February 18, 2022

To,
The General Manager,
Department of Corporate Services
BSE Limited
P.J. Towers,
Dalal Street,
Mumbai - 400 001.

Scrip Code: 540268

Subject: Transcript of the Earnings Call

Dear Sir/Madam,

In furtherance to our letters dated February 11, 2022 and February 16, 2022, please find attached herewith the Transcript of the Earnings Call held on Tuesday, February 15, 2022, at 5:30 p.m. IST.

We request you to take the same on record.

Thanking You,

Yours faithfully,
For Dhanvarsha Finvest Limited

Lalit Chendvankar
Company Secretary & Compliance Officer

DHANVARSHA FINVEST LIMITED

Encl: a/a

Dhanvarsha Finvest Limited
Q3 FY-22 Earnings Conference Call
February 15, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Dhanvarsha Finvest Limited. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by '*' then '0' on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you. Good evening everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Dhanvarsha Finvest Limited. On behalf of the company I'd like to thank you all for participating in the company's Earnings Call for the Third Quarter of Financial Year 2022.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings conference call may be forward-looking in nature such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, as well assumptions made by and information currently available to management. Audiences are cautioned, not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and I will hand it over to them for opening remarks. We have with us Mr. Rohanjeet Juneja - Joint Managing Director, Mr. Karan Desai - Joint Managing Director, Mr. Sanjay Kukreja - Chief Financial Officer and Mr. Parag Shah – Chief Operating Officer. Without any further delay I request Mr. Roahanjeet Juneja to give his opening remarks. Thank you and over to you sir.

Rohanjeet Juneja: Thank you, Anuj. Welcome, everyone to our fiscal 3Q earnings call. We are pleased to announce strong earnings of Rs.29 million up from 19 million in the previous quarter. This translates to earnings growth of 17% quarter-over-quarter un-annualized and up more than 5.2 times year-over-year with a 3.6% ROA. For nine months of the year pre-tax earnings are 74.1 million up 268 from 20.1 million for nine months of fiscal 2021. Disbursements were 896 million, up from

218 million a year ago led by MSME goal and business loans backed by a first loss default guarantee. The split of our loan book today comprises 39% in MSME business loans, 37% in gold loans, 11% in loans against property which is in runoff mode, and 12% in personal loans. Going forward, the focus of the company will be MSME business and gold loans driven by strong tech distribution and lending as a service for large financials which is tremendously profitable and capital efficient on Dhanvarsha's balance sheet.

Robust disbursement growth has led to a substantial jump in revenues which is up 276% year-over-year, driven predominantly by of 14% quarter-over-quarter un-annualized and 342% year-over-year rise in interest income. With the current disbursement trajectory, we expect continued strength and revenue growth going forward. Our debt to equity is currently 1.1x with capital adequacy at 47%. In terms of risk management and collections, we have been able to report +100% collection efficiency for all three months of the quarter, including pre-payments, part payments and early repayment on gold loans. While the loan book has risen 238% year-over-year to Rs.2.58 billion. More importantly, we have tremendous accretion and customer count, who have borrowed from the company which is up more than 10 times in the last one year to almost +24,000 borrowers. It is noteworthy that our highly awaited digital asset in Dhanvarsha Technologies Money Rabbit was launched in the last week of December, and we have seen more than 368,000 downloads with more than 65,000 active customers on the platform.

We think it's important to spend some time on this call spelling out three large strategic initiatives that the company is pursuing with increasing vigor going forward as we move towards our target of acquiring and servicing several million customers over the next few years. One is co-lending partnerships with large lenders, what we call lending as a service for which the company has already tied up with Central Bank of India and Easy Capital and will soon potentially be tying up with a few other large lenders. This is extremely accretive since it's a high IRR product for the company that will generate robust earnings growth in future quarters.

Number two, is our substantial scale up in digital muscle and data science along with the launch of Money Rabbit. This will be a game changer for us in the MSME space, where we expect significant customer acquisition and data intelligence in future periods. Number three is robust risk management and internal control, which is key for maintaining superior risk adjusted margins with sturdy asset quality.

