

May 17, 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 Q4 FY24 Earnings Call - Transcript

Dear Sir /Madam,

Further to our letter dated May 3, 2024, intimating schedule of the Earnings Conference Call on May 10, 2024 to discuss the Company's Q4 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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Q4 FY24 Earnings Conference Call

May 10, 2024

Management

Mr. Rajesh Sharma - Managing Director
Mr. Partha Chakraborti - Chief Financial Officer
Mr. Sanjeev Srivastava - Chief Risk Officer
Mr. Pramod Shettigar - Senior Vice President

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 'YoY', '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 Q4 FY '24 earnings conference call of Capri Global Capital Limited 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. Pramod Shettigar from Capri Global Capital Limited. Thank you, and over to you.

Pramod Shettigar:

Good afternoon, everyone. This is Pramod Shettigar, Senior Vice President at Capri Global Capital Limited. I shall read out a brief disclaimer for today's call. The discussion on today's call regarding Capri Global Capital Limited's earnings performance will be based on judgment derived from the declared results and information regarding 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 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 number 41 of Q4 presentation. Participants are requested to note of the same. We have Mr. Rajesh Sharma, Managing Director of the company; Mr. Partha Chakraborti, CFO; and Mr. Sanjeev Srivastava, CRO, over the call today.

I may now request Mr. Rajesh Sharma, Managing Director to present the opening remarks.

Rajesh Sharma:

Good afternoon, friends. Let me start by wishing you all a happy Akshaya Tritiya. We declared our audited consolidated results for Q4 FY24 in Wednesday, 8th, May 2024. I hope you had a chance to go through the Investors' deck. I would like to start by highlighting a few decisions that our Board approved in its latest meetings. CGCL's Board in the meeting dated 29th April 2024, has appointed Shri L. V. Prabhakar, Independent Director as Chairman of the Board of Directors. Shri Prabhakar, a career banker and former MD and CEO of Canara Bank, was appointed to CGCL Board in January 2024.

The Board of Directors approved dividend at the rate of 15% per share on the face value of INR1 for FY24. This will be payable on CGCL enhanced equity base after

the recent split from INR2 face value to INR1 face value, as well as the bonus in the ratio of 1:1.

As a result, CGCL's outstanding fully paid-up equity shares have increased 4x from approximately 206 million equity shares in Q4 FY23 to approximately 825 million equity shares in Q4 FY24. In the light of the split and the bonus issue, the EPS and book value per share for the past quarter has been suitably changed to make the values comparable. Please take note the same wherever the values appear in our earnings release.

I shall now turn to the commentary on business and earning performance. So as far as business is concerned, please refer Slides 4, 5, and 6. During FY24, we crossed various business milestones with AUM crossing INR150 billion to touch INR156.5 billion. This was a second consecutive year of 50% AUM growth. We are well placed to drive growth and achieve the targeted INR300 billion AUM by FY27, as we stated earlier.

As guided, our gold loan AUM increased to 3.1x YoY to cross INR30 billion AUM target. The gold loan AUM including co-lending AUM stood at INR34.9 billion in March '24. The milestone in Gold Loan business was achieved in just 20 months of launching the business. Momentum continued in a strong manner. The share of gold loan AUM was 37% and the share in disbursal was approximately 50% in Q4 as well as FY24, respectively. The number of exclusive gold loan branches were 750 as of March 2024. Talking about one of our key growth drivers, MSME, our AUM has grown to INR50.2bn, which is growth of about 15%YoY.

Coming to construction finance, disbursements remained range bound in Q4 FY24, driven by the existing sanction pipeline. The AUM share of both CF and Indirect Lending together was ~20%. The commentary in CF business remains unchanged. The business continues to be supported by a strong outlook for residential real estate in our key geographies like Mumbai, Ahmedabad, Pune, and Bengaluru. The competition amongst lenders for quality projects is intense although we have seen return of some pricing power. In construction finance, we will remain guided by our cautious risk management strategy to keep its mix at/or below 20% of consolidated AUM and remaining focused only on residential project in the affordable housing space.

