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May 27, 2024

Scrip Code: 538446

Dear Sir/ Madam,

Sub: Transcript of Schedule of Analyst / Investors Earnings Conference Call held on May 21, 2024

Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

In continuation to our letters dated May 15, 2024 and May 21, 2024, please find enclosed the transcript of Analyst / Investors Earnings Conference Call held on May 21, 2024.

Pursuant to Regulation 46 of the Listing Regulations, the aforesaid intimation and transcript of the Investors Earnings Conference Call is also available on the Company's website i.e., www.moneyboxxfinance.com

You are requested to kindly take the same on record.

Thanking You,

For **MONEYBOXX FINANCE LIMITED**

SEMANT JUNEJA

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Date: 2024.05.27 12:46:06 +05'30'

Semant Juneja
Company Secretary and Compliance Officer

"Moneyboxx Finance Limited

Q4 FY'24 Earnings Conference Call"

May 21, 2024

MANAGEMENT:	**MR. DEEPAK AGGARWAL – CO-FOUNDER, CO-CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER – MONEYBOXX FINANCE LIMITED** **MR. MAYUR MODI - CO-FOUNDER, CO-CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER – MONEYBOXX FINANCE LIMITED** **MR. VIRAL SHETH – FINANCIAL CONTROLLER – MONEYBOXX FINANCE LIMITED**
MODERATOR:	**MR. HARSHIT JAIN – ARIHANT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY24 Earnings Conference Call of Moneyboxx Finance Limited, hosted by Arihant Capital. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Jain from Arihant Capital. Thank you and over to you, Mr. Jain.

Harshit Jain: Thank you, Michelle. Good afternoon and a very warm welcome to everyone to the Q4 Financial Year '24 Earnings Conference Call of Moneyboxx Finance Limited. Today, from the management, we have Deepak Aggarwal sir, CFO, Mr. Mayur Modi sir, COO and Mr. Viral Sheth sir, the Financial Controller of the company. So without any further delay, I'll hand over the call to Deepak sir for his opening remarks. Thank you.

Deepak Aggarwal: Thank you, Harshit. Good afternoon and a warm welcome to everyone. We have Mayur Modi, Co-CEO and Viral Sheth, Finance Controller of Moneyboxx Finance Limited here. Before we start the Q4 discussion, we would like to thank our investors who have been of continuous support throughout our journey. This is the first year of our full year profitability and we are really satisfied of the outcomes despite all the challenges in the last five years.

Our strong financial performance in FY24 reflect our commitment to growth, efficiency and value creation for our share stakeholders. Getting on to Q4 and FY24 performance, AUM of the company increased 112% year-on-year to INR730 crores including managed book up from INR344 crores in FY23 and it grew 36% sequentially from INR536 crores. We are again aiming to double the AUM in current financial year.

Number of branches increased 64% year-on-year to 100 up from 61% last year and 16% sequentially up from 86. In Financial Year 24, we expanded our presence to eight states with entry into Bihar in Q2 and Gujarat in Q3. We are only doing secured business in these two states and these states are now coming up very well. This extension is considering improving geographic diversification of the portfolio. For financial year 25, we aim to expand our presence to 11 states by adding three new states from Southern India. Further, we plan to add 60 to 75 new branches in existing and new states this year.

Disbursements were up 95% year-on-year to INR665 crores in FY24 versus INR341 crores in FY23. Disbursals were up 87% in Q4'24 to INR290 crores versus INR155 crores last year. Importantly, we crossed INR1,200 crores cumulative disbursements in Q4'24. And as of March 31st, we had a cumulative disbursements of INR1,200 crores. Interestingly, share of secured business increased very significantly, which grew from 5% of AUM as of March'23 to 24% as of March'24. We will continue to increase the share of secured loans to over 40% by the end of financial year 25.

While the total income grew strongly by 154% to INR128 crores in FY'24 compared to INR50 crores, in line with strong growth in business and AUM, operating expenses grew only by 91% to 67.5%. This resulted in company posting profit after tax of INR9.1 crores in this financial year compared to net loss of INR6.8 crores in FY'23. We achieved an ROE of 10.1% in Q4 and 8.1% in complete financial year. Profitability is expected to further improve, driven by declining cost of borrowing and benefit of operating leverage with growing scale of operations.

Opex has declined by almost half in last 3 years, from 24% to 20% to 15% and this year it stood at 12.7%. Excluding ESOP charge, opex stood at 12.4%. We still expect this over a medium term to come into single digit number, despite the expansion in branches. The company has strong unit economics and interest rate improved by 200 basis points, to 15.9% this financial year compared to 13.9% in FY'23. This is supported by average increase in average loan yield and declining cost of borrowing.

FY'24 average borrowing cost was still higher at 14.6% because of earlier higher rate borrowing, while in H2 incremental borrowing rates stood at 13%. We expect at least 100% basis point reduction in incremental cost of borrowing this year, driven by rating upgrade and increasing scale. Debt to equity improved to 2.63% from 3.12%, largely because of high equity rates. Liquidity levels remain adequate at INR106 crores as on March end and company has another INR35 crores per month of partnership on-time funding available through co-lending partnerships and business correspondence.

