



Date: 5th November, 2024

**National Stock Exchange of
India Limited (NSE)**

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra, Mumbai – 400 051

Symbol: AFIL

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 544200

**Subject: Submission of Transcript of Earnings Conference Call for the Quarter and Half Year ended
September 30, 2024.**

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed the transcript of Earnings Conference Call with investors/analysts held on Tuesday, October 29, 2024 to discuss the Unaudited Financial Results of the Company for the Quarter and Half Year ended September 30, 2024 has been made available on the website of the Company under the following link: <https://aasaanloans.com/>

Kindly take same on records

For Akme Fintrade (India) Limited

Manoj Kumar Choubisa
Company Secretary and Compliance Officer
M. No.: A66176

AKME FINTRADE INDIA LTD

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Corporate Office:

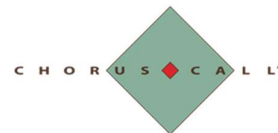
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Akme Fintrade (India) Limited

Q2 September-ended 2024 Earnings Conference Call”

October 29, 2024



**MANAGEMENT: MR. NIRMAL KUMAR JAIN – MANAGING DIRECTOR –
AKME FINTRADE (INDIA) LIMITED
MR. AKASH JAIN – CHIEF EXECUTIVE OFFICER –
AKME FINTRADE (INDIA) LIMITED
MS. RAJNI GEHLOT – CHIEF FINANCIAL OFFICER –
AKME FINTRADE (INDIA) LIMITED
ADFACTOR – INVESTOR RELATIONS – AKME
FINTRADE (INDIA) LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to Akme Fintrade India Limited Earnings Conference Call for Q2 and September-ended 2024. 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. Nirmal Kumar Jain, Chairman and Managing Director from Akme Fintrade India Limited. Thank you and over to you, sir.

Nirmal Kumar Jain:

Good morning, everyone. First of all, I would like to wish a happy Dhanteras and warm welcome to Akme Fintrade India Limited Earnings Conference Call for Q2 and half-yearly-ended 2024. I would like to begin expressing my gratitude to all of you for sparing your valuable time and joining us. With me are Mr. Akash Jain, CEO of the company, Ms. Rajni Gehlot, CFO of the company and Adfactors PR and our Investment Relations Team. So, this is our second Earnings Conference Call.

I would like to share a brief background and overview about the company and some recent developments before we get into the business and financial performance. This is the company in the name of our Gurudev, where Akme A stands for Acharya, K for Kunthu Sagar and M for Maharaj and E for the followers i.e., Akme Fintrade India Limited incorporated in 1996.

Myself Nirmal Jain, Chartered Accountant, and Cost Accountant. I was practising Chartered Accountant in Mumbai, and we started this company in 1996 with the blessing of our Gurudev, Acharya Kunthu Sagarji Maharaj. I myself also belong to a very rural area and Gurudev also belongs to the same area. The main objective behind this company was to provide financial solution in rural and semi-urban area because there are many challenges where the people, needy and deserved people want to do something.

But they don't have the financial solution. So, the product name is Aasaan Loan, where the approach is easy, access is easy, where the appraisal is easy, where the documentation is easy and where terms and conditions requirement is easy.

That's why it is called Aasaan Loan, and it is 100% secure product we are financing. We are adopting appraisal means on the basis of the practical income. We started this company with the two-wheeler financing. And the main objective behind was that to reach maximum people with minimum risk to see that the two-wheeler financier when up to 60% are the first buyer in a two-wheeler field.

And if a person who connects with the company for two-wheeler financing and is satisfied with the services of the company, it is a general tendency that he for his next requirement his family member and relative they definitely come to the same companies or institution and that is the benefit what we are getting. Because more than 2 lakh customers we have already served, and we are getting very good referral business.

