



05th May, 2026

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, please find enclosed the transcript of the Earnings Conference Call which was held on Monday, 27th April, 2026.

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'.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **SBFC Finance Limited**



Narayan Barasia
Chief Financial Officer

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 : +91-22-67875334 • www.SBFC.com • Email: complianceofficer@sbfc.com
CIN No : L67190MH2008PLC178270



“SBFC Finance Limited
Q4 FY '26 Earnings Conference Call”
April 27, 2026



MANAGEMENT: **MR. ASEEM DHRU – EXECUTIVE VICE-CHAIRMAN**
MR. MAHESH DAYANI – MD & CEO
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**



Moderator:

Ladies and gentlemen, good day and welcome to SBFC Limited Q4 FY'26 Earnings Conference Call. 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 touch-tone phone. Please note that this conference is being recorded.

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

Renish Bhuva:

Thank you. Good morning, everyone, and welcome to SBFC Q4 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, Executive Vice-Chairman; Mr. Mahesh Dayani, Managing Director and CEO; Mr. Narayan Barasia, CFO; Mr. Sanket Agarwal, 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 morning, everyone. This is our 12th earnings call since listing. These days, with the amount of drama happening in the world around us, it feels like living a decade in a year. Actually, you know, it does feel like we have been doing this for three decades. Predicting the future at best is a fool's game. Over the years, I've enjoyed reading expert predictions at the end of the year, you know, and where the wise make fools of themselves, being aware of my own stupidity, that's one area I've dutifully stayed away from. Instead, I have gained from Charlie Munger's "Latticework of Mental Models", where one has to create an ability to analyze situations by drawing from diverse, interconnected disciplines to make better decisions. If memory serves me right, it was Carl Richards who said, "Risk is what is left over after you think you have thought of everything." To me, this means that it is impossible to see all the risks that will come our way. Therefore, at SBFC, our mental model, our philosophy is acceptance of the fact that we do not know where the devil called risk will arrive from. But we do know that in whatever form he arrives, we have to meet him already prepared. Certainty is a luxury reality does not offer.

The segment we serve, the small business owner in small towns of India, is constrained by capital, not totally disciplined, and vulnerable to external shocks, as varied as unavailability of gas cylinders for a small restaurant to a medical emergency in the family. Towards this, an attempt has been made to build an anti-fragile business model.

As we look at the clouds gathering on the horizon, casting their long shadows on the sunshine of opportunities in our segment, we see that some of the risks that are India's Achilles heel have all materialized. Growing fiscal deficit plus widening trade deficit, forces of the current oil shock that has constrained supply and materially changes our import bills, forex reserves, and right now widening our fiscal deficit. When it is passed on to the pump, it will become inflationary. Crude plays out from plastic to fertilizers, and gas plays out from food to tiles. Lackluster FDI and negative FII flows are ensuring the capital account flows cannot make up for the lack of current account flows. In the current situation, the Gulf remittances are at risk, and with what's happening with AI, Indian IT flows are at risk, too. The weather gods may be sending an extra

harsh summer, as we can already see right now, when followed by an El Nino, which even today our country performance is driven by performance of the southwest monsoon winds.

IMF used to publish a forecast for the world. Poor chaps realized that one needs to be an astrologer for that. Just being an economist or a statistician doesn't seem to be enough these days. They abandoned it and now publish reference scenarios which range from adverse to severe. Since fools have a tendency to rush in where wise fear to tread, I cannot help but say that rising inflation through fuel, an imported one because of a weakening currency, is a certainty. Rising interest rates on sheer demand-supply situation in the economy is a certainty. In a softening demand environment due to income growth not keeping pace, I can bet that every company commentary you will read this year will be about squeezing costs. Now, remember that a corporate's cost is an MSME's revenue.

We do an annual refresh of our PD/LGD model for calculation of ECL. Towards that, there are some inter-adjustments that the model threw up. In our earlier stages of operations, we had to rely on market benchmarks as our data had not matured. Now that we have seen cycles play out, it came across that we are over-providing for stages 1 and 3 and under-providing for stage 2. That adjustment has been done as per our data. However, this has had no impact on the overall provisions. In fact, it's just gone up about two basis points to 1.84%, which is 2.1x the IRAC norms that the banks use. We sit on a three-legged stool, and our principal job is to manage three costs – cost of funds, cost of operations, and cost of credit. Lending is a commodity business, and we are all price takers, not price setters. The most foundational truth of any commodity business from steel, cement, power to finance – the lowest cost producer wins.