Our co-lending AUM continued to rise during Q4 FY24 increasing to 11.7% of AUM compared to 8.9% in Q3 FY24 and 5.3% in Q4 FY23. We have gone through a learning curve since commencing co-lending 2 years ago. The acceptance ratio

of loans with our partner banks is now significantly higher than a year ago. With new technology being put in place, we see momentum in co-lending continuing.

If we talk about housing finance, our book has grown 52.8%YoY, from INR26.7bn to INR40.7bn. Home loans will continue to grow in coming years in the range of about 30%+ growth rate. We clearly see a strong traction helping on ground there.

Now I come to the earnings. Let me first start with the core earnings. Our spreads were stable at 6.4% for a second consecutive quarter. The increase in marginal cost of funds was more than offset by an improvement in yield on advances. The net interest income, or NII, during Q4 FY24 increased 4%QoQ and 36%YoY. On a full year basis, the NII increased 55% YoY.

The non-interest income performance also exhibited strong momentum across key income lines. It increased 10%QoQ and 25%YoY Q4 FY24. On a full year basis, the non-interest income increased 41%YoY. The share of non-interest income in net income was 31% in Q4 FY24 and 28% in Q4 FY24.

The share of non-interest income in net income is settling over 30% as some of the changes we effected to the car loan distribution commission in Q2 FY24 and co-lending income recognition during Q4 FY24 stabilized. With AUM momentum continuing to be robust and new insurance fee income expected to be contributing FY25, we expect the non-interest income performance to continue a strong growth trajectory.

The cost-to-income ratio touched 70.5% during Q4 FY24. This was majorly due to strategic investment in expanding our team and implementing impactful marketing initiatives. We'll be able to significantly review this issue.

A result of higher quarterly opex, the pre-provisioning operating profit declined 16%QoQ to INR1,096mn, but was up 22%YoY. On a full year basis, the pre-provisioning operating profit increased 37%YoY.

I come to the asset quality now. Our GNPA ratio declined 18bps QoQ to 1.92%. The PCR on GNPA stood at 43.2%, and the net NPA ratio declined by 28bps QoQ to 1.1%.

As regards profitability and outlook, we have reported a net profit of INR826mn, which is high 27% YoY and 26%QoQ. Excluding the loss incurred in the gold loan

business, our net profit would have been INR885mn. We reported 2.3% ROA and 8.7% ROE in Q4 FY24.

Our earnings performance during Q4 FY24 can be termed as being very resilient. Our efforts in diversifying our business and income streams over past 2-3 years are now beginning to support us meaningfully, as seen in Q4 FY24. We have coped with a decline in spreads and increase in credit cost for two consecutive quarters but reported a stronger bottom line.

Now I come to the technology and ESG initiatives. FY24 has been a year of innovation and transformation. Technology has been a critical area of focus for us where a number of initiatives have gone live, including our in-house developed LOS, FLEXCUBE LMS developed by Oracle, collection module, process reengineering, analytical decision-making have been implemented.

These tech initiatives will improve turnaround time, especially for MSME and affordable housing business loan through technology, which is new LOS and LMS, leading to improvement in sales productivity, optimise cost through reduction in per file processing cost and this pricing enable by the decision is compared to drive improvement in the net interest margin, which should be visible in the first half.

Capri is in the process of establishing systematic ESG practice internally and has crafted policies required in the ESG guidelines. We are currently in the process of obtaining ratings from global agencies. Furthermore, we are conducting training for our internal teams and aligning our business processes with ESG requirements. Going ahead, we shall periodically keep our stakeholders updated on the progress we make on ESG assessments.

We look forward to regularly sharing quantitative outcomes of our tech initiatives over the next few quarters.

Capri Loan continues to be "Great Place To Work" certified for a third year in a row.

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

Moderator:

We'll take our first question from the line of Satyaprakash Pandey from Haitong.

Satyaprakash Pandey: I had just one question. With the introduction of the new RBI regulation on gold loans, what operational challenge do you foresee your branches encountering? For instance, do you anticipate an increase in TAT or a potential shift of customers

back to the informal segment, considering that many from rural areas, specifically women borrowers may not have bank accounts.

Rajesh Sharma: I believe that after Jan Dhan accounts, there are no customers which we come across, which are significant in numbers, who do not have bank account. I think this circular on cash disbursement in excess of Rs20,000 has been clarified by RBI that NBFCs should not have done it.

