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BSE Limited **November 19, 2024**
Floor 25, Phiroze Jeejeebhoy Towers,
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Mumbai-400 001

Scrip Code: 538446

Dear Sir/ Madam,

Sub: Transcript of Schedule of Investor Conference Call held on November 13, 2024

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

Pursuant to Regulation 30 of the Listing Regulations, please find attached the transcript of earning conference call held on November 13, 2024, with respect to the financial results for the quarter and half year ended September 30, 2024.

You are requested to kindly take the same on record and acknowledge the receipt.

Thanking You,
Yours faithfully,

For **MONEYBOXX FINANCE LIMITED**
DEEPAK AGGARWAL
Digitally signed by DEEPAK AGGARWAL

Deepak Aggarwal
Co-CEO, CFO and Whole time Director

"Moneyboxx Finance Limited

Q2 and H1 FY25 Earnings Conference Call"

November 13, 2024

MANAGEMENT: **MR. MAYUR MODI – CO-FOUNDER – MONEYBOXX FINANCE LIMITED**
MR. DEEPAK AGGARWAL – CO-FOUNDER – MONEYBOXX FINANCE LIMITED
MR. SHUBHAM JETHLIA – SENIOR MANAGER FINANCE – MONEYBOXX FINANCE LIMITED

MODERATOR: **MR. ANKIT JAIN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY25 Earnings Conference call of Moneyboxx Finance Limited. 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 this conference, please signal the operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Jain from Orient Capital. Thank you and over to you, sir.

Ankit Jain: Thank you, Dorwin. Good afternoon, ladies and gentlemen. I welcome you to the Q2 and H1 FY25 Earnings Call of Moneyboxx Finance Limited. To discuss this quarter's business performance, we have from the management Mr. Mayur Modi, Co-Founder, Mr. Deepak Aggarwal, Co-Founder, Mr. Shubham Jethlia, Senior Manager, Finance.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website and stock exchanges.

Without further ado, I would like to hand over the call to the management for their opening comments and then we will open the floor for Q&A. Thank you and over to you, sir.

Deepak Aggarwal: Thank you, Ankit. This side Deepak Aggarwal. So, good afternoon, everyone. I am pleased to welcome you all to the Second Earnings Call of Moneyboxx Finance. Our financial results and investor presentations have been uploaded on the company's website and exchange and I hope you have had the chance to review them. Joining me today are Mr. Mayur Modi, Co-Founder, and Mr. Shubham Jethlia, Finance Manager of Moneyboxx Finance.

Guys, before we dwell into our Q2 performance, I would like to take a moment to discuss the broader context within the NBFC sector. Over the last two quarters, our industry has encountered multiple headwinds. Initial disruptions came from the extended election period and an intense summer heat wave, which was then compounded by heavy rainfall and flooding in several states from July to September.

If this was not enough, there has been some uncertainty from the later perspective, which has dented the confidence of investors in the NBFC sector. In response, our management team has implemented a series of measures. We have strengthened branch-level controls and reduced key technological and personal enhancement, especially on the collection front and emphasized a focus on software aspect of our operations. With improvement in the operating environment and these initiatives now in place, we are optimistic that conditions will stabilize in the coming quarters.

Moving on to our Q2 performance, I am pleased to report that our AUM grew by an impressive 69% year-over-year to INR769 crores, including our managed book up from INR455 crores last year. Our sequential growth in AUMs stood at 3%. Our disbursements for the quarter reached INR120 crores, marking a 13% increase over the previous quarter of INR106 crores. Cumulatively, our total disbursements have now surpassed INR1,434 crores. I would also like to highlight the significant growth in our secured loan book last year. The secured loan represented only 12% of our AUM, while this has now increased to 32% as of September 24. By the end of 2025, we maintain our outlook that we will have over 40% of our loan book in the secured segment. It has incremental disbursements towards secured have already increased to 47% now and month-on-month we are on the increasing trend.

Our branch network continues to expand, now totalling 141 branches up from 104 last quarter. We are now active in 12 states with new branches recently opened in Tamil Nadu, Karnataka, Andhra Pradesh and Telangana which has strengthened our diversification. I would say that now we are a pan-India player.