End of FY'26 versus End of FY'25, our cost of funds have moved down by 48 basis points, cost of operations have moved down by 46 basis points, and cost of credit moved up by 30 basis points. We have completed three years since listing, and if you remember, we used to guide a 50 basis points opex reduction every year. Cumulatively, against the 150 basis points promised, we delivered a 161-basis point reduction. We had guided that gold will be 20% of our book, give or take. Despite the substantial increase last year, we are at 21% and on our guided range. Co-origination continued to be around our guided range of 20%. Our spreads and ROA have been consistently higher than guided, and last year, despite increase in leverage, our ROAs have expanded. Last year, we grew our branches by 46 instead of the guidance of 25, with most of them coming up in the last quarter. Costs are taken, benefits to accrue. On a lighter note, the good thing about being inefficient is you can demonstrate continuous improvement. Navigating our little boat in this tumultuous ocean, we have largely managed to deliver slightly better than our guidance, and we look at the coming year with the same worldview. It's going to be noisy. Our eyes are locked into the opportunities we see as we build our next ladder of growth in our segment. At SBFC, we aren't afraid of storms. We were born in one. In 2017, the company began on a particularly stormy day, stormy night actually, with rains lashing the windows due to high winds. As always, we remain cautiously optimistic. We know that the lending we do is growing our AUM, and the storms we navigate is growing us as professionals, so we can't complain either way. With a CRAR of 33%, we are extremely well-capitalized, and with a leverage of just 1.9 debt/equity, we have a long runway available.

As has been the norm, we Indians have moved from irrational exuberance to drawing up irrational fear scenarios in our mind. We are aware and prepared for the clouds, but we are equally clear that our promise of making loans easy for small businesses in small towns of India is a journey that's just begun. We have barely penetrated 30% of the districts in the states we are present in, and even where we are present, we have barely scratched the surface of the opportunity. My joy comes in going to office every day and getting to spend time with the finest professionals in the business and in our trade, and intensity, consistency, and quality of execution is the holy grail.

I now hand over the call to Mahesh for his guidance for the quarters ahead and then request Narayan to take us through the performance numbers for the year that has gone by. Thank you.

Mahesh Dayani:

Thank you, Aseem. While there may be some uncertainty in the short term, our long-term outlook and conviction remains strong. Our approach to investing in distribution is guided by our ability to effectively scale and deepen our presence in existing markets. The total addressable market, estimated at approximately INR 4 lakh crores, continues to expand within acceptable credit risk parameters. At the current pace of growth, the segment presents an opportunity to potentially double the book over the next 3 to 3.5 years. Importantly, we are currently present in only one-fourth of the districts within operating states, which provides us with a significant runway for expansion. That said, our focus remains firmly on executing this growth profitably. In line with this, we added 46 branches in FY26, taking our total network to 251 branches. We expect to stabilize at 275 branches during the year, allowing us to consolidate and evaluate the performance of these investments before scaling further.

Our overall guidance remains unchanged at 5% to 7% on a quarterly basis. Towards this, last quarter, we grew above 7.5% for the quarter and 29% on a full year basis. In terms of our composition of growth, we were close to 20-21% in terms of gold and the balance coming from ME. Given the firm outlook on gold prices and addition in branches, this share of gold may gradually move closer to 25%. Importantly, our loan-to-value ratios remain conservatively below 60%, in fact, closer to 56-57%, providing a strong margin of safety. We are fully compliant with the new regulatory circular effective April 1st. Our average ticket sizes continue to remain below INR 2.5 lakhs. Co-origination disbursements account for 16% of total disbursements and 18% to 19% of AUM for last quarter, and we are expected to remain at similar levels all through FY27. Overall, the portfolio mix between MSME and gold is expected to remain stable between 75% and 25%.

In terms of our pricing, spreads for the last quarters have been at 9%. We are expected to hold the spreads at the current level. More than 90% of the book is variable. And even if in the last call we had pencilled in that we could see an increase in interest rates. But largely, since the book is variable, we are expected to hold the spreads at the current level.

Cost, while we will continue to invest in distribution, our opex is expected to decline by 20 to 25 basis points through the year. As newer branches mature and scale up, we anticipate further operating leverage and efficiency gains. If we were to look at last year, while our AUM grew at 28% to 29%, our efficiencies came in from finance cost and opex, which ensured that our PPOP grew by almost 37%. We used a strong pre-provision operating profit to further strengthen our

stage 2, which Aseem mentioned, and our stage 2 moved up from almost 6% to 16%. We will continue to be cautiously optimistic and while we have a credit cost at 1.38%, we are expected to remain range-bound all through the year with some marginal benefits of 5 basis points here or there.