Other product we are financing is a three-wheeler, four-wheeler commercial vehicle and SME segment. We are financing to the individuals, small traders, manufacturers they are our

customers. We have presence at every district level we have got our office and at Taluka level we have got our branch or collection center is there and we cover through that 20 to 25 kilometer radius two-wheeler dealer.

That's why every customer whether it is two-wheeler, four-wheeler, or SME loan. We know through our employees personally, we can know the quality of security what he is offering, his business we can understand personally. And we know his market reputation his behaviour, track record and all that that has helped us a lot. Presently we are operating in the four-state. maximum location are from Rajasthan where we have got 15 branches and in other states MP, Gujarat and this Maharashtra, we have got three branches each.

And this quarter particularly we are talking about has been very good for the company. Because this is the first quarter after the IPO. We started in '96, and our AUM has grown slow and steady in '2016 our AUM was INR 84 crores and in '17 it was INR146 crores and '18 it was INR336 crores INR19 was 540 crores.

So during the COVID period we strategically decided to focus on the collection instead of the venturing into new business. Because if you see during the COVID the main impact was in rural and semi-urban areas which is our operating area and so board decided strategically to slow down our disbursement and reduce our liability. During that period, we reduced our debt from INR 420 crores to INR 170 Crores means almost INR250 crores was repaid, and we subsequently increased our equity.

And then in 2022 we started actively started disbursement and because of this strategy and the management decision we navigated successfully during the COVID season that is the strongest point because the impact was very bad but due to our strategy we navigated successfully and after this IPO we are actively doing, and we are getting very good response from the market.

We are mainly concentrating on the three product only right now and everywhere in Rajasthan and other states we are planning to -- during the Navratri also we opened nine new branches, every day we open new branch and there is a lot of experience and qualified manpower has been recruited by us. We are using digital platform also and if you look at our AUM that is showing growth of approximately 24.5% and quality of asset is also improving where you see that GNPA is decreasing over time.

During the COVID time it was around 5% which has reduced to 3.63% in March '24 and to a level of 3.13%, means every quarter there is an improvement and the asset quality is also improving and NNPA that was 1.74% in March 24 that has also been reduced to 1.41%, there is a continuous growth. AUM is also increasing and we are also maintaining the quality of AUM that's why whatever we are projecting we are projecting 50% growth this year. And with the first two quarters we are hopeful and confident 100% that we will achieve what we have targeted.

Liability side also means we are getting good response from existing lender and also new lenders are being added. We have got very good co-lending arrangement with the Hinduja Finance, MAS Financial Services, Shriram and Singularity and they are also giving a very good response and

even Singularity increased our spread from 3.5% to 4.5% and they are giving good funds means we can increase our competitive strength through this co-lending arrangement.

Board, if you look at our board that is a very experienced qualified board is there KMPs are also very qualified and experienced. We have got the customer base of more than 2 lakh customers. And technology we are giving a very good importance to digital platform which will make easy access to the customer and it will also reduce our TAT and also operating expenses.

The way we are going we are 100% hopeful and the response what we are getting in the vehicle finance and SME segment due to our past experience, past contacts. And the confidence what customer is telling us that is increasing, and we are very much hopeful that this year March will be very good for the Company and we will achieve what we have targeted.

So loan book portfolio is also with a good quality it's increasing and means we are confident, and we have got a strength on all the categories. It's not only one or two products we are giving importance to all products and in all the four states we are increasing our presence through the opening of new branches.

We are planning to open three new branches by the March in MP, 3 in Maharashtra and 3 in Gujarat. So business wise the vehicle business is also very increasing and very good sign in this SME sector also. So overall the performance of Company is good and I'm 100% sure and confident that this year will give a new growth, and we will achieve our projections this year.

And now I would like to hand over to our Akash Jain, CEO of the Company to share some of the key recent development and strategy of the company.