Asset quality - While asset quality was impacted during the year as agricultural driven rural economy was affected by high and erratic rains in operating states of Punjab, Haryana, Rajasthan and UP. Moneyboxx has relatively strong asset quality with one of the lowest NPAs in the segment, owing to its focus on essential sectors and robust underwriting practices.

Gross NPAs stood at 1.4% versus 1.51% as on December and NPAs stood at 1.04% versus 0.94% as on December. Historically, the company credit cost was less than 3% amidst even the extreme situation of COVID. Unlike such conditions in the past, the recent deterioration is expected to normalize, which we are seeing on the ground, and we believe that asset quality will remain strong, especially driven by increased focus on secured lending, which is, as we said, 24% versus 5% last year. Credit cost stood at 1.34% in FY'24 versus 1.48% in FY'23. On the debt side, we now have 32 institutional lenders, and we are seeing a lot of new banks and impact funds to come along this year. On equity front, we raised INR85 crores, which is the largest equity raise since inception.

Out of this, almost INR10 crores came up from promoters and INR4.92 crores camein March itself. Now we soon plan to raise another INR150 crores in H1'25 to fund our FY'25 extension plan, and process for the same is initiated. We thank you all again for the continued support and trust in our company. We look forward to your questions.

Moderator: Thank you very much, sir. The first question is from the line of Pinkesh Thakrani from Profitgate. Please go ahead.

Pinkesh Thakrani: Basically, I was looking at your presentation where there was a lot of talks about key ratios in the form of the interest spread, the average lending IRR, and the borrowing IRR. So basically, this is the same thing that we see in banks, like net interest margin. Can you throw more light about it, like how you are planning to sustain these margins over the coming time? Because to sustain this kind of margin, you have to lend at a very high rate of interest and the NPAs would be greater in that case.

Deepak Aggarwal: Okay, sorry, can I get the name again?

Pinkesh Thakrani: Pinkesh Thakrani from Profitgate.

Deepak Aggarwal: Yes. Thanks, Pinkesh. So I think one thing you have to see is our lending rates are in line with the market. So the kind of segment we are in, which is INR1 lakhs to INR10 lakhs, and largely where our average ticket size for unsecured loans is INR1.6 lakhs, and for secured loans is INR3.5 lakhs. Our lending rates are very much in line with the market. And this is very much sustainable because that's the trend for decades now. So, we don't see a significant decline on this side. Yes, as secured loans increase, the IRR will come down with a few percentage points, but at the same time, you can see that our average borrowing rate is quite high.

If you see the larger players, largely people borrow at around 10% or single digit rate. So, there is very, very significant scope to reduce the lending rate. And as we said that in H2 only, we have declined it by almost 200 basis points. So, we have borrowed in H2 at around 13%, which we continue that in first six months, our borrowing rate should decline by almost 100 basis points.

And overall, we see a good decline. So, definitely the speed at which the borrowing rate will decline, I think it will be lesser than at which the spread rate declines, the yield rate declines. So, we are very sure that these are manageable numbers. And even if you see at peers' level, people with even a INR10,000 crores book are able to sustain this kind of interest rates. Because you have to realize that this is a business of relatively higher opex. So, these margins are very much sustainable, and market is very used to in terms of these kinds of rates.

Pinkesh Thakrani: Okay, just one more question from my side. See since you are like portraying or giving guidance of around 2.7 times or 3.5 times in AUM and 2.7 times in the profits. Like for such an expansion, you need more of capital, more of the expenditure on the operating side as well. So, in coming time, do you see the industry would be like the entire microfinance and all these things would be in line with your expectations?

Like as we can see, it's new, re-rating may be there in the coming time for the microfinance institutions. So, what is your expectation on the industry outlook overall at your level? Like you would be growing much faster as per your guidance given in the presentation?

Deepak Aggarwal: Pinkesh, one thing is that, we are not a microfinance institution. We are into individual loan segment. And I think if reference is towards the ability to raise capital, I think we have over the last five years, despite very significant external challenges, we have got very strong support, whether it is in terms of debt or whether it is in terms of equity. Even at a small scale, we have 10 banks, scheduled banks in our portfolio.

So, one is that all the data points say that the growth in India, especially for the individual loan segment, which is missing middle, is very, very high. The credit gap is very, very high. So, one, we don't see any challenges in terms of demand and neither in terms of raising the equity. So, that's one part. And as we said that we are not typically a microfinance institution. So, secondly, that when you speak about the percentage growth, you also have to see that our base is quite small today. I mean, even at INR730 crores, our base is quite low.

So, doubling up AUM from these levels or even for the next couple of years is not a herculean task. Execution is required on a cost, but then it is doable. And there are players who have these kind of track records. And in the last five years, we have really shown that we have been able to grow in a sustainable manner.

Pinkesh Thakrani: Okay, thank you. That's all from my side.

Deepak Aggarwal: Thank you.

Moderator: Thank you. The next question is from the line of Mihir Shah from Riddhi Enterprises. Please go ahead.

Mihir Shah: Hello, sir. Congratulations on a good set of numbers. My first question was that we were targeting 15% ROE in the March quarter. And like I understand that…

Deepak Aggarwal: We got 10.1% ROE.

Mihir Shah: Right. We were targeting 15%, and I understand that a few things can be here and there in business projections. That should be fine. But I just wanted to understand like what were the things that didn't work out as per projections and like what are our reach to this milestone?