So if I were to summarize on a humorous note, nothing changed in terms of our guidance, which we've been giving over the past 12 quarters, whether it is in terms of growth or in terms of profitably growing from here on. Now I'll re-request Narayan to take us through the quarterly numbers.

Narayan Barasia:

Thank you, Mahesh. Good morning, everyone. In terms of business, our AUM for the March '26 is INR 11,270 crores with a growth of 29% on a Y-o-Y basis and 8% on a Q-o-Q basis, which is, the book is almost 100% secured either by property or by gold. Our MSME AUM is at INR 8,873 crores, which is 79% of AUM, as Mahesh was talking about, with a growth of 22% on a Y-o-Y basis and 4% on a Q-o-Q basis. Our MSME disbursement for the quarter stands at INR 785 crores. The loan against gold AUM is now INR 2,374 crores, which is 21% of AUM, as Mahesh mentioned, with a growth of 63% on a Y-o-Y basis and 22% on a Q-o-Q basis. We added 21 branches during this quarter, bringing the total branch count to 251 as of March 2026.

In terms of yields and margin, our yields for the quarter is at 17.61%. Our cost of borrowing for the quarter is at 8.52%. The cost of borrowing has seen a sharp reduction of 83 basis points on a Y-o-Y basis, given the favourable repo environment in the country. Consequently, our spreads for the quarter is at 9.09% with a growth of 56 basis points on a Y-o-Y basis and a 5 basis points on a Q-o-Q basis. In terms of cost, our opex for the quarter is 3.93%, which is a 69-basis points reduction on a Y-o-Y basis and almost same as on a Q-o-Q basis. In terms of asset quality, our GNPA is at 2.61%, which has seen a reduction of 10 basis points on a Q-o-Q basis and almost 13 basis points on a Y-o-Y basis. Our PCR stands at 41.64%. Our credit cost for the quarter is 1.38%.

In terms of business return ratios, our capital adequacy is sufficient at 32.8%, as Aseem was mentioning, with a tangible net worth of INR 3,465 crores as of March'26. Our return on average AUM is 4.57%, with a return on average tangible equity of 14.48% for the quarter. Our PAT for the quarter is INR 123 crores, growing by 30% on a Y-o-Y basis and 4% on a Q-o-Q basis. Our PAT for the full year is INR 451 crores, which has grown by 31% on a Y-o-Y basis. With this, we open the floor for question and answer.

Moderator:

The first question comes on the line of Sucrit D Patil with Eyesight Fintrade Pvt Ltd.

Sucrit Patil:

I have two questions. My first question to Mr. Dayani is, what are your key priorities for the company in the coming quarters? Specifically, how do you plan to expand lending reach, strengthen customer acquisition in tier two and tier three markets, and leverage digital platforms to improve efficiency and customer experience? That's the first question. I'll ask my second question after this.

Mahesh Dayani:

I think what I articulated in my opening remark was that, in the first phase of SBFC's growth, we had charted out key select states where we would like to be present. We are operating at 15

of those states, and in the first phase, the proof of the model had to play out. And the proof was largely in terms of acquisition and whatever investments that we made, whether they were delivering the required results. I think after almost probably 5-6 years, because we are spread across the country, it was important that we had a more uniform outcomes across all the states, and we weren't very, very region-specific. Now, having experienced that in the first 7 to 8 years of our journey, where now we have good amount of visibility on product profitability and our distribution profitability and the respected outcomes that come in from the respective states, our second phase starts where we will now deepen our presence in each of these operating states. I guess we've made enough mistakes, and I think probably we've got a little wiser in the second phase that we won't probably be repeating them.

