



Date: 8th November, 2025

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
NSE Symbol: SBFC

BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001.
BSE Equity Scrip Code: 543959

Sub: Transcript of Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find attached the transcript of the Earnings Conference Call which was held on Saturday, 1st November, 2025.

The transcript of the earnings conference call is also being uploaded on the website of the Company at <https://www.sbfc.com/investors> under the section 'Investor Presentation – Call Transcripts'.

You are requested to take the above on record.

Thanking you,

Yours faithfully,

For **SBFC Finance Limited**



Namrata Sajnani
Company Secretary & Chief Compliance Officer

Encl: as above

SBFC Finance Limited

Registered Office: Unit No. 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East) Mumbai - 400 059
T. : +91-22-67875300 • F : +91-22-67875344 • www.SBFC.com • Email: complianceofficer@sbfc.com
CIN No : L67190MH2008PLC178270



“SBFC Finance Limited Q2 & H1 FY'26 Earnings Conference Call”

November 01, 2025



MANAGEMENT: **MR. ASEEM DHURU – MD & CEO**
MR. MAHESH DAYANI – EXECUTIVE DIRECTOR
MR. NARAYAN BARASIA – CHIEF FINANCE OFFICER
MR. SANKET AGRAWAL - CHIEF STRATEGY OFFICER
MR. RAJIV THAKKER - CHIEF RISK OFFICER

MODERATOR: **MR. RENISH BHUVA - ICICI SECURITIES LIMITED**



*SBFC Finance Limited
November 01, 2025*

Moderator: Ladies and gentlemen, good day and welcome to SBFC Finance Limited Q2 & H1 FY'26 Earnings Conference Call Hosted by ICICI Securities Limited.

As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Renish from ICICI Securities Limited. Thank you and over to you, sir.

Renish: Thank you, Iqra. Hi, good afternoon, everyone. Welcome to SBFC Finance Q2 FY'26 Earnings Call.

On behalf of ICICI Securities, I would like to thank SBFC Management Team for giving us the opportunity to host this call.

Today, we have with us the entire top Management Team of SBFC represented by Mr. Aseem Dhru – Managing Director and CEO; Mr. Mahesh Dayani – Executive Director; Mr. Narayan – CFO; Mr. Sanket Agrawal – Chief Strategy Officer and Mr. Rajiv Thakker – Chief Risk Officer.

I will now hand over the call to Mr. Aseem for his opening remarks and then we'll open the floor for Q&A. Over to you, sir.

Aseem Dhru: Thank you. Thank you, Renish, and good afternoon, everyone.

The challenge of any business built is that while one is building for the decades, one is accounting for in quarters. If I ask you what is your plan for the evening today, you are likely to be very specific. I am going to watch a movie, a play, go to a party. If I ask you about next week, you have something a little more general. The next quarter, details start to blur. The next year, you will probably say more directional thing. And the next decade, and we get into the territory of hope. Similar challenge a company faces when it looks ahead, a quarter, a decade, and a century.

The challenge for any management is to get both, the next decade and the next quarter right. At SBFC, when we look at how the most abused word in startup decks, you know, called the total addressable market, the TAM stands, we feel very bullish about the future. The total MSME book of loans between Rs. 500,000 to Rs. 3 million, which is our target segment, the total book, which includes banks, NBFCs, all kinds of lenders, between Rs. 500,000 to Rs. 3 million is about Rs. 4 trillion as we speak, and this has been growing at a CAGR of 24%, meaning it's doubling every three years. The best thing is, as far back as I look, these numbers have held, which means through peaks and drops, through interest rates and delinquency cycles, the market growth has

neither accelerated nor decelerated. And when one looks at the decade ahead, one can safely presume that the market will grow at the CAGR of 20%, which means it will double in about four years. So, from 4 trillion that it is right now, it will go to probably 8 trillion by 4 years from today.