So, I think all NBFCs will not be doing it. I do not foresee any challenge in it - of volume shifting back to the informal segment. Because most of the time, cash disbursement was being facilitated through BT transactions. So, I think when everybody in competition was following the same norm. Customers will have no option but to take their disbursements in the bank account. And today, everybody has a bank account.

You don't come across any customers who do not have an Aadhaar or a bank account. So, I think we do not foresee any problem. Earlier because everybody else was doing, some of the players are continuing to doing it. But now common norms have been stipulated. So I clearly see that the customer will also fall in line.

Moderator: The next question is from the line of Aman from Dolat Capital.

Aman: Regarding the previous question the analyst has asked, what percent of your gold AUM is on cash basis?

Rajesh Sharma: Very difficult to point out what percentage, but I can say that there was no disbursement happening, which was just purely cash. And after the guidelines have been issued, we have already stopped the disbursement in cash. And we can see that despite that, the volumes have not dipped.

And we can give you outlook that the first quarter results, when we again meet, sometime in July on the call, you will see that despite gold loan cash disbursements stopping, volumes have gone up. We saw it in the March quarter. We are currently seeing this. So we don't see any dip because of that.

Aman: Okay. So let me ask what will be - what is the share of (gold loans) about INR20,000 average ticket size? Like, what will be the share of cash transactions? I want to understand like -- for example, if you say that more of the transactions are BT-based, can you give just a ballpark number regarding that?

Rajesh Sharma: I think giving a ballpark number would be difficult. But going forward, less than INR20,000 loans will be less than 10%.

Aman: Less than 10%? Okay. So it is like close to the BT number. Like can I know what is the BT number?

Rajesh Sharma: It is not the BT number you can specifically say where you are disbursing the loan in the bank account of the borrower. You do not know whether he has already repaid that loan out of his own funds. It will be difficult to point out.

Aman: Okay. So less than 10% is about INR20,000 ATS, right?

Rajesh Sharma: Yes.

Aman: Okay. And you have no clarity with respect to percent of gold AUM, which is cash-based, right?

Rajesh Sharma: No, because that is not how you tag it in the system.

Aman: Okay. Got it. And I have other two questions, like if I may proceed. Can you provide a brief overview of the robust housing outlook considering the underlying demand in real estate across different geographies? And do you anticipate whether we will be able to accelerate the growth of our housing business significantly in response to this demand? And shall we enter new micro markets as well?

Rajesh Sharma: If you see the housing demand which is in the affordable housing segment, even the incremental 90% demand is coming from affordable housing. Not value-wise, but number-wise. If you look at the data of various bureaus, rating agencies, even NHB data and other data, clearly, there's no lack of demand.

So if you have seen last few years, we have grown significantly. Last few years' growth has been in the excess of 50%. I think next 4 to 5 years, we'll continue to grow 30%+ in housing finance. And we will continue to add branches. This year, we will add some of the branches maybe in UP and UK (Uttarakhand). That plan is under discussion. But yes, every year, we add branches and we'll continue to grow 30%+ in housing finance.

Aman: Okay. So can you give me the -- what is your targeted branch plans?

Rajesh Sharma: For?

