

February 07, 2024

The Secretary
BSE Limited
Pheeroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 531595

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No- 'C' Block, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051
Scrip Code: CGCL

Sub: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, regarding Q3 FY24 Earnings Call - Transcript

Dear Sir /Madam,

Further to our letter dated January 27, 2024, intimating schedule of the Earnings Conference Call on January 31, 2024 to discuss the Company's Q3 FY24 Earnings, we are attaching herewith the transcript of the said Conference Call.

The above is for your information and dissemination to all the stakeholders.

Thanking you,

Yours faithfully,
for **Capri Global Capital Limited**

Yashesh Bhatt
Company Secretary & Compliance Officer
Membership No.: ACS 20491

Encl.: As above



Capri Global Capital Limited

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Q3 FY24 Earnings Conference Call

January 31, 2024

Management

Mr. Rajesh Sharma, Founder & Managing Director
Mr. Partha Chakraborti, CFO
Mr. Sanjeev Srivastava, CRO
Mr. Ravikant Bhat, Sr. VP (Investor Relations)

Indian Numbering System Legend

₹ 10 Lakhs	= ₹ 1Mn
₹ 1 Crore	= ₹ 10Mn
₹ 100 Crores	= ₹ 1Bn
₹ 1 Lakh Crore	= ₹ 1Tn

NOTE:

- 1) This transcript has been edited for lucid reading. To that extent, this is not a verbatim transcription of the audio transcript.
- 2) Factual correction/s are superscripted at relevant places in the transcript and are explained in footnote/s.
- 3) Recurring terms like 'Year-on-Year', 'Quarter-on-Quarter', basis (referring to basis points) in the audio transcript have been shrunk to 'YoY', 'QoQ', and 'bps' respectively.
- 4) Wherever needed, emphasis is added in brackets (*in italics*) for better clarity.
- 5) For uniformity with reporting format, values referred to in crores in the audio transcript have been converted to billions (bn) or millions (mn) in this text transcript.

Moderator: Ladies and gentlemen, good day, and welcome to Capri Global Capital Limited Q3 FY24 Earnings Conference Call hosted by Go India Advisors. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravikant Bhat from Capri Global Capital Limited. Thank you, and over to you, Sir.

Ravikant Bhat: Good morning, everyone. This is Ravikant. I shall read out a brief disclaimer for today's call. The discussion on today's call regarding CGCL's earnings performance will be based on judgments derived from the declared results and information regarding the business opportunity available to the company at this time. The company's performance is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially in the future. Given these uncertainties and other factors, participants on today's call may observe due caution while interpreting the results.

The full disclaimer is available on Slide 43 of Q3 FY24 investor deck. Participants are requested to note the same.

I now request our MD, Mr. Rajesh Sharma, to present the opening remarks.

Rajesh Sharma: Good afternoon, friends. Let me start by wishing you all a Happy New Year 2024. We declared our reviewed consolidated results for Q3, FY24 on Saturday, 27 January 2024. I hope you had a chance to go through the Investor Deck. We have a lot of updates to share on today's call. My opening commentary today is going to be slightly longer than usual.

I would like to start by highlighting a few key decisions that our Board approved in its latest meeting. CGCL's Board has approved a stock split from ₹2 face value currently to ₹1 face value. The CGCL stock had last split in November 2016 from ₹10 to ₹2 face value then. The Board has also approved a bonus issuance in the ratio of 1:1.

The company's paid-up equity share capital shall increase from ₹412.5mn in Q3 FY24 to ₹824.9mn after the split and the bonus issue. The outstanding equity

shares will quadruple from 206.23mn shares to 824.9mn shares. These measures shall aid in improving our liquidity.

Both split and bonus issuance are subject to shareholder approval. We have already published the notice for Extraordinary General Meeting of our shareholders to be held on 22nd February 2024 to seek approval for stock split and bonus issue.

