



August 20, 2024

To, The General Manager Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. <u>Scrip code: 540268</u>	To, The Manager Department of Corporate Compliance National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. <u>Scrip code: TRU</u>
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Subject: Transcript of the Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and in furtherance to our letter(s) dated August 08, 2024, August 13, 2024 and August 14, 2024, we have enclosed herewith the transcript of the Earnings Call held on August 14, 2024, at 11:00 a.m. (IST).

We request you to take the same on record.

Thanking You,

Yours faithfully,
For TruCap Finance Limited

Sonal Sharma
Company Secretary & Compliance Officer
Encl.: As above



TruCap Finance Limited
(Formerly known as Dhanvarsha Finvest Limited)

TruCap Finance Limited
Q1 Financial Year 2025
August 14, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY25 Conference Call of TruCap Finance 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 assistance during the conference call, please signal an operator by pressing the “*”, then “0” on your touchtone phone.

Please note this conference call may contain forward-looking statements about the company based on beliefs, opinions, and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded.

Now, I would like to hand the conference over to Mr. Rohan Juneja - Managing Director and CEO from TruCap Finance Limited. Accompanying him from the management will be Mr. Sanjay Kukreja, Chief Financial Officer and Mr. Mahendra Kumar Servaiya, Chief Credit Officer and Mr. Gaurav Bhargava, Business Head - Gold Loans.

Thank you, and over to you, sir.

Rohan Juneja: Thank you, Steve. Welcome everyone to our Fiscal 1Q FY25 Earnings Call.

We reported pre-tax earnings for the Quarter at Rs. 21 million, up 22% from Rs. 17 million in 1Q fiscal '24. While revenue growth was extremely robust at 39% year-over-year, earnings growth was lower relative to revenue growth at 22% due to higher funding costs and OPEX, which was occurred to build out of our distribution franchise to cater towards lending as a service partners. While funding costs have increased, we have seen an increase in our net interest margin, which rose from 6.1%

to 6.7%, given higher yields from increasing business with these co-lending partners.

Our disbursements for the quarter stood at Rs. 3.8 billion, up from Rs. 2.7 billion in June 2023. Disbursement growth was primarily driven by MSME gold and business loans, which now represent over 99% of assets under management. Our AUM, which includes on-balance sheet and off-balance sheet loans, originated with co-lending partners, has grown to Rs. 11.6 billion, up from Rs. 6.6 billion a year ago. 66% of our AUM comprises of gold loans, 33% in MSME business loans and less than 1% in loans against property and personal loans, which are in run-off mode.

The gold loan business has an active borrower base of more than 55,000 customers and an average ticket size of Rs. 0.13 million. The tenure of these loans at origination is usually 12 months, but the average maturity on the books is typically six to eight months. Our team has disbursed more than Rs. 35 billion to over 255,000 customers over the last four years in loans backed by gold.

Gross NPAs in the gold loan book are a meager 12 basis points. Gold taken to auctions are just over Rs. 180 million for over 2,500 customers, representing just 0.5% of cumulative disbursements. It is noteworthy that we have recovered more than 109% of principal and interest due on gold loans which were sold in auction and therefore, we have refunded excess amounts to borrowers. In the business loan product, we have an active borrower base of over 43,000 customers and an average ticket size of Rs. 0.1 million. These loans have an average tenure of one and a half years and the gross NPA on this product is 3.7%.

In the last two quarters, we have added Lending-as-a-Service partners for the business loan product with the most recent partner being SIDBI for the Rs. 50,000 to Rs. 5,00,000 product. With SIDBI, these loans are originated directly from our branch network where the outstanding AUM is Rs. 42.1 million over the course of the last four months. Interestingly, on a low 8% bounce rate in this book, we have collected 100% of these bounces with a 0% net bounce rate since we started originating these loans for SIDBI.

Our gross NPA for the quarter stood at 1.4%. Collection efficiency, including prepayments and repayments on gold loans, which is a regular feature in the business, was 480% in the quarter. In the business loan product, we have made significant strides in recovering bounces in the soft buckets. This has come from improved efforts on litigation, along with a new tech-enabled collection module that is now fully operational. Going forward, this will enable us to increase collection efficiency in later stage buckets as well.