Akash Jain:

Thank you, sir. Good morning, everyone, myself Akash Jain CEO of the Company. And I thank you all for joining our quarter two earnings call. First of all a very happy Dhanteras and happy Diwali to all the listeners and their family members. We are excited to share our progress with our listing as this quarter has been both busy and transformative for us. I am pleased to report that our asset under management reached INR495 crores by the end of quarter two reflecting a robust growth of 24.51% year-on-year.

Each of our product segment has shown a strong performance, our SME business loans grew by 24% while our vehicle loan segment saw an impressive 43% increase compared to last year. Our profit for the quarter stood at INR 8.14 crores marking a significant growth of 124.16% growth over quarter two of financial year 2024. Disbursements for the quarter reached INR 59.23 crores showing a remarkable growth of 64.48% quarter-on-quarter and an astounding 185.72% growth year-on-year.

During this quarter we strategically planned our geographical expansion across the four states where we operate. We successfully opened nine new branches during auspicious occasion of Navratri. One branch each day increasing our total from 12 to 24 branch since the start of this financial year. We aim to open additional branches targeting a total of 35 by year end. The expansion has been supported by the addition of over 100 new employees strengthening our workforce significantly.

We also partnered with lending financial institutions including Hinduja Finance Limited and MAS Financial Services to enhance our co-lending capability. In addition to the existing arrangements with Shriram Finance and Singularity. This collaboration will accelerate our AUM growth while improving the profitability.

Looking ahead we see considerable growth potential in the individual loan segment particularly in Tier 2 and Tier 3 markets. The strong demand and existing credit gap presents substantial opportunities for our industry. Our digital platform implementation is progressing well, and we expect to have all operations live by the end of this financial year.

Additionally we have made strides in improving our asset quality across all metrics with our gross stage 3 ratio now at 3.13% down from 3.39% in the previous quarter. Thank you all for your continued support and I look forward to discussing our plans and answering any questions you may have.

Now I invite CFO, Rajni Gehlot to give you a detailed analysis of the financial numbers. Over to you, Rajni.

Rajni Gehlot:

Thank you Akash Ji. Good afternoon and a warm welcome to all the participants. Happy Dhanteras. Now I would like to share the key financial highlights for the second quarter of financial year 2025. In Q2 2025 we achieved a disbursement of INR 59.05 crores representing a substantial increase of 63.17% compared to Q1 figures. This growth was driven by our effort to activate all business channels post IPO and includes approx INR10 crores of trade advances extended to two-wheeler dealers.

Our loan asset grew to INR 470.11 crores from INR 424.33 crores in last quarter reflecting a quarter-over-quarter increase of 10.84%. Our interest income for Q2 stood at INR 23.59 crores a 22.86% growth over from Q1 INR19.20 crores. For interest expenses we managed to bring down the interest expenses and hence it is reduced by 7.56% from Q1 standing at INR7.58 crores for Q2. Fee and other income recorded at INR 2.56 crores for half year 2025.

In Q2 our OPEX was INR2.68 crores reflecting a 39.58% increase from Q1 due to enhancement in our operations post IPO. In view of cautious approach we have increased provisioning in Q2 to INR 0.66 crores from INR 0.22 crores in last quarter to maintain our asset quality. We achieved a PBT of INR10.08 crores from Q2 2025 with a quarter-on-quarter growth of 10.65%.

Our PAT for Q2 2025 stood at INR 8.14 crores. There is a slight dip of 5.46% in Q2 was due to applicability of income tax. Company loan asset net of ECL was at INR 466.64 crores as of half year 2025 compared to INR 411.21 crores in Q1. We continue to manage our borrowing efficiently. Our borrowing as on half year stood at INR 203.96 crores while total equity reached to INR 356.96 crores as on September 2024.

Our return on equity improved to 11.55% in half year 2025 from 9.85% in Q1 reflecting an increased profitability. Interest yield comes to 19.81% as on half year 2025. Our NIM stands strong at 12.51%. Our gross NPA and NNPA have shown positive trends with GNP reducing to 3.13% and NNPA to 1.47%.