Let us start with lending as a service. Lending as a service or partnerships with Dhanvarsha is a minority capital provider of 5% to 20% with a large lender that provides 80% to 95% of the loan amount to borrowers for MSME gold and business loans. Dhanvarsha does the entire sourcing, servicing and collection on these loans and generate economics on 100% of the loan value. This makes our balance sheet extremely capital efficient with a healthy mix of on and off balance sheet AUM, thereby enhancing profitability. In August 2021 we tied up with Central Bank of India for a large Rs.10 billion co-lending partnership in MSME gold loans, where they hold 80%

of the loans on their balance sheet while Dhanvarsha will retain 20%. There is a predetermined hurdle rate that Dhanvarsha gives Central Bank of India for an 80% lending share. Dhanvarsha gets to keep everything excess of the hurdle rate on Central Bank of India's 80% contribution. While we also retail 100% of the economics on our 20% lending share.

Similar to Central Bank of India, we have signed another co-lending relationship in a 95% and 5% with an NBFC in Northern India, and are in advance stages of discussions with a few other large lenders that we expect to consummate in the next few weeks. In the next few years. We expect 20% to 30% of AUM to come from lending as a service and successful scale up of these relationships in coming years will significantly enhance profitability and capital efficiency for Dhanvarsha.

Number two, on data intelligence and Money Rabbit. As we gain substantial scale over the next few years with an aim to acquire and service several million customers. It is imperative we have a more robust and smarter approach for dispersing loans, utilizing existing data, cross sell, upsell, and leverage AI and technology to build modules that help both the traditional and FinTech side of the business, for highly profitable and sustainable growth along with utmost customer satisfaction. We are also intensifying our focus on fee businesses like cross sell and syndication, which allow us to deepen our engagement with customers and increase monetization. All of this directly indicates how critical of a role data will play for our growth in coming days. Keeping this in mind, we have created a data science vertical and to that end, we have hired an extremely senior resource as our Chief Data Science and Analytics Officer, who was awarded India's top 40 under 40 data scientists by analytics India magazine. He joins us with almost a decade of experience in leading large scale data science, actuarial science and digital products assignments across the globe.

In December, we also launched our flagship digital asset Money Rabbit, which has so far seen over 368,000 downloads with more than 65,000 active users in less than eight weeks. As you may know, Money Rabbit is not just a micro lending app, but an omni channel embedded finance platform providing credit health and financial wellness for MSME and blue-collared worker along with the ability to borrow, pay, invest and save all from one app. The idea behind creating Money Rabbit came to us from our learning’s in the lending business where many MSME borrowers are unaware or uneducated about credit wellness due to which they fall on into debt traps or borrow rates where they have no control on the rate at which they borrow. Money Rabbit is backed by an automated data engine, which captures real time data that is self-evolving, robust and developed in-house by a passionate technology data science and risks analytics team. This engine posts getting access to data captures accurate insights about consumer behavior, giving us an upper hand over bureau data which is always backdated. We have also worked with credit bureau CRIF to back test Dhanvarsha’s personal loan portfolio and derive insights from CRIF market data to arrive at an appropriate non-judgmental scorecard for lending via Money Rabbit. In the initial phase we will do the majority of lending to a B2B2C approach with large partners to minimize risk and cost of customer acquisition.

Along with lending and a wallet, our MVP Money Rabbit will be a credit health check tool. The biggest advantage of this service along with other modules is to provide an entire ecosystem for a consumers credit health and financial wellness, along with the ability to borrow, take, save and invest. Money Rabbit will also empower our users with multiple cash back and rewards, which will be featured and marketed systematically to increase daily app usage and stickiness. While Dhanvarsha will be the initial sponsor lending on Money Rabbits platform for the first few months, the idea is to open Money Rabbit into a marketplace where multiple other sponsors can lend to millions of customers based on their risk appetite.

