November 6, 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 Q1 FY25 Earnings Call - Transcript

Dear Sir /Madam,

Further to our letter dated October 21, 2024, intimating schedule of the Earnings Conference Call on October 30, 2024, to discuss the Company's Q2 FY25 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 Pankaj Bhatt
Digitally signed by Yashesh Pankaj Bhatt
Date: 2024.11.06 10:39:05 +05'30'

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

Encl.: As above

"Capri Global Capital Limited

Q2 FY25 Earnings Conference Call
October 30, 2024

MANAGEMENT

MR. RAJESH SHARMA – MANAGING DIRECTOR
MR. PARTHA CHAKRABORTI, CFO
MR. SANJEEV SRIVASTAVA, CRO
MR. HARDIK DOSHI – CORPORATE FINANCE & 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) Wherever needed, emphasis is added in brackets *(in italics)* for better clarity.

Moderator: Ladies and gentlemen, good day, and welcome to Capri Global Capital Limited Q2 FY '25 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. Hardik Doshi from Capri Global Capital Limited. Thank you, and over to you, sir.

Hardik Doshi: Good afternoon, everyone, and welcome to Q2 FY '25 Earnings Call for Capri Global Capital. This is Hardik Doshi, Head Corporate Finance & Investor Relations. 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 judgments 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 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 42 of Q2 FY '25 earnings presentation. Participants are requested to note the same.

With us today on the call, we have Mr. Rajesh Sharma, Managing Director of the company; Mr. Partha Chakraborti, CFO; Mr. Sanjeev Srivastava, CRO; Ms. Divya Sutar, Head Business Strategy.

With that, I now request our Managing Director, Mr. Rajesh Sharma, to present the opening remarks. Over to you, sir.

Rajesh Sharma: Thank you. Good afternoon, everyone. I hope you all are doing very well. First of all, let me wish you all a very Happy Diwali. We declared our unaudited consolidated financial results for Q2 FY '25 yesterday, and I hope you had a chance to go through the earnings presentation, which is uploaded on our website.

As you all know, Capri Global Capital Limited continues to serve under-penetrated, under-banked customers in high-growth segments with substantial untapped market potential, while maintaining a strategic focus on building retail, granular and secured lending book. We have diversified ourselves through the robust presence in MSME loans, housing loans, gold loans and construction finance. We continue to further diversify ourselves by identifying newer opportunities and expanding our product offerings.

In the last quarter, under our MSME loan segment, we have launched Micro LAP, a small ticket secured loan product for self-employed customers. And in this quarter, we launched rooftop solar loans, part of green financing in partnership with Credit Fair, a leading renewable energy fintech, with ticket size ranging from about INR50,000 to INR25 lakh.

In addition to interest income, we are also focusing on increasing share of high-quality, recurring fee income through insurance distribution and also car loan origination. We believe that our digital-first approach and superior technology processes, will be the key differentiator enabling us to serve our customers more effectively than our peers. We also implemented several AI-driven initiatives in this quarter, which I will mention subsequently. We believe this will benefit us meaningfully going forward.

I shall now move to the commentary on business and earnings performance. With regards to business, please refer Slide 3, 4, 5 and 6. We maintained a strong growth momentum in Q2 FY '25 with our AUM reaching INR19,272 crores, an increase of about 56% year-on-year and 10% quarter-on-quarter. This growth was primarily driven by a strong growth of 225% year-on-year gold loan and 33% year-on-year housing loans. Our disbursement touched INR5,465 crores during the quarter, reflecting 55% year-on-year growth. We remain focused on retail lending, with retail AUM constituting over 80% of our portfolio.

We are well positioned to drive growth and are confident of crossing our target of INR30,000 crores AUM by FY '27. Our core lending AUM continued to surge during Q2 FY '25, increasing to 18.3% of AUM compared to 16.3% in Q1 FY '25 and 11.6% in Q4 FY '24. We have further strengthened our bank partnerships, significantly increasing the acceptance ratio of loans with our partner bank compared to a year ago. We expect to continue this momentum in co-lending as an efficient tool for high ROE accretion and liability management.

We continue to build a granular and well-diversified portfolio for MSME in housing loans with average ticket size of around INR2 million. Our MSME AUM reached INR4,824 crores. In our housing loan segment, AUM reached about INR4,271 crores, up by 33% year-on-year. MSME and housing together continues to constitute 50% of our overall AUM. With our strategic initiative and focus on underserved market, we are confident that our MSME and housing loan portfolio will continue to deliver robust and sustainable growth in the coming quarters.