In summary, Q2 2025 has been a strong quarter with increased disbursement, growth in our loan assets and prudent management of expenses and provisioning. We are confident in our ability to sustain this momentum by keeping our focus on asset quality and profitability. Thank you for your attention.

Akash Jain: Now we can take questions from the investors.

Moderator: Thank you. We will now begin the question-and-answer session. First question is from the line of Aditya, who is an Individual Investor. Please go ahead.

Aditya: Hi, sir. Good morning, sir.

Akash Jain: Good morning.

Aditya: Sir, there are a few questions. What was the GNPA for this quarter?

Rajni Gehlot: 3.13%.

Aditya: So, GNPA for this quarter was 3.31%?

Akash Jain: 3.13%.

Aditya: And sir, what is the ticket size of our SME loan?

Akash Jain: So the average ticket size is somewhere around INR 7 lakhs to INR 8 lakhs that is coming. But we give the loans from INR 2 lakhs to INR 30 lakhs normally. For any higher ticket size, there is a division process, through which we take the approval and then only we give the loan of higher ticket size.

Aditya: But average ticket size is INR7 lakhs approx?

Akash Jain: Yes, average ticket size comes to INR7 lakhs.

Aditya: INR7 lakhs. And sir, what is the bifurcation of our book on the basis of secured and unsecured?

Akash Jain: So our complete book is secured. We don't do unsecured business as of now.

Aditya: Okay. And in FY '26, we are planning to give the Mahila loan that would be secure, right?

Akash Jain: So, currently, we are planning only secured loans. Even for women entrepreneurs also, we plan to give secured loans only. Company has not decided to give unsecured loans.

Aditya: Okay. And sir, any guidance for current financial year?

Akash Jain: So, current financial year, we see that we will reach an AUM of around INR 650 crores. That is what we have planned in the initial start of the financial year. And we are hopeful that we will reach that AUM target by the end of March '25. In terms of profitability, we will be achieving a PAT of, we are targeting to achieve a PAT of around INR35 crores. So, thereby giving a return on equity of around 13%.

- Aditya:** And guidance on the book side, the GNPA side?
- Akash Jain:** GNPA, we are taking stringent actions to reduce our GNP. What we are targeting is that we will reach, and we will reduce our GNPA to around 2.75% by the end of this financial year.
- Aditya:** Because recently, many big banks did see some huge cuts in their MFI book.
- Akash Jain:** So, we are not doing any finance in MFI sector. So that challenge is not faced by us. We are totally doing secure loans, majorly vehicle loans and sme-business loans, where we take security against our loan that we are providing.
- Aditya:** Okay. Thank you, sir. That's it from me. I'll get back in the queue.
- Akash Jain:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rohan Mehta, who is an individual investor. Please go ahead.
- Rohan Mehta:** Yes. Good morning, sir. I have some questions on our SME segment. If you could just give some color on how the growth has been driven in terms of operational expansion and the additional debt that we have taken. So, what has really driven growth for us in the SME amongst these two?
- Akash Jain:** So, Rohan, as per our managerial planning, post-IPO, we have started expanding our geographical presence to the areas where we were not operating earlier. So, if you can see that, we have increased our branch size from 12, branch number from 12 to 24 in this quarter only. So, by this, we are targeting to achieve our targets.
- For SME segment, since there has been a demand for the small business owners, that has helped us to achieve the targets that we are trying to achieve. And we have seen a very good response. The new branches that we are opening, we are getting very good response in terms of business for SME as well as for Vehicle loans.
- So that's how we are operating, and we are planning to expand further and open further new branches. And we continue to expand our geographical presence to newer areas. Currently, we are targeting to cater to the four states that we are operating. Later on, we will move to nearby states.
- Rohan Mehta:** Okay. And sir, in terms of creditworthiness, where the borrowing rates are relatively higher, do we have any risk mitigation strategy or any parameters that you look at when assessing the creditworthiness?
- Akash Jain:** So, yes. So, definitely, our credit process is very stringent while doing the loans. So we do at least two to three PDs of that particular customer before disbursing him the loan. First, our sales team will go, and they will take the full details of the customers. They will go to their business operations site. They will check whether whatever he's saying whether that is true or not. They will check their records.