On distribution, this fiscal year we have adopted a moderate expansion strategy, focusing on increasing productivity and driving efficiency across our branch network. With over 85% of our branches situated in Tier 2, Tier 3 and Tier 4 locations, 66 branches were profitable in 1Q '25, with another three to four branches expected to turn profitable every quarter going forward. We have been emphasizing on improving per day gross disbursement in each branch to boost profitability, the results of which should be evident with each progressing quarter.

Operating expenses for 1Q '25 were Rs. 242 million versus Rs. 258 million in the previous quarter and Rs. 188 million a year ago. As we have now reached an optimal branch count, Opex as a percentage of AUM for the gold loan branches has decreased to below 7.5%, down from over 8% in all of fiscal '24. We anticipate this percentage to decline further in coming quarters of fiscal '25 and '26. This is not just due to denominator effect but due to several other efficiency and productivity initiatives undertaken by the Company.

On the balance sheet front, the Company had a net worth of Rs. 2.3 billion at the end of June. In the last two quarters, the Company has announced warrant issuances of Rs. 880 million, of which Rs. 220 million has been received. Over the course of the next 15 months, we expect to receive the remaining Rs. 660 million, thus reaching a net worth of almost Rs. 3 billion.

With that, we now open the call for questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may press “*” and “1” on their

touchtone telephone. If you wish to withdraw yourself from the question queue, to may press “*” and “2”. Participants are requested to use handsets while asking the question. Ladies and gentlemen, we will wait for a moment, while the question queue assembles.

First question is from the line of Aditya Shah from Newton Wealth Management. Please go ahead.

Aditya Shah: Good morning Sir, just a couple of questions. Sir, what kind of collateral and criteria is taken into consideration for MSME loans and gold loans?

Rohan Juneja: Thank you, Aditya. So, for the collateral and criteria for the MSME gold loans, it is predominantly the value of the collateral, which is brought into the branch, which is the purity of the gold along with weightage, etc. Along with that, we do assess what is the use of funds going to be. So, whether it's used for working capital requirements, other Capex requirements of their businesses. And for an unsecured business loan, we will take the entire business vintage, banking documents, along with other requirements, whether it goes into a GST program, ITR program, or any other program that we have for the unsecured business loan.

Aditya Shah: Okay, and for the gold loans also same, sir?

Rohan Juneja: For the gold loans it's same, but the predominant criteria also is the valuation of the collateral. So, there the valuation of the collateral plays as important if not any slightly more important part. But for the unsecured business loan, because there is no collateral, the criteria for the business documentation along with cash flows of the business, etc., are even more important. While it is an unsecured business loan, we do not give an unsecured business loan to anyone who does not own their piece of property. So, be it a dukan or a makan that they own, that is a key criteria also, which is part of the underwriting checklist for an unsecured business loan.

Aditya Shah: Okay sir. And sir, looking at the new government taking initiatives to support MSMEs, do you benefit from them directly or indirectly?

Rohan Juneja: To some extent, yes, but we do not take any of those initiatives into our underwriting criteria in terms of how we look at a borrower, etc. Those,

we have not used any of the CGTMSE or any of those other criteria in terms of securing part of the loan book, etc. Because technically that is something that is there to secure the loan book, but that's more of a post facto exercise, not so much of an underwriting exercise.

Aditya Shah: Okay sir. And this is my last question. Sir, to your co-lending list, have you added any new banks or is your current bank's entry into the share in your co-lending business? Can you shed some light on it?

Rohan Juneja: No, at this point in time, our partners remain the same as they were in the previous quarter and the previous fiscal year. The only addition to the Lending-as-a-Service partners is the BC relationship that we have with SIDBI now for the unsecured business loan product.

Aditya Shah: Okay, sorry, sir, if I can just ask one more question. I just wanted to know sir, compared to your peers, there are many peers in this segment, how does your company stand apart in this business?

Rohan Juneja: Sir, I think competition will always be prevalent in a market like India, in almost every geography, the difference is the variance of the competition. I would say the most important feature on how one could stand out, at least we try and make an effort to stand out in our customer service. It's a very easily used term but very hard to do. So, that is the most important criteria. And obviously there are certain other products, etc., the variances in the products in terms of how you assist the customer and make a difference from one financial service provider to the other.

