2nd September, 2023

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call

Pursuant to applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript of earnings conference call which was held on 30th August, 2023.

The transcript shall be uploaded on website of the Company at at https://www.sbfc.com/for-investors under the section 'Disclosures under Regulation 46 of the LODR' in due course.

Kindly take the same on your records.

Thanking You
Yours faithfully,
For SBFC Finance Limited
(Erstwhile SBFC Finance Private Limited)

JAY PRABHURAM MISTRY
Digitally signed by JAY PRABHURAM MISTRY
Date: 2023.09.02 09:50:56 +05'30'

SBFC Finance Limited MUMBAI

Jay Mistry
Company Secretary & Chief Compliance Officer
ICSI membership no. ACS34264

"SBFC Finance Limited
Q1 FY2024 Earnings Call"

August 30, 2023

ANALYST:	**MR. RENISH BHUVA – ICICI SECURITIES LIMITED**
MANAGEMENT:	**MR. ASEEM DHRU – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SBFC FINANCE LIMITED** **MR. MAHESH DAYANI – CHIEF BUSINESS OFFICER – SBFC FINANCE LIMITED** **MR. NARAYAN BARASIA – CHIEF FINANCIAL OFFICER – SBFC FINANCE LIMITED** **MR. PANKAJ PODDAR – CHIEF RISK OFFICER – SBFC FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2024 Earnings Call of SBFC Finance Limited hosted by ICICI Securities. As a reminder, all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Renish Bhuva from ICICI Securities. Thank you and over to you Sir.

Renish Bhuva: Thanks Dorwin. Good evening all and welcome to SBFC Q1 FY2024 earnings conference call. On behalf of ICICI Securities I would like to thank SBFC team for giving us the opportunity to host this call. Today with us, we have the entire top management team of SBFC represented by Mr. Aseem Dhru, MD & CEO, Mr. Mahesh Dayani, Chief Business Officer, Mr. Narayan Barasia, Chief Financial Officer and Mr. Pankaj Poddar, Chief Risk Officer. I would now now hand over the call to Mr. Aseem for opening remarks and then we will open the floor for Q&A. Over to you Aseem.

Aseem Dhru: Thank you Renish. Good evening ladies and gentlemen. Welcome to the first earning call of SBFC Finance Limited. Like for us this call is the first experience post listing. Most of you are veterans at this and therefore on a lighter note, I request you to be a little more understanding if we make some beginner Faux Pas during this call. We believe every business if it has to have a license from society to survive generations, at its heart, it has to have goodness in it. Profit cannot be the only purpose of its existence. We would like to measure SBFC first by what it does for society. There are four pillars very dear to the institution that we are building.

Here number one a lot has been written about under penetration of credit in India. We notice two India. One that is being chased by multiple financials with open cheque books and the other that still continues to borrow at high rates of interest. The micro enterprises or the small businesses are at the heart of this segment and this quarter we are delighted to have served 18,874 such customers.

Pillar number two. When we told that India lives in its villages, but even after so many years of independence, we see those living in smaller towns to migrate to larger ones in search of greater opportunities. SBFC focuses on small businesses in small towns for which we opened 10 new branches this quarter taking SBFC closer to where these small businesses are.

Pillar number three. What our country needs most are jobs and not just ordinary jobs, but one that really develops skill and makes it marketable. We realized that when one individual who did not get such opportunities over time, we are contributing to lifting his family out of circle of denials. SBFC has generated 314 new jobs this quarter and we focus on hiring those that do not have a job yet but at least not in the formal sector, so that these families may have less impact.