Now on to the third large strategic objective on risk. Given the recently released RBI scale based regulation for NBFCs. Institutions in the base layer are expected to comply with the +90 the NPA recognition in a scale manner until March 2026. We as an institution have taken a call to comply with this from September 2021 itself. Growth NPAs excluding LAP loans for Dhanvarsha would have been 1.32% which were reported as 2.95%. This is a significant improvement for Dhanvarsha where gross NPAs are down to 2.95% from 7.43% a year ago. We are making all efforts to recover on these legacy LAP loans which comprise about 56% of the 2.93% gross NPAs.

In recent months, we have also introduced several additional risk governance and policy measures to further monitor credit risks like a risk appetite statement at entity level covering credit, liquidity, solvency, information security and financial risks. The objective here is to establish common standards for management of various risks at portfolio level. Rigorous reviews for instant portfolio, which is less than six months on book and nonstarter reviews, if any including revise allocation of such imprint cases to sales and credit, as opposed to earlier OE with the collections teams are undertaken. These reviews have resulted in approximately 96% resolution in December, and 90% resolution in January of these infant and non-starter cases. There is also increasing rigor in LAP collection reviews to ensure that for all high value cases exceeding 5 million SARFAESI has been initiated. And the company has also started a practice for sending pre-SARFAESI notice for +60 the delinquent borrowers to put additional pressure and collect on these loans.

Dhanvarsha has also established uniform criteria for assessing and onboarding all preferred sourcing partners approved by a credit committee, along with a standard review framework for quarterly review of partners post onboarding. The company has also revamped the first loss default guarantee framework and SOP for invocation of FLDG to make it more effective. In terms of audit controls, we have ample controls in place to give regular feedback to the field sales teams, as well as advising on branch operations and functioning of branch control charter as well as a branch control scorecard has been put in place for objective assessment of branches. The risk team also monitors SBU and branch level profitability extremely diligently on a monthly basis with the management team for efficient capital allocation.

Lastly, to make sure we meet our strategic objectives of a +5% ROA, and serving millions of customers over the next few years, we have also deployed a cutting edge fully integrated loan origination and management system to enable seamless onboarding, underwriting, servicing, risk monitoring and all time collections. With that, that's the end of our prepared remarks and we'll open up the floor for questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from Sangam Iyer from Consilium Investment Management. Please go ahead.

Sangam Iyer: Just want to understand two things, #A under the business model, wherein you're doing financing as a services and you have tie ups with Central Bank of India, etc.. How does, if there is a default do we have a recourse to 80% of the book that Central Bank takes up or how does it work over there?

Rohanjeet Juneja: So, on the Central Bank of India relationship, these are loans that are backed by gold, if a loan defaults on its past 90 days, DPD we have another 180 days to recover or replace on these loans, and give back Central Bank of India, the hurdle rate on the 80% invested amount.

Sangam Iyer: Okay. So from a provisioning perspective, then you would have to take care of 100% of your order book provision when it look revenue look at it from a direct provisioning perspective right?

Rohanjeet Juneja: That is correct, that's based on the delinquency track record and our ability to collect on the loan, again these are 100% backed loans by gold and with an LTV of less than 70%.

Sangam Iyer: Got it. How does the business work when, , it's not a gold backed loan, would you be extending this kind of services for loans wherein it's not collateral back like gold, etc. or?

Rohanjeet Juneja: So usually in a co-lending relationship where you have a majority partner for a business loan product for instance that is completely unsecured, most large lenders insist on a cash first loss default guarantee, we have not entered into any such relationship.

Sangam Iyer: Fair point got it, and lastly when you spoke about the Money Rabbit kind of becoming a platform for lending for something similar to maybe like a PolicyBazaar for insurance policies, etc.. How would this work, when you want to create it as a practice, you be selling the data part of it over here, or sharing the data with all the banks or how would the onboarding happen, because you would be creating a marketplace so what's your thought process there?

Rohanjeet Juneja: So, the thought process is to convert it into a marketplace over a period of time, the entire curation of a loan application along with the credit score, along with all the intelligence on the customer would be provided to a potential partner through API integration, and they would lend based on their risk appetite, obviously there would be a hurdle rate that would be provided to the lending partner, we would get a spread from the lending yield for the loan that is given to a customer.