Aditya Shah: Okay sir. Thank you so much. I'll back in the queue for my further questions.

Rohan Juneja: Thank you.

Moderator: The next question is from the line of Rohan Mehta, an Individual Investor. Please go ahead.

Rohan Mehta: Good morning sir, thank you for the opportunity. Sir, if I could request you to shed some light on L-a-a-S business, if you could just elaborate a little on that front? And whether we have added any new partners under

L-a-a-S during this quarter? And what kind of revenue share are we looking at from this particular line?

Rohan Juneja: So, our Lending-as-a-Service business is something that we started in August 2021 when we had tied up with Central Bank of India as our first co-lending partner for the gold-backed product. Post that we have added several other partners which include HDFC Bank, DCB Bank, we have Shivalik Small Finance Bank as a BC partner, we have SIDBI now as a BC partner, which got added in the previous quarter. And we have two other NBFCs who we do Lending-as-a-Service with for the business loan product.

This is a big focus for us, the reason being that as an NBFC, we will always be dependent on larger financiers for capital. And these larger financiers, majority of whom are banks, will always have a much larger quantum but much cheaper cost of capital relative to us. So, what we decided is we will build out a distribution franchise to continue to cater towards the under-served and under-banked borrowers, and hopefully they can leverage that customer or the ability for them to access that customer through us is an advantage for them, while we are able to access and leverage their capital where they provide 80% and we provide 20%. So, that's the way the relationship works and with each partner, the economics are different in an 80:20 relationship or in a BC relationship on how the economics are split between both the partners. But for the customer everything is one. So, the sourcing, servicing, collection customer is us, and the rate that is charged to the customer also is one.

Rohan Mehta: Okay, understood sir, that's helpful. Sir, any target of share of revenue that we are looking at from Lending-as-a-Service?

Rohan Juneja: So, Lending as a Service today comprises about 41% of our total AUM. I will not give a revenue target. But in terms of AUM, it will hover between 35% to 45% over the long term, which is where it is, given there is also a certain amount of cyclicity associated with this business from time to time given macro and micro risks, etc. So, it will be safe to say that a range of between 35% to 45% of AUM is where we endeavor to have this co-lending book.

Rohan Mehta: Okay understood, that's helpful. Sir, you mentioned banking correspondents with SIDBI, and I think another company, I missed out the name. So, if you could give some color on that aspect also, is it giving us more penetration into rural areas or how is it working out for us, banking correspondents?

Rohan Juneja: So, the banking correspondents is where we are doing the entire sourcing, servicing, collection efforts, while 100% of the loan is written for the financier who is providing the capital. So, it's giving them access to the customer base that we have access to, given our distribution franchise. So, our distribution network which is largely these branches and experiential centers are situated predominantly in Tier 2, Tier 3, Tier 4 locations. So, the BC relationship with these larger financiers gives them access to the customer base that we cater towards in these regions.

Rohan Mehta: Understood, got it. Sir, if you could just touch upon the co-lending aspect, our debt is expected to be around similar levels as it is right now, since co-lending seems to have increased?

Rohan Juneja: So, co-lending has definitely increased due to which if you see the buildup of debt as well, it's been fairly slow and steady, given the fact that we need to cater towards increasing volume with these co-lending partners. So, we also need to provide for the 20% of capital with these co-lending partners, along with all the other business that we do without the co-lending partners as well. Our endeavor is to run leverage between 2x to 3.5x or 2x to at most 4x, is where the leverage will be, with more than 65% of our AUM backed by gold loans. So, anywhere between 2x to 4x over the long term is the leverage that we endeavor to run at. And again, 66% of our AUM today comprises of gold loans, with almost 80% of monthly disbursements happening in that product.

Rohan Mehta: Okay, understood. And this, as you mentioned earlier, that no new partners have been added as of now, so these levels are expected to continue over the next maybe couple of quarters at least. Would that be correct, sir?

Rohan Juneja: There was SIDBI that was added as a BC partner in the business loan product. Besides that, there was no addition to partners.

Rohan Mehta: Okay, alright. Firstly, congratulations on crossing Rs. 1,000 crores AUM. Do we have any, if I may ask, any milestone set for the coming year in terms of AUM as well as in terms of our branch network?