Our gold loan AUM increased by 225% year-on-year to cross INR6,500 crores, supported by our extensive gold loan branch network of 758 branches across 9 states and UT, along with co-lending partnership with four banks. These branches have started to scale up in achieving a productivity level of INR8.7 crore AUM per branch. We are confident that our expanding reach and partnerships will continue to fuel sustainable growth and further strengthen our position in the gold loan segment.

Our construction finance AUM increased by 63% year-on-year to cross INR3,346 crores driven by uptick in real estate sector with a strong pipeline of new projects. Our disbursement in construction finance stood at INR924 crores, up 51% subsequently. In construction finance, our focus will remain on residential project within the affordable housing sector while maintaining a granular book in indirect lending.

As with regards to earnings, let me now provide an update on core earnings. Our yields and spread remained steady this quarter at 16.2% and 7%, respectively. Net interest income for Q2 FY '25 reached INR305 crores, marking a 22% year-on-year increase driven by robust growth in our loan book. Our non-interest income comprised of 3 components: car loan distribution fee, co-lending income and other non-interest income. Our non-interest income was INR103 crores in Q2 FY '25, up by 29% year-on-year, supported by co-lending fee income of INR41 crores and net car loan origination fee of INR18 crores.

We have scaled our car loan origination network within a very short period of time to become a meaningful player in this segment with pan-India presence across 788 locations in 31 states and UT. We worked with 12 partner bank and financial institutions for car loan originations. Our car loan origination in Q2 FY '25 was INR2,563 crores, up by 8% year-on-year. On the insurance distribution front, we have tied up with 18 insurance companies and started accruing fee income. We are looking to generate around INR40 crores in net fee income from insurance distribution in FY '25. We anticipate this strong foundation will sustain the impressive growth trajectory of our loan interest income.

Following our branch expansion, we are now shifting our focus on improving the efficiency and productivity, the effect of which has already started to reflect in our cost to income ratio, which has improved to 64.3% in Q2 FY '25, down from 70.5% in Q4 FY '24, an improvement of about 6.2%. We expect further benefits to accrue once operating leverage will kick in. As a result, our pre-provision operating profit increased significantly to INR146 crores, up by 34% year-on-year.

With regards to asset quality, our credit cost normalized in the quarter and was at INR17.5 crores, an improvement of 24% year-on-year, and 62% quarter-on-quarter as there was a one-off technical write-off in construction finance book in Q1 FY '25. Gross Stage 3 ratio improved to 1.6% in Q2 FY '25 from 2% as of Q1 FY '25. Net Stage 3 ratio improved to 1% from 1.2% in Q1 FY '25. PCR on Stage 3 loans stood at 40.1% in Q2 FY '25. We would like also to share that we have sold about INR71 crores of GNPA to asset reconstruction company at 90% of its value.

With regards to capital adequacy and liquidity position, as part of our resource diversification strategy, we have taken Board resolution to raise up to INR1,000 crores via NCD issuance. We continue to maintain a strong liquidity position and have got new credit line of INR3,750 crores for a CGCL entity and INR700 crores for CGHFL entity. Our capital adequacy ratio for CGCL stood at 23.7% and for CGHFL stood at 31.9%.

With regards to profitability, we reported a consolidated net profit of INR97 crores, which increased by 49% year-on-year and 28% quarter-on-quarter. Our efforts over past 2, 3 years to diversify our business and income streams are now beginning to yield results. As seen in our Q2 FY '25 performance, we reported an annualized RoAA of 2.3% and an annualized RoAE of 9.8% in Q2 FY '25, up by 0.4% and 2% quarter-on-quarter, respectively. We expect this to improve further going forward with the improvement in cost efficiency, employee productivity and operating leverage.

In regard to technology, our technology initiative, including the in-house LOF, Flexcube, LMS, Pragati Sales app for customer onboarding, Collect Xpress app for managing collection, Capri Grahak app for customer engagement, which went live in Q1 FY '25 have now stabilized and now are being extensively used by our sales and collection staff for managing the customer loan journey end-to-end digitally, thus improving their efficiency and productivity. We are also going live with our data science-driven BRE scorecard-based underwriting, which will help us improve our log-in to sanction ratio, better customer profiling and offer risk-based pricing to our customers.