- Aman:** For housing, how many branches you want to add for this year?
- Rajesh Sharma:** So that plan is yet to be frozen. In the first quarter, we'll go to the Board. And again, then we have to take all the other approvals. But on an average, we will keep adding 20 to 30 branches every year.
- Aman:** Okay, 20 to 30 branches, is that right, what I heard? And regarding this car loan business, which has seen a very good growth trajectory - this quarter, we have seen a slight downturn compared to Q3. Is there any specific reason for this decline? And what sort of growth are we anticipating for this business for FY25?
- Rajesh Sharma:** In FY25, we should see a growth of about 20% in the overall volume. But in the coming year, we are going to add another business vertical, which is used car finance. And that business vertical will take about 3 to 6 months to step up. And starting in the second half, we'll see some volume happening.
- I think next year onwards, with used car finance and new car finance (distribution), you will see significantly enhanced profitability. And as you know, the pure fee income play we do not take any underwriting risk. We don't provide any capital here. And this entire business has been shifted to the new company called Capri Loans Car Platform Private Limited, which is a subsidiary company.
- All the business related to cars is going to be there. We see significant development and technology initiatives in this company to garner business in anything related to car. If you see even today, the corporate DSAs who are not dealers, we are #1 pan-India, and we are having a dominant position in this space.
- Aman:** Okay. Got it. And if I missed the earlier commentary, like why was there a dip in this quarter?
- Rajesh Sharma:** There is a slight dip, maybe because in one of the months, there is lesser volume. Plus we are in the process of shifting our codes from CGCL to the new entity. But we look at it like this - Q3 also we had done the good number. In Q4, the numbers are similar to that of Q3 number, maybe a dip of a marginal 1%.
- Aman:** Okay. It's like more of a process issue, right?
- Rajesh Sharma:** Yes. You cannot say this is a dip because we have done about INR28bn in Q3 and we have done INR27.6bn in Q4.

Moderator: We'll take our next question from the line of Romil Savaliya from Concept InvestWell.

Romil Savaliya: First of all, congratulations on a good set of numbers. I have a couple of questions. Let me start on the first one. Our cost of funds has increased by 50bps points approximately in the last few quarters and that has remained same so far. It is actually impacting our NIM. Is there any specific reason why we haven't been able to pass it on to the borrowers? That's the first one. And second one is on the technological initiative expense side. What would be the total expense we attributed on the technological side in FY24?

Rajesh Sharma: If you talk about the cost of funds, cost of funds have gone up about 50bps between Q1 and Q4. Out of that, we were able to pass on partly because some of the loans are semi-fixed in nature and some of the loans are on a floating rate. So the loans, which are in the floating rate, get automatically reset at a higher rate. But the loans which are in a 3-year lock-in for the price, they have not been. However, our gold loan portfolio is increasing in the overall contribution. And gold loan pricing is higher. So higher the share of gold loans in overall AUM, our net interest margin as well the spread will continue to improve.

If you talk about the last year, we have spent about INR112 crores on technology and data science. And this is a significant investment and that is one of the reasons that our cost income ratio is quite elevated. But in the second half of the current year, we will see a significant difference in TAT, resulting in higher productivity and better volumes at a lower cost. The cost-income ratio will start showing improvement in the second half of the current year.

Moderator: We'll take the next question from the line of Akansha from Matsya Capital.

Akansha: I have a couple of questions around gold financing. Firstly, I wanted to get a sense of the competitive intensity in this space. I mean, given banks are extremely aggressive - still continue to be aggressive here - how are you seeing that tracking in this space?

Rajesh Sharma: We are not aggressive because that is backed by branch expansion. In about 15 months we have opened 750 branches. Branch opening has happened across every quarter. And every branch is giving us AUM. I believe that this year, we have closed AUM of INR50mn per branch. And next year, we are targeting to close the AUM at about INR85mn per branch. Co-lending is also helping us in this space in addition to that. In co-lending, we are able to get adequate lines, which is helping

us to offer competitive interest rate to customers which otherwise we would not have offered. So gold loan will continue to give a good amount of fee income because of the co-lending in the coming years.

Akansha: Sure. Noted on that. Following up on the sales, how much of the growth this quarter - sorry if I missed this - but how much of it was driven by, let's say, the tonnage addition and how much was the gold price benefit?

Rajesh Sharma: Are you asking what was the growth in the current quarter compared to last...

Akansha: How much was being driven by the real growth in tonnage versus pricing additions?

Rajesh Sharma: If we talk about last 6 months, as my colleague has told, we have moved from 5tonnes to the 10tonnes. So while the tonnage will not reflect the pricing, we will see the kind of volume it has gone up.

Akansha: I have one additional question, which is on housing. But this is not really specific to the quarter, but more of a long-term view that I'm trying to get a sense around, which is that housing penetration in India is very low - 11% to 12% throughout the country. But do you see India's rural mix has been a challenge to growth. What are the levels specific to Capri? And then what does -- how does it differentiate versus the industry?

