APOLLO FINVEST (INDIA) LTD.
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November 15, 2024

To,
BSE Limited
25TH Floor,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

BSE Scrip Code: 512437

Sub: Transcript of Investor Call/ Earnings Call for the Quarter and Half year ended September 30, 2024

Dear Sirs,

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings call held on November 15, 2024 for the Quarter and half year ended September 30, 2024.

We request you to kindly take the same on record.

Thanking You,
For Apollo Finvest (India) Limited

Mikhil Ramesh Innani
Digitally signed by Mikhil Ramesh Innani
Date: 2024.11.15 15:40:25 +05'30'

Mikhil Innani
Managing Director & CEO
DIN: 02710749

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Management:	Good morning, everyone, and welcome to our second Investors' Call for the financial year 2024–25. Apollo has been deeply committed to hosting these quarterly calls to discuss our financial results and address any curiosities you may have regarding Apollo's financial performance each quarter. I am pleased to have with me Mr. Mikhil Inani, our Managing Director and CEO, and Ms. Diksha Nangia, our Whole-Time Director and CFO, who will address your questions during this session. Mikhil will also share some key developments that Apollo has achieved during this quarter, from July to September. Mikhil, I now request you to take over and share the updates with everyone.
Mikhil Innani, Managing Director	Perfect. Thank you so much! So, Prachi, what we'll do is, before diving into the Q&A, we thought we could structure this conversation a bit more. As you always mention, we look forward to these calls for two reasons. First, it gives us the opportunity to share what we've been up to, and we have some interesting updates to discuss. Then, we'll go into the Q&A, as we always welcome interaction from our shareholders and enjoy answering your questions. But before we get started, let me share some recent updates in the industry, as well as how Apollo is responding to these developments and what positive steps we're taking. Just give me a moment—I'll bring up a short presentation to guide us. Alright, perfect. Let's dive in! So, one of the more interesting developments in the industry recently has been the increased activity and oversight by the regulator. And I think there are two ways to look at this. One is, as we often say, that the regulator's activity in this space is a positive sign—it indicates that the digital lending space is maturing. We see this as a transition from a "small baby" phase to that of a "fast-growing teenager." Just like a teenager, the space can sometimes grow too fast, encountering challenges that require oversight. The regulator acts somewhat like a parental figure, ensuring that growth is healthy and sustainable. Specifically, in recent developments, the regulator has halted lending at three or four major NBFCs, including DMI and Navi, which are prominent in the digital lending space. These entities were asked to halt lending operations, and this was significant as Navi, for example, had a book of about ₹10,000 to ₹11,000 crores, and DMI had about ₹1,000 to ₹1,500 crores according to publicly available data.

Why did this happen? We believe it's due to a combination of factors. One is aggressive pricing towards end customers, but more critically, it appears to be related to the excessive leveraging of borrowers. Let me clarify what I mean by leveraging: as digital lending has evolved, the typical loan ticket sizes have increased. In the early stages of the industry, ticket sizes were small, typically between ₹5,000 to ₹20,000, and it was common to avoid FOIR checks. FOIR, or Fixed Obligations to Income Ratio, looks at the borrower's income and spending habits, as well as existing EMI obligations, to determine their ability to service a new loan.

When loan sizes were small, FOIR checks were often skipped, but as ticket sizes grew and the market matured, it led to many borrowers being over-leveraged. In other words, some borrowers were taking loans that their incomes couldn't reasonably support. For example, borrowers earning around ₹100,000 a month might end up with EMIs totalling ₹300,000 per month, which is unsustainable. This has led to the regulator enforcing FOIR as a core measure to prevent borrower over-leveraging.

In response, we're seeing the industry shift towards longer tenures, which can reduce monthly EMI burdens, and toward more affordable interest rates to make repayments manageable. At Apollo, we've always prioritized conservative lending practices, which have kept us ahead of the curve and aligned with these new regulatory expectations.

Now, let's discuss Apollo's portfolio for the last quarter. Even before the recent regulatory guidelines, our focus was on high-quality customers and maintaining a low GNPA (Gross Non-Performing Asset) ratio. We target a GNPA ratio below 2%, but right now, it's significantly below that, at 0.7%, which is among the top 5% in the industry.