We have also appointed three distinguished leaders from the field of finance, technology and ESG as independent directors on our Board. They are Mr. L. V. Prabhakar, a career banker and former MD and CEO of Canara Bank; Mr. Shishir Priyadarshi, former IAS officer and a Director on the World Trade Organization, having a distinguished career in public service with wide-ranging experience across all disciplines; and Ms. Nupur Mukherjee, former Global Managing Director at Standard Chartered and Barclays Bank with deep experience in critical technology, data science practices, and ESG. Their detailed profiles are available in the leadership section of our website. Please do refer to those. These appointments have added significant strength to Capri's Board and the executive management will immensely benefit from its guidance.

I would like also to inform that our newly incorporated, wholly owned subsidiary, Capri Loans Car Platform Private Limited, became operational during Q3 FY24 and has begun accruing income. In due course, the entire car loan origination business shall be conducted out of this subsidiary.

A, intimated earlier, we have received a composite license from insurance regulator, IRDAI to distribute life, non-life, and health insurance policies. Our insurance distribution team is already in place. We expect to generate a gross insurance fee income of at least ₹1bn between FY25 and FY27. This will contribute towards significantly strengthening our ROA structure and support our target of crossing 15% ROE by or before FY27.

I shall now turn to commentary on business and earnings performance. Capri's performance across all verticals continued to be strong during 9M FY24 with overall AUM growing by 54% YoY to ₹133,621mn. The overall disbursement during the 9M FY24 increased by 113% YoY to touch ₹99,827mn assisted by adding 311 branches on a YoY basis, taking the total branch count to 920.

The growth momentum was strong across our verticals. Gold Loan AUM grew by 235% YoY to ₹23,936mn, partially supported by addition of 298 branches Gold

Loan specific branches YoY. Home Loan AUM grew by 53% YoY to ₹34,903mn, driven by growth in disbursement by 48% YoY to ₹11,455mn for 9M FY24.

Construction Finance AUM grew by 35% YoY to ₹22,710mn, driven by growth in disbursement by 33% YoY to ₹13,475mn for 9M FY24. MSME loan AUM grew by 24% YoY to ₹47,676mn. On the back of a strong business momentum during 9M FY24, the company is targeting to clock FY24 AUM growth in the range of 50% YoY to ₹150,000mn.

The strong momentum in AUM growth along with a strong thrust in fee income drove growth of 59% YoY in net income. Supported by focused collection effort and active monitoring of the book, our gross Stage-3 assets showed a decline of 20bps YoY to 2.1% Q3 FY24 versus 2.3% in Q3 FY23.

Our Car Loan distribution business is on course to originate ₹100bn business in FY24. On behalf of eight commercial bank partners during 9M FY24, the company originated car loan to the tune of ₹70,728mn, which is up by 83% YoY. Net fee generated was ₹805mn in 9M FY24.

The company is confident of crossing its set target of ₹100bn, that is a growth of 75% YoY by FY24. To further scale up the Car Loan origination business in FY25, CGCL is planning to build a tech platform and transfer the entire business to a newly created wholly owned subsidiary.

We also have a plan to build the insurance platform as I told earlier. CGCL has an active client base of 300,000 customers as of December 2023, of which about 137,000 customers were added in 9M FY24. With strong momentum in the retail lending business, the company aims to take active client base to 400,000 by the end of FY24 and 800,000 by the end of FY27.

CGCL's rapidly increasing client relationship offers a sizable captive base to cross-sell and improve insurance penetration. This will help CGCL to strengthen its insurance cross-sell income and deliver about ₹1bn fee income, which will generate ROE about 2% in the span of the next three years.

Our cost-to-income ratio has declined 392bps QoQ and 651bps YoY to 63%. In absolute terms, the operating expenses were unchanged QoQ to ₹2,203mn. The flattening of opex in Q3 FY24 is in sharp contrast with the steep increase we have reported since the launch of our Gold Loan business in Q2 FY23.

The flattering is also on account of the pause we have taken in our branch expansion. Since it has completed its plans, the reversal and decline in cost-to-income ratio shall continue with the Gold Loan business likely to break even in Q4 FY24.

Owing to a strong net income performance as well as a flat operating expenses, our pre-provisioning operating profit touched to ₹1,296mn, increasing by a robust 19% QoQ and 78% YoY. This also allowed us to not just comfortably absorb incremental ECL provisioning requirement on account of higher NPA but also improve the provision coverage ratio.