Rajesh Sharma: As far as Capri is concerned, we are lending to the real semi-urban customers, where they do not have adequate income proof. And we are more in the semi-urban rural areas. So our USP will be that how can we do underwriting, which is better and faster, understand the customer need, tailor-made solution. And this is that now we have aligned our technology also.

So the mortgage tech side, we have done a significant work in the last 15 months. And as I said earlier, that this will reflect in second half in terms of productivity and thus improving our cost-to-income ratio. We have developed in-house collection model, which is very, very effective. We have taken the help of Boston Consulting Group to advise in the entire process.

We are doing automated AI-based selection of the calls to be made by the automated callers. And by optimally selecting where our field source should go, where our automated calls should happen. So this significant work has happened

on the housing finance side as well. So I believe that next year will be a defining year in terms of all aspects of the way we are doing entire retail lending.

Akansha:

Noted on that. Just one last question from my end, which is what would be your outlook on cost of funds and how do you see it tracking from here on?

Rajesh Sharma:

I think on cost of funds, we gather the impression from various commentaries of the market and Reserve Bank and everything. I think cost of fund should stabilize at this level. I don't see any further hike going forward.

However, we expect if there is a strong performance, in six months or so, we should see some rating upgrades. And if that happens, on back of that, we should see some reduction in the cost of funds. However, for new lending, we are able to pass on the cost of fund. So net-net basis, incremental lending will not have any spread contraction.

It has happened to a limited extent last year, where we were not able to pass that on to the immediate customer. In the coming year, we don't see any hike. So clearly, there will not be much impact on the cost of fund reduction.

Moderator:

We'll take our next question from the line of Gaurav Sharma from HSBC.

Gaurav Sharma:

So a couple of questions. So first is, like a few months ago, RBI raised concerns in one of the gold loan NBFCs that there were some discrepancies noted in the gold loan quality and weight when the gold is coming for disbursal as compared to the auction. So have you also come across any such instances? And at CGCL, what are the corrective measures you have taken at your end? That's number one.

And Sir, I also want to know the internal threshold of LTV beyond which you go for the auction of the gold related to that? And another question is related to housing finance. Sir, recently, RBI issued some guidelines, where it has directed companies, which are delaying the disbursement and charging the interest rate on the portion of giving (*printing*) cheque and the time when the cheque is actually issued to the customer and the NBFCs are charging interest for that portion. So -- have you also noticed such instances in our company? And if yes, then what would be the amount of interest you would be reversing? So these are my questions.

Rajesh Sharma:

Yes, my colleague Sanjeev will answer.

Sanjeev Srivastava:

Sanjeev Srivastava here. I'm the Chief Risk Officer. I think, if I recollect your first question is that what are the precautionary measures that we have taken with the

difference in caratage or weights that you wanted to understand. So what we have done is that we are in continuous engagement with various regulators. We are in continuous engagement with all the departments, whether it is audit, our business, and everybody. And we are giving a lot of training workshops and everything is happening. A notable thing that what we have done is that we have organized training from the government's MSME skill development department. And we have trained around 1,600 of our staff on valuation of gold. And it is an online training, it is a physical training, where they teach you how to value a gold and also give you a certification. So now 1,600 staff of my gold loan team are certified by this training program.

Since we're laterally entering into gold loans business, my team members - valuers have more than 5 years of experience in valuation. They are from competition. They understand the gold loan business very well. So that has worked to our advantage. Added with a fresh set of training for all of our employees, which is going to take care of any kind of difference in gold valuation.

Your second question was at what level do we go for auction? Auction happens on two counts. One is the plain and simple DPD, which is obviously both 90+, we go for auction. And the second point was that internally, we also track something on a daily basis, which is for mark-to-market. So in mark-to-market cases, we start giving notices to the customers the moment they reach 80% LTV. And once they reach at 85% to 90%, we do the auction. Can you repeat your third question?

Gaurav Sharma: Yes. So sir, my third question was related to the housing finance business. So what happened was that some of the NBFCs were charging interest between the time duration they actually issued the check and the amount when it was actually getting credited into the customer account. So for that portion like - 15 days to 20 days - they were charging interest. Now RBI has asked them to stop such practices.