Pillar number four. If God gives us the ability to generate profits, Through CSR we are able to give a small part back and impact lives. This quarter we focused on Shree Swaminarayan School in Manipura Village in Viramgam district of Gujarat, and a dilapidated school was remade. This impacted 117 existing school going children, but the school was able to enroll 44 new girls that came because now the school has hygienic washroom facilities. Now the infrastructure has been done, we will try to improve educational delivery and create employment opportunities for the kids passing out of that school. We believe in the goodness of this. Every business has to have a heart and a head. I covered our heart and request Mahesh Dayani, Pankaj Poddar, and Narayan Barasia to take you through the numbers highlights of this quarter. I would like to leave you with two things that have been a little different this quarter to help you with the context. As bankers we are always uncomfortable accruing interest on an NPA asset, but in INDAS as you know we had no choice. However last year we effectively stop the interest meter after 12 months post NPA but what this quarter we have moved it to 90 days. This change meant that we had to reverse the entire interest accrued for these assets over 12 months and take a hit to our interest earnings. If we take this one time hit out, our spreads and yields have actually grown. As you know in our business problems come from the unknown and unknowable and hence it is prudent to provide for a rainy day especially when you find yourselves in bright sunshine as financial services is in India today. We do not really have to do this, but it is just that we can all sleep more comfortably at night. Secondly, we as had an infusion of Rs.150 Crores of pre-IPO in the dying days of Q1, so you will have to keep that impact in mind while understanding our numbers. Over to you Narayan.

Narayan Barasia: Good evening ladies and gentlemen. I welcome you all in this first concall of SBFC. As you have seen the results and the presentation, the AUM of the company is Rs.5327 Crores which has grown at 47% on a year-on-year basis and 7.8% on a Q-o-Q basis. Our MSME disbursement which is our focus category was about Rs.655 Crores for the quarter, which has grown at 3.6% on a Q-o-Q basis and 32% on a year-on-year basis. We have seen a sharp increase in the interest rate in FY2023. However, we have been able to maintain the spread. The spread for FY2022 was about 7.5% and around the same number throughout FY2023. As Aseem was mentioning, we have stopped accruing the interest on the NPA account once it achieved 90 days and hence had to reverse about Rs.6.2 Crores in Q1. This is a onetime impact. Adjusting to this impact, the spread which is reported at 7.09% adjusting to the impact is about Rs.7.63%. So, in a way the spread has been maintained throughout the cycle at the high interest rate. We continuously add branches in a small way. We added about 10 new branches in the quarter and in all we have now about 162 branches. The operating leverage of the company has been improving consistently. The opex to AUM ratio has come down from 6.09% in Q1 of last year to 5.42% in Q1 of this year. Our GNPA remains steady at 2.54%. Our total delinquency, which is 1 plus has been steadily decreasing and stands at 5.51% of the AUM. The credit cost is again steady at about 0.8%, which is also the number throughout FY2023. We have reported a PAT of about Rs.47 Crores which is an increase of about 10% on a Q-o-Q basis and 46% on the year-on-year basis. The CRAR of the company as on June 30, 2023, is 33.5% and the debt equity ratio is about 2.3. With that the ROE the return on tangible equity is about 12% as of Q1 2023. We have sufficient liquidity in the company. We maintain a high PCR of 39.5% and also a substantial LCR, the liquidity coverage ratio in the company. With that I open the call for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Renish Bhuva from ICICI Securities Limited. Please go ahead.

Renish Bhuva: Sir just two questions, so one on the drop in NPA so this quarter we have seen a marginal improvement on the gross NPA side, but if you could throw some light on the flow forwards given our 1+ DPD at 5%, so what is the fresh slippages for this quarter versus last quarter?

Pankaj Poddar: Yes, so basically overall if you look at at zero plus number or one plus DPT percentage has been improving quarter-on-quarter for the last few quarters and the number stands at 5.5% as of June 2023. We expect the number to stabilize and improve from here on and overall, on the GNPA side also the number has improved and is stable at now 2.54%. We expect this number to remain steady and improve. This leads to a credit cost of 80 basis point which is what is a steady state number, and we expect this number to remain steady.

Renish Bhuva: Okay and Sir sequentially, what is the fresh slippages last quarter versus this quarter?

Pankaj Poddar: So, in terms of value if you look at it is around Rs.7 Crores.