Deepak Aggarwal: Okay, so I think the cost of borrowing has been a deterrent. Overall, if you see, as we explained in the last quarter presentation as well that the market was challenging this year, especially because of erratic rates. We did not, we really felt that, credit costs to be increasing, the DPD levels to be increasing a bit. So, we had to slow down. And with RBI guidelines and the rate increase have happened.

If you see that the kind of MCLR rates have gone up for across the board very significantly. So, which impacted our borrowing rate, and which had a little impact on that. But still, I would say at current level of performance, at current AUM level versus negative ROE last year, we almost have seen about a 20% jump here, close to 18% jump in the profitability. So, given the challenging environment, I believe that that's a good stat which we have got.

Mihir Shah: Got it. And like, is there any timeline that we are targeting to achieve the 15% mark?

Deepak Aggarwal: So, yes, our target is to achieve in next two years. So, we have been now a bit conservative on numbers. Depending on how the market is performing, we still want that rates to come down a bit to reach to that number. But yes, by FY'26, we are targeting a 15% kind of ROE.

Mihir Shah: Got it.

Deepak Aggarwal: It could happen earlier.

Mihir Shah: Got it. And like, we have been doing some… Hello?

Deepak Aggarwal: Yes, right.

Mihir Shah: Yes, we have been doing some calls lately. So, like, do we have any soft commitments on the fund raise that we are planning? And like, if there is more clarity on the timeline that we are looking for, for the fund raise?

Deepak Aggarwal: We are looking to close, on a very conservative basis. We are looking to close this deal in H1 of this year.

Moderator: Deepak sir, I am sorry to interrupt, sir. Your audio is not clear now.

Deepak Aggarwal: Okay. So, what I was saying is that, conservatively, we would be able to close the round in first half of this year. Maybe by July, on our aggressive basis. Yes, for sure, we have seen some commitments.

Mihir Shah: Got it.

Deepak Aggarwal: And it is…

Mihir Shah: Okay. That's good. And some of the branches now are only doing secured loans. So, like, what is the strategy behind this? Because, like, given that our unsecured business was also profitable. So, why are we not continuing that as branches?

Deepak Aggarwal: I think, as this is the pivot which happens with every business. Initially, , we could not have started secured loans. Because the yield is lower in secured loans. And initially, the cost of borrowing is high. And also, the tenure of loans, which, so when we got the funding from SBI, which was at a cheaper rate, plus for four years. We started focusing more and more on secured loans.

So, one is that secure. So, both businesses are fine. We don't say anything is wrong. But as we grow, there is an opportunity to grow average ticket size with secured loans. And because it stays over a longer period of time, say, five to six years, the opex automatically reduces. So, the way it works that, you know, you can, with secured loans, your borrowing rate decreases. Your operating cost also decreases. Because it's a higher tenure loan with similar opex. So, then, and it is obviously, if you have a 2.5% credit cost in unsecured. With secured, you will have almost a 1.5%. So, there is a saving in the credit cost as well. So, that way, it makes sense to have secured business.

Mihir Shah: Got it, sir. Thank you for your patient answers. I'll get back in the queue for more questions. Thank you.

Moderator: Thank you. We'll take the next question from the line of Sahil Sharma from Columbus Finvest. Please go ahead.

Sahil Sharma: Congratulations, sir, for a good performance. Sir, what I was wondering about is, if you look at our operating expenses, like you said, this opex is at roughly 12% to 13% right now. And it is coming down over time. Sir, when I look at the ramp up for others, for example, Five Star also gives out their historical numbers. Like, basically, if I compare like-to-like for like when they were of our size, it has always been in single digits. So, it's something which is, and like you said, the growth journey is very similar for us also and for others also in the industry. So, it is a bit perplexing and like not able to understand why the opex is higher for us as a percentage of AUM versus, let's say, how Five Star scaled up.

Deepak Aggarwal: Okay. So, I tell you, if you compare it with, so, if you take multiple examples, one of the biggest difference is one that, Five Star is almost a 40-year-old company. Even when you see the growth, it has been with the secure business. So, as I said that, when you do, so, if you compare Five Star, they are at around 6.7% versus Veritas they are around, you know, 8% plus.

So, we need to understand that, trajectory for every company will be different. And also, it depends on the product. So, if we make it a 100% secured product, the opex will be, you know, relatively lower. But how we see it that, you know, if you are doing 100% secured, maybe you will stay around anywhere between 7% to 8%. If you are doing just unsecured, maybe you are at around 11%, 12%. And, with a mix, you can be around single digit, which is definitely possible.

We feel that 8%, 9% is achievable, maybe, if you do a mix of it. And if we move fully towards secured, maybe, somewhere around 7% to 8% percent range. So, that is possible. Five Star, yes, it's an exception, but also driven by the very, very high vintage of the company. So, I mean, with 40 years of experience, there are some benefits which come into it. But if you compare, on a life-to-life basis now in terms of productivity per employee, we are doing a good job.

Sahil Sharma: Got it, sir. So, basically, as the mix of secured increases in our AUM, we can expect the opex to come down with that.

Deepak Aggarwal: 100% for sure.

Sahil Sharma: And that is...