Now, as we know, growth cycles are produced by interest rate cycles. India right now has one of the lowest inflation volatility in the world. This produces a low interest rate volatility, which feeds into lower growth volatility. Even if you don't want to get too technical, let's just know this – It is not the quantum of the move, but the volatility that kills you. So, low growth volatility is a really good place to be. On top of this, India, in my view, has a long-term trend of low real interest rates. We have decidedly entered a cycle of low real interest rates. A low inflation interest rate growth volatility, and a low real interest rate trend is music to a banker's ear. The long-term trend for India is very clear – It is up. In business, as in life, it is very critical to get the long-term trend right. While you may get the decade right, it would be posthumously for the management unless they get the quarters right. So, when we look at the more immediate, we shift from the telescope to the microscope, and there is never any beauty one can find under a microscope. The near-term view is a chaotic bazaar with so much noise and cacophony that it gets very difficult to preserve your enthusiasm.

To those of you who have followed our earnings call over the years, at the risk of becoming a I-told-you-so expert, we had seen and called out a shorter-term trough in April '24. Post-COVID, Indian lenders had kept the bar open for too long, and alcohol and money both have unlimited demand if they are easy to get on credit. RBI was watching this too, and in the second half of Fiscal '25, it read out the riot act on the unsecured lenders first, and then the microfinance sector next. We are in the business of lending loans that will need to get repaid every month over a long period of time. The business segment we lend to has uneven cash flows and operates in an undisciplined way.

A few days back, the screen in our office displayed our live loan book rising in real-time as we saw loans getting disbursed across 220 branches. I usually see this excitement when an important cricket final is underway to a nail-biting finish. A loud cheer and applause broke out as we crossed Rs. 10,000 crores of AUM. Now, on a lighter note, I know the knife that came out to cut the cake that's been wheeled in is on my throat too, for we can truly celebrate only when the money has come back. We are the only business that expects sales returns to happen. These high-yielding loans price-in the incipient risk in them. Our job and raison d'etre is to price and manage this risk.

Last quarter, in line with peers, we too had a large flow in our 1+ portfolio, in the previous June quarter. This quarter, while the tide hasn't fully stemmed, the intensity of the flow has calmed, and we are still very watchful, for we need to first stem the flow and then try to reverse it. There are a lot of numbers when a finance company puts out its results, but a first amongst equals, or

the moral of the story, is return on equity. What is the return made by the shareholders who trusted us managing their money? We had constructed an ROE tree on the DuPont curve. The power plants step up the voltage for long-distance transmission and step it down to substations, and finally delivering it to your home, and when you flick a switch, the bulb comes on. Reporting this ROE of 14% this quarter for all of us at SBFC is how Edison would have felt when his bulb came on in 1879. “This damn thing is working!” moment. In finance, it is never so easy – we could arrive at this ROE by using a high leverage, and that isn't the ideal solution. So, one has to ideally reach it on a very low leverage, which means that you need to deliver a high ROA. At north of 4.5%, we are achieving 14% ROE at a debt/equity of under 2. I was looking at our first earnings call in September '23, where we had delivered an ROA of 3.8 and an ROE of 10.4. So, happy to see that we have doubled our quarterly profits since then, that was just after our listing. We have ample capital, and as we build to reasonable leverage, it should have a salutary effect on our ROEs going forward.

We have two tailwinds powering our climb – Incremental borrowing cost is down 80 basis points over the book cost at the beginning of this fiscal. Over time, this will keep feeding into the P&L. Cost of operations has come down 112 basis points since our IPO, and incremental benefits will keep feeding into the P&L. But as we make investments for growth at a reduced pace of reduction, I would also like to draw your attention to the headwind we face – Tough credit environment, credit cost has gone up to 1.29%. Our PCR is at 46%, well above our stated intent to keep it north of 40% and we do not take into account the interest on NPAs and we do not upfront any income through DA or any co-origination to reduce our future earnings volatility. I would want investors to know that while we are doing the best we can, we are solving a difficult problem, and the risks are evenly balanced. The yields on our business fairly compensate us for the elevated risk, and we won't sleep easy till the flow into 1+ is fully stemmed.