Our sophisticated collection dashboard for real-time monitoring, combined with the use of advanced AI/ML models for identifying early delinquency are expected to further improve our collection efficiency and asset quality. During the quarter, we also launched several artificial intelligence-driven initiatives such as AI-driven Data Genie, which equips key decision-makers with real-time actionable insight, enhancing agility and precision. Capriglobal.ai with its AI-Dost chatbot provides instant multilingual support to our customers, ensuring seamless engagement 24/7.

Our HireRight AI, which optimized RM-level hiring by ensuring unbiased efficient recruitment. Our AI-driven call centre with in-house voice to text conversion system adopted for Indian languages helps in cost optimizing call center operations and increase efficiency over telecalling staff. Lastly, our focus on real-time system will drive significant improvement in TAT, enabling us to meet our customers' expectation faster through hassle-free and timely disbursements.

Now I come to ESG. On the ESG front, Capri Global has established a robust ESG framework, aligning our policies with international standards and ESG guidelines. We applied for the Dow Jones Sustainability Indices rating, with results expected soon. Additionally, we published our business impact report, Echoes of Progress, highlighting our achievement in financial inclusion and sustainable growth. Our second sustainability report for FY '24 highlighting Capri Global's integrated approach to ESG centered on financial inclusion, operational efficiency and governance. To support our commitment, we are actively training internal teams in aligning business process and ESG requirements.

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

Moderator: The first question is from the line of Taran Gupta from Elara Capital.

Taran Gupta: My first question is, the company has set a target of reaching an AUM of INR30,000 crores by FY '27. So can you please share insight into the primary growth drivers for this target? And which segments are anticipated to contribute the most to this ambitious target?

Rajesh Sharma: Thank you, Taran. As I said, our current AUM after Q2 result is about INR19,272 crores. And with the growth coming in from our new segment, which we added that is Micro LAP; MSME will start again growing, adding a few more branches in the coming financial year. And our gold loan, also, we are adding more branches. Besides that, we also launched this rooftop solar product. So, we'll continue to grow through our branch expansion in our existing products as well as the new products will continue to grow. So, from INR19,272 crores to reaching in almost 10 quarters, I think we will be able to achieve. We are already on this path.

Taran Gupta: Okay. Very helpful. And second question is, sir, Capri's mostly focused on evolving into a technology-led NBFC. So, could you elaborate on any recent digital initiatives or technology upgrade aimed at enhancing customer experience or boosting operational efficiency? Additionally, how is technology being leveraged to facilitate deeper penetration into rural area or underserved market?

Rajesh Sharma: So, we have divided our entire journey of technology in 5 segments- onboarding a customer, credit evaluation, then collateral evaluation, collection and customer engagement; so this completes the journey from onboarding until customer servicing. Now while our LOS is in-house developed, where for sales mobility, we have built a Pragati Mobile app.

For underwriting purposes, we have built our in-house scorecard and various processes. We are digital, which is helping the team to do the work with a better precision in a lesser number of hours. So, we are saving the time and our TAT is much better. And the third element is our evaluation of collateral, where the collateral property, whatever is being mortgaged in housing finance and MSME is being evaluated through our in-house technical app, where a lot of other features are there where they can see their transaction data, they can see the delinquency data of the nearby surrounding area where we intend to land.

Then it comes to the collection because we believe the collection is a major focus of our company. So, we have divided collection into three parts. One is the collection through chatbot calling; number two, from the tele caller unit; and three, collection agent on the field. So, with combination of the three, with the precise data analytics, real-time tracking and proper incentive schemes, I think we are able to do it better. We are driving the efficiency among them. And fifth is the customer engagement. So, customer engagement, we have telecaller unit besides we have given a customer app. So, a lot of features can be activated and serviced through the customer app.

We also have WhatsApp chatbot where all the queries can be sorted out. And besides that, as I said, our AI initiative of capriglobal.ai, where a customer can ask anything and their query can be addressed. So, there are a lot of initiatives happening internally to improve the process efficiency and externally on the customer service side. And you will see quarter-on-quarter, the difference is coming in not only cost-to-income ratio, but our other features in terms of efficiency in the collection and also our efficiency in the productivity.

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

Aman: With a target of building INR1,000 crores loan book in rooftop solar financing, can you elaborate on your partnership with Credit Fair? And how will this facilitate faster loan approvals and disbursal in the solar finance space? And second question, with the anticipated rise in credit costs across the NBFC sector, how are you managing these increased provisions given that we have a normalized credit cost during the quarter, particularly in your MSME and affordable housing portfolios?