Deepak Aggarwal: I am not even in the forecast, you see, it's continuously the rising thing. Because, when you are targeting a very high growth company, everything in your operations, whether it is investments on tech, whether it is investments on compliance, or any operations of your business, you have a fixed cost at a certain level, even at a INR300 crores AUM level. But they don't increase, in tend down with AUM increase. So, every year, you will have some benefit around it in terms of declining opex. Plus, yes, at a branch level, when you have more and more secured loan, your opex declines significantly.

Sahil Sharma: Makes sense, sir. So, just a comment on the presentation, sir. If possible, it would be very helpful to have some 30-day, 60-day DPD numbers also, sir. Because it gives a sort of a pipeline for like how the non-paying or like potentially non-paying assets are sort of evolving over time.

Deepak Aggarwal: Perfect, perfect. We have taken note of it. So, from next time we will ensure.

Sahil Sharma: That's all, sir. Yes, thank you.

Moderator: Thank you. The next question is from the line of Manhar Rao, an individual investor. Please go ahead.

Manhar Rao: Yes, hi, good evening. So, if I see your, you know, FY '26 guidance right now of INR2500 crores and number of branches, and if I compare it to the previous one, you know, I think somewhere we have increased the number of branch requirement by I think 15 or 20 years. So, is it that we need more number of branches for same amount of AUM because that would lead to a delay in the ROE, which we are expecting because of higher opex, something like that. Can you please correct me on my understanding?

Deepak Aggarwal: Thanks, Manhar. So, Manhar, it is not about really in terms of ROE, but in terms of see what we have realized that, we have built a structure. Last year, we could open 39 branches, with two new states. Now, eight states have come up, and we are entering three new states in this year. So, there are some things which are in control. So, opening a branch, given our experience, now we feel something is in control.

So, we can definitely increase on the AUM front. ROE, yes, it improves, but you cannot control, 100% of it because there are external factors also. So, I would not say that it is because of, aspiration to have a higher ROE. In fact, with a larger expansion in terms of percentage, that gives restriction on ROE. Because you have, you know, just to take an example, last year we opened 39 branches, but out of INR730 crores AUM which we have, less than 15% is contributed by those 39 branches which we opened last year.

So, what we realize is that this upfronting of expenditure in terms of opening of branches pays you over a period of time. So, maybe you can miss the ROE target, by a few months or few quarters. But from a longer-term perspective, it gives you a significant growth.

Manhar Rao: So, despite going more towards secured right now, I mean, the pace at which we will grow our branches, would that be the same way or will that reduce because I think it is secured and the same amount of customers as we have in unsecured, we can target more amount of AUM per branch?

Deepak Aggarwal: Which is possible, but then, at this stage, we feel that, as we are planning about 60 to 70 branches, 75 branches this year, we believe that we can ramp it up, 200 branches per year on a very comfortable basis with more than 10 states this year, 11 in fact, opening up just, if you open just 10 branches in each state every year, we are doing 100 branches. So, this seems, very much doable and possible. So, that would be the agenda. If, more growth comes in because of secured, it's even better.

Manhar Rao: Okay, just an accounting question I had is, I think our taxation has been very less this quarter. So, is that our losses for previous financial years are still offsetting and going forward, by when can this tax normalize and by when will we have this deferred, some clarity there?

Deepak Aggarwal: So, FY '26, the tax will 100% normalize. This will be the last year where we will have tax benefit because of our activity losses. So, H1 could be the possibly the end depending on the results, but frankly speaking, FY '25 will be the last year of, tax benefits, which we can accrue.

Manhar Rao: Okay, thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Yes, thank you for the opportunity. What is the average tenure of your unsecured loans and of secured loans? Because, given your disbursement, I saw that the AUM increase has not come into it. So, is it a very short-term loan?

Deepak Aggarwal: Average door-to-door tenure for unsecured loans is 28 months. And for the secured loans, it's about 5 years. So, to answer your question in terms of, you know, even when you do a 28-month door-to-door, you have the average period of just 14 months. And then what will happen, Tushar, in the middle after, say, 9, 10 months, 12 months, you have a top-up. So, the earlier loan closes and you have a top-up. So, that is one issue or, that is one part of business when you do unsecured lending.

As we increase our AUM towards secured, the earlier 3-year tenure will be more helpful. So, you will see that in all the cases where you have unsecured 2-to-3-year kind of funding, largely the AUM is very, very similar to the last year and disbursement is similar to your AUM. So, which, you know, improves as you have hired an out of 5-to-6-year kind of loan book. So, you will see some changes, but it will be a slower ramp up. Last year, we just had 5% from secured. It is just this year, especially the H2, where, we built our secured loan portfolio.

Tushar Sarda: Okay. And what is the average size of the loan in unsecured?

Deepak Aggarwal: In unsecured, it is 1.6 lakhs.

Tushar Sarda: So, each loan, if you say, your expense is around 11%-12%. It costs you 16,000-18,000 to get the loan. Is that right?

Deepak Aggarwal: You can say that over a period of time.

Tushar Sarda: Okay. Do you securitize any of your AUM in terms of direct financing?

Deepak Aggarwal: We do. Starting this year, we have done it. We have just started a little bit of it. So, maybe around 6%-7% of our disbursement.

Tushar Sarda: So, if you can include that information in the presentation, it will be helpful.