Our average loan tenure for the last quarter was 6.5 months, and the ticket size was around ₹44,000. Moving forward, we expect both these numbers to nearly double, with tenures closer to 12 months and ticket sizes around ₹100,000. We've always applied strict FOIR checks to avoid over-leveraging, a conservative approach that comes from our ethos, especially with Diksha's background at HDFC, where traditional lending principles are paramount.

Now, let's look at the results. Overall, we've seen solid momentum and growth across the board. Our AUM numbers continue to grow, and we expect this to persist. Our approach has always been about building a valuable company with solid fundamentals, and our conservative approach has proven to be an asset, especially as regulatory scrutiny increases.

	In terms of fundraising, last time we mentioned a target of ₹50 crores, but we currently have about ₹66 crores in sanctions from lenders like ICICI, RBL, AU Small Finance, and others. Our team is in discussions to finalize and time these raises to align with deployment needs. Our goal is to raise funds at competitive interest rates to stand out in the market. Now for some internal updates. We recently moved into a new office! Our previous office was small and cozy but served us well. With our growth, we wanted a space that reflected our ambitions—a place where our debt investors feel welcome and our hardworking team members feel at home. We're proud of our new space, and in case you're in town, we'd be happy to host you. Perhaps we'll share a blog post with some "before" photos to show the transformation. Additionally, we've revamped our website, which we think is finally up to the high standards of the business we've built. It's modern, custom-made, and represents Apollo well. Please check it out, and we'd love to hear your feedback! From a tech perspective, we've launched an exciting AI tool, Senti, for sentiment analysis on call recordings. Senti transcribes call recordings and flags any negative sentiment, which allows us to proactively address any issues with customer interactions. Though early in adoption, we're optimistic about the potential, especially with the advances in AI that make this tool affordable and scalable. Finally, we're hiring! We have around 28 to 30 people on our team, but we're looking for high-quality talent to help us grow over the next 12-24 months. If you know anyone who might be interested, please encourage them to reach out. With that, I'll pause here and open the floor for any questions from the audience.
Investor	"Firstly, Mikhil and Diksha, congratulations on a solid set of Q2 results. My question is about when we will actively start co-lending with our partners. I understand that we have provided term loans to them, but when can we expect our partners to begin co-lending with us? Additionally, what sort of revenue range can we expect once we go live with them? Currently, our partners are primarily involved in micro-lending with borrowers. However, you mentioned that in the future, there are plans to enter vertical lending products, targeting specific industries like healthcare or certain product niches. Given this direction, are there plans to onboard

	partners with substantial insights into specific borrower segments? Thank you."
Mikhil Innani, Managing Director	"That's a great question, Nathan. So, I think our overall strategy, as you may know, is that whenever we provide term loans, the long-term or even medium-term goal is to establish co-lending partnerships. We already have a few partners live with us from a co-lending perspective. When it comes to other partners, what we are trying to ensure is that our underwriting process works effectively for them. As I mentioned earlier, we are quite conservative in our underwriting approach. In certain cases, we want to ensure that this leads to a fruitful and high-performing portfolio. Sometimes, this can take a bit of time as our partners may need to adjust their sourcing strategies to align with the KPIs we have defined for the portfolio. For instance, we have clear performance expectations for the portfolio, and achieving those benchmarks might take a month or two to establish. I see all these processes coming together within the next quarter. From a revenue perspective, co-lending offers multiple streams. One is the API revenue we earn, and the other is the ROI on the capital we provide, which can range between 17% to 18%. When comparing term loans to co-lending, the major differentiator is the added benefit of API revenues in co-lending. This means that the revenue potential from co-lending can be significantly higher. That said, we aim to approach co-lending opportunistically, ensuring we establish the right portfolio with our partners. Currently, we are already engaged in co-lending with some of our partners. However, it’s not necessary that their approach with the majority of their book is the same as their approach with us. For example, one of our partners, Apollo, is one of the largest personal loan providers in the market. While they focus on personal loans, they are also launching more use-case-specific products, which are not yet public, such as offerings in the EV or healthcare sectors. We are evaluating these innovative partnerships as well. There is significant interest in expanding beyond pure-play partnerships. Given our tech expertise and strong relationships, we often become the first choice for our partners when they are piloting innovative products. These pilots help us explore new possibilities and establish robust partnerships. I expect this momentum to become more apparent in the next quarter or two. Even today, around 30% to 40% of our book is with lenders focusing on audiences for whom they have detailed insights, rather than just engaging in standard personal lending. This underscores the potential and scalability of our co-lending strategy."