Our total income rose by 74%percent to INR49.56 crores from INR28.5 crores last year, reflecting the growth in both our business and AUMs. Our operating expense as a percentage of AUM is maintained at 13% in Q2 compared to 12.7% in FY24. Opex has been almost halved over the last 3 years, dropping from 24.5% of AUM in FY21 to 13% currently and I'm sure we will maintain the declining trend in the opex as we grow in our scale. Evidently, the yield and spread continue to remain stable at 29% and 15.5% respectively for the quarter, which you have noticed in our investor presentation as well.

So despite low yield on secured book our spreads remain stable and NIM has remained stable as well. Our return on average AUM for the quarter is 1.1% and return on average equity stood at 4.2%. As you would have seen, this is largely led by the higher credit cost in this quarter, although some impact from bonus also was the reason. The decline is largely driven by the elevated credit cost and very, very significant branch extension. So we have almost 36% in jump in just one quarter in the number of branches.

On the collection efficiency, there was a dip which contributed to increase in our DPD. For September quarter, the collection efficiency was at 93.2% comparing with 97.6% in second quarter last year and 30 plus DPD stood at 5.45%. We have mentioned in our presentation that collection efficiency in secured loans is significantly higher at around 97%. While the credit cost stood at3.85% for the quarter, which is – we agree that it has been highest since inception.

Besides external environment, absence of collection team is what largely led to high DPD, which is now resolved and results will be visible in coming quarters. Regarding asset quality, our gross NPA inched up in Q2 to 2.78% with our net NPA at 1.41%. Provision coverage ratios stood at strong 50%. We remain prudent in building adequate buffers for any future contingencies.

Our capital adequacy ratio is healthy at 40.64, largely led by the recent equity raise and our tangible net worth stood at INR264.53 crores which is a significant jump over the last quarter. We reported a profit after tax of INR2.03 crores showing a 48.6% growth year-over-year. On the borrowing front, we continued to expand our partnerships including 10 banks. We also reached equity of INR176 crores which is more than double our net worth in Q1, out of which INR63 crores equity and 113 was warrants and INR91 crores is already received in second quarter and balance INR85 crores is receivable before March 26.

Our mission remains to support micro and small enterprises in small towns while balancing their interests with ours. As a regulated entity with a zero tolerance compliance policy, we continuously refine our processes and address any areas of potential improvement, fully adhering to both the letter and spirit of regulations.

I would again like to summarize hits and misses of the quarter. So, on the top of the list is branch expansion which has been the largest, where we opened 28 branches just in the month of September and overall, 37 branches in last quarter, increasing our branch expansion by 36% in just one quarter.

So this last quarter see a very, very significant focus in terms of expansion which actually led to significant rise in the number of employees as well, but this will although on a short term, you will see a rise in opex because of this, but this will set us in a very good place in terms of growing our AUM in coming quarters.

The second hit was equity raise of INR176 crores. Now this, with this AUM from an 18-month perspective, what we have said is that just in terms of raise, we will be doubling our net worth plus the profits which will significantly increase the net worth. And this net worth is adequate for a INR2,000 crores over INR2,000 crores kind of AUM.

So what, from an investor perspective, we are saying a minimum doubling of net worth and tripling of AUM over an 18-month period from the last equity raise. Although I'm sure that we will be raising more equity in coming quarters. The third biggest achievement has been a secured portfolio growth. So now out of 153 branches, only 71 branches can do unsecured and secured both. All the incremental branches are doing only secured business. And incrementally, we have already reached 47% secured disbursement which will only increase in coming quarters and in coming months.

On the missing side, I would say that a very stable kind of AUM with only marginal growth is one of the misses, but I would say that is largely due to the external environment. And this can happen in this industry, but given the kind of team we will have, I believe that as markets start to pick up which it has already started from September onwards, we will at least believe that we will not be behind in terms of FY26 target which we have already shared with you. So in terms of that, we are at a good pace. The biggest miss which I feel is on the collection and credit cost. I think this has been not just external sector.