Rajesh Sharma: So, your first question is on the rooftop solar, so we have tied up with fintech, but we are also in the process of tying up with various business correspondent and dealers, network and other. So, since we launched the project recently, now we'll be scaling up. This year-end, we will be doing about INR50 crores. But we'll continue to grow our network and through that network, next year should be a full year of operation where significant book should be built. And here, the model we intend to follow is, we build the book, down sell it much lower yield by generating a profit because a lot of banks have this product in demand to build the portfolio.

And if you're seeing, the central government have a very high focus on this product. So, we feel that the policy push is there. We want to take the advantage of that, not only in terms of pricing of getting the lower cost funding through sell-down of the portfolio or otherwise.

So, we see that by next year, we should have a significant portfolio in this. And in near term, we should be able to achieve the INR1,000 crore book, the first target is INR1,000 crores book. But by the March, we will be able to give you the clear guidance by when it will be achieved.

I can say, we are building the technology, we are building the network of BC and building our internal team. We have already launched the product. Current run rate is about INR4 crores to INR5 crores a month, which is getting increased month after month.

Your second question was, how do we address our delinquency in the MSME and the home loan? So, I think MSME segment, last 1 year, we have not grown. So that effect was visible in the delinquency. Now we are coming back growing those branches, and plus our restructured pool is now reduced from earlier INR200-plus crores to about INR103 crores.

And out of that, some pool, we have transferred to ARC. So, I think combination of this will be that growth will be back. And housing finance, if you talk about delinquency, they are more or less stable. And in the price segment we operate, we believe that, that kind of GNPA and NNPA will continue to be stable.

Moderator: The next question is from the line of Aryan Oswal from Finterest Capital.

Aryan Oswal: Sir, my question was on the side of that, could you please share the net fee income generated from our insurance business this quarter? And also, how much of fee income can we expect from insurance over the next couple of years?

Rajesh Sharma: So, –in the first half, we generated about INR25 crores. And the whole year, we should be crossing about INR40 crores of fee income alone from the insurance segment. Next year, hopefully, it should further go up. So that guidance, we should be able to give you by the last quarter when we come back with the result. But current year, we should cross about INR40 crores in the insurance income.

Aryan Oswal: Okay. And sir, what are the new partnerships we have secured for insurance distribution and the expected impact on future growth?

Rajesh Sharma: So, we have now almost about 18 partners in the insurance. And I think these are good enough. It is not the more and more partnership is going to help us. But it is about the kind of product you get to cover all kind of customers. Gold loan customer might require a policy, and we should be able to provide only INR4,000 to INR5,000. Whereas car loan customer can still take a life insurance policy, which they might pay a premium of INR50,000 plus. So, depending on the customer profile, we give the product. And I think we have wide coverage of the product along with these partners.

Aryan Oswal: Okay. And sir, one last question from my side. Sir, we have spoken about our goal of achieving mid-teen ROE, primarily through enhanced fee income and improved operational efficiency. So, could you provide more clarity on the time line for when these efforts will transfer into visible improvements? And specifically, when do we expect us to consistently reach the 15% ROE mark as it's been a target for some time now?

Rajesh Sharma: So, if you have seen that now this year, our initiative on the technology side and the branch expansion, we already achieved breakeven, especially the gold loan vertical, all 750 branches have turned profitable. I think quarter-on-quarter, you will clearly see uptick in our ROE. This year, we should be in the close vicinity of about 11%. And I think by March '27, we should achieve our mid-teen ROE target.

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

Satyaprakash Pandey: I have two questions. First is, how has the acceptance rate from partner banks in co-lending evolved over the past few quarters? And what growth do you expect in this segment next year, given that we continue to see strong growth here? Also, can you elaborate on the risk sharing mechanism and how you balance expanding credit reaching with maintaining asset quality.

The second question is, you've started expanding into Micro LAP with plans with some new branches. How has this initiative progress in Q2? What has been the early response from rural customer? And what challenges are you facing in scaling this segment?

Rajesh Sharma: So, all the partner bank, you are asking what is the arrangement we have. So, we have arrangement where 20% we fund, 80% bank fund. And the cost of those lines in housing loans are sub-9.0 and gold loan is anything between 9.5 to 9.75 and MSME in the range of 9.5. In regards Micro LAP, we already have gone live with the 70 branches.

And those branches, we have an experienced team from a good background of a similar product. We have a strong risk framework in place. So, we should be able to achieve the full scale, next year will be full year of operation. We currently have already received a book of about INR30 crores. And by March, we should be able to cross about INR60 crores. Next year is something which we are likely to cross about INR300 crores.