Deepak Aggarwal: Although it is there in the results…

Tushar Sarda: I will have a look. And what would be your 5-year target in terms of AUM or balance sheet size?

Deepak Aggarwal: 5-year target, should I give you? It is about, we are targeting about INR7500 crores. I mean, this is a part of predictions which we make. But that is the plan.

Tushar Sarda: Okay. Thank you.

Deepak Aggarwal: Is it better now?

Moderator: Yes, sir. We will take the next question from the line of Harshit Jain from Arihant Capital. Please go ahead.

Harshit Jain: Thank you for taking my question. So, I want to understand what we envisage 3 years down the line. What kind of book, what kind of product will be selling? If you can throw some light on the segment. And also, you can throw some light on how the capital loan industry is in India at this point of time.

Deepak Aggarwal: Okay. Fair enough. Thank you, Harshit. So, Harshit, in terms of next 3 years, we want the AUM to reach around INR4000 crores. And by that time definitely majority. But maybe two-third of our portfolio will look like secured. In terms of, as every year you will see in last 5 years, initially, we were doing only relatively a smaller ticket on secured loan, about INR1 lakh to INR1.5 lakh. Then slowly, this average loan ticket size increased with repeat customers coming in and then we introduced secured loan portfolio.

Then now, we have started, so as I said that out of the 100 branches, last 28 branches which we started are only doing secured business. So, as we grow in the business some product mix, some these things change over a period of time. So, we will have new product introductions when we are able to reach relatively lower, still lower cost of borrowing level.

So, that's one part. In terms of, so one I would like to mention is that, cattle is definitely a very, very significant part of our portfolio and this will remain significant part of the portfolio. Having said that, what we say is that for us, the market today is about INR1 lakh to INR10 lakh kind of unsecured and secured business loans.

Wherein you see that overall market size is about 22 trillion and out of which only 4 trillion is covered. So as for the crystal study, so that means we are sitting on a 18 trillion sorry, yes, 18 trillion kind of gap in that segment. Coming back to the dairy segment, I think the market size is very large.

It's about INR15 lakh crore or 15 trillion is the market size. And I say that even if one third of it is just our kind of dairy farmers, which are growing, we are still sitting on 5 trillion kind of market. So, per se, in terms of addressable market, we believe that it's too large to be even worried about. You know, it's a very large market almost 6% of our GDP is a dairy industry. And in rural segment, this is one of the major contributors to the farmer income even for a rural population, whether in terms of consumption and production. You know, milk is something which is very, very important for rural people and farmers for sure.

Otherwise, you have almost 75 million mulching cattle today. So, even when I did that kind of market, I will reach that segment to be about 5 trillion, I mean, INR5 lakh crores kind of market. We feel there is a lot which can be done especially with our kind of services, as we have said earlier in the past that we have this web thing which is complimentary web services for our clients. We have agroforestry initiatives, there are new initiatives which are coming up very soon. So, there's a lot very large market to be served upon. I hope that answers.

Harshit Jain: Thank you, sir. Sir, one more question I would like to ask is how, what are the risk management practices, what we are doing? So, how we've been maintaining our so much asset quality has been relatively much strong right now, the credit cost is close 2% to 2.5%, right? Now, collection efficiency ratio is one of the best in the industry. What we are doing, sir, if you can throw some light?

Deepak Aggarwal: Yes. So, credit cost today is even higher, even lower. I mean, never actually reached, I mean, in these days, so COVID reached over 2%. So, credit cost is even more reasonable. But having said that, I think it is the overall process really about the credit underwriting. So, I think we have done a very deep study of all the segments where we operate. So, one is that it's a limited menu kind of thing wherein we largely focus on essentials. Dairy, Kirana, and others.

Moderator: Sorry, sir, your audio broke. Can you just repeat your last line, please?

Deepak Aggarwal: Okay. I'm saying that we are largely focused on essentials. So, which is Dairy and Kirana, which is about 75% in the food, which is essential segment. And again, the other retailers also are the clothing, chemist. So, this is more of a daily routine. So, one is that even in the circumstances like COVID essentials are always required. And these are not impacted by cyclicality or mostly the seasonality. So, seasonality is to some extent is there in terms of lending. But in terms of usage these essential segments work really well from a lender perspective.

And secondly is that we have, because of the deep industry knowledge, we have worked out in a way that we are broadly very conservative when we lend. And then there are processes which help us maintain, whether in terms of incentives for employees, which are linked to collection. So, there are many small steps whether in terms of incentive or punitive action, if we don't get the collection right.

So, overall, there are multiple steps the policies like we don't, we lend only when there is a self-occupied residential house. We don't lend to migrants. We lend only when there is a permanent structure for a business, whether it is in cattle or in a shop. So, there are multiple such there are multiple co-borrowers, co-applicants on the loan. So, there are multiple things which are attached to overall underwriting, which ensures, whether in terms of visits, seeing the house, the credit underwriting.

Moderator: I am sorry.

Deepak Aggarwal: No problem. Is it better now?

Moderator: Yes, sir.

Deepak Aggarwal: So, I am saying that in terms of credit underwriting, there are lot of steps which we take, which ensures that money comes back.

Harshit Jain: Thank you very much for the clarification.

Deepak Aggarwal: Thank you, Harshit.