There have been some things on our side as well because earlier the collections have been always good. So we missed having a dedicated collection team or hiring an agency for collection which is now resolved. 31st of August we just had zero collection, dedicated collection team because in all our presentations, we have said that it is a sale and collect model.

End of September, we had 40 people internal. And we have also started with agencies and we can already see the change which is coming, maybe because of rigorous follow-up and also because of the improving environment.

I'm sure that this will improve. And I would just mention here that there was a COVID time in April 2020 where we saw PAR reaching to 30-plus PAR and then 14% in May. Again, in the second COVID, we have seen that 30-plus reaching around 5%, but all comes to a normal position. So this 30-plus which you see is not a normal position. There are two things. One is that Secured is anyway doing much better which we have shown in the presentation. And I think as with rigorous follow-up and improving market conditions each quarter you will see a significant improvement on the collection and credit cost front.

With this, I conclude my remarks and thank you, all our esteemed stakeholders for their wholehearted support in the long-term journey of the company. On behalf of Moneyboxx Finance, I thank everyone for attending this call. Now I request the moderator to open the floor for Q&A. Thank you, everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Mihir Shah from Ridhi Enterprises. Please go ahead.

Mihir Shah: Hi, sir. Good morning. My first question was that we have been talking about a credit gap in this space, but with so many customers being over-leveraged, is there really a credit gap in this space or do we need to re-evaluate that?

Deepak Aggarwal: Okay. So what I would say is today as you see the regulatory environment, where they say that there are players having a INR2,000 crores book at 120% annual interest rate. There are large players who are still having an APR of 80% plus. There is on the ground you will know, there are many markets where people even charge on an unorganized market a 10% per day kind of interest rate. So I think we cannot ever debate that whether there is a credit gap, especially in the rural markets. I very strongly believe that there is a credit gap which exists.

In the meanwhile, because it happens that some customers get over-served, some customers because of the market dynamics especially when it happens with the digital lending only that you require banking, you require ITR, you really require bank statements. Especially that part of the community gets over-served there. I still believe that there is a large scope. There are sometimes in between there are challenges which comes up. Market can go here and there, but overall credit penetration is still very low in India.

So just to answer your question, I think the gap is huge. It's just that players need to find the right kind of customer and even in terms of financing how to lend and how to ensure that customer does not get over-leveraged. So there is a balance which needs to come there, but I believe that demand is not lacking. Demand is still there. In between definitely you have cycles. So, as you say even in commodities, we need everything in India. I mean, everything is under-served, but yes in between you have cycles where you see less demand for anything. So that is always possible, but overall if you ask me, the penetration is very less in India still.

Mihir Shah: Got it sir. And another question that I had was like last quarter also we had a feeling that this might be the worst of credit quality that we might face, but it got even worse. So like do we have any tangible numbers on the collection efficiency or something that we can expect from the next quarter onwards?

Deepak Aggarwal: I think what I exactly said is that as I said that it's not just external environment, it definitely is. There is an external environment which is playing because now you see multiple policies from

Reserve Bank of India like not asking NFI not to do netting off of loans. So there are credit concerns which could arise, but what we feel is that where we lacked, whether in first quarter, whether in Q4 of last year or whether in last quarter, in terms of rigorous follow-up we thought it might get adjusted on its own or maybe we took a later decision in that.

But now I believe that especially seeing the results which we have been seeing in last one or two weeks collections are coming. So I really believe that things will settle up now. It was a double hit, the AUM was not growing and collections were lacking and you had many reasons there. You had election season. You can't do the disbursement because doing a mortgage loan at that point of time is difficult. Every time election comes, you have allocation issues. So you don't get that kind of comfort in the market then you have heat waves, then floods.

I mean, if you hear about South India, things like Rajahmundry, Vijayawada etc. They have served the worst floods in last 65 years. So things have been bad. And I think with time things will improve. So even in unsecured segment, although we feel it's completely unsecured, we should not forget that people are concerned about their CIBIL track records. So I think things will come up and from here it will improve.

Overall, market-wise I feel still there is a pain. So this quarter will still see a pain, but because there has been some deficiency on our side in terms of internally which we have kind of resolved, things should improve at a company level.

Mihir Shah: Got it. But if you have any tangible internal target that you're trying to achieve with collection, that this should be our bar or something like that?