What has changed over the years are the two risks that did not exist to this level earlier, political risk and climate risk. Karnataka is a classic case in point where a superb portfolio till January '25 got rudely shaken up in two months, and this now is going to take several quarters to fix once it starts to flow. We remain cautiously optimistic about delivering a 5% to 7% quarter-on-quarter growth. Credit cost could, from this point, inch up 10 to 15 basis points before they peaked out. We have further tightened our credit screens, stopped lending below 7 lakhs and raised the gate of entry to a CIBIL of 700 at a minimum level. And we now watch out for banking behavior and over-levered customers in a more tighter way than we did before.

We thank you for your trust, and with this I hand you over to Narayan, who understands numbers far better than I ever will.

Narayan Barasia:

Thank you, Aseem. Hi, good afternoon. Our AUM as of September is Rs. 9,938 crore, and as Aseem said, we achieved Rs. 10,000 crore now, and this is with a growth of 29% on a YOY basis and 6% on a QOQ basis. With 100% of our books secured by properties and gold, we have

a very minor unsecured book left, which is hardly in terms of percentage. Our MSME AUM, which is 82% of our AUM, grew by 29% on a YOY basis and 6% on a QOQ basis. We have added five branches during the quarter, with the total branch count at 220 as of September 2025.

In terms of yield spreads and OPEX, the yield for the quarter is 18.01%, with an improvement of 2 basis points on a QOQ basis and 32 basis points on a YOY basis. Our cost of borrowing is at 8.96% for the quarter, with a reduction of 36 basis points on a YOY basis and also on a QOQ basis. Consequently, the spread for the quarter is 9.05%, with an improvement of 38 basis points on a QOQ basis and 68 basis points on a YOY basis. Our OPEX continued to improve due to enhanced operating leverage and has improved again by 19 basis points on a QOQ basis and 20 basis points on a YOY basis. This is in spite of a consistent increase in our branch network.

In terms of asset quality, our GNPA is range-bound in Q2 at 2.77%, with PCR at 46.17%, with credit cost at 1.29% for the quarter. In terms of capital and return ratio, our capital adequacy ratio is 34.05%, with a tangible net worth of Rs. 3,174 crore as of September 2025. Our Return on Average AUM for the quarter is 4.56%, with Return on Average Tangible Equity further improving from 13.53% in Q1 to 14.09% in Q2. We made a PAT of Rs. 109 crore for the quarter, thereby reporting a growth of 30% on a YOY basis and 8% on a QOQ basis.

With this, I open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Gulati from Gulati Wealth. Please go ahead.

Abhishek Gulati: Hi, sir. Actually, the number was great. Sir, I want to ask what is the future outlook? Actually, I missed the opening remarks if you have said so.

Aseem Dhru: I mean, I gave a fairly long monologue on what the outlook is. For us, the outlook continues to be what we had guided, no change in guidance. We hope to continue to grow at 5% to 7% AUM quarter-on-quarter. And we hope that the credit cost here will start getting range-bound, but may increase another 10-15 basis points from here. Apart from that, it is business as usual. We have crossed 14% ROE, and as more things go our way, in terms of what has been said as operating leverage, hopefully, it will have the effect on ROE.

Abhishek Gulati: Understood. And in terms of are we focusing on higher ticket size loan, because most of the NBFCs currently are focusing on higher ticket size loan because of the NPA risk. We are also witnessing the same thing?

Mahesh Dayani: So, higher ticket sizes are typically range-bound and they are, from 5 to 30 lakhs is a sweet spot. What we had mentioned in our last call for last quarter was that we will move away from the lower ticket size where we feel that the stress is building up, which is the sub 7 lakhs. So, if you look at our average ticket size for this particular quarter, that's moved up marginally from closer

to 9 lakhs to 10.2 lakhs for this quarter, and that's largely also because of a higher co-origination with ICICI. So, to answer your question, our large tickets, the way we define is more between 10 and 30 odd lakhs.

Abhishek Gulati: Understood. And one more thing, in terms of the NPAs, that's still the credit cost we are also guiding could interrupt. So, we are seeing a stress in a particular type of loan, particular customer behavior that we have found in which we are seeing more risk?