Moderator: Thank you. The next question is from the line of Rohan from Equirus Securities. Please go ahead.

Rohan: Good evening, sir. Thanks for the opportunity. Sir, carrying forward from the previous discussion, just wanted to understand, sir, what is your collection model?

Deepak Aggarwal: So, largely the collection is only by the employee. We don't generally hire a separate collection team. We don't have the concept of separate collection team. LRO, who has given the loan, is responsible for the collection. But obviously, at certain stage, if somehow they are not able to collect, after EMI bounce, there is a calling team for reminders on a continuous basis. And at a certain stage, after 60 days, there is a warning letter.

On 90 days, there is a legal notice which is served. So, then our legal action also. So, there are, this is done through multiple initiatives and collection, especially on the calling side. You know, at least as of now, we have been able to ensure this level of quality with the current steps. But if the need is required, we'll do more, we'll take more efforts in terms of collection as and when needed.

Rohan: Sure. And this is on a monthly collection model or a weekly fortnightly?

Deepak Aggarwal: It's a monthly. There is no group structure. It's all individual loans and it's a monthly collection.

Rohan: So, is it a cash-based collection or it's directly debit from the accounts?

Deepak Aggarwal: It's a NACH-based. So, earlier, like six months back, still on bouncing, we were collecting like 40% of the amount in cash. Now, which is down to 25%. So, now we are taking a lot of payments from UPIs and also through our app. So, the cash collection is down to about 25%. Our aim is to reduce, bring it down to 10% over medium term.

Rohan: Sure. So, if I understand it correctly, when the loan is disbursed, we set up a NACH collection, which hits the account on a specified date. And if that NACH bounces, then it's a UPI/cash-based collection that happens through the app or otherwise. So, just want to understand on the bounce rates on the Nach, what would that be currently for us?

Deepak Aggarwal: So, for every INR100, almost INR10 collecting before the Nach. So, you know, customers will pay up in cash, mostly in cash. So, for the balance INR90, which is chargeable, we have about 25% kind of bounce rate.

Rohan: 25%. Okay, sure. And, sir, in terms of the customer profile, because the ticket sizes at which we are lending, see many MFI's also do this individual loans in the similar ticket sizes. So, is there any difference in the customer profile vis-a-vis MFI companies or how should one look at it?

Deepak Aggarwal: There's a very significant difference because, MFI, whatever segment you pick up. So, if it's a cattle segment, with MFI, you can borrow a loan with, two cattle. For us, it is minimum five cattle. So, the business might be the same, but the profile of customer is very significantly different. So, these are, relatively better of borrowers in a rural segment, if we do. Similarly, if we do kirana, in MFI, you can have a 30,000 or, you know, 25,000 kind of ticket, which is not a permanent structure.

For us, all the retailers, traders, they have a permanent shop, which is reasonably of a large size. So, while in MFI, you have people, which will largely have less than INR3 lakh annual income. For us, every customer has to be more than INR3 lakh kind of average one. So, average annual income. So, there is a difference in terms of profile, definitely.

Rohan: Got it. And, sir, lastly, in an earlier question, you indicated that we have started doing securitization this year. But when I compare the AUM vis-a-vis on the exchange filing, the loan amount, which is there, there is almost INR100 crores of difference on the book AUM vis-a-vis the loans, which is disclosed in the balance sheet. So, just trying to understand that difference. And this year also, there is a difference of around INR200 crores?

Deepak Aggarwal: No, I think the difference is even more. The difference is about, you know, INR200 crores plus.

Rohan: Yes, the difference is INR200 crores.

Deepak Aggarwal: Yes, more than INR200 crores. So, because we have, you know, co-lending lines, which is from Vivriti. So, you have INR86 crores from Vivriti co-lending, INR36 crores MAS Financial Services. So, these are our co-lending partners. And we also do BC Business, which is a managed book, which is INR83 crores as on March. So, this makes us about INR205 crores and balances some amount of DA. But as we said that we have about INR35 crores per month of co-lending and BC lines from our partners. So, that reflects the difference between the book, which is shown on the balance sheet versus the AUM, which we are talking.

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

Nikhil Arora: Thank you for the opportunity and congratulations on the good set of numbers. I just wanted to know that how many lenders do you have currently and who would be the biggest lender among them?

Deepak Aggarwal: Today, we have 32 lenders and per se out of non-banking lenders, Vivriti Capital is the largest lender. So, Vivriti Group, I would say Vivriti along with Vivriti Assets Management has on balance sheet exposure of about INR120 crores and plus INR86 crores exposure in co-lending. So, almost INR200 crores within Vivriti itself, with Vivriti Capital also having about almost INR125 capital to INR130 crores kind of exposure.

Within banks, multiple banks are at very similar levels. So, whether it is State Bank of India, AU Small Finance Bank, then Maanveeya, all are at INR30 crores line. So, there are some, you know, sanction letters which we have got. So, what we are looking at largely for this year, we see most of our existing banks lender will be able to disburse anywhere between INR30 crores to INR50 crores in the money. So, by end of March next year, most of the banks should be around INR40 crores, INR50 crores, kind of outstanding.

Nikhil Arora: Okay, sir. That was quite insightful. So, also I just want to know if you are having any plans to expand in the southern region and if there are any potential challenges that we might face during the expansion?