Now I come to credit cost and asset quality. Our GNPA ratio increased 80 bps QoQ to 2.10%. Although it remained 22 bps lower on a YoY basis, in absolute terms, the gross NPA pool increased by ₹361mn QoQ. MSME contributed ₹148mn to the increase, while CF and Housing contributed ₹106mn each. Some of the increase in MSME and Housing NPA was a result of the flow from restructured assets which are now fully out of moratorium since Q2 FY24.

The standard restructured assets stood at 92bps of on-book AUM compared to 113bps to Q2 FY24 and 176bps in Q3 FY23. Our legal and collection teams expect to resolve a chunk of legacy NPAs in MSME and Housing during Q4 FY24 with the minimal haircut on the net outstanding.

In Construction Finance, we expect to resolve nearly ₹25mn of Q3 FY24 slippages during Q4 FY24 and the remaining ₹81mn in the next financial year. Of the ₹160mn slippage on the Construction Finance, during Q1 FY24, we are happy to share that the stressed project has been approved funding from the stressed asset fund of Government of India (SWAMIH Fund). And the same is also likely to be resolved during FY24 with the likelihood of a full recovery. Our credit cost for Q3 FY24 stood at ₹403mn or 1.25% annualized as a per cent of average AUM. The increased credit cost was both a result of higher NPA flow as well as for improving the provision coverage ratio.

You may recall our guidance during Q2 FY24 conference call wherein we had indicated our target of gradually improving the PCR and stabilizing at around 37% to 40% level. Our PCR improved 243bps in Q3 FY24 to 34.7%. Despite our focus on improvement of PCR, which will continue in Q4 FY24. Our full year credit cost in FY24 will remain in the range of 1%, which has been our long-term average credit cost.

We have reported a net profit of ₹680mn, which is higher 82% YoY and 4% QoQ. Excluding the loss incurred in the Gold Loan business, our net profit would have been ₹803mn. We reported 2% ROA and 7.3% ROE in Q3 FY24.

Our earnings performance during Q3 FY24 can be termed as being resilient. Our efforts at diversifying our business and income stream over the past two to three years are now beginning to support us meaningfully as seen in Q3 FY24. We have coped up with a decline in spreads and increase in credit costs for two consecutive quarters but reported a stronger bottom line. As we break even in the Gold Loan business in Q4 FY24, this shall be once again strongly validated.

Now coming to technology and ESG. Over past two years, we have been preparing to establish a systematic ESG practice internally. Among the exercise undertaken was preparation of a materiality and gap assessment report with help from a Big 4 consultant. We are moving ahead to obtain ratings under leading global ESG frameworks. Our Board in the latest meeting approved ESG related policies in setting up of ESG governing framework through a dedicated ESG department. Our new Board inductees also reflect our orientation. Going ahead, we shall periodically keep our stakeholder updated on the progress we make on ESG assessment.

Technology has been another critical area of focus for us. We have undertaken a number of initiatives in the form of a revamp of our LOS/LMS, collections technology, process re-engineering, and analytics-driven decision-making have been implemented. Very soon, we shall be announcing the launch of our exclusive co-lending platform that shall smoothen the co-lending process. In coming months, we shall complete implementation of Oracle FLEXCUBE LMS for our MSME business. In-house applications developed to improve log-in to disbursal and rejection and start delivering a tangible cost savings from FY25 onwards. We look forward to regularly sharing qualitative outcomes of our tech initiatives in a couple of quarters.

With that, I conclude my remarks. We shall now take questions.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Hitesh Jain from Avagrah Capital.

Hitesh Jain:

My first question is on the Gold Loan business. At a branch level, how much business does a branch need to do to break even? And currently, how many branches are at that break-even level? I mean, I'm assuming a lot of -- there are a

lot of new branches which may be at -- which maybe incurring losses. So how many branches are already at break-even level? That's my first question.

Rajesh Sharma: Currently we have about 747 Gold Loan dedicated branches, which only book the Gold Loan businesses. And currently, at ₹30mn business per branch we start breaking even. So out of 747, give me a couple of minutes, I will tell you how many branches are at ₹30mn and above. There are some branches which have even crossed ₹50mn, so they are reasonably good, profitable. But exact number, give me a couple of minutes. Meanwhile we can take up another question and then come back to answering your question.