Deepak Aggarwal: Exactly at this point of time if you ask me in terms of guidelines, I feel anything more than 3% PAR in a 30% is not acceptable to us. That is what we will say should be the highest number. Having said that, it is high, looking high in this quarter which we really feel will settle down. We will see some improvement in this quarter and definitely next quarter again should see the improvement.

Mihir Shah: Got it. Thank you so much. My only concern was that like we do not rely on the high growth to make our quality numbers look smaller?

Deepak Aggarwal: Definitely not. It has always been a very, very strong on collection kind of thing, but we realize that as we're increasing AUM and especially when the market is not really strong, we need to be very rigorous in terms of our follow-up. So that's now what we have started. I believe that will yield results.

Mihir Shah: Got it. Thank you.

Moderator: Thank you. Thank you. The next question is from the line of Harsh Shah from Sumaria International LLP. Please go ahead.

Harsh Shah: Hi, sir. Thank you for the opportunity. So, sir, one of the questions that I wanted to ask is that we have always stated that three-fourths of our loan book is to the essential segment. So I don't understand the reason behind this deterioration in said quality when the most of our customers, their earning profile is not so volatile. So can you help me guide that?

Deepak Aggarwal: So, as I said, Harsh, yes, it is essential sector, but you see even when we do essentials, for example, when we do when we do cattle livestock loan, the customers do get impacted by seasonal circumstances. So when you have heat waves, the yield of milk will fall every time in the first quarter to some extent yield falls. The second quarter is - the second half is always better. And then as we said that we never do cattle loans on a single income basis. So there are always two income primarily agri-income.

And now when you have heat waves and when you have floods or erratic rains, their incomes get impacted. So, last year their income got impacted. This year again there has been issues. Now things are moving up in that direction. So you will see that rural demand is picking up. At least it is doing better than urban demand. So, things get impacted and then in bad times what we realize that anyways collection has to be strong in the kind of segment where we operate.

So some dip in income, we realize that what we need to ensure is that we should be very, very rigorous in terms of follow-ups which is now very really improving a lot. So I would say that even when COVID came, you know, we saw that dip. It's not that there was no dip in COVID and COVID-2 or lumpy skin disease. There will be slight dip, but then this thing comes back. So it is not a permanent.

So I would say it's a flu, not a cancer. Things do come back, although at that point of time we feel that market has really gone back, but that's not the case. So people do these are not a customer who have left the city or something like whatever we have given. They have their houses there. They have been living there for 40 years since their birth and they have a regular income. So it will come back.

Harsh Shah: Okay. And also, sir, like at the time of disbursement, unsecured loans are basically, so are we like see that what percent our borrowers have more loans outstanding already. Are we all facing a problem of overleveraging in our book or is that not a problem?

Deepak Aggarwal: See, largely there are both the criteria. If numbers of loans are too high, that also matters, but see for every lender it is driven by FOIR. So, I mean, what percentage so if someone has say, for example, someone has a monthly income of 2 lakhs and he has 10 loans including CD loans, but the EMI serving is only 30,000. So we cannot at that point I will say that the customer is overleveraged. Maybe he has not so great borrowing habits, but then we can't say him he is overleveraged.

So there are both the criteria. One in terms of FOIR eligibility, which is always seen. It's never the case that it was not seen. It is seen even today. It's just that now we have to be a little bit more cautious than before, not just because of our loan. So if a customer has been running in a cycle wherein he has been borrowing through MFI, he has been borrowing online loans which we have to believe may not come again with that kind of pace.

So maybe he is not able to get the unsecured loan which is online digital at that pace or maybe MFI loans are not renewed at a pace they were renewed earlier. So that buffer you have to keep, but at the end of the day, I think people are there to serve and lending will keep on happening and short-term crisis will be resolved.

Harsh Shah: Okay, sir. And can you give me the number for the collection efficiency that is seen in each individual buffer? I just want to understand whether it will be further or there will be pullbacks and the collection will...

Deepak Aggarwal: Your voice was not clear. Please say that again.

Harsh Shah: So sir I wanted to get a number for the collection efficiency of individual buckets. I want to understand whether there will be slippages further now?