Investor	"Thank you so much, Mikhil, for such a detailed presentation—it was really insightful. I do have one question, though. As Apollo is planning to expand, could you please provide details on the sanction letters Apollo has already received for borrowings? Additionally, could you shed light on the company's future plans for fundraising or raising additional capital?"
Mikhil Innani, Managing Director	"Sure. Thanks for that question, Deepika. Absolutely. As mentioned in the presentation, the fundraising efforts are progressing better than expected. Our initial goal, as discussed last quarter, was to raise approximately ₹50 crores. However, we've been fortunate enough to secure about ₹70 crores in sanctions—₹66 crores, to be precise—and we are optimistic that this figure will increase further. Right now, our primary focus is to absorb and deploy this capital effectively, which will naturally lead to a significant jump in the AUM. Looking ahead, while I prefer to avoid giving specific projections due to our conservative outlook, one thing I can share is that the coming quarters look highly promising. Opportunities for strategic capital deployment are abundant, and our debt position appears to be on the right track. With these factors aligning, we are confident that our AUM will continue to rise steadily, reflecting positively on our overall performance and numbers."
Shareholder	"Hey, Mikhil, thanks for allowing everybody to join this call. I have a question regarding the broader digital lending space. I currently work with a fintech company where we are trying to onboard a few lending partners for the personal loan segment. We have spoken to a few market leaders, and everyone is keen to provide loans only to prime customers with good credit scores. The problem is that if a person has a credit score of 700 or 680+, every bank will be ready to give them loans at a competitive rate of around 10-11%. In a similar scenario, an NBFC will charge them somewhere around 18-19%. So, the only benefit with NBFCs and fintech companies is that they provide an entirely paperless journey with loans disbursed within minutes, whereas banks will carry out their due diligence, which can take longer. But my question is: how do we cater to a large population of users who don't fall into the prime segment? What should the next model be that everyone can adopt, especially with underwriting and other factors in mind? What do you think about this situation?"
Mikhil Innani, Managing Director	"Well, that's a great question. I think you're absolutely right. Ultimately, if you're an NBFC and you're targeting customers who are already going to be served by a bank, you're in trouble. What ends up happening is that the customers borrowing from you are likely either the ones who have been

	rejected by a bank or those who have already borrowed from both the bank and you, leveraging themselves further. I think what everyone needs to do is figure out their own specific niche. You can't go after the same customers as everyone else. That's the trouble in the industry today—everybody's going after the same customer, and this leads to unsustainable lending practices. For instance, you'll see people lending at 200-300% interest rates, which is crazy. It's like saying someone's salary is one lakh rupees, but you're lending to them in such a way that their EMIs total two lakh rupees per month. How are they ever going to fulfill that unless they're rotating money by borrowing from five other apps? So, what people need to do is target very, very specific niches. You have to develop a use case that attracts a certain kind of customer, and then lend for a specific end use. In my opinion, there are two key things that need to happen: You need to develop an app, website, or platform that solves a particular problem for the customer, attracting that specific customer to use your service. For example, your platform could act as a payment gateway, and many merchants could use it to receive payments. Based on the revenue this merchant generates, you could decide to lend to them, and then deduct the EMI from the payments they receive through your gateway. Another example could be, if you're Zomato, and you have many restaurants working with you. If a restaurant wants to expand but struggles to secure a bank loan, you could lend to the restaurant and deduct repayments from the revenue generated through your platform. This is what's needed in the market today. You need to develop more than just a simple app that gives out loans. If you only do that, there's no moat. Anyone can build an app in three days, launch it, and start lending. Five years ago, this space wasn't as crowded, but today, it is. So, it's crucial to have a clear use case and focus on a specific set of customers. By doing so, you can avoid the risks of unsustainable lending practices. Differentiating from banks becomes easier because it's very unlikely that a bank will build an app or platform to serve a specific use case and then lend on top of it. Banks just don't have the interest in doing this because it's too small-scale for them. In many ways, this is the first principle of building anything on the internet: you never go big at the start. You always go narrow and deep. This is the strategy that should be applied even in lending."
Investor	"Yeah, hi, just a couple of questions.