Rohan Juneja: Thank you for the kind words. I think the milestone in terms of AUM we do not have. You know AUM growth is a function of many things, which include not just the capital that we can organize, but also how fast we build out the distribution franchise further, the co-lending relationships that we have, etc., etc. So, I think our milestone is more in terms of profits than AUM. We are not a player who wants to grow AUM for the sake of growing AUM. The idea is to grow a profitable AUM which will be a lot more conducive for us and a lot more value added as opposed to just growing AUM without profits. So, that's one.

Number two is, on the distribution franchise we have stabilized over here. Our goal was always to get to about 125 branches, which is where we are at. At the margin, we will add probably one to two more branches, if at all, on a quarterly basis in three geographies predominantly, which is Gujarat, Rajasthan, and Maharashtra. Other than that, the idea is to enhance productivity and efficiency from these branches, because we feel that we can extract at least 50% to 55% more productivity from the existing branches that we have. Once we reach that optimal target, then we will think about further branch expansion.

Rohan Mehta: Alright, that's helpful. Just one last question. If you could comment on fluctuation in gold prices, how it might affect us?

Rohan Juneja: Fluctuation in gold prices will affect the amount that a borrower can borrow, obviously, given the LTV cap, which is at 75%. The way we look at gold prices is, we never usually take the previous day's spot price as an average for lending. We use the 30-day average spot price for lending. When gold prices go up in the manner in which they have gone up, that usually makes us a little nervous about wanting to lend more. The reason being that it also exposes you to a risk, god forbid there is a fluctuation in gold prices going downwards and that is a massive inconvenience for the borrower if they are in a mark-to-market or if there is a capital fall to the borrower. So, we usually tend to slow down to some extent when gold prices go up, the reason being that it can expose you to risk going

forward. When gold prices go down, truth be told, we are a little more comfortable given the fact that we will be lending a lower amount at a same LTV or at a lower LTV.

Rohan Mehta Understood. Alright sir, thank you. Thanks a lot and all the best.

Rohan Juneja Thank you.

Moderator: The next question is from the line of Tanya Arora, an Individual Investor. Please go ahead.

Tanya Arora: Sir, I have couple of questions. First I would like to ask, what will be our cost of funds going forward?

Rohan Juneja: Our cost of funds are still hovering in the 13% range, which has been high. Recall, prior to the RBI raising rates by 250 basis points a few years ago, they were well below 12%. It was about 11.83% at that point in time. Given the fact that all the banks who have lent to us, raised the rates to us, but we could not pass it on to our borrower, just given the nature of the product that we cater towards these borrowers with, there was a margin compression. The good part was now year-over-year we have seen the net interest margin go up by about 60 basis points to 6.7%. So, our hope is that continues and we can over a period of time, go back towards a more sustainable 8% NIM that we strive for.

Tanya Arora: Sir, when are you expecting any credit rating upgrade?

Rohan Juneja: So, that you will have to ask the credit rating agencies, to be very honest. So, our goal is to obviously try and push for a credit rating upgrade. But again, that is based on their assessment, etc., on various features, which include our net worth, the ability to bring in more capital, the profitability of the business, maintaining of the book. So, it is a work in process right now. But I mean, we cannot comment or we cannot guarantee that something like this will happen. It is something that we are working towards.

Tanya Arora: Okay, sir and how are the disbursements, how will be our disbursements going forward, like what are our targets in terms of disbursements?

Rohan Juneja: So, in terms of targets, we have not spelt out specifically what we plan to disburse in the current fiscal year. But as you would have seen in the presentation and in earnings, we disbursed Rs. 380 crores in the fiscal first quarter of the year. So, the run rate that we are running at is between Rs. 120 crores to Rs. 130 crores on average of monthly disbursements, and the endeavor is to continue running at that pace. And as and when we can take it higher, given several other things that we are seeing in the economy, given several things that we are seeing in the sector, etc., then we will do that. But again, that is more dynamic just given the nature of the business and what is happening in the economy, markets that we cater towards, markets that we are present in, etc. But I would say, it would suffice it is to say that that run rate of about Rs. 380 crores a quarter is something that you could assume that we will do going forward.

Tanya Arora: Okay, and sir, my last question would be that what percentage of revenue are we targeting from L-a-a-S business?