Sanjeev Srivastava: Basically, if you look at the business per se, there are some nuances where the customers will take a disbursement request form. If the customer asks for disbursement, only then we disburse.

Now in a housing kind of a scenario, there is something called registration. For registration, they get a time or token from the SRO and which can be like a week or 10 days later. So that was the situation which the regulator wanted to curb. So the action that we have taken is even though we disburse it in the system on a certain date so that we are ready and the customer doesn't face any issues when his actual date of registration comes by, my interest charge will happen on the

date I'm handing over the cheque to the customer. So in my system, I'm also building a button called handover button. And post that only, my whole calculation will start. So that's how we are complying with the regulation.

Gaurav Sharma: Okay. So sir, that means you don't have to reverse any of the interest till now like in the period this has happened...

Sanjeev Srivastava: This has recently come up. And the only time it took was more to do with implementation on system. In this period whatever we have disbursed, those will be far and few transactions. Because, as you know, April anyways is a very muted kind of a month for the business.

Moderator: We'll take the next question from the line of Manvi Rathod from Ventura Securities.

Manvi Rathod: My first question is, what is the average business for gold loan branch that we're doing currently?

Rajesh Sharma: So you're talking about the average, AUM per branch is INR46mn.

Manvi Rathod: INR46mn, okay. And what increase do we see going forward?

Rajesh Sharma: What was the next question, ma'am?

Manvi Rathod: Yes. I'm saying going forward, do you see any increase in the average basis?

Moderator: I'm sorry, Manvi. Can you use the handset mode, please. It is not very clear.

Manvi Rathod: I was asking what is the average business for gold loan branch? And do we see any increase going forward?

Sanjeev Srivastava: Yes, definitely. As we mentioned, if you look at any of the gold loan businesses and for any of our peers or competitors, you'll see that Rs120mn is the average AUM for branches, is what we understand from our study of peers and everything. Currently, we're at Rs40mn to Rs50mn. So we have a good runway to grow. And obviously, one is led by the growth in the same branches. And also, if we open some more branches, then that will also add to my growth. But having said that, I think we have ample room to grow from the existing branches.

Manvi Rathod: Exactly. Okay. And secondly, in our previous concall, you had mentioned that going forward, from Q4, we'll be able to share some specific numbers in the

insurance income on the segmental front. So do we have any insights on that as of now?

Sanjeev Srivastava: So I think right now, we are yet to publish that, but we will come back to you with this number.

Moderator: We'll take our next question from the line of Akshat from Niveshaay.

Akshat: So my question is why has the cost-income ratio inclined upwards again this quarter?

Rajesh Sharma: The cost-income ratio has gone up primarily because of 3 reasons: that some of the hiring has happened. And plus, we have taken some marketing initiatives, including Capri car loans, where we have taken this partnership with the Gujarat Titans for the IPL and some other initiatives. Plus technology spending is also impacting. As I said, we have spent close to INR1,120mn on the technology side this year. So combined fact is that our cost-income ratio has gone up. But I clearly see that after first half, we will see technology spend going down significantly because a lot of initiatives will come to completion and only the enhancement for which will need a smaller amount of expenses to be incurred. So a combination of this, I think, we'll see a significant drop down after first half.

Akshat: Okay, okay. The next question from my side is that what would be our contribution from MSME over next year?

Rajesh Sharma: MSME contribution, so if you see, the MSME will continue to grow at the pace of about 15%, and gold loan will increase in the pace of about 30% to 35%. Home loan will also increase over 30%. So this is how the pace will go for the coming years.

Akshat: Okay. Sir, one more thing I want to ask is about the demand around rural automobile loan sector.

Rajesh Sharma: We have a new car loan distribution business. And if you look at the new car market, it is growing with the pace of economy, it is growing at about 10%, 12% every year. We have set up the distribution across about 750 locations pan-India, with either help of our DST network or with the DSA network. So our car loan business per se will increase about 20%.

Moderator: We'll take our next question from the line of Professor Ajit Kaushal from GD Goenka University.

Ajit Kaushal:

And first of all, I would like to congratulate the entire team for successfully taking the company ahead. My question -- a part of my question has already been taken by one of the participants here. My question is related to gold loan, its valuation and auditing. So I heard the CFO explaining about the evaluation of the gold loan. My question is that once the valuation is done, so after that, what is the system of assessment and auditing at a higher stage?