Then our branch manager will visit again to that customer, and he will assess what the salesperson has given in his FI report. And if the branch manager is satisfied, then he will recommend that case to our credit team. And based on the size of the loan, then again, our credit team will visit that person. So in that way, there is a three-tier layer of basically assessment of the credit of the customer. And only after that, we will disburse the loan. So we make sure that we assess his credit properly.

Rohan Mehta: Okay. Understood. Fair enough, sir. And sir, in terms of just overleveraging, any specific terms or loan terms or measures that we have to manage overleveraging?

Akash Jain: Yes. So we usually restrict our FOIR to 60% only. So we don't fund normally beyond 60% of FOIR. So in that way, we make sure that there is not overleveraging on the part of borrowers.

Rohan Mehta: Okay. Fair enough. So just last on the SME part. So I believe almost 80% credit exposure is there in the SME. So any plans to reduce our business in that segment compared to the other segments in terms of diversification?

Akash Jain: Yes. So what management has planned that in the long run, we want to reduce it to a level of 60% in the SME sector. So we are aggressively disbursing more in the vehicle loan segment. If you can see that in this quarter also, there has been an increase of 43% in this vehicle loan segment as compared to 24% growth in the SME segment.

But since the vehicle loans are for a shorter period of time, so they run down very fast. That's why in terms of AUM, it doesn't reflect that growth, which actually is there in the disbursement side. So we are planning that in the long run, we will reduce our SME exposure - business loan exposure to around 60%-65% and the rest will be our vehicle loan segment.

Rohan Mehta: Understood. So this 60%-65% would be estimated, say, in a year or two years? What kind of timeline?

Akash Jain: What we are planning that by the financial year '26 end, we will try to reach this level.

Rohan Mehta: Understood. So, just one last question, if I could get your views on the two-wheeler sector, because we hear sort of a slowdown or muted performance in two-wheelers. So are you seeing anything like that trend in rest of full year?

Akash Jain: Yes, we also face this situation. Although our two-wheeler business has grown very rapidly, but during this festive season, we have witnessed this thing that as compared to last year, this year was somewhat muted. I hope that this will pick up and our two-wheeler business will grow very rapidly.

Rohan Mehta: All right. Thank you so much. Thank you for taking my questions and all the best, Akashji and Nirmalji. Thank you.

Akash Jain: Thank you, Rohan.

Moderator: Thank you. Next question is from the line of Radhika Mishra, who is an individual investor. Please go ahead.