Renish Bhuva: Sorry.

Pankaj Poddar: Rs.7 Crores on the NPA side.

Renish Bhuva: This is fresh slippages or net slippages?

Pankaj Poddar: Net slippages in Rs.6.5 Crores.

Renish Bhuva: Okay versus last quarter?

Pankaj Poddar: Last quarter was around similar range Rs.6.2 Crores.

Renish Bhuva: Rs.6.2 Crores so it is broadly flat sequentially?

Pankaj Poddar: Yes.

Renish Bhuva: Got it and Sir the second question is on the growth side, so sequentially we have seen a good growth despite being the fact that Q1 is seasonally the weak quarter, so would you like to throw some light on let us say which geography and which state is driving this growth and how confident you are to sustain this kind of a growth rate going forward?

Mahesh Dayani: So, if you look at distribution mix, our distribution is very largely evenly spread out between North, West and South and even if you probably look at the distribution mix to an average distribution split, they almost mirror almost one third between all the zones so the growth has been pretty even across all the zones. We do not really have a big concentration risk in any of those states. A single state does not constitute more than 17% to 18% odd as of now. So, the growth that has come in the Q1 what we have seen at 7.8% seems to be a sustainable number. We have always said this 5% to 7% is something that we are comfortable turning around and we are hopeful that we will continue with the trend moving forward as well.

Renish Bhuva: Got it Sir. That is it from my side Sir. Thank you and best of luck.

Moderator: Thank you. We have the next question from the line of Satadru Chakraborty from Chakraborty Family Office. Please go ahead.

Satadru Chakraborty: Good afternoon. My first question is from the presentation? There is a slide where you mentioned customers with greater than 100 CIBIL scores are almost 82.9 so I think I see the evolution of the graph? My question was how many new to credit customers are you taking and what sort of assessments are you doing to sort of increase the customer base overall?

Pankaj Poddar: So, on the new to credit, but the number is 7.8% which is reflected as 0 - 1 score and from a credit assessment standpoint we have a localised credit model which is very, very specific to this statement. Over a period of last five plus years we have created the complete underwriting model starting from origination which is in house where the salesperson goes visits the customer. We have localised credit with the local understanding of the market as well as the collateral and based on that we have a dedicated team with full authority and supervisory structure at the state level which basis which the origination is done and based on the platform which we have created is on the LOS side. It is in-house and core origination platform which we have created, it is a complete end to end workflow in which ones the file comes to the local level which typically today is in physical format gets digitized and then the entire workflow is digital.

Satadru Chakraborty: Very helpful. The second question I have is on the borrowing mix? I also see that has changed drastically during the Q1 of two financial years? My question really is not that the mix will be but really what kind of the yields and then what kind of let us say cost of borrowing can we expect? So, is there any guidance that you can provide on these two aspects?

Narayan Barasia: So, we believe given the macroeconomic picture the interest rate in the market has peaked and so is our cost of borrowing as well. We have already seen quite a sharp rate of interest increase as repo has gone up by 250 basis points. MCLR has generally gone up in the range of about 170 to 180 basis points. We have seen a slightly lower increase by about 140 to 145 basis points. I think we believe the cost of borrowing stood at peak now and if the macroeconomic picture turns out to be favorable, we will all get the benefit of the lower interest rate, but having said that what we believe is the spread. What we control is the spread so what we have done throughout this cycle is hold the spread. As you would see, the spread which was about 7.5% prior to increase in the repo rate is still maintained today at this level.

Satadru Chakraborty: Okay very helpful. Maybe just one quick question on the accounting piece as well? In the standalone financial results, can you give us a bit of flavor on what constitutes fees and commission income because I see this has drastically changed quarter-on-quarter and I also see that the number is no insignificant for the last financial year? What scope do you have to increase this or decrease this maybe?