Moderator: The next question is from the line of Jay Mistry from Equirus Securities Private Limited.

Jay Mistry: I have two questions. First question was that since now that our gold loans is profitable and you have been gradually expanding the branches, too, so I just wanted to understand like are the new branches meeting the expected performance level?

Rajesh Sharma: So I would say the new branches, we will not know only in 3 months. New branches ideally should achieve the AUM of about INR4 crore in 15 months. And if you are able to achieve 15 months INR4 crores, then I will say they've achieved the breakeven. So all the old branches, I think our most of the branches already are over 15 months, and all the branches have already been profitable. There are few branches, some of the branches are 3 months old, some of the branches are 4 months old. So we believe that by the end of the 15 months from the date of their opening, they should breakeven or profitable.

Jay Mistry: And my second question was that since we have implemented the new loan originations and management systems, so how has the transition impacted the loan disbursements and turnaround times in second quarter? Are the teams fully adapted to the new systems?

Rajesh Sharma: Yes. So first quarter, we launched this new LOS in the month of April, and it has taken almost 3 months to stabilize. Q2 is completely stabilized. They are not much impacted by the LOS, it is business as usual. So there is no impact of the new LOS. It has gone smooth and functioning fully.

Moderator: The next question is from the line of Shalin Kapadia from IIFL Securities.

Shalin N. Kapadia I have two questions. So with recent conditions in the auto sector and a dip in car loan volumes over the past couple of quarters, do you see the car loan business shaping better in second half? Or do you believe we can surpass last year's performance despite the current challenges?

Rajesh Sharma: So what is happening that some of the competition of CarDekho and others, they are, I think, giving more commission than they get. This is what the market we are experiencing. So there is a pressure of the competition on the commission side, in sharing the commission with the DSAs and connectors. So that is where our cost has gone up, but we are going to add the used car finance also with the same team without additional new manpower and with the help of the additional product. This year, we will have profitability slightly lower than the last year because of various transition from old CGCL to the new company. But next year, I think our profit will be all-time high and even our volume will be high. So this year, it will take some stabilization in the new entity along with the launch of the new product, where we'll see some operational cost offsetting the profit of this vertical.

Shalin N. Kapadia Okay, sir. That's helpful. And second question is on gold loans. So with Capri's recent strong momentum in the gold loan segment, given that we have almost tripled our AUM in the last year or so, are there any plans to accelerate this growth by expanding into new regions or opening more branches? And also, how do you see your growth in gold loan business over the next 2, 3 quarters?

Rajesh Sharma: So we'll see that. Now the expansion will be moderate. We'll be adding about 50-70 branches this year. And the expansion will continue to be in the next year, but it will be in moderation. However, already, we have achieved our branch AUM of about INR8 crores plus.

And I think those branches will continue to grow along with these new branches, which will take some time. So we clearly see that we should be crossing INR12 crores of AUM by end of next year for a branch except the new branches. So growth will continue to happen despite competition, and we see the data, monetization is still in the range of 5%. And most of the market is still with the pawn brokers and local jewelers and local money lenders. So there's a huge growth possible for everybody in this segment.

Moderator: The next question is from the line of Jay from Manya Financial.

Jay: What is the outlook of maintaining net interest margins? What are the strategies you are doing to optimize the margins?

Rajesh Sharma: The strategy for optimizing the margin will be our biggest differentiator will be technology and data science capabilities, which we are significantly investing in. Our Gurgaon tech center, we have almost about 125 engineers and 25 data scientists across Gurgaon and Bangalore. I think these are two aspects where we see that our processes will be better, our TAT will be faster. And our efficiencies of decision-making will improve the overall cost-to-income ratio.

Further NIM margin will be improving. Currently, NIM margin, you see the decrease because the leverage is going up. If you look at the spread, that is being maintained at 7%. So if we leverage more, while the NIM will go lower side, but spread, so far, we are maintaining improving, I think, overall, ROE, it will have a positive impact despite NIM going down.

Jay: Okay. With the current regulatory framework, which is going on in the NBFC space, how does Capri Global ensure compliance while continuing to grow? And are there any recent regulatory changes which has impacted the business operations?