Sangam Iyer: So what kind of tie ups or partnerships, you would have to take up here, #A, as you said credit, so creating the database for that would take some time before we can lease out our data bank to customers for mining. So in the interim period, what kind of databases would you have to tie up with or debit to in order to make sure that the credibility of the platform is in hand.

Rohanjeet Juneja: Sure. So at this point, in the initial phase what we are doing in Money Rabbit is a B2B2C approach. So we have tied up with payroll aggregators, and other aggregators, where they have access to large databases of customers. And the idea to lend through all the data intelligence that they have through an API integration with us is it will be a very risk mitigated approach to lend to these customers, because there's a lot of data that already rest for these aggregators on the customers. And the idea for us is to minimize risk, we are a company that always focus on the bottom line. So it's not only about the growth, it's always about risk adjusted growth.

Moderator: Thank you. Next question is from the line of Vishal Mehta from DAM Capital. Please go ahead.

Vishal Mehta: Just want to understand on the co-lending piece, are there any more arrangements involved and what kind of arrangements are involved if you can just highlight that, what can we expect going ahead how many such co-lending relationships which you guys would love to work on?

Rohanjeet Juneja: Sure, thank you Vishal. So, the co-lending relationships at this point in time are fairly active for us we are in active discussions with two large banks and with two other NBFC's as well. So that is something that we are paying a lot of attention to. Our teams are fully bolstered and geared up to cater towards these relationships. And hopefully in the next few weeks, we'll be able to give you more color on who these lenders are and what is the potential size of these partnerships.

Vishal Mehta: Sure. So can one assume that are these discussions at advance stage or these are preliminary discussions?

Rohanjeet Juneja: So these are fairly advance stages.

Moderator: Thank you. Our next question is from the line of Devesh an Individual Investor. Please go ahead. As there is no response from the line of the current questioner, we will move to our next participant. That's Mr. Ankit Patel from Maybank. Please go ahead.

Ankit Patel: Just I had a follow up question from one of the earlier participants. In your lending as a service business, you have highlighted you will have three vertical gold loan, MSME loan and personal loan. Are all these loans going to be asset backed or it will be, gold back or MSME and personal loan or it will be basically pure personal loan as well as, unsecured personal loan?

Rohanjeet Juneja: So in lending as a service, the majority of what will be there will be loans that are backed by gold. On the business loan category we are in discussion with one lender, which is separate to the four lenders that we spoke about, for personal loans the idea is about Money Rabbit how that evolves into a marketplace. So that's lending as a service as well. But the majority of it will be backed by gold.

Ankit Patel: Got it. And does that lending as a service ties into your digital business as well and if you can elaborate a little bit how Money Rabbit we get, how Dhan Setu plays a role in this as well, that will be helpful. Thank you.

Karan Desai: Hi Ankit, Karan here. So on the Dhan Setu piece, we conceptualized it as a one stop shop onboarding platform for all the channel partners that we do business with. This is not just restricted to the feet on street that we have in-houses include our relationship managers, branch managers, etc. But including all the smaller and large DSAs and other channels partners that we work with throughout the country. So what we are trying to do now in terms of digitization of the core traditional business is to even on board partners who can help us so it's not just the traditional business loan product, which is fairly common, but also start generating gold loan clients for us because as you would also be aware, traditionally the gold business has typically been a BT or balance transfer driven business. We are trying to do something interesting in this space where they are trying to generate new clients from channel partners who have traditionally not sourced the gold loan product simply by making it easy for them through this digital platform called Dhan Setu. So it is the last stages of finalization now in terms of the bug ironing out, etc. And by the quarter ending March 31st. It will be completely live and we will be able to onboard partners and clients across the board, pan India for both the core products which Rohan mentioned which is gold loans and business loans. So personal loans will be a small aspect of the business and will be restricted to Money Rabbit as of now.

Moderator: Thank you. Next question is from the line of Sarthak an Individual Investor. Please go ahead.