Narayan Barasia: So, the fee and commission income essentially has a co-origination fee so you would have seen that there is a substantial business we do on the co-origination programme. It is in the range of 16% to 18% per month and so there a fee we charge to the co-origination partner which is ICICI bank in this given case and that is one fee which comes here and then there are some other fees with respect to the initial money deposit we take from the customers to do legal and other verification process. We also get some fee income on the loan management service business which we do. So, all put together these are the three important fees in this line item.

Satadru Chakraborty: I remember seeing somehow that you mentioned that the co-origination business itself is increasing and I just want to have a flavor on where do you think this can land in a steady state and what exactly are the strategy in yours for this because I understand that the risk is minimized so just wanted some thoughts?

Mahesh Dayani: So currently if you look at our co-origination, our co-origination total book is close to around Rs.700 odd Crores. This has taken us the last couple of years to start building on it so at a disbursal level it is close to around 18% to 20% odd. At an AUM level, it is close to around 15%. We are pretty comfortable at the current run rate that we are at which is close to around 18% to 20% and we feel that moving forward as the base also moves up in terms of our overall origination, the co-origination percentage will also be moving in that particular direction, and we will be able to maintain at 18% to 20%.

Satadru Chakraborty: Okay very helpful and may be just the last question if I can squeeze in? Is there any steady state guidance which the company want to provide for ROA and leverage and therefore ROEs?

Narayan Barasia: So, with leverage which we are at today, our ROEs we also do an adjustment of the goodwill so what we say is the return on tangible equity is about 12%. The capital base has increased because of IPO so obviously the return on tangible equity will come down, but I think we are able to maintain the spreads and continue with the growth, etc., the leverage will improve as we go along in the future and consequently the return on tangible equity will as well improve so we all wish that all the economies of scale, etc., and the growth continue and then this number continues to improve as we go along.

Satadru Chakraborty: Very helpful. Thank you, gentlemen, and all the very best.

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

Amit Jain: Thanks for taking my question. Sir the first question pertains to your AUM mix so what we see is that MSME mix has increased from 74% to 81% so what is heading to this, and do you see this further increasing to say closer to 90% or do you have a specific AUM mix in mind?

Mahesh Dayani: No so you are absolutely right so clearly SBFC is pretty synonymous with the MSME lending and if you really look at our trajectory, the trajectory currently is 81% is MMSE. Close to around 15% to 16% is gold and the balance is unsecured. Now unsecured is one business that we have vacated, and we are running it down so clearly moving forward you will see the MSME portion occupying a majority portion whether it is 85% or 90% but if you just look at the number and the 3% actually runs off so by design you will have a majority of the MSME holding the book. It is more looking like 85% -15% when you do not have the unsecured outstandings with you any longer.

Amit Jain: Sure, and Sir secondly again on the AUM so this year this quarter we saw a 47% AUM growth so is it all like because of value terms or is there an element of volume also in this. Have we seen an increase in ticket size that is what probably I am trying to ask.

Mahesh Dayani: So, I think the good part if I probably break up the entire AUM and the disbursal, the good part is that we have always maintained that the MSME which is a core of business the ticket sizes are going to between 9 -11 lakhs and that is the ticket sizes we would want to be in. In fact, in Q1 last year our ticket sizes were 9.76 lakhs. The ticket sizes in this quarter which is June quarter is 9.84. This is marginally lower than the March quarter when it was 10.15 so the good part is that the volume growth is close to around 32% odd on a year-on-year basis and on quarter basis it is almost 7% so that gives you a good sense that we are not looking at ticket sizes. We have found a sweet spot between 9 to 11 so it is largely driven by volume all of the AUM growth that you see on the MSME side.

Amit Jain: Sure, that is helpful and thirdly on the disbursement side so we saw a run rate of around 50 Crores so do you see this increasing further or during the course of the year we can maintain this run rate.

Mahesh Dayani: Well, there has to be some growth as we move along. We have invested in the distribution over the last couple of years. As you would see our distribution, we have added close to around from 135 to 162 branches in the last one year that is close to around 27 branches so there should be some disbursal growth that will come in which should translate to more than 5-7% quarter on quarter AUM growth.