So you will see us now growing a lot more in geographies and taking significant market share in some of these states. Towards this, what you've seen is that this year we've added significant number of branches, probably the highest that we've done ever, and that comes in only from the confidence in terms of outcomes that have come in from each of these markets. We have, in terms of our acquisition, almost 3/4 of our customers borrow for the first time. In fact, borrow against their property for the first time. Hence, incrementally also we will be expanding the market and a lot of unorganized form of finance is going to move to an organized form of finance. So that's one. That's the physical reach. We are largely a direct model, we will continue to be a direct model in all the states that we operate in. In terms of digitally ensuring that we reach out to the customer, so whether it is origination, whether it is moving the files digitally, or whether it is collection or whether it is customer service, all of it moves digitally. What doesn't move digitally is ensuring that the personal discussion with the customer or originating the customer. These are two legs which unfortunately we can't digitize that. We would like to have in touch and feel of the customers that we meet. Other than that, every other piece of the process can be digitized, which in some form you will see efficiency come in, in terms of cost. So I think that's largely, the key themes for us over the next 2 to 3 years, that how do we keep on increasing, but you will not see an increase in cost despite our increase in reach to the customers and the geographies where we are present.

Sucrit Patil:

Thank you. My second question to Mr. Narayan is, how do you approach risks such as rising funding costs, regulatory compliances and credit defaults while ensuring profitability remains steady and growth remains constant for the company?

Narayan Barasia:

So fortunately for us, the repo has been reducing, other than the last few months, when the global tensions have emerged. RBI has been reducing repo, which has been in our favor that we have been able to reduce our cost of borrowing.

The second point on the cost of borrowing is that as the organization matures, does better and better in performance metrics, rating upgrade happens, etcetera, the cost of borrowing should keep on reducing, irrespective of what the market does. What we are seeing today is there is slight volatility in the G-Sec rate. Obviously, there's a kind of liquidity crisis as of now in the market, but this is very temporary. We don't see any risk on the cost of borrowing as we go along into the year. The other question was on your credit quality, isn't it? So you'd like to take this, Rajiv?

Rajiv Thakker:

See, on the credit risk which you were talking about, some of the things which now we are addressing, of course, as Mahesh was telling that you cannot digitize the personal discussion because you have to have the ground touch and feel. What now we have done is that, because there is dependence on the credit managers across the branches, we have digitized the way they do personal discussions. So there is an app which we have which we are using, wherein the customer PDs are done through this app, and it is a multilingual app wherein there is a nudge to the credit manager so that there is standardization across the board when the personal discussions are done. These personal discussions are rated. These personal discussions, when later the quality of the personal discussions helps us to gauge wherever we need trainings for the credit managers because all these PDs are rated. Apart from this, we have strengthened a lot of fraud risk aspects so that because these are all distributed branches, so there are a lot of filters wherein we have tightened the fraud risk filters.

These are the additional things which we have done on the risk. Apart from this, there is also, see earlier we had pan-India policy, but now what we have also done is that, since last 6-7 months, we have started rating the branches based on the performances. All the branches are rated on the performance and based on the risk categorization of the branches, there are actions defined. This is one of the additional thing which is also helping us in the risk management.

Sucrit Patil:

Thank you and best wishes.

Rajiv Thakker:

Thank you.

Moderator:

Thank you. Next question comes from the line of Raghav with Ambit Capital. Please go ahead.

Raghav:

Hi, thanks for the opportunity. Am I audible?

Rajiv Thakker:

Yes.

Raghav:

Okay. See, I have a few questions. One, your salary levels have not increased since last 9, 10 quarters. When I look at employee opex by the average employee count, that number has not really increased for a long period of time. And then even your other opex per branch has not increased, can you help me understand how has this been possible? And till what time such negligible growth in per unit cost can continue? That is my first question.

Mahesh Dayani:

So, you know, probably if you would have looked at our opex, a couple of years back, I guess the question would have got reversed. So what happened was that significant amount of investments had poured in at an initial level because that was the large investment that we did, at a state and at regional offices and above, across all supervisors. Thereby, as we keep growing, the incremental cost is not a significant incremental cost that we have. The incremental cost is fairly to the front-end teams where the unit cost is fairly low. So, you will not see a big spike coming through, although there is going to be an employee cost which will move up on an absolute basis, but at a unit economics level, obviously the increase is not going to be large. That was what we also said is that as we get deeper into market, just look at it, if you are probably in a metro and you go down to Tier 1, Tier 2 and Tier 3, your marginal cost is only expected to go down rather than going up. So I think that explains why we are trying to call out saying that

despite delivering an opex optimization over the last 3 years, we are still calling out that we will reduce our opex by 20 to 25 basis points, largely on the same principle.

Raghav: Understood. My second question is, I see that your disbursement volumes are not really growing. They are in fact down Y-o-Y, and yet you're building up the manpower. What I wanted to understand is your thought process behind this that, despite the disbursements coming down, in volume terms, you're investing in employees. I just want to understand that better. How should I read this?