Deepak Aggarwal: So what we have given in the presentation is that two buckets within secured loan and unsecured. So what you see is collection efficiency in secured is around 97% and in unsecured it was around 92.15% and that's not 30 plus. It's zero plus which was there. So we have given them in two buckets secured and unsecured.

Harsh Shah: Okay sir. I will join back the queue.

Moderator: Thank you. The next question is from the line of Chairsha Shyansukha from TV Capital. Please go ahead.

Chairsha Shyansukha: Yes, sir. Hi, good morning.

Deepak Aggarwal: Good morning.

Chairsha Shyansukha: Sir, we picture ourselves very different from the other MFIs like CreditAccess, Grameen and other ones?

Deepak Aggarwal: So we are not MFI. So first of all we never say we are MFI. MFI is group loans which we have never done in the past. The ticket size in MFI is largely below 50,000. We really hesitate to do anything below 1 lakh. So clearly we are not MFI.

Chairsha Shyansukha: Sorry NBFC my bad because we say that the clients have multiple incomes and we can get the collections easily, but why are we so late in realizing this that collection efficiency is not going great and do we have a team now to get the collections better and what are the numbers which we are looking at?

Deepak Aggarwal: Right. So I'm saying that on 31st of August we had zero collection team and on 30th of September we had 40 people dedicated towards collection. From this month onward we also have three large collection agencies who are doing regular follow-ups. So I think we have actually done a very deep dive on the industry parameters. What percentage of staff is into collection? How does it work? What kind of cost which is incurred? So we have done a lot of work here and definitely as I said it's not just work there are things which have now started.

So I think at some stage you realize that this is one thing which we need to change and which has now come up. It's not that we had a very large AUM. We still thought that the sales team can handle it, but we also realized that in some bad times which is like last 6 months to 9 months.

See there are things which we have taken into clue. So since last year in May we shifted our complete focus towards secured lending. So it's not that we did not realize that what is coming, how unsecured is moving what is what could regulators say and how things are shaping up.

So we have taken so there are things which we have done, there are things which you maybe you can always go wrong in one or two quarters, but the point is that you take corrected measures and on a analyzed basis you try to correct your mistakes or improve upon I would say not just mistakes just to improve the processes which are required to be improved.

Chairsha Shyansukha: So now you are stating that we have teams for improving the collections and the numbers would be better?

Deepak Aggarwal: Yes, numbers should get better. See we already since inception we always had better recovery and collection model I mean just with the sales team, but yes now things because the AUM is increasing I think some dedicated personnel were required and we have taken that step and now from here onwards it will improve. So it's the start of the process which has happened and we are seeing some results on a day-to-day basis. So that gives me a belief that things will improve from here and also the external environment will improve.

So we should not forget at the same time that market has been bad, market has been little bad and what we see is that what we disburse in August versus what we disburse in October it's 100% growth. So month-on-month things are improving and it will start yielding results.

Chairsha Shyansukha: My second question is what are the revised guidelines for the ROE and the growth in this sector as a whole maybe and also for your company in terms of ROE?

Deepak Aggarwal: So we are not – so on both sides in terms of growth see we are not right now revising the guidelines what we said for 26 we are still committed to that. What we know is that obviously so to all the banks in this year starting from day one we gave guidance to them in terms of AUM of INR1,300 crores. So it depends also on how the environment if the environment gets better and better we can still reach that number of 1250, 1275 kind of number.

The point I am making is that we have the staff now with almost 80 branches average or 75 branches average in the last 4 months of last year we disbursed INR360 crores. Now we have double that number. If we disbursed double of that forget about double of that even if we disbursed INR600 crores we will meet our guidance. The only thing we need to see is how market shapes up in coming months.

So I believe that whatever we have guided we may or may not be late by say one quarter here and there, but things won't look bad that bad that it will not recover. On the ROE front again I would say that see one thing conceptually what we have to agree upon which is visible on the balance sheet as well that today we are sitting on a 16.5% NIM we have a 15.5% spread. So there is no business model issue here. For a 16.5% NIM and 15.5% spread today on balance sheet my average cost is 13.5% average borrowing cost not the incremental, but the average.