Sarthak: So, I just wanted to understand that, if you look at Y-o-Y and Q-o-Q gross NPA, or net NPA, they're actually increasing. So could you comment on the fact like, why is this happening and what are we doing, the collection efforts that we are doing to reduce this?

Rohanjeet Juneja: So if you look at it on a year-over-year number, the reason it looks higher 2.93% versus 2.35%, is because a year ago, it was +180 day recognition norm versus a +90 recognition norm. So if you actually look at our presentation we have disclosed both the numbers if you look at them +90 day from a year ago, it is much higher under 7% range. So there's been a significant improvement actually in the gross and the net NPAs both. If you look at it on a quarter-over-quarter basis, it is roughly flattish. If you look at our numbers as well, this quarter was slightly lower in terms of AUM growth it was the churn on a lot of the loan products was fairly high. Plus the company made a conscious call as well, as we disclosed in the presentation in November and December, we were slightly slower on disbursements and we were sitting on a good amount of liquidity, because the market became a little competitive, and we do not want to take down pricing that's number one. Number two, is also because of the Omicron scare, we took down unsecured business loan lending from a risk mitigation standpoint, there is no other reason otherwise, from a collection standpoint November and December was slightly lower on the core traditional business loan unsecured product, because of Omicron that has since returned to normal now. And number two is, if you look at the collection efficiency on gold, and the preferred sourcing partnerships, there the collection efficiency is pretty high well North of 95% on the preferred sourcing partnership, and well North of 100% on the gold loan product.

Sarthak: Okay, so basically that's the accounting problem not the overall reporting. And if you could give a guidance on what you're expecting this number to be in FY23, maybe?

Rohanjeet Juneja: So in FY23, we would not like to give any formal guidance, but obviously the endeavor for us is to keep gross NPAs below 3%. Over here, what's important to note as well is depending on the success debt with resolution on some of the LAP accounts we could see an improvement in gross NPA because 55% of the NPAs right now in the gross NPA bucket come from eight LAP loans specifically. So any resolution around that would help get this number too much below 3%.

Sarthak: Okay. Just one more question, if you could elaborate a little bit more on the digital platform on the Money Rabbit, like how much of our business is being generated from traditional vis-à-vis digital channel and how many users like going forward that we are targeting right now, how many users do we have over here?

Rohanjeet Juneja: Sure. So at this point in time, we have close to 368,000 downloads of which about 65,000 are active users who have completed the journey about 36,000 are credit help to subscribers. It's still fairly early days for Money Rabbit in terms of its evolution, because we only launched the asset at the end of December. I don't think we would want to disclose everything at this point in time, we would present a detailed presentation when we announced full year results. There will be some more traction on Money Rabbit at that point in time. Furthermore, it's still fairly early. We would not like to disclose all details right now. I forgot to answer your question in terms of how much business has been sourced through Money Rabbit right now for Dhanvarsha. The answer is nothing, not right now.

Sarthak: Okay. But, then forward in the future we're looking at a good number that is going to come from that?

Rohanjeet Juneja: So, Money Rabbit is a different engine altogether. In terms of the ticket size of lending and how much Dhanvarsha will contribute that will largely be as I mentioned through a B2B2C lending acquisition channel for Dhanvarsha in the first few months before we open it up for B2C or for other lenders to come and lend as well. So at this point in time when we prepare our business plans for Dhanvarsha, there is not much accretion we are estimating for Money Rabbit that is an engine by itself, and we see significant upside over there, if it contributes to a good amount of Dhanvarsha volume, then that is over and above what we have in our business plan.

Sarthak: Okay. If possible, if I could squeeze in one more question. So, this is regarding the gold loan. I understand that we are going aggressive on gold loans. So can you give some insights on how we are combating against the bigger players in this category like Muthoot and now we heard that similar NBFCs like K3 Global is also planning to go aggressively on this. So could you give a brief about the strategy over here looking at the overall opportunity size as well, going forward?