Mahesh Dayani: Through the year, some bit of addition of branches that happened were largely on account of gold in some of these branches. These were not largely ME branches, but these were largely driven on account of gold. As I said in my opening remarks, there is never a perfect time where you can actually sit down and decide how your distribution is going to unfold over the next three years. So, in terms of the absolute judgment that we get from lending in some of the markets, we see that, you know, we are doing well in some of the pockets, we have a reasonable market share, we have an early mover advantage, and we will continue to deepen our presence.

Markets where we are not very confident of, some pockets in South, some pockets in East and some pockets in West, where we are not very confident, we've not shied away those branches, but we've paused the momentum in some of these markets. As things tend to get better, can we accelerate? The answer is yes. Can we move back to a number of roughly on an average of INR 300 crores a month? The answer is yes. I guess what we want to be really clear is that we have a distribution in place, whether it is with respect to branches or whether it is with respect to people, that as and when things get better on an external basis, where we feel that we have the ability to accelerate, we will go ahead and accelerate. I think the view is more long-term rather than very, very short-term as to what's going to happen next quarter, or so.

Raghav: Good. Can you also give me the total number of collection staff? I think last quarter you had given this was 550, as of third quarter. What is that number as of March?

Mahesh Dayani: The account number is largely the same. I mean, some four or five here or there, but largely the same.

Raghav: Sure. I have one more question. Can I squeeze in?

Narayan Barasia: Yes, please go ahead.

Raghav: I think, just now you mentioned that you would largely remain on a direct sourcing model, if I heard that correctly. I'm sure you've thought it out, in terms of your strategy. What we've seen with some of these other affordable housing finance companies and even the small-scale NBFCs, is that depending largely on indirect has scalability challenges, when your size grows larger. Eventually what we've also seen is that some of these affordable housing finance companies start to increase their dependence on external sourcing models such as DSAs and connectors? So when you say that you're going to remain largely direct, do you also kind of bake in the possibility that at some point in time you will have to start outsourcing, sales or start depending on DSAs or connectors or what is your thought process here? Because I believe that just at a

larger scale, it just ends up adding to your efficiency, sourcing efficiency. But happy to have your thoughts on this.

Sanket Agrawal:

There's no right or wrong answer whether we go indirect or direct. What has happened is that over a period of time, when we grew our distribution across the country, we realized that there is a lot of opportunity. Like we said that it's only 30% of the districts we have gone in, and a lot of these pin codes within those districts that we have gone in, we've not covered the entire 30-40 kilometres. From a distribution perspective, the idea is to have a right quality of credit and getting the growth that you can actually absorb. To that effect, we have actually not felt the need to go out to the DSA or a connector in chase of growth because that is available as far as our distribution is concerned. From our point of view, at this point in time, we don't see the need to go in, we see that to achieve a run rate of say, a 20% disbursement growth for next year, we would not really need to go out. What we will need is a good credit environment to continue to penetrate, continue to disburse. And over a long period of time, if eventually we realize that there is a need of a connector or there is a need of diversifying the distribution in different manners, we will do it but for at least the next two years, we don't seem to have that need to go and chase growth through other channels.

Mahesh Dayani:

If I were to probably answer it slightly differently, just look at it what's the ask? The ask is that if we have to double our book over the next three to four years, the ask is anything that you would grow at say, 20% to 24%-odd. That translates to a disbursement say, of INR 300 crores a month for the full year on an average. Now, given the distribution number of people that we have and the ticket sizes, plus the co-origination benefit that we have along with ICICI, I think there's enough and more to be done in the distribution pinpoints that we've created. We don't feel the need to actually divert and focus our attention because that's a very different model. The costs are very different, the productivity asks are very different, the attrition levels are different, so you have to pencil in a lot more. It comes and distorts your core profitability that you've built or the core unit economics that you've built.

In the current stage of the cycle where we are or where SBFC is, I think we will continue to do what we've been doing so far. As and when there is any change, we will definitely call out. So far, we will continue executing what we've been doing.

Raghav:

Understood. When you guide for, say 26% growth for the next two, three years, what I'm given to understand is that that probably assumes that you're building in some level of improved productivity for your employees, right? Because when I see it here, your number of files per employee has come down, but you think that with a better environment in next one or two years, that productivity level should improve, right?

Mahesh Dayani:

Yes, Yes.

Raghav:

Hence the need for not going out, you know, tying up the DSAs and connectors also?