So while the incremental has been 12% the last loan we got from HDFC bank was at 11% in this kind of market. What I believe is there is absolutely no reason that in coming years we will have borrowing cost which is more than our peers. So there are large peers who are borrowing at 9.5% with 100% of loans in priority sector lending criteria. Two-third of the loan is in Agri and Allied and very large portion into SMF.

There is no reason to believe that our cost will not decline. So cost on balance sheet level can decline by 4% in terms of interest rates borrowing. Opex because it looks high because there has been the way it has been whether it is credit cost if you just take the numbers where you see what kind of spread we are operating at, 5-year average of credit cost we had.

One or two bad quarter can't be a guidance on how companies will do in future and you will arrive at the number we have guided in the past that over a stable scenario we need to - we will be a good ROE company the numbers I have shared in the past. The first target is to reach 15% ROE as soon as possible and then to increase but see again I would say that one or two quarters here and there does not impact your overall business model.

So what is visible on the thing is that one you should look at NIMs where we can, how far we can reduce our borrowing cost on that front if you see that business model has its strength and there is no reason why we would not have a good ROA and a good ROE, but yes it could take some time in the growth phase what you should look at AUM is growing, net worth is growing.

I already said that with just the current commitments we are saying over a 18 month period in terms of raise we are doubling our net worth plus the profits plus if we raise next year which we have to do, we have been raising every year. So see from that perspective how fast net worth is improving, business AUM growth is there, cost is declining incremental cost of borrowing is coming down.

We started with 18%, we have raised the lowest at 11%. Market is not that great so I believe maybe not 11% in all of the cases where we still maintain 12%, but everything is improving from that front and at a smaller AUM one good guy you hire I mean one unit head you hire impacts your opex, but over a period of time these things subside and ultimately you will reach a point where you have a better overall opex overall

Chairsha Shyansukha: Got it sir. So you are saying 12% ROE which was stated earlier hold true?

Deepak Aggarwal: For this year?

Chairsha Shyansukha: Yes.

Deepak Aggarwal: For this year I would not say I am not sure for this year we will be able to do 12% let's see how times shape up. We at least we should maintain what we did last year maybe improve upon it let's see so time will tell, but I am just trying to tell you that when if you are able to give if not 100% AUM growth if you are able to grow at 70% if you are able to increase the net worth by 70% on definitely on the absolute number you can increase your PAT. So I think these are the things should be seen in the not so great environment.

So whether you are growing at a good space or not. So what we could achieve easily I mean through our efforts which is like branch expansion we have did that. So at this stage having a pan India presence and continuously showing you that we are there in terms of geographic expansion. So the things which are in our hand we are doing, some things are better left to the market that some things you can't control especially over a 3 month to 6 month period, but I think things will improve from here.

Chairsha Shyansukha: Got it sir. Thank you.

Moderator: Thank you. We have the next question from the line of Mihir Shah from Ridhi Enterprises. Please go ahead.

Mihir Shah: My second question was like we have been talking how different borrower profile that we have from MFIs like our borrowers have multiple incomes and all, but if you look from the collection front even now then some of the MFIs are doing better say CredtiAccess, Grameen or others, so why is that the case when we have such a good borrower base compared to MFI?

Deepak Aggarwal: So as I already said in my entire earnings call I said that I accepted that mistake that we have done better on all fronts except for the collection front. So this is where I would say that there has been other than the external factors there has been some deficiency on our side which we have now corrected it.

So I take your point absolutely that we should have done better on the collection side given the kind of customers, the kind of underwriting we have been doing. So there has been some lag on that front which I really hope that at least you don't raise the same question two quarters from now.

Mihir Shah: Got it.

Deepak Aggarwal: So I take that point there has been some - so I think there are stuff which we have done. So last quarter has been a lot of work you would know what kind of fund we were raising which got impacted because of the external environment, but what kind of expansion we have done, what kind of things we have done operationally. So last year same point 40% of the collection were coming in cash and that number has now reached to say about 20% in cash. So there are a lot of operational improvements which we have done. There is a point which we have missed and I believe we will sort this out

Mihir Shah: Got it sir. Sir my second question was on our accounting basis like what I have been observing is that we have, our net NPAs are piling up more than we have been doing before and other players have stricter norms of writing off loans and we just write off provision for 50% of the loans. How do you see that, do you see unsecured loans which have gone back coming back after a long time like 30 days or 60 days or something like that or it will see a stricter provisions in the future?