Deepak Aggarwal: So, there is definitely a plan. So, this year we plan to enter three new states which is Karnataka, Tamil Nadu and Telangana and maybe Andhra Pradesh also. But three new states of South India we will enter. We have started hiring as well. Challenges are there in every location. So, there is accommodation, there are well-established, large players in the market. But I think the market is large and there is business for everyone.

Nikhil Arora: One last question. What are the companies' plans to raise the INR150 crores equity in the coming financial year? And if you can throw some light, where does the company plan to utilize this fund? And will this equity fundraise help in the – how will it help in the company's growth?

Deepak Aggarwal: So, now we are post the results. I think one of the biggest work we have is to do the equity raise. So, we will try to close it as soon as possible. So, that is one thing. In terms of, see, equity and debt have to go hand in hand. So, if we say, we have to reach about, say, INR1,400 crores kind of AUM and we have to double from here, you definitely need equity. So, if we want to raise INR600 crores of new debt, we would need, like, INR150 crores of equity capital there to support that debt. So, it is largely AUM expansion, which is the need for funds.

Moderator: Thank you. The next question is from the line of Mihir Shah from Riddhi Enterprises. Please go ahead.

Mihir Shah: So, my question was that even though we have gone through COVID, our portfolio might slightly be unseasoned. Like, even, some erratic gains had some adverse effect on our portfolio. So, like, even with that, like, why are we eager to expand so quickly at the cost of profitability? Like, is it not a risk if, like, things go south, maybe, say, 1% or 2% NPA increases, then it will, like, be a double or triple of the current NPAs that we are having?

Deepak Aggarwal: No, I think what we have to see is, one is that, see, when you say about seasoning of the portfolio, that will never happen, Mihir, if you are doing unsecured loan, which the tenure itself is about 24 to 28 months. So, what you have to see is that 5 years in the business we have customers who are in their fourth cycle in the unsecured loan segment. So, you have to see it from that perspective that seasoning is happening.

Moderator: Sir, you may go ahead now. There was a follow-up question.

Management: Okay. Now, the other point you said is see what we have to see is that we have faced extreme scenarios of COVID-1, COVID-2, and lumpy skin disease then we have this rain issue last year across all these times what we have seen, even the worst scenario we have seen 2.7% kind of credit cost and that's about it.

So, now we have let's assume that 2% to 3% is the credit cost which we will see in unsecured loan, and about 1.5% over a longer term. Today, that's not the situation, but I'm saying over a longer term that's the kind of credit cost which we foresee. That is well under the acceptable norms based on the yield which we get. So, there is no point that we need to wait.

So, when expansion is possible, I think at this stage we should expand when there is a market and profitability is only improving. You see the 5-year trend. The opex is continuously declining that's the only way. Once you have a higher AUM only then you can really reduce your fixed cost. I mean, see staff expenses, the IT expenses, compliance expenses, everything is largely fixed.

So, the only way to reduce the opex is you have a higher base. So, I think that's the strategy we are following. Branch anyway you will realize that even over a short period of time it may get some decline in numbers, but then overall you see because every time it happens in the NBFC business your opex is actually your capex, So, all costs of generating business are upfront.

And you get the interest income and the PF income over the next 2 years or through the tenure of the loan which is there. So, I think once you accept that fact growing when you have successfully realized that this model is working, I think there is no harm. I hope this answers your question.

Mihir Shah: It does. Thank you so much. And before I move on to my last question, I just wanted to join Sahil request in asking that if you could please add 30 days and 60 days DPD numbers to the presentation.

Management: For sure we will do that.

Mihir Shah: My last question was that, like, could you once please share the branch level unit economics, please?

Management: So, you have to broadly understand from a perspective that branch level unit economics would be very similar to business level unit economics. So, you have a 30% yield today and the cost of borrowing which is there with 16% spread and generally the working is that each branch on a monthly basis to start with does an expense of about 2.5 lakhs. So, broadly at INR2 crores kind of number because you make about 16% interest spread and make it 2% of credit cost, so 14%.

So, for every INR1 lakh loan you will make 14,000 over a period of time. So, generally if you calculate the number on a INR2 crores kind of AUM we are able to breakeven to start with. And obviously then opex also increases over a period of time, but if you do the math there it takes approximately 6 months for a branch to breakeven. It leads to a INR2 crores to INR2.5 crores kind of AUM and break even on an accrual basis otherwise if you realize that each month you are making some profit.

But because the income is all postponed over a 2 year to 5 year period you do not see the number, but overall, 6 months you are able to break even. That's what we are seeing. I hope that answers. On a call, we can't run the numbers particularly, but you can have a separate discussion there.

Mihir Shah: Sure, no problem. All right, thank you.

Moderator: Thank you. The next question is from the line of Sahil Sharma from Columbus Finvest. Please go ahead.

Sahil Sharma: Sir, my follow-up question was that if we consider our NPAs, let's say that something has turned into an NPA, and we have taken a provision or a write-off against it. In this state, sir, we are pursuing, let's say, legal remedy or like…

Moderator: I am sorry, Mr. Sharma, you are not audible.

Sahil Sharma: And then basically like over time, like the percentage of it might come back as a write-back. Hello? Sir, should I repeat?

Moderator: Yes, please. Sir, your voice broke, Mr. Sharma.