Mahesh Dayani: So, let me break this into two parts. So, one is a segment, and one is geography. If I were to look at a segment, the segment that we had called out not last quarter, but probably a year back, is that we are seeing stress building up on the lower ticket size. So, that call out holds and that's something that we've shied away from doing it. So, as a result, you see our volumes also dropping in Quarter 2 compared to the previous quarter. To call out specific geographies, as Aseem mentioned out a specific state in South, where we mentioned that due to an ordinance issue, clearly the portfolio color hasn't been what it was till about January and March. So, it's a combination of both, and that's the reason we said that we're not out of the woods as yet. We will see some bit of pain continuing before we see the trend reversing.

Abhishek Gulati: Understood. And just last thing, how long we are seeing the trend to be continued in the rising NPAs? Anything that this is your experience that you can see?

Mahesh Dayani: It's very difficult to, I mean, if we could see the sunset and if we could time it, it would have been perfect, I would have given you that answer. But all that we can tell you is that quarter two was slightly better than quarter one. Is it going to end in Quarter 3 or in Quarter 4? That's going to be a wild guess so, we wouldn't want to commit to that. But all that we can do is if you are in that kind of an environment, you'll be a little watchful, you'll tighten your credit filters. You can't really avoid the credit cost completely, but you can obviously soften the blow.

Abhishek Gulati: Understood. That's it from my end. Thank you.

Moderator: Thank you. The next question is from the line of Nitesh from Investec. Please go ahead.

Nitesh: Thanks for the opportunity and congratulations for a good set of numbers. So, first question is on the asset quality stress that we are seeing. Is it only Karnataka specific or are we witnessing stress in other geographies as well?

Mahesh Dayani: So, in terms of our portfolio, we have Karnataka where we hold close to around 11%-12% odd. Although we have gone a little slow, but obviously, there's a legacy book or a large portion of the book there. The trends in the remaining two states, which is Andhra, Telangana are pretty much holding on. But I think Karnataka is one state where we'll be a little watchful. We are present in Tamil Nadu, but the portfolio is not very large.

- Nitesh:** Sure. And how are you seeing trends on the customer leverage? As we have again started seeing very sharp growth in the unsecured segment, which has been a bit weak for one year, but again, in this quarter, we have seen a lot of lenders growing unsecured book pretty sharply. So, how are we seeing customer leverage trend specifically in your customer base?
- Mahesh Dayani:** Yes. So, I think what we are now trying to do, probably if you look at our investor slides, you'll see our CIBIL scores, which were more than 700, that's inching up by almost 200 basis points. We were close to around 86% on the portfolio that's moved to almost 88%. If I were to talk about the new disbursal, almost I think 95%-96% of the customers onboarded are more than 700 and some of them more than 725. Now, typically, what we look out or what we call out are those set of prime customers within the affordable category, where the number of loans, at least at the time of boarding, is relatively less. So, what we're trying to do is trying to filter out over-leveraged customers. It has an impact on our volumes. So, you see our volumes down by almost 6%, but I guess that's the right thing for us to do. And even after we put out those filters, our overall growth projections do not change. We are disbursing close to around Rs. 800 crores in a quarter. If we were to just stay where we are, that's Rs. 3,200 crores in a year. That will still be 20% than the previous year. So, I think we're pretty much comfortable where we are despite tightening our underwriting filters for prime customers in the affordable space.
- Nitesh:** So, we have tightened the underwriting filters last year. We have further tightened them in this quarter or?
- Mahesh Dayani:** Yes, we have further tightened them in this quarter.
- Rajiv Thakker** So, this is a continuous process because the way we did some triggers last quarter also we had tightened some of the norms and even this quarter we have tightened some norms. So, there is a continuous process and of course, whatever learning we get from the portfolio, we just try to plug it.
- Nitesh:** Sure. And last question is from a medium-term perspective, do you have plans to add more products apart from MSME and gold loans?
- Mahesh Dayani:** No, I think within the ticket sizes, that's a pretty long range. So, when we say that we have anything between 5 and 30, so a 30 lakh customer or somewhere about gives you a yield which is slightly lower and as you keep nearing between 8 and 10 lakhs, the yields are a lot different. So, these are different segments, different products within which what we play and it's a combination of geographies. I think there's enough and more for us to do in the distribution that we've laid across these 15-16 states. So, I don't think from a medium-term we will add any more products, but yes, our investment in the distribution will continue to be there because we still feel that a lot of states are underserved and our distribution in some of the geographies are yet to sweat in.