Amit Jain: Sure, and any further plans to increase the branch addition so you added 10 in this quarter so any guidance you want to give for the remaining part of the year.

Mahesh Dayani: We are pretty comfortable adding close to around 15 to 20 branches. We do not want to really go overboard in terms of adding branches. If you really look at our deck or the presentation you will see that we have added close to 27 branches in a year and these branches obviously cost us money and they need to be profitable as well so clearly we are not really in a hurry to be opening more number of branches unless and until the tail which is there is also equally profitable but we would be pretty comfortable adding 15 to 20 and not more.

Amit Jain: Sure, and Sir just one last question so you mentioned something about 150 Crores of pre-IPO expense, or something could you just give some clarification on what was that.

Narayan Barasia: So, 150 Crores was the pre-IPO equity which came in.

Amit Jain: Sure, that is helpful.

Moderator: We have the next question from the line of Rajesh Vora from Jainmay Ventures. Please go ahead.

Rajesh Vora: Congrats on very good set of numbers, gentlemen. Aseem if you could give a little bit of idea about the kind of culture you have built and set up in this company and what you have written a lot about HDFC bank in the past and how you are inculcating a great culture here and how do you take this. You have zeroed down to SME side of lending which is a tough part of the business so how do you take it forward over the next 3-5 years would be wonderful to understand.

Aseem Dhru: So, the difficult part here is that culture is not what we lecture about. It is what you behave and what you behave as an organization consistently translates into what ultimately gets delivered on the ground. It begins at the senior management level it has to be felt at each level, at each branches and each locations. Obviously, no institution begins with objective of creating a bad culture or a toxic culture, but there are certain behaviors that leads to it unknowingly so what we try and do is ensure that we create a process where one we have the right team all the way down the line not just at the senior management level but at each level, we are creating the right team. We are focused enough on coaching the team and bringing them up to speed that everybody down the line is aware of what are the key deliverables in the organization and what kind of behavior the organization wishes to foster or not foster and then create a culture of transparency which is difficult to achieve, but one has to keep working and getting better at it. As we know in this business there are six lane highway to hell and just one narrow pathway to heaven. It is a tough act, and we are still a young organization which is six years old. As the pressure of business mount as we go by and to maintain this and to hold this is going to be the challenge. We still have a challenge of ensuring that our team down the line walks and talks the same, talks that you want them to talk that you are fair to your customers, you are fair and transparent in your dealings with the customers, give them a fair deal, be transparent about cost etc., because in this business some of these customers that we have made to are used to paying much higher fees so how do you ensure that you are doing it right. It is a process where we are trying our best to ensure that we are fair by the employees, we are fair by the customers and we are fair by the society that we are part of it, so a part of it is what you attain to do on a daily basis, a part of it is what you try in your process the organization does and part of it is how you identify the behaviors that you like and encourage that and identify behaviors that you dislike and discourage that so it is a long journey, it is a long process we cannot claim we have built a great culture here but we attempt and we keep attempting to get to that direction.

Rajesh Vora: That is very useful Aseem and in this SME lending between 5 lakh to 35 lakh that you focus on what is the biggest one or two risks that your company, your credit team, the under-writing team needs to focus daily and ensure that we do not get it wrong, is there something you could give little colour on.