- Radhika Mishra:** Yes. Hi. So, my question was actually regarding your two-wheeler on the similar line. So, what type of asset quality you think right now you are having in two-wheeler segment?
- Akash Jain:** So, Radhika, we are at par with the industry. The current NPA ratio in two-wheeler is somewhere around 4% only which is at par with the industry, and we are aggressively targeting the customers who have defaulted or who have delayed the payment. So, our collection team is focusing hard. And we have a full-blown strategy to collect those cases in the event of any default. We issue a legal notice. Our collection team will go there and collect the amount. If it doesn't happen then after a default of three installments, we seize the vehicle and accordingly recover our amount.
- Radhika Mishra:** Okay. And can you expand light on the asset quality of other segments?
- Akash Jain:** So, our overall GNPA is somewhere around 3.13%. So, our business loan segment is having GNPA of 2.80% and our vehicle loan is 4.29%.
- Radhika Mishra:** Yes. One more question I have was regarding our SME segment. We make 80% of our creditors in the SME segment. So, are we planning to diversify the same?
- Akash Jain:** Yes. In the previous questions, I replied that we are planning to diversify this whole business segment. And we are targeting that we will reduce our exposure in SME business loan from 78% currently to around 60% to 65% by the end of financial year 2026. So, we are progressing in that direction and hopefully that we will achieve that.
- Radhika Mishra:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Manoj from Rajani Family Office. Please go ahead.
- Manoj:** Hi sir. So sir I just wanted – I had some company specific questions and industry-specific questions. So, sir company-wise, I mean, what is the average ticket size for us like for SME two-wheeler loans and also the commercial loans?
- Akash Jain:** So, basically, we are dealing in three products. So, in two-wheelers our average ticket size is around INR 80,000. In case of four-wheelers our average ticket size is around INR 2.5 lakhs and for SME our average ticket size is INR7 lakh to INR8 lakhs.
- Manoj:** Okay. So, what is the mechanism on that like is it value-wise or just a percentage of the vehicle-wise?
- Akash Jain:** So, in case of two-wheelers normally market practice is that LTV is somewhere around 80% to 85%. So, whatever the Ex-showroom price we fund around 80% to 85%. In case of four-wheelers, since we are doing used commercial vehicles, so it again depends upon the market value of that vehicle and the IDV value. So, whichever is lower we fund around 70% to 75% of that amount normally. In case of the SME loans, we look at the FOIR. Based on FOIR, we do the funding, and the second criteria is the realizable value of the security that the person is

providing to us. So, we go up to 60% of that realizable value of the property. The maximum ticket size will be that.

Manoj: Understood, sir. Then that helps. Sir and secondly, I wanted to know that our credit exposure has been currently it is at least at 80% concentrated in the SME segments. So, how are we planning to diversify it or if we are not?

Akash Jain: So, Manoj, I replied to an earlier question also. So, just to add to that, in the previous reply also, I told that we are planning to reduce our SME exposure to 60% to 65% by the financial year 26. Just to add to that, during this quarter also we have a growth in the vehicle segment of around 43% as compared to 24% in case of SME. So, we are increasing our disbursements in the vehicle finance. So, that's how we are targeting that we will reach to the milestone that we are targeting by the end of financial year 26.

Manoj: All right, sir. Thank you. That helps as well. Sir, just last question on the overall industry. So are we observing any signs of over-leveraging in the system and process to tackle that?

Akash Jain: So, our credit team looks at that the customer doesn't over leverage. So, normally this happens in the case of SME loans. So, in case of SME loans we restrict our exposure to 60% FOIR. So, that includes all existing obligations as well. So, that way we target that the customer doesn't over-leverage. And we take the valuation also. So, we restrict our whole exposure to 60% of the realizable value. In case, if required we take two valuations, and our internal assessment is also done.

Manoj: Okay, sir. Yes, sir. That helps a lot. Thank you, sir. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Jain, who is an Individual Investor. Please go ahead.

Rohan Jain: So just trying to understand sir on a geographical basis like across the areas we serve, across the geographies we serve, is there any particular region or geography of concern where we are seeing recovery issues as such?

Akash Jain: So, we have not seen any geographical region where there is a concern as such. The concerns are seen everywhere that whatever it has been raised. We take care of those concerns by the way of our credit appraisal. So, we don't face such type of any particular region where there is concern. Although we have identified some negative areas where we don't fund. So, we take care that we don't go there and fund.

Rohan Jain: Okay. Like any particular areas like that you would blacklist as such? Could you please elaborate?

Akash Jain: So, whenever we enter a new area, we first do a survey of that area, what has been the delinquencies ratio there. We get the information of that particular area from our credit bureaus also. So, by that after taking care of all these data points, then only we decide to whether we have to enter in this new area or not. So, that's why we decide how to expand. So, right now

presently if there is any negative area that has been found or we have any previous experience of any negativity in that particular area, we don't venture into that area.