Mahesh Dayani:

Yes, absolutely. If you look at and what we had called out in a couple of quarters or last quarter, is that we felt that the leverage at a family household level in certain pockets, certain states, have gone up. The decision to go slow was clearly ours, so the poor sales manager on the ground is

not to be blamed for it. This was a conscious decision that we took. Some of the states that we decided to move out, couple of them in East and one in North, the decision was largely ours.

Clearly, I think the pace and the momentum what we would like to drive, obviously the productivity count at a sales manager level is just an outcome of it. We feel the environment is better. We feel the leverage levels at household level are beginning to improve, beginning to change. You will see a collateral benefit of it.

Raghav: Understood. Thanks a lot for all those answers.

Moderator: Thank you. Next question comes from the line of Nischint Chawathe with Kotak. Please go ahead.

Nischint Chawathe: Hi. Thanks for taking my question. If I look at the book growth this year, clearly gold has done heavy lifting. How should we think about next year? I know you gave your growth targets. You mentioned the mix of 75%- 25%. But is this kind of considering flat gold prices, if not a sharp decline? I mean, I'm sure if there is a sharp rise, then it's much easier to achieve this. So how should one think about the sensitivity of gold to the growth guidance and growth mix that you have shared?

Mahesh Dayani: Yes. so Nischint, you've hit the nail on the head. Clearly, gold prices, most of the gold growth which has happened, not only for us, but I think across the industry is largely price-driven. I don't think the volume or the tonnage is going up. So, most of the growth that's even come for us is largely on account of price. Are the prices expected to go down? The view is very unlikely, but it's expected to be range bound or at best stay where it is. So largely, the growth is going to come in from the volume of branches that we've added and hence that growth is what's pencilled in for gold this year and that's what I had mentioned in my opening remarks, saying that if the percentage what we've pencilled in is largely assuming that all the branch addition that we've done in gold through the year will give you a full year benefit in FY27.

Nischint Chawathe: Sure. Got it. And just on the credit cost side you have clearly shown, started to show improvement in the early delinquency numbers and you still kind of guided for credit cost remaining 5 basis points kind of range bound. So is it something that probably the older vintages need to be cleared out and you think the worst is over or it's just a cautious guidance given the way the macro is?

Mahesh Dayani: Yes so Nischint, if you look at the overall macro and the commentary and I think Aseem beautifully articulated that you don't know which way the fuel prices are going to go. What happens if it goes up? What happens if there's a deficient rainfall, or you have a harsh summer? It's very difficult to pencil in what that impact is going to be. So just to be on the side of caution, what we've said is that we will continue to probably maintain the credit cost. In case whatever we've pencilled out, the exigencies don't play out the way we think, then probably we'll surprise it. I mean, the way we see it as of now, we would like to, you know, maintain the same credit cost moving forward.

Rajeev Thakker: Just to add what Mahesh told, I think, though very early, but based on our April numbers, we don't see any stress emanating from whatever sectors which are showing some stress because of

the LPG and fertilizers. So there's nothing which is showing a color over there on a negative trajectory. In fact, our bounces have marginally dipped, but it's too early as I told.

Nischint Chawathe: Okay. And based on the current plans, assuming that growth kind of rolls out the way we are looking at, you're sufficient on capital till when?

Sanket Agrawal: We are at 33% CRAR. If you just extrapolate on INR 11,000 crores, we can easily move 2 full years to around INR 18,000 crores to INR 19,000 crores. 20% of it also comes from co-origination. To that extent, your capital adequacy will be around 24% to 26% at that point in time, which is when you would want to go out and see the market. So at the moment, I think around 2 years from now is at a minimum that you can use up the capital and accrual of profits.

Nischint Chawathe: Got it. Thank you very much and all the best.

Moderator: Thank you. Next question comes from the line of Prithviraj Patil with Investec. Please go ahead.

Prithviraj Patil: Hi, thanks for the opportunity. So I just wanted to know, like, what is the thought process behind laying down the branch infrastructure and is there any hub-and-spoke model or what's the model in which we grow the branches? Is there any Tier 1 branch, Tier 2 branch like how do we look at the branch infrastructure that we have?

Mahesh Dayani: I think our decision to invest in branches or more number of branches depends largely on how the state has been delivering. So if you probably look at our investor slides, you will see almost 60% of our branches, which are more than 3 years with an average AUM of INR 66 crores and above. So which demonstrates that there has been some aging in that particular geography. There has been a credit outcome. There has been a profitability matrix that we are comfortable with. And when we are comfortable with that distribution and those outcomes, that's when we start implementing more branches and start going deeper in those states.