Deepak Aggarwal: I think we are never less on provisions. See we have a policy that for all 90 day cases we make a 50% provision so this is without any exception and in a 360 day 1 year period we take a complete write off. There are many players who keep the book for 3 years before writing it off. I would not say we are too aggressive on that stance. It's a 90 and 360 day policy and I think we are writing off based on that number, based on that policy. So we are reasonably conservative here. I don't see that we are very aggressive here.

Mihir Shah: Got it. In the past how has been our experience on this front actually 50% of loans after 90 days and being unsecured, do they actually come back or do they not come back?

Deepak Aggarwal: Past experience has not been that great, but I would still say that we never followed up as well. So in the past 5 years if you ask me how many cases out of now today we are having 60,000 customers how many cases we have filed, we have just filed 9 cases in a write off cases. So that what I said on this legal front on recovery front we have been little I would say lenient on that front. Now we have a very different strategy going forward that we would try to recover maximum amount possible. So, in all the buckets now we have a different strategy in terms of how to collect the money ,go hopeful on the legal cases as well, so I think recovery there will improve.

Mihir Shah: Got it sir. Thank you sir I really appreciate your acceptance and openness on the collection side and I saw that even on the previous concall, I think few of the investors had concerns about collection methodologies that we had, but I think now those will get addressed. Thank you so much.

Moderator: Thank you. The next question is from the line of Harsh Shah from Sumaria International LLP. Please go ahead.

Harsh Shah: Hello, sir. Thanks for the follow-up. So one of the questions that I wanted to ask was that our major competitors in South India has significantly reduced this yield by 200 basis points now, incremental loans or the incremental loans in the secured phase. So I want to know how will this affect us and what is our strategy to mitigate this impact?

Deepak Aggarwal: So, Harsh, what we largely have to understand, I tell you we recently gave - so although this is not the right answer, but I tell you that we have recently given a loan to - secured loan to a person who has been taking digital loans without realizing what kind of interest rate he's giving at, say, 115% APR. So this market what we have to understand is as a policy, when we do unsecured loans, so what I'm telling you how do we determine our interest rate? So what we see is that the largest competitor in that particular space and what is the yield he's getting?

So when we decided on the yield of unsecured loan, we again saw players who are like 5 times, 6 times, 7 times ask for a similar ticket size for a similar loan, what they are charging. And we will be charging maybe 20 basis points lower than them. And plus we may be giving other benefits like web services and all.

So again, for secured loan we will see that. So till now, we have been operating in North India. So we have seen that the largest player who have like 20 times, 50 times our book. For that particular segment, so you have to realize that today my average ticket size in secured is 3 lakh. So what we have to see is up to 5 lakh bracket what are the peers charging and our pricing is lower than them. So 100 to 150 basis point lower than them, in that segment.

South India, I understand which you're referring to, it's just one customer who maybe now become a 200 basis point, 250 basis point cheaper, but then there's a large market. I mean, there are players who are charging like 500 points more. So there's market for everyone. And that's when you say that whether multiple names, you can see in the digital lending side, people are going at 50% also, 60% also, 80%. There are people who have an average APR of 100%.

So 100% yield per annum or 110% yield per annum with a INR2,000 crores book. So I'm just trying to tell you that there are customer at all pricing. It depends on how well you serve them, how fast you disburse them then there are some other factors also which you give. So that 200 basis point does not impact a lot. And then we will review as time progresses, we will see what to do. Today, I don't think any of my customers in last 5.5 years will refuse because my rate of interest is high.

Harsh Shah: Okay sir. Fair enough. Thank you. That was my question.

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

Mihir Shah: My last one of questions on that like we have been seeing that for MFIs, RBI has been revising their guidelines and banning them for higher interest rate. So is there a time that something like this could happen to us this year?