Hitesh Jain: So -- I mean, what if a branch doesn't reach ₹30mn? Like how much time do you all hold on to it and then decide, okay, fine, let's shut this branch?

Rajesh Sharma: So normally, for a branch to reach ₹30mn depends on location to location. Every branch doesn't have the same formula. Some branches reach ₹30mn within 12 months. Some branches have taken even 15 months. And some of the branches are going to take 18 months to reach that.

Hitesh Jain: Have you ever closed any branches?

Rajesh Sharma: No, we've not closed any branches.

Hitesh Jain: Okay. And what is like the cross-selling opportunities at these branches, the Gold Loan branches?

Rajesh Sharma: We all know there is an increased awareness about insurance. Every Gold Loan branch has capability to sell the insurance policy to their -- our borrowers. Now the customers when they come in, sometimes even Gold Loan customers, it's very easy to explain them and convince them that they take insurance policy, which take cares of their mediclaim and hospital bills. And that policy will cost maybe about ₹5,000 per year.

But we explain to them, even next 10 years, they get admitted by for any reason, any of their family member, even wife, they will be able to afford good treatment. At the same time, it will turn out to be cheaper. So with that connection, we have started selling insurance policy already.

And I think from April onwards, we should be able to generate about ₹300mn a year insurance policy premium income, out of which, a significant portion of the

commission will accrue to us. So it is very easy. We are targeting cross-sell. Our technology is already being made in-house for that.

And our corporate agency license is already active now. So you will start seeing the traction. I think in Q4, we should be able to report the specific number on the insurance income earned from each segment, be it Gold Loan, be it MSME, be it Home Loan or be it Construction Finance. This is going to be a very sizable income next year onwards.

Hitesh Jain:

Okay. Sir. Just continuing with this question on the insurance. In your opening remarks, you mentioned that you will touch ROE of 15% with the help of insurance. Can you just elaborate more on that? How is that journey going to be?

Rajesh Sharma:

So if you talk about ROE, let us go step by step. First of all, this year, our Gold Loan loss will be in the range of about ₹1,000mn. Next year, our Gold Loan vertical will start delivering profit. So, this entire ₹1,000mn loss will go away and we should turn into positive where we expect anything between ₹400mn to ₹500mn of profit contribution from the Gold Loan business next year. So that is ₹1,400mn to ₹1,500mn upside from the current financial.

Now Car Loan distribution will continue to grow and that is also going to be a good amount of fee income. If you say the gross revenue from Car Loan business comes in the range of about 2.3% on the volume originated. But this year, the gross revenue will be in the range of about ₹2,300mn from the Car Loan vertical. And next year, this business again should grow 20%. Even after all the expenses and the fee, commission payment, we should be able to generate about ₹500mn of profit from the Car Loan distribution alone.

Insurance side, by putting the people, team, and license now in place, we should be able to generate income of about ₹400mn to ₹500mn again from the car insurance business. So the cross-sell is going to give us a fee income support from our customer base. And next year, we expect our number of customers would be in the range of about 800,000.

Hitesh Jain:

But when can you achieve this 15%, which year? I mean, next year or...

Rajesh Sharma:

15% ROE, we hope to achieve by around -- between FY26 and FY27.

Hitesh Jain:

Okay. Sure. Just one last question from my side. What was the rationale for making a separate subsidiary for auto loans?

Rajesh Sharma: Now I've got the data -- sorry, I've got the data of the Gold Loan branch. Out of 747, 313 branches have already crossed ₹30mn, 113 branches were already more and are making -- already started contributing to P&L.

Moderator: The next question is from the line of Rajat Roy from Investec.

Rajat Roy: I just wanted to sort of get an understanding on the growth in the Gold Loan business at about 250% YoY with regard to AUM. Could you please shed some light on, one, how this growth was achieved as well as forward guidance for what we could expect with regard to specifically Gold Loans as well as the other business segments?