Karan Desai: Sure, hi this is Karan here. So on the gold business piece you have to tackle this challenge in two parts. One is, of course customer challenge, which is where we differentiate ourselves completely bases the quality and the level of service that we offering our customers. So if you have the opportunity, we would like to encourage you to visit one of our branches so that you can actually see physical manifestation of what we call the gold loan experiential center, as opposed to our branch for the simple reason that unlike any of our competitors, and peers these are spacious 400, 500 square foot locations, they are white washed and clean. We have a couch and a coffee table for our customers to sit, we make them comfortable. And it's not a cage like atmosphere, which you might see in some of the other competing brands in the market today. Secondly, the customer we service even today about 90% of our client base makes an annual income of less than Rs.5 lakh. So these are small customers, they typically feel intimidated going into a large banking branch or anywhere where it is crowded. And they prefer having an atmosphere where someone can sit with them, explain the schemes to them and make sure that they have a rapport with the person in the unit. So at a talent levels this is the second battle that we fight, where we truly differentiate ourselves in terms of the ownership and the opportunity we are providing our employees. So having started this business, just about a year and a half ago, some of our existing branch managers have already made the progression to regional, given the scale at which we are growing. And some of the junior level staff have now graduated to becoming branch managers for some of the new locations and have done exceedingly well. So having a differentiated approach both on the client servicing side and the experience side, and the talent acquisition and retention side, we truly feel that, that is what actually makes us a lender of choice, and which is why customers not borrow from us for maybe a 50-60 bps arbitrage, which they might get under competing brand.

Rohanjeet Juneja: And just to add to what Karan mentioned as well, I'm sure if you looked at the results of some of our competitors, what we had decided in the month of October as well is to step back and not compete at that aggressive pricing. That has placed us in good stead while we had slightly slower disbursements in the quarter, we are more than happy because as an institution, we're extremely focused on the bottom line and there is nothing that we would do to not make that bottom line by doing aggressive lending or either diluting pricing or by diluting norms. We personally believe given the results and given the commentary also by some of our competitors that are publicly disclosed that the market now is a lot more rational, which is what we are seeing, given the fact that aggressive growth has resulted in certain, subpar earnings for them as they have disclosed in their earnings results.

Moderator: Thank you. Next question is from the line of Devesh an Individual Investor. Please go ahead.

Devesh: So, I had a couple of questions. We can see your interest rates coming down. So what is our credit rating currently and by which rating agencies do we have rating?

Rohanjeet Juneja: Sure. So the yield on the portfolio at this point in time for the most recent quarter was 21.4%. We are currently rated BBB both by CARE and INFOMERICS.

Devesh: Coming to the second question, can you share what are the LTVs and yields in each product category?

Rohanjeet Juneja: Sure. So, LTV now at this point in time is largely applicable to the gold loan segment only considering that we aren't doing modular anymore. So on the gold loan product as per RBI regulations, the LTV caps out at 75%. But effectively, the LTV on the ground is much lower for the simple reason that if a piece of jewelry is worth 100 typically about 15% to 20% is deducted as making charges. So the LTV applied is largely on the balance 80 Rs. So, it makes it an LTV on grounds of about 60% or so. And the way we manage to control risk as well as that we do not do bullet, principal and interest schemes, we do 30, 60, 90 day interest scheme. So, customers are used to paying and servicing interest on a regular basis. And that helps us mitigate the LTV and margin risk as well because, even the gold prices are fluctuating a little bit, given the faster churn in this product and the fact that they're servicing interest regularly and the conservative LTV thrown in the mix, it makes the risk on the portfolio much lower for us.

Moderator: Thank you. Next question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: My question is, as you already mentioned, the December quarter was not as great and we also saw the third wave, January also had a bit of an impact. So how are you seeing the situation now because it looks like things are coming very quickly back to normal. And given that we have got reasonable capital with us what kind of quarterly run rate in the loan book can we achieve going into FY23?

Rohanjeet Juneja: Sure, thank you Devesh, so the December quarter was largely a conscious effort on part of management to slow down disbursement only because in the month of October, we saw that the gold loan business became extremely competitive. And number two was on the business loan product slowed down in early November because of the Omicron scare. Things are back to normal now, even the gold loan market what we are seeing has become a lot more rational.