Rajesh Sharma: So I think all these regulatory changes, which are coming, they are there to make the company very robust when we were scaling up. It might give you some short-term pain, but long term, it is helping us to meet the compliance and strengthen the risk management. In regards to our compliance is concerned, that we have strengthened our compliance team, keeping in mind the RBI attention on the enhanced compliance focus. We have added a few more resources in the compliance team. We hired senior people, and we have engaged big 4 consulting firm to make automated compliance tool, which will track which are the compliances done, which are not done on time. Besides the technology compliances, also we have given outside firm for telling us to make them better and perfect. So there's a sharp focus.

I will share with you that in our Board of Director and the Chairman always want us to follow the compliance first and business later policy. So with the focus of the Board and our focus on engaging best of the consultant to make it better, we feel that compliance we will be able to meet the RBI norm. And plus, we are driving a culture also inside in every department, to comply everything as per the rules of whatever regulatory, be it RBI, be it SEBI guideline, be it listing guidelines of BSE or NSE.

Jay: Okay. And none of the regulatory current regulatory changes or the recent regulatory changes have impacted your business, right?

Rajesh Sharma: No, no. There's no regulatory changes that impacted our business. In fact, regulatory changes, they bring to team more, formally recording anything and formally conveying to the team how they should do the business. So it is all about following the proper processes. So there is no impact on the business, some compliance, the number of people you have to increase and slight cost goes up, but such a large volume I don't think it is very significant.

Jay: Okay. And about the micro finance business, do you see any pressure on your micro finance business?

Rajesh Sharma: We are not into micro finance business.

Jay: Not at all?

Rajesh Sharma: No. We don't have any unsecured lending as such.

Moderator: The next question is from the line of Rohit Shinde from Market Memories Wealth Advisors Private Limited.

Rohit Shinde: I have two questions. So my first question is that we have seen strong growth in co-lending, especially in the gold loan business. While our focus was initially on MSME and housing, most co-lending in the past year has been in gold loans. So is this shift driven more by demand? Or does the fee structure and margins make it more advantageous?

Rajesh Sharma: Okay. And what is the second question?

Rohit Shinde: Second question is, sir, non-interest income as a percentage of total income continues to decline for past couple of quarters despite our push in co-lending insurance and car loans. So how do you view the overall mix of non-interest income? And what do you see as the main drivers for growth in this area?

Rajesh Sharma: So let me answer your second question first, which talks about non-interest income in going down. If you see the Slide #15, our non-interest income, which is comprised of the car loan distribution, insurance and co-lending, in Q2, it has come to INR25.3%.

Hardik Doshi: The share of non-interest income as a percentage of net income is 25%.

Rajesh Sharma: So it is 25%. So I think it is more or less stable. It has not gone down itself. If you talk about absolute income, so there's a slight dip in the car loan income. But if you take the overall income, from INR108 crores, it has come to INR103 crores. So I think the first and two quarters in the car loan is always slightly lower. If you see, compared to last year, this year it has gone up significantly. Q2 FY '24, our fee income was INR80 crores against the Q2 FY '25 where fee income is about INR103 crores. Is that clear now?

Rohit Shinde: Yes, sir. And the first question, sir?

Rajesh Sharma: Your first question was, why the co-lending has gone up in the gold loan? So I will say that gold loan, we have scaled up, number of branches are much higher. And there was a co-lending product where we can cater to those customers also, which can be catered at a slightly lower margin.

But since co-lending lines are available, which are highly ROE accretive, you use those lines there. And there's a separate co-lending lines for the gold specifically by our lending partners, so we utilize them. And that is the reason you will see the co-lending in the gold loan have been higher percentage as compared to MSME and home loan.

And in regard to growth, there is no shift in our strategy. If you see our home loan portfolio is also growing at a pace of about 35%-40% year-on-year. Gold loan, because the base was lower and number of branches have been high, so that is showing you very high growth. But if you see from current quarter onwards, the base is already in the range of INR6,000 crores. The growth will get normalized unless we open more number of branches significantly.

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

Rajesh Sharma: Thank you so much for sparing time and coming on the call to understand more about us. And we would like to assure you that we'll continue to grow our secured retail lending portfolio on the back of a strong branch network across Micro LAP, MSME, gold loan and home loans. And with the effective co-lending line in place where about 20% plus portfolio will remain under the co-lending arrangement, which will continue to give lower allocation of the equity capital and high ROE.

I think our technology initiative will also drive the cost efficiency. The combined effects of this, you will see that quarter-on-quarter, we will see that our operating costs coming down in some percentage and our ROE continue to improve, and we will be on the guided path. Thank you so much.

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