Rohan Juneja: So, about 40% of our AUM comes from there, so close to about 51% to 52% of the revenue comes from the L-a-a-S business. I cannot tell you what it will be going forward because that also depends on how much business we continue to write with these partners. So, from quarter-to-quarter it could go up, from certain quarters to quarters it could go down as well, depending on their appetite. But suffice it is to say that the percentage of revenue will be greater than the percentage of AUM with these L-a-a-S partners.

Tanya Arora: Okay, thank you so much sir.

Rohan Juneja Thank you.

Moderator: Thank you. The next question is from the line of Namit Shah, an Individual Investor. Please go ahead.

Namit Shah: Hi, Good morning, am I audible?

Rohan Juneja Yes, we can hear you.

Namit Shah Okay. So, I just had a couple three odd questions on the numbers side for this quarter. Firstly, I would like to ask you like why has the number of amount of fees and commission income reduced despite our total income increasing?

Rohan Juneja: The reason for that is because the BC relationship with Shivalik was on a slowdown mode, just given the fact that there is a requirement from the RBI that in a BC relationship with gold, the gold gets kept with the capital provider, which is Shivalik. So, for us, in a co-lending or a BC relationship, it's not possible for us to transport the gold or keep the gold with the partner. And we had to keep it. And there was a big slowdown in the BC relationship with Shivalik in the June quarter due to which the fee income went down. That entire BC income gets booked in fee income.

Namit Shah: Okay, understood. So, is this trend expected to continue over the quarters? Or is it like a one-off for this time?

Rohan Juneja: At least for now it's continuing. We cannot comment on what will happen going forward. I think that is something that the partner bank, Shivalik, will know better in terms of when that will change. But apparently, that is something that has been told by the regulator to banks who are in a BC relationship with other NBFCs for the co-lending product.

Namit Shah: Okay, understood. Secondly, as we see a fall, a drop in the tax rates this time, any specific reason for that?

Rohan Juneja: There was actually an increase in the tax rate, not a drop in the tax rate. There is something to do with deferred tax assets just given the fact that we have issued CCDs earlier and also a difference because of GST, etc. But there was actually an increase in the tax rate, not a drop.

Namit Shah Oh yeah, sorry my bad.

Moderator Hello, does that answer your questions? Mr. Namit.

Namit Shah Yes, it did. That's all from my end. Thank you.

Rohan Juneja Thank you.

Moderator: The next question is from the line of Rithvik Chavan, an Individual Investor. Please go ahead.

Rithvik Chavan: So, what are the gross NPAs in every segment that you are looking at?

Rohan Juneja: Gross NPAs in the gold-backed business loan product are 12 basis points, 0.12%. The gross NPAs in the business loan product are 3.7%.

Rithvik Chavan: And what would be our disbursements segmental-wise, if you could help us with that?

Rohan Juneja: Of the Rs. 380 crores, roughly 70% of the disbursements have happened in the gold backed product and 30% of the disbursements have happened in the business loan product.

Rithvik Chavan: Okay. And what would be our average ticket size?

Rohan Juneja: Average ticket size in gold loans is Rs. 1.2 lakhs. Average ticket size in the business loan product is also about Rs. 1.6 lakhs, which includes the other channel partners that we use from a sourcing standpoint.

Rithvik Chavan: So, just to come back on the net interest margins, could you give some color on every segment for this?

Rohan Juneja: Sure. So, net interest margin for the gold loan product is close to about 6%. And the net interest margin for the business loan product is higher at about 7.5%.

Rithvik Chavan: Right. Just a couple of more questions. So, currently, how are we standing in terms of our capital adequacy ratio?

Rohan Juneja: We are at about 24% on capital adequacy. And once the entire money for the warrant infusion comes in which is the balance Rs. 66 crores that we expect over the next 15 months, this number will inch up.

Rithvik Chavan: Okay. And just one last question, what is the current percentage of bank contribution in terms of our co-lending?

Rohan Juneja: Majority of them are banks that we have on co-lending. The only two NBFC partners that we have, are on the business loan product, but the

volume of those are much smaller than it is for the banks, which is on the gold loan product. And the other partner that we have added is SIDBI, which is very small right now, that's predominantly for the business loan product. So, volume of banks is closer to about 85%, and non-banks are the balance of 15%.