Rajesh Sharma: If we talk about Gold Loan growth, this year we have added about 298 branches in Gold Loan alone. On back of that, we expect to close our Gold Loan AUM this year at about ₹30,000mn and next year we should achieve a Gold Loan AUM in the range of about ₹47bn to ₹50bn. So that is where our growth will come to. You can say next year's Gold Loan business, again, will continue to grow in the range of about 50% to 60%. If we talk about our MSME business, it has grown about 24% and our Home Loan business has grown in the range of about 50%. Next year, if we talk about overall growth, we should -- we are confident to achieve a growth in the range of about 35%+.

Moderator: The next question is from the line of Gaurav Sharma from HSBC.

Gaurav Sharma: So a couple of questions, Sir. A couple of NBFCs mentioned in their results that they are slowing down their co-lending disbursement in housing finance as they received some directions or formulas from NHB to maintain certain threshold of home loans in their own book. So, they are slowing down their co-lending disbursement. Just wanted to know whether you have also received such directions from NHB to slow down co-lending disbursement. That is question number one.

And second, Sir on the margin outlook, you have seen a 40bps compression in margins. So where do you see that further going in FY25? And what will be the key drivers for sustainable margins?

Rajesh Sharma: So, we have not got any direction to slow down co-lending or otherwise in home loan disbursals. On the contrary, now NHB is holding the meeting of all CEOs and key management every six months and asking them if they are facing any difficulty or how they can improve the business, expansion etc.

So I can clearly see, it is a thrust of the government, it is the thrust of the regulator that how the first home buyer can be serviced by making the credit easily available. And in affordable housing another plus point is that smaller houses are getting built by developers because the people have started getting the loan.

So we see this segment will continue to grow for the next few years. And while we are growing at a 50% pace. I don't think even next year we will be slowing down this segment. So this is one part. What was the other question? Other part of your question?

Gaurav Sharma: Sir, on the margin outlook, so how can you protect margins going forward? And what will be the key drivers?

Rajesh Sharma: So there are two ways to protect the margin. There are three things we will do rather. One is that we have currently got from the six banks co-lending lines. So co-lending line, efficiently, what they do is that 20% money we have to put, 80% they do. We have got about ₹30bn plus of co-lending line. This will give us an ability to service even those customers we otherwise would have said no because there's low interest rate. So it will help us to control the balance transfer to the competition. Plus, it will give us an additional layer of the customer we would have said no. And third, the Gold Loan contribution in the overall yield will continue to grow. Gold Loan realized yield in the range of about -- targeted yield for the next year in the range of about 18%. So overall, our spread will continue to improve. Fourth, our fee distribution from the Car Loan business and the insurance business will be additional support to improve overall our margins.

Moderator: The next question is from the line of Satyaprakash Pandey from Haitong.

Satyaprakash Pandey: Could you please provide further details regarding our plan for insurance business? Specifically, what policies are we intending to launch? And what is the current progress regarding the establishment of team and infrastructure to finish it?

Rajesh Sharma: So we are not going to start an insurance company. We are just partnering with the existing life, non-life, and health insurance companies to distribute their products among our customers and earn the commission out of cross selling insurance policies.

Satyaprakash Pandey: Okay. And if I may ask one more question, just wanted to understand your distribution and network reach in Car Loan business. Capri's presence across

locations is actually constant at around 715 since last few quarters. Any specific reason for not widening the presence? Additionally, I would like to understand how our new subsidiary, Capri Loans Car Platform will integrate into our existing Car Loan distribution business.

Rajesh Sharma:

So this Car Loan distribution business, while we have about 700-plus locations where our employees are present, we have a dealership network about 1,800 locations. And with pride, I can say that right from Jammu to Kanyakumari, we have a network either of dealership or our employees on the ground. So there is no place left where if there is car loan business is happening and bank branches are there, we are not there.

So we have already deeply penetrated in this. And that is the reason you can see that among the non-car dealer segment, we are the number one. And by far, margin, we are number one in that segment. This year, we're close to ₹100bn distribution. And next year, we are putting all efforts to grow that business by another 20%.

Moderator:

The next question is from the line of Darshil Pandya from Fintree Capital.

Darshil Pandya:

Sir, I just wanted to understand how will the cost of funds evolve in the light of restrictions on bank lending? And what is the expected lag between the increase in the cost and the pass-through to the customers?