- Nitesh:** That's it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Prithviraj Patil from Investec. Please go ahead.
- Prithviraj Patil:** So, thanks for the opportunity. Just one question on the micro-LAP portfolio that you mentioned that we stopped doing under 7 lakhs. I just wanted to know how do we look at the write-backs or recoveries from the small ticket portfolio? What is the tenure when we can expect a write-back or is it just a write-off that we see?
- Mahesh Dayani:** No. So, I think it's going to be a little unfair to say that your LGD on that is almost 100%. That doesn't work that way. It goes through its process, but yes, the time that it takes for the small ticket portfolio, which is sub-7 lakhs, is fairly longer. I would probably just give you some sense that if I am doing something under SARFAESI at a scale of one, then probably if it's a smaller ticket, which is sub 7, sub 6 lakhs, then the timeline is almost twice of what probably you would have on a SARFAESI side. But yes, there is time value of money that you would probably consider, and that's the enhanced credit cost that comes along with it, but that also gets compensated with a higher yield. Having said that, our percentage portfolio on the overall book that we have is fairly small. So, we really aren't too concerned as to what is the amount of credit cost that's going to come from that portfolio.
- Rajiv Thakker:** Just to add the covers in this segment particularly, so our LGDs would be sub 50. So, that also helps us down the line.
- Prithviraj Patil:** Okay. Thank you. And just one more question. What are the number of branches through which we're doing gold loans and how do we plan to scale it in the future?
- Mahesh Dayani:** So, we are currently closer to 185-odd branches out of 220 branches where we offer gold. Incrementally, you would see more number of branches coming in for gold. My sense is that in the next two quarters, we should add close to around 15 branches for gold.
- Prithviraj Patil:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prakhhal Goyal from Anived Securities. Please go ahead.
- Prakhhal Goyal:** Hi, everyone. Thanks for taking my questions. I have three questions. First is to Aseem. Aseem, we saw in the PID disclosures that your personal holdings came down meaningfully over the last quarter. Could you please share some context? Was it mainly a personal diversification or a liquidity decision? And should we expect any further such transactions?
- Aseem Dhru:** Since eight years, all the money that I have ever made is in this stock, and the purpose is to create liquidity for myself.

Prakhal Goyal: Got it. Fair. Second, on asset quality, while GNPA has stabilized on a QOQ basis, the 1+ DPD bucket has been inching up for about 10-11 quarters. What level of 1+ do you consider healthy for this kind of portfolio mix?

Aseem Dhru: Well, there is no absolute level. As I said in my opening commentary that this is a level that we are concerned with and watching it, the velocity of the fall has come down, but it is still not stemmed out completely. So, we are hopeful that we should see improvement in that, but clearly, it's not a level that is something that we are comfortable with and we have to manage it, handle it, and bring it down. So, there are certain specific things that have added to it. Some we couldn't control, the Karnataka portfolio that I mentioned, and then some which we think we can control through better credit buying, which we will do, which is something that we've been doing every quarter. We will keep tightening the credit screens until we get to a more comfortable position.

Prakhal Goyal: Understood. Just one, last question on excellent improvement on cost-income ratio. We are growing revenues and profits at about 30%, but employee count seems to be up only about 10% YOY. Is there any timing or lag effect here or should we read this as a structural operating leverage coming through?