Rajesh Sharma:

I will ask my colleague Sanjeev to explain.

Sanjeev Srivastava:

Yes. A very important question, a good question to at least answer when so many regulatory aspects are going on. Basically, each of our branch is equipped by 5 people, where 3 of them know and understand how to value gold. They have competence in valuation. And if you look at our process, each gold (jewellery) is valued by 2 of the valuers. So there's a maker-checker control in the system built-in.

And both of them have to put their approval authority into the system through their user ID. So that takes care of that -- if there is any confusion or there is a lapse which can be taken care of. Now coming to the audit piece of it, we have a trained audit staff of 100 people, who are responsible for auditing every gold (jewellery), which we have underwritten on a regular basis.

In addition to that, we have also deployed some AI, ML triggers on the system. We have built some 35-odd triggers, which give me early warning signals on this valuation. In addition to that, what we have also created is called a cross audit or a price audit.

So cross audit happens in the way that, suppose there is a rotation of auditors, then there is something -- particular branch is audited by X employee, then my team from the west will suddenly go to north and do the audit. So these kind of controls we have built in. Otherwise, we can proudly say that we have -- actually 100% of my packets of gold have been audited by my internal team.

Ajit Kaushal:

Okay. That's great. Sir, I am fully satisfied with your answer and we have total trust in your managerial system. But we'd like to talk something further about the technology, which you are employing for the purpose of valuing and assessing the gold, which has been submitted for the gold loan, if there is something?

Rajesh Sharma:

For assessing the gold loan, there cannot be any technology as such because you have to physically touch the gold, use all the various methods of either putting the

chemical or cutting it or using some machine to do that. So it has to be done manually. Assessing the gold cannot be done with any kind of technology.

Moderator: We have a question from the line of Gaurav Sharma from HSBC.

Gaurav Sharma: Just one question on NIM outlook. You mentioned that the cost of fund like almost peaked out and other income and gold business will also improve or increased so can you please give a NIM guidance for FY25?

Rajesh Sharma: Guidance on?

Gaurav Sharma: Net interest margin, Sir?

Rajesh Sharma: As you know, more the leverage will happen, the net interest margin will continue to go down. So I think that may not be a right indicator always. The indicator is always spread. Currently, our spread is in the range of about 6.4%.

As I said, since our gold loan proportion is increasing in the overall AUM, our spread will improve from 6.4% to -- it should improve to -- in the range of about 6.8%, 6.9%. And that is where our margins will further improve. So assuming that we are able to achieve a significant hike in the gold loan business, it will continue to improve. Now improvement of 300bps or 400bps, that will depend on the -- how much gold loan we are able to close by March.

Moderator: We'll take a follow-up question from the line of Aman from Dolat Capital.

Aman: Yes, Sir, just a data keeping question. I wanted to know the BT number regarding gold loan and affordable housing, if you can share for this quarter and previous quarter and for the year?

Rajesh Sharma: And that number may not be readily available. You can separately contact us and get it after a week.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you, Sir.

Rajesh Sharma: Thank you. Thank you for sparing time and showing the interest to know more about us. As we continue to grow our secured lending business, which is -- and we are all in the sectors which are very, very high growth, keeping in India's economic growth and the way that our economy has picked up the momentum across rural,

semi-urban area, we'll continue to grow our book in MSME, home loan, gold loan, and construction finance side.

And our fee income from the car loan and the insurance income will also significantly contribute. Co-lending is another space where it will give us a good amount of fee income because we do not put any capital, but just originate, underwrite, and collect. So that model will continue to grow. Collectively, we see 2024-25 will be a year which will define us the way we process our entire end-to-end loan processing.

Being property involved or the security involved, where legal valuation technicals are done, I think this is the piece we have cracked, which will put us in a very unique position, and this will result in lower TAT and better productivity, resulting in ultimately the lower cost-to-income ratio.

So with this, I will say, this year, we'll see a good high growth, along with the lower cost-to-income ratio compared to the last year, and we should see some good numbers coming in.

Moderator:

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