disbursement also.

Hari Velloor : No, disbursement, I will come back to you. In terms of disbursements, gold loan disbursements to microfinance customers, is that what you are asking?

Gireesh C.P.: No, he is asking total disbursement.

Abhishek Murarka: No, that is what I was asking. So, out of Rs. 3,450 crores gold loan disbursement, how much of that has gone to MFI customer?

Hari Velloor : Yes. It is about 1000, no, you can say 20%. So, that is about Rs. 600 odd crores.

Gireesh C.P.: Yes, close to Rs. 700 crores.

Abhishek Murarka: So, incrementally also, it is about 20% to MFI?

Hari Velloor : Yes, it is a rough guess. I am not giving it as an exact figure, but 20% of the book is to MFI and so I am extrapolating from that. We will get you the exact figures. I don't have it immediately.

Abhishek Murarka: Sure, sir. And in MFI per se, how has been the disbursement and collection trends more recently say in January?

Hari Velloor : As you know, we have been very strict in MFI disbursements and all the guardrails, all the quality controls, the underwriting strictness we have put has all come to reducing the disbursements that we are making to microfinance segment. If you ask me on a rough basis, it is about Rs. 400 crores a month or so disbursements that we are doing in the last quarter. Yes, that is right, Rs. 420 or Rs. 430 or so. And what was the other part of the question?

Abhishek Murarka: Sir, January would have been similar to the last?

Hari Velloor : The trends, you are asking me about collection trends. I am not able to give you a January as of now, but I will give you some other figures in the loans which we have disbursed since April of 24, the collection we are seeing is 99.7%-99.8% or so.

Abhishek Murarka: Yes, that is okay, sir, but it would be helpful to know the overall January collection efficiency without NPA because that will just give us a sense of how things are trending in the MFI space where you are operating. That is why I was asking the question.

Gireesh C. P.: Yes, January collection was encouraging, and it is better than the previous month because I can't give any exact numbers because it is unpublished.

Abhishek Murarka: No. Sure, not an issue. Finally, sir, just a couple of data keeping questions. So, what was your exposure to the more than 4 lender in MFI and the 4th lender, so if you can break that up that will be helpful?

Hari Velloor : Fourth lender, I think, we will give you the exact figure. If I remember correctly, it was 12% or something like that. I will give you another figure which I hope helps you. If you see from a total number of loans that a customer of ours has, it was roughly 1.22% or so.

Abhishek Murarka: I didn't get it.

Hari Velloor : The number of loans that a customer of ours has in the microfinance segment is roughly 1.22, but I will come back to you on the fourth lender thing, the exact figure.

Abhishek Murarka: Yes, just compared to the rest of your peers have given that. So, that is why just from a comparison perspective, it would help to know what is your exposure to basically whatever is under guardrail 1 and what will come under guardrail 2. So, that is it.

Hari Velloor : Sure.

Abhishek Murarka: Sir, if you can say that during the call that would be great. Thanks. Those are my questions. Thanks for taking that.

Moderator: Thank you. We have the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much, sir, for this opportunity. Sir, just first up, I just wanted to understand, this quarter, we had about Rs. 410 crores kind of a provisioning out of which I think you have mentioned around Rs. 250 crores was because of additional provision which we have done to increase our PCR ratio, right?

Hari Velloor : Yes.

Deepak Poddar: So, are we satisfied with this79%-80% kind of a PCR or we expect this additional provisioning to continue in coming quarters as well?

Gireesh C.P.: You know when the slippage comes down, definitely this kind of provisioning is not required, only the aging provision which is normal as per our policy only will be required once the slippage number moderates.

Deepak Poddar: So, this additional provision is not likely to come going forward, right. So, going forward our base would be more towards provision of Rs. 150crores-160 crores per quarter, would that be a fair understanding?

Gireesh C.P.: Yes, once the NPA slippage normalizes, the provisioning requirement also will moderate.

Deepak Poddar: And do you expect slippages to come down in coming quarters, right?

Gireesh C.P.: Yes, it is expected to come down in coming quarters.

Deepak Poddar: And the trend would be visible from 4th Quarter itself, in terms of reducing provision and decrease in slippages?

Gireesh C.P.: Yes, the January number gives us some comfort.

Deepak Poddar: Come again, sir. You are not audible.

Gireesh C.P.: The January number gives us some comfort.

Deepak Poddar: January gives some comfort that the trend would be on a better way in going forward?

Gireesh C.P.: It can be positive notes, yes.

Deepak Poddar: And then what sort of growth we are looking at right now, I mean this 6% growth is what we would like to end this year with, would that be right way?

Gireesh C.P.: NPAs advanced growth?

Deepak Poddar: NPAs advanced growth, yes?

Gireesh C.P.: It is 5% year-on-year basis.

Hari Velloor : I was just on your question on the fourth lender. So, as I had said, about 12% of the book for us, we are the fourth lender. There was a previous question.

Gireesh C.P.: Previous question, current year growth expectation.

Hari Velloor : Expectation is it?

Deepak Poddar: Yes. What is the growth we are looking at for this year and next year, FY25 and FY26 in terms of gold loan book growth?

Gireesh C.P.: Micro or overall?

Hari Velloor : Overall loan book you are asking, isn't it?

Deepak Poddar: Yes, at the entire company level.

Gireesh C.P.: Next year, we are yet to project that numbers precisely because current year, there is a medium-term plan, but that has to be reworked which will be reworked in March based on almost, we will be having a clear picture as to where we will end up in March and accordingly we will make a projection for FY26. For FY25, we expect that it will be somewhere around 10%.

Deepak Poddar: I think yes, that would be it from my side. All the very best to you. Thank you so much.

Moderator: Thank you. In the interest of time, that was the last question. I would now like to hand the conference over to Ms. Mamta Nehra from Orient Capital for closing comments.

Mamta Nehra: Thank you, everyone. I would like to thank the management for taking this time out for the conference call today and also thanks to all the participants. If you have any queries, please feel free to contact us. We are Orient Capital, Investor Relation Advisors, to ESAF Small Finance Bank Limited. Thank you so much.

Hari Velloor : Thank you so much. Thank you.

Moderator: Thank you. On behalf of ESAF Small Finance Bank Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.