Mahesh Dayani: So, I think what we've been doing is there has been a distribution that's been laid. There's been an investment in employees that we've been doing. And what we've always called out that we will not be in a hurry to add branches unless and until my existing set of distribution starts to sweat. Just to probably take my point further, if you look at probably slide 15 or slide 16, where we give a split of our distribution, you'll see that now over a period of time, almost 60% of our branches are more than three years with an average AUM of more than Rs. 60-65 odd crores. And just to give you a sense that the moment the branches are more than 40 odd crores, they cross an ROE of close to around 15% and beyond. You have a set of branches, close to almost 25% of the branches, which are between 1 to 3 years, where we feel that there's still a lot of work to be done and that's more like Rs. 25 crores per branch. But that's also a significant ROE of close to 10%-11% odd. And then you have the balance 15%, which are less than 12 months. So, I think the whole idea is that there is a period where we feel that we'd like to consolidate and see that how are the branches performing, how are we sweating this distribution, is the cost really making it up? Because one thing what we started, which was contrary to our segment, is that we started with an extremely high OPEX, and while we had promised that over a period of time it's going to keep coming off, but we were conscious that, you know, the unit economics at a branch level clearly needs to deliver and that's how it needs to sum up. Now, I think with every passing quarter, as the distribution is beginning to sweat, as the numbers keep on growing, there's more confidence for us that this model is working, the unit economics at a branch level is beginning to throw up the required income that was projected and gives us the confidence to invest further in our franchise. And that's how, in the opening commentary, we mentioned that our OPEX, what we have guided that we will try and bring it down every year, is something that we're living up to.

Prakhal Goyal: Got it. Thanks. That's it from my side.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from Premji Investment. Please go ahead.

Harshit Toshniwal: Hi, sir. Congratulations for a great set again. Sir, two questions. One is that if I look at our employee base, if you can also help us that, how much would that be for gold loan business amongst them? That is one question. And the second was on the operating leverage piece that, so the operating leverage improvement, which we have seen, how much also would you want to ascribe towards gold loan being there in now more branches and the efficiency which is coming up with the, in general, the price increase in the AUM increase. So, that was one and probably just one to it and the continuation of the last question that the branch addition target, which we should look at from here on to achieve that 5% to 7% Q-o-Q growth. I had one more question if time permits.

Mahesh Dayani: I think one of the probably the dumbest thing that probably we'd like to follow is that keep increasing the number of people and the number of branches to chase growth. I think the idea is that there has to be some bit of efficiency that needs to come in for us to deliver a superior, you know, at least at a PPoP level, it has to be a lot better. So, if my AUM is growing or my income is growing at an 'x' level, my PPoP should probably be better of that, and that's where the operating efficiency has come in. Having said that, I think what we have guided is that we would probably add 20 or 25 branches in a year. That's something that we are comfortable with in select states where we seem to be getting our businesses right at the right deals and at the right cost. Coming to answer your question on gold, we have close to around 185 odd branches. There are close to around 8 to 10 people in a branch that comes in. So, roughly around 1500 to 1600 odd employees, including the front end and the back end would be on the gold side.

Harshit Toshniwal: Understood, sir. And one more thing if I can ask that probably this might have been answered in previous calls, but just pardon me the naivety, but when we look at the disbursement growth, we saw four quarters of probably a mathematical slowdown, but I think there was some change in the way the recognition happened. And last two quarters, since the base is again normalized, so we are seeing a better growth. So, when we look at the 20% YOY growth, is there anything in the accounting that does not make it like-to-like, if you can just help clear this basic question?

Mahesh Dayani: No. I think what you're referring is to the disbursals for last year where it was in the range of 675 to 700. There was a dip in the last year first quarter, which is June 24th, where there was a circular, which mentioned that you would disburse based on the actual receipt in the customer's account, so, there was one reset which happened and then subsequent numbers started to inch up over a period. That was also unfortunately a period where we said that we are beginning to see early signs of stress coming in for a smaller segment, and that's the reason you didn't really see a big bump up coming up in the subsequent quarter. So, you would probably at best see a bit

of a straight line that came in. And there was some bit of an uptick, which probably happened between Quarter 3 and Quarter 4. And then you saw a tick in quarter one and that's what we intend to do. What we mentioned earlier, I don't think we're in a hurry for really capturing a high market share in a segment where probably we'll spend a lot of time trying to get our money back. I think the whole idea was that at a current run rate of disbursal, we need to be very comfortable that we don't really break any operating risk or a credit risk or a human capital risk. As long as we are adhering to all three at a comfortable pace, we should be okay. But just to answer your question, there's nothing that has changed in the way we were accounting, everything is like-to-like compared to last year versus this year. Also, to give you further comfort, I think our distribution, what we have is good enough to generate anything closer to Rs. 300 crores a month. That's almost Rs. 900 odd crores. I think it's by design that we've decided to walk away from some parts of geography where we aren't originating or some category of customers that we are not comfortable onboarding.