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	In your first slide of the presentation, you mentioned that your average lending rate is 33%. I didn't quite understand that. I mean, is that yield or what exactly does it refer to? What is the 33% you're referring to? Isn't it too high? I mean, 33% is about one-third of your principal. You're charging that much as interest. And what sort of interest rate usually attracts subprime customers? I understand about the 600-650+ CIBIL score and all that, but that is more of a post-facto thing, right? The customer's credit gets repaired over time. But at such a high rate, you would attract subprime customers, and there would be a challenge in terms of maintaining NPAs in the long run. In the short term, it could be manageable, but what sort of filtering do you do to onboard these kinds of customers? Hopefully, this model will sustain or withstand a couple of down cycles to determine if it's working or not. So my second question is, I understand you've recently raised ₹15 crores, of which, as of 30th September, you still have ₹14 crores left. Will you be deploying this in this quarter itself, or what's your plan for deployment? And one more question—about the sanction letters you've received. What sort of loans are these? Are they similar to the term loans that you give out to your lending partners, or are these payable on demand? Or are they fixed-tenure loans with longer durations? Because in that case, you would carry the interest rate risk."
Mikhil Innani, Managing Director	"33% is the ROI that we end up charging—the average ROI charged to the retail customers who borrow from us. I understand why you might feel that way. When I entered the industry, this was also my first initial reaction. But the reality is that you are serving customers who don't have any other alternatives. For example, when I look at some of the average prices across the space, they're shockingly in the 60% to 70% range, which, of course, is madness. That's one of the reasons the RBI is trying to bring some order to this space. Unofficially, whenever you think about the cap of rates, it's usually 36%. I can understand why you think this space is very expensive, but in reality, based on industry benchmarks, it's almost half that rate. The reason why digital lending tends to be more expensive is because, as one of the earlier questions pointed out, you have to go after customers who aren't being served by traditional banks. If you overlap with banks, it leads to a negative bias, and you end up with customers who should be served by banks, but because they aren't, you're attracting the worst of that category. Ideally, you need to target customers who aren't being served at all.

	This entire segment is not being served by banks, and that's when you can lend. In fact, this is something that we pride ourselves on. When you look at the history of Apollo, we've always had very strong GNPA numbers. And the reason for this is that, to be very honest, you are absolutely right—when you scale a company to, say, ₹5,000 to ₹10,000 crore AUM, it can become a huge challenge to maintain the right GNPA numbers. I don't think, unfortunately, you can build this kind of book today with the kind of GNPA numbers that Apollo would be comfortable with. So, what we do, and our general strategy, is that whenever we work with any fintech or NBFC, we only pick up the top 10% of their book. For example, we could work with an NBFC that has a ₹5,000 crore book. They might have a very large book, but we end up picking only ₹50 crore or ₹100 crore of their book. We apply our fine-combing process, which isn't just about having a policy. There are a few things that we do. One is, over the last 7 to 8 years, we've built a lot of internal data that clearly tells us what will happen when you apply certain policies. It's almost like a classification model in machine learning terms. Think of it like how Gmail classifies an email as primary, marketing, or spam. Our algorithm works in the same way. It takes into account: Apollo's internal data from the last 7-8 years. Real-time data from daily repayments, which adjusts the weightages in the model. Portfolio data from all the companies we evaluate, further enriching our model. By combining all of this, we've been able to come up with the right model. What that leads to is, whenever we work with any NBFC or fintech or lender, we really don't care how big they are. Whether they're a ₹10,000 crore NBFC or ₹1,000 crore NBFC, when we apply our algorithm, we typically end up serving only ₹30 crore to ₹50 crore of their customer base. You can do that as long as your portfolio is about ₹1,000 crore. That's our internal thought process right now. Every year, the market is expanding and becoming more mature. A market that's potentially ₹20,000 crore is growing at 30% to 50% every year. So, we feel our numbers will grow accordingly because the top of the funnel will keep expanding. As long as the market expands, our target for the top 5% to 10% will also grow. To summarize, the criteria is: Be very data-heavy in your processes. It's not a human job. As soon as you involve humans, biases and errors creep in. So, it's essential to be data-driven.