Rajesh Sharma:

So you've seen recently, RBI has also issued the circular where the risk weightage based on the ratings have been increased and that the bigger increase has happened for the AAA companies and AA companies because flatly the risk weightages have been doubled. As far as we're concerned, our risk weightage has been increased only by 5bps. However, the cost of funds has become costlier as compared to six months ago.

As far as the new lending is concerned, we are able to pass on that increase. Our existing portfolio, about 45% of the customer we are able to pass on. The rest we have to absorb. So whereby you could have seen there's a little compression in the spread. But since Gold Loan business is going to increase in overall proportion, our spread will improve in the next year.

But a lot of efficiency is coming from our existing branches. And our technology initiative, where about 100-plus people in our technology team, along with outside vendors, we are putting up our loan originating system, which will be

launched in the April. That will bring a lot of efficiency in PAT and thereby improve the productivity.

So next year, a lot of things are happening where our Gold Loan branches are going to turn positive. Since we are not going to do more expansion in the Gold Loans, investment losses will stop happening. Plus, with the expansion of and scale up of insurance distribution business, we'll see a lot of positives in the FY25.

Moderator:

The next question is from the line of Kunaal N from Emkay Global.

Kunaal N:

Sir, my question is your MSME contribution as a percentage of your total AUM has come down to close to 35.7% from 44.5% a year ago. So are there any intentions to further reduce this contribution? And what are the strategies the company has in place for MSME business segment? And additionally, are there any plans to expand SME lending into new geographical areas?

Rajesh Sharma:

So since we launched the Gold Loan, new product in Gold Loan is increasing also, but overall AUM and percentage of the overall AUM and also contribution will come down. However, our MSME business, as you have seen, has also grown about 24%. We are evaluating utilizing our existing branch network to launch the micro-LAP, which means secure lending in the segment where ticket size is less than ₹7.5 lakh. Once we decide which branches and how to launch, then we will set up the team. But that is in active consideration. So that is where the expansion will happen.

As far as the new geography in MSME is concerned, at the moment, we are not thinking. Next quarter, which is the Q1 FY25, we will draw a plan, but that is only under consideration - we still have not chosen yet. However, overall, MSME is going to be a key contributor because there the tenure of loan is 15 years and that is a loan with even longer horizon of income. The rundown doesn't happen the way rundown happens in Gold Loan. The balance tenure of customer in MSME is five years. So I think that will continue to show a decent growth.

Kunaal N:

Got it. Just one more question. So after adjusting for the Gold Loan vertical, the cost-to-income ratio remains slightly elevated at over 50%. What do you anticipate this -- like when do you anticipate this to moderate? And what would be like a sustainable level in the near future?

Rajesh Sharma:

So I think we should have -- excluding Gold Loan, our cost-to-income ratio should come down in the range of about 45%.

- Kunaal N:** Okay. And by when are you expecting this to happen in the near future?
- Rajesh Sharma:** We expect that next year because of the various initiative plus technology, I think it should come down in the next year itself. We will see the traction in the first quarter FY25 itself.
- Kunaal N:** Okay, Sir. And this 45% would be a sustainable level, right?
- Rajesh Sharma:** I think we are hoping that once the technology Phase 1 comes, then another Phase 2 will come in another six months' time. And then we clearly see our productivity level improving from the same manpower. So I don't want to give you a number, but we are working towards to bring it down in the range of 40%.
- Moderator:** The next question is from the line of Tanishq Makwana from Elara.
- Tanishq Makwana:** Sir, I would like to know what is the rejection rate for this quarter in our loans compared to FY23 and what would be our credit top-up for the same?
- Rajesh Sharma:** Can you please repeat? We are not able to hear clearly.
- Tanishq Makwana:** So what will be rejection ratio for the quarter as compared to FY23? And how are you evolving in the filtering process, how are we -- like what is basically -- on what basis are we accepting the consumer, rejecting it? And also what will the loan top-up amount to these existing customers?
- Rajesh Sharma:** So you are asking about which segment?
- Tanishq Makwana:** Sir, all. Like a blended on a whole level basically. You can give us segment-wise as well, that would be very helpful.
- Rajesh Sharma:** If you talk about our MSME and the Home Loan, log-in to disbursement ratio is in the range of about 30%. Log-in to sanction ratio in the range of 40%, but disbursement ratio is 30%. And in Gold Loan, there is no log-in and disbursement because on the spot, we decide whether to do it or not do it. Whether the customer is accepting or whether we are rejecting the customer. So that happens on the spot itself. So there is no log-in and all that ratio.
- Tanishq Makwana:** No, no, Sir, I wanted to know the conversion ratio. I guess if 100 consumers are there, like what is your rejection ratio? Not log-in, rejections, Sir? Like how many do you reject and how many do accept on the basis of what are your like -- do you accept a CIBIL of 700 or 750, around the lines of that?