Aseem Dhru: In any lending business ultimately, there are two things that you are looking at, the ability and the intention and that is all your credit processes that you have. Our design to try and swift out both of this, so what we have done is that we have built a model within the organization where every customers application, there are 200 odd variable that are taken out of those applications and they are mixed and matched within the algorithm that we have written and based on which we know the score that the customer application gets and based on past behavior it is a learning model so it is too young we have only tested it on 50,000 to 60,000 applications so the model keeps running from itself over time and unless it goes to 500,000 applications we do not have model so we will keep working at it to hopefully get better may be try and coordinate at different variable in a particular application to arrive at a probability of the cost and so far at least the rankings that we have done are risk ranking and so far we seem to be on the right track, but we still have a reasonable way to go. The second risk is that we have in this business is the life and health of the promoter and his family and that is something that most of our customers are not insured, almost over 90% of the cases we actually have done insurance to ensure that if something happens to their lives, the entire loan is covered and they do not have to worry about the property so there is a huge risk in here and we do not want inconvenience especially when life is going tough on them with the tragedy and secondly is the health of the promoter and the spouse that has really helped during the time of COVID so effectively what you do is that you ensure that you do not take in a customer lower leverage. You do not take in customer who will be struggling to pay the EMI and we do not take in a customer who is going to probably use that money to not put into productive use and therefore create a pressure on them and us.

Rajesh Vora: Interesting very useful Aseem thank you so much and wish you and the team all the very best.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial PMS. Please go ahead.

Amish Kanani: Hi Sir. Couple of questions from my side, Sir one I just wanted to understand our comfort on our ratings which you said is recently upgraded to A plus. The question is in the segment in which we are operating do you think this rating is okay and we can have the right to have the spread of 7.5% over and above our cost of fund for a long time in the sense that we are comfortable with this rating question number one. Two Sir I wanted to understand a little bit more about co-origination model if you can explain is it return enhancing dilutive how do you look at ROE in that part of the business and third Sir, I was curious about priority sector lending status for our business whether we have the benefit for full and whether we sell those credits.

Narayan Barasia: So, let me take the first question on rating so see credit rating has a camel ways of looking at rating and there is a very structured form of doing it. The organization has to keep on performing on different matrices to maintain a rating and to get a better rating. I think we are in that journey. I think over the last few years I think we have been getting strengthened every year and hence A plus happened to us. I think as we go along in the future obviously, we would like to maintain and improve the credit ratings. In terms of maintaining the performance as we go along on terms of growth I think if you see one of the slide talks about the opportunity in the market, so opportunity is quite large and I think we still do not feel that pricing will be a challenge when we talk about the growth so I think rating is a function of not only the pricing but also the credit quality, the growth, the capital adequacy and all other different matrices that you can talk about. Second question on co origination Mahesh will take it.

Mahesh Dayani: So the co origination the model is that 20% is with us and 80% is with the co-originating partner while we do not call out the ROE separately for the ME book and the ROEs for the co originating book but clearly by design if you were to look at it obviously the ROE on the co originating model it is going to be substantially higher than what is there on the core ME book largely because of two reasons, one risk is largely on a pari passu basis, there is no FLDG, there is no income booking upfront and obviously there is a book that is getting built and there is a trailing income that comes to us in terms of fee so clearly it is profitable and that is the reason why we have continued to maintain close to around 20% of our disbursal on a co originating model and moving forward as we keep increasing this it should probably enhance our overall profitability mix as well. The third part was related to your priority sector almost close to 79 to 80% of our customers on the MSME side qualify for priority sector. These are again classified as micro enterprises largely on the services side as per the RBI definition.

Amish Kanani: So, Sir in that context do we earn the income out of selling those credits and is that the other income we accrue, do we create those PTCs and sell it back and stuff like that.

Narayan Barasia: So, we have done PTC securitization transaction as and when we require. We do not do it regularly but yes; we have done that so obviously the priority sector lending help the organization I think from a societal point of view as well as from a business point of view. Obviously, this is an opportunity as what you are saying the capital raising point of view and also the priority sector lending is something which the development fund like a lot, so I think all in all this is definitely an asset class which helps from a capital point of view.

Aseem Dhru: To answer your question in a different way to give you a little colour. Usually, we would see NBFC securitize about 25% of their total assets. We think that co origination is a better way to achieve that so for what we are doing is that whatever we need to take it off books so we will do at the start itself and not take it and then sell down. It is actually inefficient so whatever we want to sell down we will use PTCs and DA as opportunity. We would not sell down priority sector assets whereas of now we have not found the need yet but if there is a market and if there is a short fall and if we see that the yields we are getting are tempting enough so then we will look at it on a treasury basis but not really as a business model.