	Be patient. This is a new space. Even though we've been around for 8 years, this is a 10 to 15-year journey for the industry to mature. Anyone accelerating too quickly before that is headed in a dangerous direction. This brings us to the reason we don't scale recklessly. We don't want to build a subpar book. If you build a great book, you can attract amazing lenders at attractive prices. With capital at attractive prices, you can build a good book by attracting good borrowers, and that cycle continues. If you do the opposite, you get a bad book, attracting high-priced borrowers, leading to a worse book, and the cycle keeps repeating. So, we are very clear about the cycle we want to follow. As for your question about deployment—this quarter's capital has already been deployed. When the results come out, you'll see that we don't expect much negative carry, if any—maybe ₹3-4-5 crore, but nothing major. We're not too concerned about that. The loans are typically between 1 to 3 years, so we're comfortable with the names. To clarify on the question regarding borrowing—whenever we borrow, we're comfortable with the names. We don't borrow when we feel any degree of stress. We're not looking to scale recklessly. We want to be thoughtful about our growth. Regarding interest rates, if anything changes, the rates can automatically be adjusted at the partner or lender level, so we don't foresee any major issues there. In terms of growth expectations, I would conservatively say our goal is to hit ₹100 crore internally. We're pushing for more, but ₹100 crore is definitely achievable."
Investor	"Okay, fine, fine. Thanks, and all the best. I mean, just one observation: Even in the last quarter, one of the concerns raised by the RBI was the high lending rates that these NBFCs charge, along with the issue of over-leveraging. So, you might want to look at ways to reduce these lending rates because I think they will definitely attract subprime customers. In the long run, this might not be sustainable. Of course, the feedback from the model will only be clear at a later point when the book actually grows and gets curated over a couple of cycles. So, I think you'll have to look at the interest rates at which you're lending and then make a decision. Just a suggestion."
Mikhil Innani, Managing Director	"No valid suggestions. I think just a couple of points on that. You're right from an RBI perspective. These rates, again, to a common customer, may seem pretty high, but the reality is that, for example, companies like Navi and TMI are lending at rates almost double this. That's where the RBI is coming from. They're trying to solve this issue without being too prescriptive about setting

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	a fixed interest rate. So, again, we are comfortable with the rates we're offering, and we have regular interactions with the RBI. Let me put it honestly: every single digital lender with a license has an interaction with the RBI at least once a month. So, we get a lot of feedback from them, and we feel confident in the numbers today, and it's something the RBI is comfortable with. As you can imagine, they are not comfortable with rates beyond 60%, which has been the case with certain companies, and that's why they've taken public action. On the next point, regarding the model: it's not something we feel is perfect. The model will continue to evolve. I would say that, like I mentioned, it will take around 15 years for anyone to fully understand all the cycles and nuances of this space. A couple of cycles may still be too early. But fortunately, we've been around for 8 years, focusing only on digital lending, and over that time, the model has seen many cycles. For instance, when the space started, the average loan duration used to be around 2 to 3 months. It has now increased to 6 months, and potentially by next quarter, it will average around 12 months. So, the model has already gone through many cycles. I take your point seriously. At the end of the day, even 8 years might not be enough to fully prove the model's robustness. Time is crucial here. We are clear that once Apollo reaches around 10 years, it will be one milestone, but 15 years could be a better marker for assessing the robustness of everything we do. Because, ultimately, I think you can be lucky for a few years, but I like to think that it's difficult to be lucky over a span of 10 years. If you do it over 10 to 15 years, then you've found the science behind it."
Management	"I think we don't have any more questions. We'll just wait for another 30 seconds, and then we can conclude the call. So, if any of the participants have any additional questions, we'd be happy to take them. It seems we don't have any further questions. I would just like to thank all the participants and attendees for joining the Apollo Invest Q2 FY25 call. It was great hosting everyone. Thank you so much for your time. If you have any other questions, please feel free to email them to us, and we will be happy to address them. Thank you, have a great day and a wonderful weekend. Goodbye."