Harshit Toshniwal: Okay. One thing, and this is not related to the numbers, but in general, as an industry, do you think that the SARFAESI advantage, which is there for HFCs, do you envisage a situation where that can come for NBFCs? Or should we look at that being a very big advantage in terms of the way we operate? I think currently it's 20 lakh loan value above which we'll be able to get. But do you think that this is one aspect where government or the regulator is also looking?

Aseem Dhru: I can't comment on what the regulator is doing, but I can certainly say that it is a level playing field that NBFCs deserve to be on. And there is a regulatory arbitrage against the NBFC, and I hope that it gets recognized and removed.

Harshit Toshniwal: Understood. It will be a meaningful difference because it is that regulatory arbitrage is actually a reasonable arbitrage.

Aseem Dhru: Yes. It's a very meaningful one. The time frame of resolution can be more than 3x to 3.5x of SARFAESI.

Harshit Toshniwal: Got it. Perfect. Thanks a lot, sir. All the best.

Moderator: Thank you. The next question is from the line of Mayank Mistry from JM Financial. Please go ahead.

Mayank Mistry: Hi, sir. Thanks for the opportunity. So, my question is mainly on the MSME disbursement. So, largely it has remained stable during this quarter given that you have tightened your underwriting a little, which has led to a little lower growth in disbursal. But when I bake in, only if I bake in 3% to 4% sequential growth in this disbursal, I have been able to gain 5.5% sequential growth for next two quarters. So, I am just trying to decode, I mean, will the run rate move up from here or with the tightened disbursal, will the run rate remain stable over the near term?

- Mahesh Dayani:** I think the disbursal outlook is going to be a function about how the 0+ is behaving and how are the credit parameters behaving. I think, as I mentioned earlier, we have a capacity, whether it's in terms of number of people or number of branches, to really ramp it up, but I don't think we are yet in a position to go ahead and do that. As I mentioned earlier that we've already gone ahead and tightened the filters. All I can tell you is that that's almost a 10% drop from our run rate, so if we're actually disbursing 800, all I can tell you that we're leaving almost 10% on the table if we were to filter out all the underwriting norms that we've left behind. So, I don't think we are chasing growth at the cost of credit or at the cost of an operating risk that may come along with it. So, if that means that probably we will marginally probably come off in terms of our ME growth, but our guidance on the 5% to 7% or a 25% to 30% will still continue to hold up.
- Mayank Mistry:** How much has it impacted our rejection rates in the last quarter?
- Mahesh Dayani:** So, earlier our rejections, in fact, let me swing it the other way. I think our approval rates earlier used to be in the range of 45% to 50% odd. That's probably gone down to below 40% odd.
- Rajiv Thakker:** And this is in spite of the fact that the login filter itself is tighter. So, it is plus plus, because we don't allow logins beyond a cutoff.
- Mayank Mistry:** Okay. sir. Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Gulati from Abhishek Wealth. Please go ahead.
- Abhishek Gulati:** Hi, sir. So, actually my question is how much leverage we are planning to go to? Currently, as I can see, we are 3x leverage. So, what is our leverage target for at least 2 or 3 years down the line that we're targeting?
- Narayan Barasia:** So, our debt-to-equity is sub 2, while asset-to-equity is 3, but debt-to-equity is sub 2. From a banking covenant point of view, we are permitted to go to debt equity of 5. But what we believe is anywhere between 3 and 4 is somewhere we will go to the market and start raising equity capital. So, as of now, we are sub 2, at least we'd like to reach to 3 and then revisit this.
- Abhishek Gulati:** Understood. And eventually, the ROE target that we are targeting?
- Aseem Dhru:** We'll let it come as an outcome. We're not targeting any ROE. We had guided a 15% ROE. Let us first build to that and then we will talk about plans ahead. At the moment, the guidance continues to be 15%.
- Abhishek Gulati:** All right. One more thing in terms of during the tough time also, we are able to manage to grow like around 6% QOQ and 30% YOY. So, during this time, the companies that used to guide the same growth are also not able to do the same. So, what we are doing differently, just I want to