Rithvik Chavan: Fair enough. I'll just come back in the queue.

Rohan Juneja No problem. Thank you.

Rithvik Chavan: Thanks.

Moderator: The next question is from the line of Harshal Patil. Please go ahead. Hello, Mr. Harshal Patil, your line has been unmuted. Please go ahead with your question.

Harshal Patil: Sir, I have two questions regarding, so have there been any new partners added to the Lending-as-a-Services platform this quarter?

Rohan Juneja: The only partner that we added in the previous quarter was SIDBI for a BC relationship, business correspondent relationship, in the business loan product.

Harshal Patil: Okay. So, last year the company surpassed Rs. 1,000 crores in asset under management. What is the AUM target for this year?

Rohan Juneja: We have not given out a target. Again, the way we run the business is not specifically for AUM, it's to reach a specific target on profit. So, we have not given an AUM target. I think the way you can extrapolate it is, we did about Rs. 380 crores of disbursement in the quarter, and the AUM accretion was about Rs. 110 crores. So, you can probably work the math and extrapolate as to where you could be at year end. That's also a function of market dynamics, how the industry is operating, competition, etc. But in terms of disbursement target, you can assume that we would probably grow at the same pace for the foreseeable future.

Harshal Patil: Okay. And what was the average daily disbursement for this quarter?

Rohan Juneja: Average daily disbursement?

Harshal Patil: Yes.

Rohan Juneja: So, the daily disbursement on a gross basis was closer to between Rs. 4.5 crores to Rs. 5 crores. Gross basis, because a lot of repayments have happened as well on the gold loan for us, especially on a daily basis. So, gross basis was about Rs. 4.5 crores to Rs. 5 crores per day.

Harshal Patil: **Okay.** Sir, the strategy we are implementing to maintain a steady net interest margin in the range of 7.5% to 8% this year?

Rohan Juneja: Correct. And we are at 6.7% right now. So, as I mentioned in my comments a few minutes ago, the goal is to get back to up to an 8% net interest margin, which will happen over a period of time. It's not going to happen over one or two quarters. It takes time for us to get there, which will be a function of two things. One is obviously, hopefully trying to reduce funding costs, which has not happened as yet. So, if that were to happen, then that will give a big fillip to the net interest margin. And the second one is, the yield which has gone up, and yields have gone up because we are writing more business with the Lending as a Service partners, and we have been very specific in sectors that we lend to where we get better pricing power.

Harshal Patil: What is our target for the percentage of co-lending in overall portfolio?

Rohan Juneja: It's 41%.

Harshal Patil: **Okay.** And can you share the outlook for the FY '25, just an overall outlook of your revenue, PAT and EBITDA margin, something likes that?

Rohan Juneja: Sir, we have not given any target on those parameters. Suffice it to say that when we give it, we will give it to investors at large, but so far we have not shared any guidance on all those numbers.

Harshal Patil: Okay, Thank you.

Rohan Juneja Thank you.

Moderator: Thank you. The next question is from the line of Yash Jain. Please go ahead.

Yash Jain: Hi Sir, I had a couple of questions. My first question is, sir, what would be the average household income of our borrowers? And how many of them are new to credit?

Rohan Juneja: The average household income is between Rs. 3 lakhs to Rs. 4 lakhs, again, that's the average. And the new to credit customer base is about 32%.

Yash Jain: And sir, what due diligence do we do to know whether our customer, like our borrower, does not have an existing loan? Like is there any proprietary checklist or underwriting policies?

Rohan Juneja: There is an enhanced and an elaborate checklist on what are the documents we require from the borrowers. A lot of our customers, like I mentioned only about 32% are new to credit, so a lot of our customers have existing loans. And that is a good thing because you want to see if the customer has actually repaid prior loans or not in the past, or whether the existing payback from the borrower to any other lender is consistent, not consistent, etc. So, I do not think it's fair to say that all our customers are new to credit and none of our customers have another loan, that would actually not be a very comfortable thing for us.

Yash Jain: Okay, and sir, what would be the breakup between old versus new customer in our matured branches?

Rohan Juneja: In the matured branches also, that ratio would be about 65:35.

Yash Jain: So, now coming to branches, sir. Do we plan to like foray into the South? Because if we see, most of our branches are, like, in the North side? Are we entering the South of India? Do we intend to?