Rohan Jain: Right. Understood. And similar lines basically across our different product categories, is there any particular portfolio which is seeing like a major amount of stress or are we good across all our portfolio products?

Akash Jain: So, we are in line with whatever industry is facing right now. So, our vehicle loan portfolio is having GNPA of 4% around and in our SME portfolio, we are having GNPA of around 2.80%. We are trying to reduce this thing further down and we are targeting that our overall GNPA will come down to 2.75% by the end of the financial year. So, there is not much of concern in any particular area. In case of vehicle loans also, ultimately, we recover the amount.

Even if a product, if a loan gone in NPA and become an NPA we ultimately recover that product because we are majorly working in rural and semi-urban areas. So, at times in case of rural sector, at times it happens that some of the borrowers miss their instalments, but later on they pay it. So, we recover that amount.

Rohan Jain: Okay. Understood. And across our different products what would be the product which generates the highest amount of revenue? So, that's basically the highest interest income from that particular product. What would be that?

Akash Jain: In terms of ROI, our ROI is highest in the case of used commercial vehicles. It ranges between 22% to 26%. In case of two-wheeler loans, our ROI is somewhere between 19% to 22%. And in case of SME, we are funding in the range of 16% to 21%. So, this is how our ROI is across different products.

Rohan Jain: Okay. That's great to know. Okay. Last, final question, sir. Across the entire, on a company level, what would be our average cost of capital? Because money is the raw material for us. So, what would be our average procurement cost?

Akash Jain: Certainly. So, just a second. I'll give you the number of the current quarter.

Rohan Jain: Yes.

Akash Jain: So, our current borrowing cost is somewhere around 14% right now. As we are moving ahead, we have filed for our rating increase. As you know that there has been a challenge in terms of RBI that is strengthening, regulator is strengthening very much on the overall exposure of banks to NBFC.

So, banks have curtailed funding, although we are getting sanctions from banks also. But this has impacted us. That's why we are majorly targeting the NBFCs who are lending us at the average rate of around 13% to 14%.

And we are moving ahead with our rating upgradation also. So, we are hoping that post this result, we will get a rating upgrade also. So, we are trying that we reach at least one notch upgrade in our rating.

That will help us in reducing our overall borrowing cost later on. So, we are targeting that by 100 basis point, we will reduce our borrowing cost by 100 basis point by the end of this financial year. And later on, as our rating will improve, and we will try to raise funds from the newer instruments also, then we hope that our overall borrowing cost will reduce to 12% or 12.5%.

Rohan Jain: Okay. Understood. That really helps. Thank you so much for all the answers. Thank you. Thank you.

Moderator: Thank you. Next question is from the line of Sopan Parekh, who is an individual investor. Please go ahead. Your line has been unmuted. Please go ahead with your question. Mr. Sopan, your line has been unmuted. Please go ahead with your question.

Sopan Parekh: So, I just wanted to ask a couple of questions. The first one is, so the period of time, like from H1 FY24 to FY25, our debt to equity has reduced. And our equity has increased by 50%. And debt has increased by 16%. Why is the company doing constant capital infusion? Can you please elaborate?

Akash Jain: So, as you know that we have raised the equity in the month of June through IPO. Thereby, we raised INR 132 crores. Post that, we have not raised any equity. Whatever increase there in the networth or equity is to the profit that has been there in the company. Apart from that, we have not raised any capital.

Sopan Parekh: Is the company not receiving any advocate deposits like from lenders or is it expanding?

Akash Jain: Come again?

Sopan Parekh: Is the company not receiving any advocate deposits from its lenders as it is expanding?

Akash Jain: No, no. We are continuously getting new sanctions from our lenders. Recently, we have received, we have added three, four new lenders in our kitty. Recently, IOB has sanctioned us around INR 25 crores. Poonawalla has sanctioned us around INR 10 crores. Kisan Dhan has sanctioned around INR 5 crores. And similarly, new loans are under pipeline, which we are hoping that we will get sanctioned in the month of November. So, as far as debt raising or fundraising is concerned, we are not facing any challenge right now.