The philosophy is very simple, that we would like to if it's a new state, we would like to go slow for at least 18 to 24 months. We would like to see how the profitability pans out because the credit costs tend to give you some sort of color after 18 to 24 months, so clearly post credit costs, how is that state behaving or how are those cluster of branches behaving and that's how the branch strategy gets played out. What we tend to do is that we tend to originate anything within 30-odd kilometers. We have a cluster approach where you have a hub or you have a senior supervisor managing a cluster of 5 or 6-odd branches in that particular state. And we keep expanding based on the profitability outcomes in each and every geography and state. Add to it, what we also top it up is our bureau scores. The bureau scores get refreshed every quarter and that is done at a Pin Code level. So that's a good alert that comes in and we try and triangulate the bureau scores with our own portfolio performance to determine whether we should expand in those geographies or continue to be at the same pace or reduce the momentum in some of these markets.

Prithviraj Patil: Just a follow-up question on the profitability side. We've already reached a 15% ROE. So over the next 3 years, like is it reasonable to assume that we'll reach 18% ROE? And are we looking at adding any other products other than MSME gold over the next couple of years?

Sanket Agrawal:

See, it will be very optimistic for us to go and say out that we'll reach 18% ROE. What we've done over the years is just to ensure that the metrics that are important continue to deliver and ROE then becomes an outcome. Just to lay out numbers, we are at around 3.17 of leverage and 4.57% of ROA. If you multiply that, you're closer to 14.5% of ROE. Going forward, you're at INR 11,000 crores AUM, if say, you grow at 25% and because this is entirely funded through borrowings, if your ROA compresses say, 25 basis points and your leverage goes up by 30 to 40 basis points just on funding the growth, you will effectively get a full year ROE of more than 15%, which is currently at 14.18%. If you go further, you can just extrapolate it to another 40 basis points of leverage and the ROA compresses further. So ROE is an outcome, what we continue to maintain is that the growth has to be in the range that we lay out. The cost metrics have to be consistent and we control the controllables. If opex is there, we as management want to control those numbers. For the last three years we have done that. We want to continue doing it for another 2-3 years. Cost of borrowing again is a function of negotiation and also the function of what happens in the market so that's something where the good news we don't pencil in, that continues to remain flat in our guidance. Of course, cost of credit right now is unpredictable and therefore we give a flat guidance. All those metrics if things are stable should give out an outcome that is favorable from where we are.

Moderator:

Next question comes from the line of Meghna Luthra with InCred Equities.

Meghna Luthra:

I had two qualitative questions and two data. One is there's a slight increase in the AUM share from the western regions from 15% to 23% within the quarter. Can you please throw some light on that?

Mahesh Dayani:

All through the year, what's optically happened is that in South, the disbursements in South and the resulting AUM in South grew a little softer last year, which was more than made up in some of the key markets in West, and that's the reason you see that mix changing. The South markets are beginning to turn for the better, but still yet to reach to their peak levels. The mix largely is going to remain the same at least for the next two quarters.

Meghna Luthra:

Okay. Because last quarter to this quarter, I mean, it's a little bit of a sharp movement from 15% to 23%...

Mahesh Dayani:

On AUM basis?

Meghna Luthra:

On the AUM. On western region, so you give the month breakup, right? AUM region-wise?

Mahesh Dayani:

Unlikely, but let's probably clarify to you offline on this one. Disbursements, yes, but AUM unlikely. Let's clarify this.

Meghna Luthra:

Got it. Sir, you mentioned that in the newer geographies that we are moving into, we plan to increase market share in a similar manner that we have demonstrated in the past. Can you give some more color on how do we plan to go about in that besides the acquisition of the new customers?

Mahesh Dayani:

No, without acquisition of new customers how we...