Amish Kanani: Yes, Sir I got it. That is why that question, my question about co origination because the guy who we are tying up with anyway will need those kind of priority sector, so we are doing that way as claim and that way is what you are saying, got it Sir. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Ojasvi Khicha from PGIM India Mutual Fund. Please go ahead.

Ojasvi Khicha: Hi I have couple of questions. First is if you could share your thoughts on how you would have chosen this 9 to 11 lakh ticket size. If you can share your thoughts there and secondly you mentioned bulk or entire growth is driven by volume particularly this quarter so what would be the new to credit customer mix for us.

Mahesh Dayani: So, if you look at the total market size that we are focused on and that is also a part of our presentation. The total secured market size is close to around 8.5 lakh Crores across various bucket and if you look at a specific segment where SBFC is focusing on which is 5 to 30 lakh that is 2.5 lakh Crores market and that is growing at roughly between 22 to 23 odd percent which effectively means that the market is doubling every three years or slightly above the three years. Even if you look at probably the credit or the NPA numbers in that particular category, those are in the range of close to around 4 to 4.2% this is based on the bureau data, so I think the growth is reasonable there. It is much better than what you see probably on the higher tickets where the competitive intensity is extremely high. Here you have supply arbitrage to some extent so the run way for growth is significantly high on that side and we felt that given the PAN India network that we have created, we have a significant room for growth as we move along.

Pankaj Poddar: On the second question new to credit is closer to 8% on the acquisition side.

Mahesh Dayani: We disbursed 655 Crores in Q1 and of that 8% are the ones which were first time credit.

Ojasvi Khicha: Understood. Thank you.

Moderator: We have the next question from the line of Franklin Moraes from Equentis Wealth Advisory. Please go ahead.

Franklin Moraes: Thanks for taking my question so you have hit 1 lakh customers in this quarter which is a significant milestone. I wanted to understand what is your next milestone and how long would it take to achieve that?

Mahesh Dayani: So, the way the 1 lakh customers are split, close to around 40,000 customers are on the MSME side, close to around 60,000 slightly above that are on the gold side. We add on the MSME side close to around six and half thousand customers every quarter and we are fairly comfortable in growing that run rate as we move along so we do not want to clearly call out a number that we are going to hit 2 lakh in this much period of time. We will stick with our guidance that we said that overall volume growth or the value growth we are pretty comfortable in the range of 5-7% and we will stick to that.

Franklin Moraes: Secondly on the branch account you said that you would be comfortable adding 15 to 20 branches. I wanted to understand which are the regions that we are targeting and secondly what are your targets for opex to a year?

Mahesh Dayani: So, with respect to the branches, we are currently at 16 states, so we are not adding any further states. If you look at our construct, we are covering almost 25 to 30% of the total district in a state. We will continue to invest in states which have matured. When we say matured in terms of origination, quality of origination that comes from those states and also our profitability matrix so the way we derive profitability matrix is as your branches age and how is your AUM moving in those particular branches, so we measure states on all the three performances right up to a PAT level and ROE level and based on that we decide on the acquisition side. If I give you some sense in the last year the 27 odd branches that we have added most of the investments have gone into states like Bihar, Telangana, UP, and Karnataka and some part of the north.

Franklin Moraes: Thanks a lot.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Aseem Dhru for closing comments. Over to you Sir.

Aseem Dhru: Thank you everyone for time and patience. As you have studied so many finance businesses between bank and NBFC we have a comparative less of understanding, sometimes as practitioners your question will help us introspect and learn about the areas that we can improve upon. Now our life is QSQT, or I say quarter se quarter tak so see you next quarter. While fixing the call we did not realize it is Raksha Bandhan and I am especially appreciative of you taking time out on this date. Wish you all a very happy Raksha Bandhan with that this team at SBFC signing out. Thank you.

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