Sahil Sharma: Yes, sir. Sir, what I was saying is that if we consider the process of, you know, once there is an NPA, there would be at some point a provision and a write-off. And after that, we will pursue legal remedy. And post that, there will be some recovery. And at that point, the recovery, there can be a write-back also. Sir, what I was trying to understand is that roughly what has our experience been like post NPA? Like what percentage of these wounds are we able to recover basically?

Deepak Aggarwal: Post NPA. So, Viral, you might like to contribute here. But generally what we are seeing…

Mayur Modi: Hi, Mayur here. Am I audible, right?

Deepak Aggarwal: Yes.

Mayur Modi: So, what has been our experience is typically once we completely write off the loan, there is roughly around 10% of that write-off is something which is typically recovered, and which is written back. So that has been our experience. I am just caveating this because of the fact that this is purely unsecured experience as of now. And as you know, there is no collateral in unsecured. Obviously, so the write-back is going to be much lesser. But as we transition to secured, obviously, I think the experience is going to change is what is our expectation on this?

Deepak Aggarwal: And one another point here is that still today, we have not filed a single legal litigation against any of our customers. And we have not used even collection agencies. So, I think also there will be some improvement in the coming times as we are initiating those processes as well. But as Mayur said that almost -- we see it in INR80 lakhs, so almost 10% is what we have recovered in last 6-7 months.

Sahil Sharma: Thank you, sir. That's all from me.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Yes. Thank you for the follow up. I just wanted to understand your expansion strategy because your AUM is small. So, you know, what are your thoughts on expanding within one or two states with intensive branch network rather than going into multiple states? How do you think about that?

Deepak Aggarwal: Mayur, do you want to take up?

Mayur Modi: Yes, sure. So, Tushar, I think we have been confronted with this question multiple times during the course of our journey from starting first year. See, our theory is very simple. I think the segment that we are into, the real diversification and the risk mitigation comes from the distribution model. The more you are distributed across various geographies, I think, one, both from an expansion and an AUM growth perspective, it helps us understand the geography better, the regional dynamics better, the growth prospects better, and also helps us manage the risk in a better way. Just to give an example, let's say, last year, Punjab and Haryana faced some arctic rains and due to which, some part of the portfolio was impacted.

Imagine having 30%, 40% of our portfolio in that region and the whole book would have got impacted. Whilst, because of the fact that we are present in more than six, seven, eight states now, it helps us manage the book better.

Also, the fact that, we can grow in a reasonable manner in all the states. No state today contributes more than, I think the top state which contributes is Madhya Pradesh, which is roughly 30%, and the next is Rajasthan, which is 24%, and then everybody is roughly around 16%, 12%, that kind of a number. So, I think that, yes, it helps.

It obviously adds to the cost of setting up, shops in those states, but what we have felt is it helps us manage the risk better because every area, because of the fact that every area has its own potential, you cannot grow a branch beyond a certain level in each district that we are present. And so, it becomes very important to have a very strong distributed model in this space.

Deepak Aggarwal: And also, it's like seeding. I mean what will start next year will not yield any results in this year. Which we start in this year, we will not really yield so much return this year. But, it prepares you for next year.

Tushar Sarda: No, sir. Thanks for your answer. But there are many companies, especially in housing finance and all, who have grown by growing in adjacent states. So, you could still divide your risk in four states rather than being in one state. But going to 10, 12 states at a small size is what I'm wondering?

Deepak Aggarwal: No, sir. Everyone cannot have the same strategy. I think we are of the opinion…

Tushar Sarda: That I understand. That's why I asked you what your thoughts on this. I understand. You are doing business?

Deepak Aggarwal: So, that's what we said that we believe that, it's better to be more and more geographically diversified. And we have taken, somehow, if you see, we have taken that kind of strategy only. So, we started in Haryana, then it's, all bordering states, Haryana, Rajasthan, then Punjab, you know, then UP. With Gujarat, we have covered Chhattisgarh, sorry, with MP, we have covered Chhattisgarh, then Bihar.

So, these central and northern states covered. Now, we'll move to south. And, it's not very aggressive. It's bit by bit. So, it starts, even if you see Gujarat and Bihar, we started with five, six branches only last year. Now, we'll do again, maybe 10-12 branches again. Again, we'll start with five branches in each state in south. And then we'll give them, six months to show the performance. And then we'll move to but then you have to continuously see it. You have to take a five-year, 10-year view.

Tushar Sarda: Now, I just wanted your thoughts on this. So, because there are obviously different strategies, and every company has their own…

Deepak Aggarwal: You can optimize more. Definitely, if you want to improve ROE, it's a good strategy to be relatively update in the same location. So, that definitely helps. But, you can have a different strategy in terms of your longer term perspective.

Tushar Sarda: Okay. Thank you very much.

Moderator: That was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you.

Deepak Aggarwal: Thank you, Michelle. So, it has been a good journey of last five years. We really thank every one of investors who have been with us, especially during the days when we were not really profitable. And we hope that we will continue to do the good work and, create value for our stakeholders. And while also doing, a lot of good in terms of, our beyond netting initiatives, financial inclusion and, on the impact side. So, I hope that we are able to do a good work here. And, thanks for your wishes.

Moderator: Thank you, members of the management. On behalf of Moneyboxx Finance Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.