try to understand what we are doing differently that we are able to deliver in the tough environment as well.

Aseem Dhru: Nothing different. We are trying to do the same boring thing and improve at it. We are making our mistakes, correcting, learning and we are at it. Nothing is for sure, but we are trying our best. God has been kind. We have the best team in the business and they are sometimes surprising us also with what they are able to do that as we keep cutting and keep increasing our credit screens, they are still managing to get in more and do the numbers. So, I would give the full credit to the team, both business and credit, which is making it happen.

Abhishek Gulati: Understood. Great work. Thanks to the entire team.

Moderator: Thank you. The next question is from the line of Prithviraj Patil from Investec. Please go ahead.

Prithviraj Patil: Sorry for coming back in the queue. I just wanted to know how do we think of the borrowing? So, what percentage of the borrowings is fixed rate borrowings and what percentage of our advances is fixed rate? And then how much of the repo benefit have we seen on the borrowing side?

Narayan Barasia: Okay. So, we have matched the asset and liability pretty well. On the asset side, first, the entire secured MSME portfolio is on a floating rate. Gold business is a very short tenure business ranging from 6 to 12 months and is a fixed interest rate, but since the tenure is small, it hardly matters. From a liability side, we tend to keep everything floating just to match the asset side well, so virtually almost about 90% of the loan will be on the floating side. To your other question on to how much has been passed on, so 100 basis point repo reduction has led to almost about 80 basis point reduction on MCLR by private sector bank and public sector bank is yet to follow, there has been a very minor reduction there. So, to that extent, the flow is still happening, the transmission is still happening. We have baked in and captured certain reduction in the repo already in the financials and we believe that we will capture certain more part of the reduction as we go along to future.

Prithviraj Patil: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Manav Shah, an individual investor. Please go ahead.

Manav Shah: Sir, continuing on the previous participant question. Sir, he told regarding the spreads and the margin. So, what will be your outlook? So, it can improve from here on as well?

Aseem Dhru: No, we are already above our guided range and do not anticipate any further increases from here.

Manav Shah: So, it will be stable around this level, right? Around 9% of spread for FY'26?

Aseem Dhru: Yes.

Manav Shah: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Aakash Jha from Five-Star. Please go ahead.

Aakash Jha: Hi, sir. Congratulations for a great set of numbers. So, I wanted to understand the Karnataka issue. Several unsecured lenders have mentioned that conditions are improving for them on the ground. So, what are our expectations going forward?

Mahesh Dayani: No, I cannot comment on the unsecured lenders as such. All I can tell you is that what are we seeing on the ground with respect to the secured on the smaller tickets. If I were to actually flesh it out further, I would say that the smaller tickets are not showing sign of improvement as yet. Yes, there is some bit of improvement and stabilization on the slightly larger tickets, but that is what it is. And what we had mentioned, the positive is that it is not worsening. But we are yet to see that a lot of customers who had flown actually get back to current. So, we are able to stabilize them, but we are not able to get them back to current. And that is the reason we said that we will be cautious in those markets.

Aakash Jha: Okay. And what is the total exposure in Karnataka?

Mahesh Dayani: Around 12% odd.

Aakash Jha: Okay. And one last question sir. Is there further scope for the gold loan mix from current levels in a total AUM?

Mahesh Dayani: It would move up a percentage here or there.

Aakash Jha: Okay. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sanket Agrawal: Thank you for joining the call. If there are any further questions, please do reach out to me. Thank you.

Moderator: On behalf of SBFC Finance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.