- Meghna Luthra:** New to credit. I mean to say new to credit customers. Sorry, my bad.
- Mahesh Dayani:** Obviously, you know, when you are getting into the smaller towns in your Tier 2, Tier 3, by design, you would have customers who are new to credit, or new to borrowing against their asset for the first time. Nothing really changes. It's just that probably the geography and the pin codes that we aren't present, that gets taken. As you get deeper, by design, your share in the overall mix or the share in the overall market is bound to improve and is bound to get better. Have I understood your question? Was it something else that you were seeking?
- Meghna Luthra:** I was just trying to understand how is it that we get market share?
- Mahesh Dayani:** How do we get market share?
- Meghna Luthra:** Yes, Yes. How do you acquire market share?
- Mahesh Dayani:** Okay. The way it works is that, you have a bureau data that's available to you, and that defines what is the lending. Say for example, we are in a ticket size between INR 5 lakhs and INR 30 lakhs. They box the entire market opportunity on the lending which has happened in that category across states, and that's done at a pin code level. When I enter a state or I'm at a particular state, let's assume that the total lending in that state is 100 and if I lend 5, so then I say that the total share, my share in that particular state is 5%. As I keep getting deeper and the overall denominator keeps improving, I get to see how my market share is improving over a period of time or probably I'm losing out on the market share, whatever. The benchmark is that you get a bureau score on the market sizing and the TAM, for the segment that you're operating in, and then you measure your performance vis-a-vis market.
- Meghna Luthra:** Okay. On the data point, what are the gold loan branches that we have purely gold loan branches?
- Mahesh Dayani:** It's close to 220-odd branches out of 251.
- Meghna Luthra:** That would be purely gold loan. Sir, lastly, what is the management overlay that we have for provisions over the regulatory requirement?
- Sanket Agrawal:** We don't have any additional overlay. It's just the refresh of the model happens in March, and that refresh is reflecting on stage wise provisioning. There's no additional overlay there.
- Moderator:** Next question comes from the line of Mihir Shah with Meritus Capital. Please go ahead.
- Mihir Shah:** I just had a question on the ARC sell down. I know that this is you know, like a business as usual activity, but can you just provide some color on how you use ARC sell downs? What type of loans are you typically selling down versus choosing to you know, try and collect yourself? And then how should we sort of read this number? Because I think the GNPA number can look different depending on whether you adjust for this or not. Just would be helpful to get your thoughts on how you think about this?
- Sanket Agrawal:** Over a period when the portfolio matures, you do various measures on the way it needs to be collected. Over the last three years, we've seen the over-leveraging to the customer, the maturity of the portfolio, and all of it plays out and therefore at times you feel that there is a cleanup of

the portfolio required where you don't really see collection beefing up in certain assets. Those asset classes then we lay it out to ARCs at a certain commercials and then see if those recoveries can better happen under the SARFAESI route that they can use. So, that's the idea. The clean-up happens for assets that you generally are facing problems to collect easily or that the time value of money is so much that you don't want to invest too much yourself. So that's the idea on selling down to ARCs, and if the benefit comes from that side, that accrues and gives you a boost in the P&L.

Mihir Shah: And, of course what you usually focus on...

Moderator: Sorry for interrupting. Mr. Shah, your voice is breaking. Can you come in the range and talk?

Mihir Shah: Is this any better?

Moderator: Yes, please go ahead.

Mihir Shah: Yes. I was just saying that I know that, you know, you think in terms of credit costs, but if you were to talk about slippage rates, is there a range that you would be comfortable with either on a gross or a net basis that you could talk about?

Sanket Agrawal: See like we said earlier in the call that we focus on that 1+ numbers and those 1+ gets derived from what flows from stage 0 to 1 and 1 to 2. Those resolution percentages are something that we hold on very tight internally. Those are the numbers that we continue to track and those numbers over a period will give you a resultant cost of credit, which is the eventuality.

So, all those ratios, we track it in the form of 1+ being in the range of, say, 7% to 9%, the credit cost being in the range right now at, say, 1.2% to 1.4%. Those are the numbers internally we benchmark. Those are the numbers that we give out to the teams to give us the performance.

Mihir Shah: Understood. Thanks a lot.

Moderator: Thank you. Next question comes on the line of Manav Shah with Spiral Wealth. Please go ahead. Mr. Shah please go ahead with your question. Mr. Shah please unmute yourself and go ahead with your question.

Manav Shah: Am I audible?

Moderator: Yes, please go ahead.

Manav Shah: Yes. So actually, my question was regarding your rating. So, can we expect a credit rating upgrade that can come up in coming quarters?

Aseem Dhru: I cannot, I mean, we cannot comment on what is not in our hands. I mean, that is a function of what the rating agencies evaluate, so it would not be fair on us to comment on that. Would we hope for it? You know, yes. You know, can we comment on it? No.

Manav Shah: Yes. Okay thank you.



Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Sanket Agrawal: Thank you for taking out the time early in the morning. Thank you so much.

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