So from a pricing standpoint, we are very comfortable with where we are, from a growth standpoint as well. It definitely will be a better quarter we would not want to give formal guidance on what we would like to do on a monthly basis. But the infrastructure that we currently have, we can easily do between 40 to 50 crores a month. The question is at what pricing we would want to do that. So that will be based entirely on what management decides on the quantum of disbursement that we want to do on a monthly basis. In terms of capital as you mentioned, we are very comfortable in terms of liquidity as well. At this point in time we are sitting on undrawn sanctions of +50 crores and we are sitting on existing liquidity which is on our balance sheet of +40 crores. Furthermore, there are many additional sanctions that are in the pipeline that we expect to materialize in the month of February and March itself. So the idea for us has always been to be completely funded, at least for one entire quarter in advance in the previous quarter. And given the situation right now with our liquidity and capital. We believe we will have more than enough capital for the future quarters at that pace of disbursement.

Jigar Shah: Just one more point to ask in terms of the NPAs, what you have now reported are based on 90 DPD so, that we should take as a steady state going forward with a scope to reduce it further right?

Rohanjeet Juneja: Yes, so our goal is to keep gross NPAs below 3% that is what we are seeing in the business. Obviously if there is resolution of certain LAP loans, there should be a potential improvement as well. So the improvement in the LAP loans and resolution around that is a matter of timing. We would not like to give formal guidance on the timing but obviously we are working very hard to make sure that we collect on these LAP loans in due course, which is fairly soon enough. So that these go out of the gross NPA bucket.

Moderator: Thank you very much. The next question is from the line of Neerav Dalal from MID Securities India. Please go ahead.

Neerav Dalal: I had a couple of questions. First is, what percentage of our book would be driven by co- lenders and how do you see this book move going ahead?

Rohanjeet Juneja: So at this point in time, in terms of the co-lending relationship, where we are the minority lender and we have a majority lender we have a relationship with two lenders at this point in time it's still fairly small, because that started for us in the month of August 2021. But as I disclosed in the remarks ahead, over the next few years we expect that to be between 20% to 30%, where between 80% to 95%, will be contributed by larger lenders, we will do the sourcing serviceman collection on the loans being a minority capital provider between 5% and 20%, and generate high IRR on that product.

Neerav Dalal: Right. And the other question is, in terms of cost of capital, how do you see it move now that we would be embarking on an increasing, interest rate cycle?

Rohanjeet Juneja: So if you look at our cost of capital, if you look at what we disclose in the presentation as well, the cost of sanctions for us over the last four quarters have come down 100 basis points, given our liquidity situation today, given our capital, given the size that we are growing into as well, we actually believe that there is potential scope for us to take down our cost of capital, as lenders get increasingly more and more comfort on us. We have over 21 lenders today which is up from one lender over the last two years. So we actually have a peculiar situation where we believe that our cost of capital will come down over the course of the next one to one and a half years.

Neerav Dalal: So would this mean that we will be in a position to compete in a market with lower keeping our NIM same and lowering our yields or do you see yields also increasing for us?

Rohanjeet Juneja: So one of the reasons why the NIM, which in this quarter came in at 7.2% is because we carried a higher liquidity balance because we have slowed down disbursements from the previous quarter. That's the reason the NIM came down from 9% to 7.2%, we actually expect the NIM to go up now, given the fact that we will be doing more lending as a service business disbursements have returned to normal. And number three, the cost of funds should continue to go down. In terms of whether our cost of capital comes down and will we take yields down. I don't think there is a plan right now to take yields down, we actually price our loans based on the expected provisioning, cost of acquisition, etc. So we have a Dhanvarsha base rate internally in the system. And we don't expect there to be any kind of yield contraction, at least what we're seeing in the business right now. We actually expect the NIM to go up somewhat from here, given the fact that our cost of capital will come down number one and given the fact that lending as a service as well will pick up which is a higher IRR product.