Deepak Aggarwal: I think we are a very small company. I don't think RBI is going to come to us, but then as I said that see numerically if you see that what MFI is doing, they are lending at 26%, 27%. And then you have a full lot of larger players who are lending at similar pricing. The top most thing is we are not lending at 35%. Our secured loan pricing at this scale also is very competitive when you compare it with peers.

So even very, very large business houses who have very, very strong lineage of promoters are lending at say about say 23%, 24% alone which is less than 5 lakh. We are just there at say around 25% and even lower cost when it is a second loan. We are just there. So I would say that 100 basis point, 200 basis point does not make a difference and no regulator, see it's never although in a news you will see that, you might feel that just overnight RBI did something. RBI will come, do the audit. They will see our borrowing cost.

They will see our opex and then they will see where if we are charging something which is not warranted at the end of the day and please understand, it's the market forces which will play a play around. Today, the kind of loan which we are giving as HDFCs of the world, SBIs of the world they cannot lend to these customers. They will never lend say 1.5 lakh loan ticket. Even when I give an example, even HDFC does that, the cattle insurance costing is so high that I do end up paying 27% yield.

So it does need to be understand that this market is important to be served and whatever is said there are borrowing costs, there are credit costs, there is a collection cost, which all need to be comprised. I can today without realizing I can say that give that 18%. What if no one is ready to give it that price? So I think short term you see things happening. There was a time in 2007, 2008, when you had nine operators in each circle, telecom operators, but see what happened ultimately market will adjust.

There are players who will realize that at this price, they cannot do it. So either they will exit, or market will change that way. So I think it was a very high growth on a person loan segment, which RBI realized taking steps, but overall you don't do business for a quarter or two. I think over a period of time, things will settle down.

Mihir Shah: Right sir. Got it. And sir I have one more fundamental question. So like when we are giving loans at 30% or 32%, is that actually a win-win proposition for a customer starting a new business because like, most of the businesses do not earn that kind, those kind of returns. So I wanted to understand how sustainable is that and how is it a win-win proposition for our customers?

Deepak Aggarwal: So I think there is a very, very problematic area which see if I'm running a large organization, I may feel that if a large organization which is a manufacturing organization or something and if it is borrowing at 15%, I will have a problem that they will not be able to generate that kind of return. So for them the cost of borrowing should be a single digit cost of borrowing, but that is not true for my kind of borrower. So someone who is buying a cow for 40,000 with land, there is no spend on land, there is no spend on labor.

If you talk about cattle loan, he will buy a cattle for 40,000 which is a lactating cattle and they will recover 40,000 in its first cycle itself. And then every year you have a calf, you have a whatever 7 year, 8 year kind of life for animal. It's actually more, but I'm just telling you. So there is an income which is there. You will see in many podcasts, when people very high level people say that with one cattle at home or with two cattle at home you can run your family. So the yield is different.

When you give to a Kirana shop, he buys a 1 lakh worth of inventory, and it's fast moving if he earns 10,000, 10% profit in that. He's making 10,000 monthly profit on that. And what you're charging is very different. Even at say 2%, what you're charging is say 2,000 on 1 lakh. The problem area is that if you stop these kind of lending which is at say 24, 26 or even 30%, you are giving the chance for them to be exploited by people who give you 5,000 in the morning and charge 500 interest rate. And this is a true picture, which is still happening in India.

So, I think what we have to understand is that, it's not that high. You see, there is a collection cost for this kind, there's a sourcing cost for this level, you source you pay, you collect you pay. There are expenses and these people are able to get that return and that's why this industry is surviving. If there are no returns, if my borrower is not making 2x return, why will he borrow? So, that returns are there. So, that is the key understanding one needs to understand, that returns are there in this business.

Mihir Shah: Got it sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Ankit Jain for closing comments. Over to you, sir.

Ankit Jain: Thank you, Dorwin. I would like to thank the management for taking this time out for the conference call today and thanks to all the participants. If you have any queries, please feel free to contact us. We are Orient Capital, Investor Relations Advisor to Moneyboxx Finance Limited. Thank you so much.

Moderator: Thank you. On behalf of Moneyboxx Finance Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.