Rohan Juneja: I do not think it's fair to say that most of our branches are in the North. We have some branches in the North, but the majority of our branches in our West and Central India, more on the Western side with Maharashtra, Gujarat and Rajasthan, which comprises more than half our branch count in total between these three states. We have no plans to go down South. Whatever incremental branches we put on also at the margin will be largely between Maharashtra, Gujarat and Rajasthan.

Yash Jain: And sir, how many years would it be for a branch to breakeven? Like, after opening a new branch, how many years does it take for it to breakeven?

Moderator: Sorry to interrupt, sir. We have lost the management line. Please hold while we reconnect them back, okay? Ladies and gentlemen, we have reconnected with the management line. Mr. Yash, please go ahead with your question.

Yash Jain: So, Hi sir, my question was, how many years does it take for us, after we open a new branch, to breakeven?

Rohan Juneja: Usually 10 to 14 months is the breakeven period for the branch, depending on the geography. So, we have had branches in a particular state which have broken even in as little as six to seven months. And there have been some branches in a particular geography, because the churn on the AUM is very high, where it takes longer to breakeven. But the average is 10 to 14 months.

Yash Jain: And sir, is there any cap to an AUM where we split a branch in the same region?

Rohan Juneja: No, there is no cap in the AUM. But obviously, we do not want one region to be a significant proportion of the AUM because that exposes you to a lot of geography risk. So, at this point in time, almost every state is below 30% at most, there's really one state which is close to that number, which is the state of Maharashtra. The rest of them are well below 16%-17%.

Yash Jain: Okay right, and sir, did we notice any stress, early signs of stress because of elections started?

Rohan Juneja: Nothing abnormal or nothing different than we have seen in the book so far. Everything has been business as usual. Also, recall that if at all, what you are alluding to, if at all someone sees it, hopefully that is only cyclical in nature or temporary in nature. But again, we are fairly small. We have not seen any anything to this effect yet in terms of geography or pockets or stress related to an election event.

Yash Jain: Fair enough Sir, my last question, any ROA, ROE guidance?

Rohan Juneja: Sir, long term we do have ROA and ROE guidance. So, ROA, obviously, we endeavor to strive to above 3% ROA over a period of time, if not more than that. ROE will entirely be a function of leverage. Like I mentioned, we aim to run between 2x to 4x leverage. As we evolve over a period of time, maybe that number changes. But obviously the goal is to generate a 3+ percentage ROA and get to a 15% ROE.

Yash Jain: And sir, do we have any intent to, like, do an equity raise?

Rohan Juneja: Equity is the raw material in our business, sir. That is constantly an endeavor to continue to equitize the business and get the net worth of the Company higher. Not just does it help us from a business standpoint, but hopefully from the way the rating agencies, lenders, co-lending partners, etc. look at you. So, that is something that we work on. That is a work in progress at various points in time. I cannot give you any color in terms of the timing of when it happens, etc., but that is the raw material of our business.

Yash Jain: Fair enough, that's all from my side. Thank you so much.

Moderator: The next question is from the line of Rohan Mehta. Please go ahead.

Rohan Mehta: Hi Sir, just one follow-up question. If you could elaborate a little on this green energy finance that we are doing for three wheelers?

Rohan Juneja: So, it's a product that we started as an extension of our business loan product in January of this year. The idea is besides the unsecured business loan product to also have a secured business loan product. And this is a product in a geography that we have been present in for the last four years now. So, we have tied up with an OEM, and through that OEM we have tied up with dealers through which this product has originated. The pilot so far has been fairly successful. We have a book of about Rs. 11.5 crores. And at this point in time, there are no gross NPAs on the book. It's only been about seven months. But so far the product has performed fairly well. And the tie-up that we have with the OEM as well is something that we are fairly happy about.

Rohan Mehta: Alright, okay sir.

Rohan Juneja The average ticket size of this book is about Rs. 1.6 lakhs and the tenure of these loans are usually between 18 to 24 months.

Rohan Mehta Okay Sir, Got it. Thank you.

Rohan Juneja Thank you.

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

Rohan Juneja: Thank you, Steve. Thank you to everyone for joining the call and we look forward to talking to everyone at the end of the next quarter. Thank you.

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