Neerav Dalal: Got that. And just lastly, any guidance in terms of increase in the number of branches that we are expecting over the years?

Karan Desai: So, keeping in mind the third wave, we are obviously slowed down on the opening of branches over the last quarter or so. But case are picked up again and typically, while opening on the unit is not a challenge that has a two week lead time to it. Onboarding the manpower given what one of the other participants also mentioned, competition in the sector. The challenge to get manpower on time is what actually makes us have to build a pipeline for a three, four month period on a rotational basis. So, from March onwards our endeavor will be to try and do at least about two to three new branches a month and this will be spread across largely the existing markets we operate in which is Madhya Pradesh, NCR and Maharashtra/ Goa.

Rohanjeet Juneja: One of the other things also to keep in mind while we open more branches is we have an extremely keen eye on profitability per branch. So there is an active portfolio monitoring that happens branch by branch level as well. And also with the increasing number of lenders that we will be doing lending as a service for the branch profitability, breakeven is much faster. So traditionally, when we were opening branches earlier, the breakeven per branch was about six to eight months depending on how fast the AUM gets built up. What we have seen in the most recent branches that we have opened with a co-lending partner is those branches usually break even in three to four months. So, it will more accretive with branch openings in the last vintage.

Moderator: Thank you very much. Next question is from the line of Manish Modi from Maybank. Please go ahead.

Manish Modi: Just a quick question on the tax, tax this quarter shows 1.2 million. And is it low because it's been average in the earlier quarter or you're expecting some?

Rohanjeet Juneja: No. So, thank you for that question so what happened in the first fiscal quarter, which was the June quarter of this year, we had an issuance of CCD, convertible notes due to which a deferred tax expense gets created. So if you notice that first quarter, we had a profit before tax of about 1.78 crores, but we had a PAT only of about 8 lakhs. So that gets reversed every quarter subsequently for the next six quarters. So part of the lower tax in this quarter was because of the deferred tax expense getting reversed. This will now normalize, and you can expect a tax rate of between 25% and 30% for us going forward.

Manish Modi: That's on Q4?

Rohanjeet Juneja: Yes, and so if you look at the nine months as well, there are tax averages out. So if you add the tax for the last three quarters, last nine months, it's in that range.

Moderator: Thank you very much. Our next question is from the line of Abhijit Kukreja from AGCA. Please go ahead.

Abhijit Kukreja: Maybe this is a new presentation, I may have missed it. Can you talk a little bit about which verticals within the lending space you are seeing the most amount of growth from, is it the education, personal loans, within the personal loan, business loan could you just give us a little bit of breakup of where you're seeing the most amount of action from. Thanks.

Rohanjeet Juneja: Thank you Abhijit. So the majority of the growth in the previous quarter and the quarter earlier also has come from the traditional gold loan product and the MSME business loan product that is what Dhanvarsha as a lender will focus on going forward. Those are the two products predominantly that will occupy the majority of our loan growth. And those are the products as well that we will be serving for other larger lenders as a lending as a service partner in a higher IRR product for Dhanvarsha as we make our balance sheet a lot more capital efficient and our branches to break even much faster.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to Mr. Juneja from Dhanvarsha Finvest Limited for closing remarks. Over to you sir.

Rohanjeet Juneja: Thank you. In conclusion, we would just like to say that the three large strategic initiatives that we spoke about which is lending as a service as a partner for larger lenders, building a very large database and data warehouse along with data science for being one of the largest aggregators of data on the SME, MSME and blue-collar workforce in India, having access to the data for more than millions of customers, that is number two. And the number three aspects on as we grow in size, robust risk management and internal control to have superior risk adjusted margins with sturdy asset quality is what we strive for. Please stay tuned for more updates as we grow along in size, fiscal 23 will be an extremely important and profitable year for Dhanvarsha. So look forward to talking to everyone on the next earnings call. Thank you.

Moderator: Thank you very much members of Management. Ladies and gentlemen on behalf of Dhanvarsha Finvest Limited that concludes today's conference. Thank you all for joining us. And you may now disconnect your lines.