- Rajesh Sharma:** If we are saying 30%, then 70% -- our 60% you can say rejection ratio because 40% you'd sanction, 60% you'd reject it.
- Moderator:** Does that answer your question? Mr. Tanishq Makwana, do you have any further questions?
- Tanishq Makwana:** Yes, I would like to -- yes, I have one more question. So where do you anticipate your ROA and ROE for -- ROA for basically FY25, FY26?
- Moderator:** Members of the management, if you are speaking at the moment, you are not audible.
- Rajesh Sharma:** Yes. So next year, ROA -- ROA, we should be having in the range of 2.75% to 3%, and ROE should be in the range of about 11.5% to 12%.
- Moderator:** The next question is from the line of Jai Daxini from IIFL Securities.
- Jai Daxini:** Yes. What would be our incremental cost of fund for the quarter? And second would be, is the PCR increase on an overall level or led by housing and gold segment?
- Rajesh Sharma:** So PCR increased at overall level, which is about 30%...
- Management:** 34%.
- Rajesh Sharma:** 34% overall. And our cost of funds is overall about 9.3% for CGCL, about 8.3% for the housing finance company.
- Jai Daxini:** On the incremental level, right?
- Rajesh Sharma:** If you talk about the incremental cost of funds, incremental cost of fund is about 9% for the housing finance and about 9.8% for CGCL.
- Moderator:** The next question is from the line of Kunaal N from Emkay Global.
- Kunaal N:** Sir, I just wanted to understand who are your key co-lending partners for gold loan, mortgages and SMEs?
- Rajesh Sharma:** So for the gold loan, mortgage and SME are Yes Bank, State Bank of India, Union Bank of India, Punjab & Sind Bank, UCO Bank and Indian Overseas Bank.

Kunaal N: Okay, Sir. And Sir, RBI has recently shown some uneasiness in digital lending and they have also shown some concerns in co-lending space. Do you see any regulatory action on this front?

Rajesh Sharma: So I don't think on co-lending side, RBI has any concern because they are -- the RBI and banks are more keen to increase its volume for the purpose of making customers' cost of funds going down. That is their sole objective.

So we are seeing more and more lines coming to us from the co-lending partners. As compared to last year, I think we have at least 5x to 6x more co-lending sanctioned by this year. So we think co-lending is going to be very acceptable and growing future between the banks and NBFC partnerships.

Moderator: We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, Sir.

Rajesh Sharma: Yes. So thank you. If you have seen, all of you would have noticed that as an organization and the management, we have shown our ability to build the new businesses. In last three years, we have started Gold Loan, we have built the Car Loan distribution platform. Now we have launched this insurance platform based on the technology.

So we have shown as an organization successfully doing that. In Gold Loan business, we have activated 747 branches in a short span of time,. Now we are thinking about the micro-LAP, which is the same kind of a customer for a smaller ticket size to leverage our branch network.

Going forward, cross-sell utilizing our existing customer base to reduce the cost income ratio and to improvement in margins will be the focus. And we hope with the technology focus which has increased our cost-to-income ratio significantly, because we are spending a lot of money on the technology side, will come down in the next year. The effort of technology will be seen in the next year.

So we are quite excited that FY25 holds lot of hopes and a lot of good things, which will translate into better income and earnings. With that, I conclude my speech and address. Thank you so much.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you all for joining us. You may now disconnect your lines..