Sopan Parekh: Okay. The second question I want to ask is, so our 80% of business exposure is on the SME segment. So, are we planning to diversify?

Akash Jain: Yes, we are planning to diversify. We want that the management is viewing that we will reduce our exposure to SME loans, particularly business loans to a level of 60 to 65% by the financial year 26, by the end of financial year 26. And we are working in that direction. We are increasing our disbursement in vehicle loan segment.

Sopan Parekh: Okay. What is the credit cost of the company?

Akash Jain: So, credit cost, in this current quarter, our credit cost has been 0.22%. But overall, we see that our credit cost on annual basis will be somewhere around 1%.

- Sopan Parekh:** Okay. So, one more question, sir. What is the yield that we are earning from each segment? And what are the cost of deposits for the same?
- Akash Jain:** So, as far as cost of borrowing is concerned, our average cost of borrowing is coming around 14.5%. And our average yield is somewhere around 19.5% across all the products.
- Sopan Parekh:** Okay. Thank you, sir. Thank you. Thank you very much.
- Moderator:** Thank you. Next question is in the line of Aniket Redkar, who is an individual investor. Please go ahead.
- Aniket Redkar:** Thank you for the opportunity and wish you a very happy Diwali to everyone.
- Akash Jain:** Thank you. Happy Diwali to you as well.
- Aniket Redkar:** Thank you, sir. So, I have a few questions. So, sir, I just wanted to understand, do we have any plan and adjustments to our loan terms for the policy for the SME sector to better address the trend of this over leveraging?
- Akash Jain:** Come again.
- Aniket Redkar:** So, is there any plan, I mean, plan adjustment for our loan term for the SME?
- Akash Jain:** So, we have a credit policy where we have defined tenures from three years to normally seven years. But in case of by taking deviations from the appropriate authority, we are going up to 10 years in case of certain cases. So, as far as tenure is concerned, even product is concerned, we keep on adjusting our credit policy based on the market scenario, based on the overall our risk structure, based on the feedback from our sales team.
- So, that's why we keep on changing our credit policy and maintaining the risk mitigations so that our overall portfolio health doesn't deteriorate. So, because this is the need of the market to keep on, we cannot stick to a particular policy and then we can operate because we do have in case of like in case of two wheelers, each geographical region is having a different demography, different structure. So, we have different policies for different geographical areas.
- Similarly, in case of SME loans also, we have different policies for different geographical areas. What the exact competition is there, what is the demography of the whole, the borrowing segment there, what is the nature of the business, it all depends upon that.
- Aniket Redkar:** Okay. And to follow up with that question, so currently we have a presence in four states, correct?
- Akash Jain:** Yes.
- Aniket Redkar:** So, is there any plan to, I mean, in terms of expansion to other states, do we have any plans in the upcoming year?

- Akash Jain:** So, if you look at that, even in these four states, we have not covered these four states fully. So, first of all, we want to expand in these four states only. So, currently like we are having only three branches in MP, three branches in Gujarat, and three branches in Maharashtra. So, in this current financial year, we are planning to double these branches in these states. Even in Rajasthan also, we have not covered even 30% to 35% area. So, still the 65% area is not tapped by us. So, there is enough room for us to first expand in these states only, and then we will move towards the neighboring states.
- Aniket Redkar:** Okay. Okay.
- Moderator:** And sir, please fall back in the queue for further questions.
- Aniket Redkar:** Okay.
- Moderator:** Thank you. The next question is from the line of Bhaskar, who is an individual investor. Please go ahead.
- Bhaskar:** Thank you, sir. Sir, after the IPO, has the company's rating gone up? And if not, how long will the rating be? What is the current status?
- Akash Jain:** Since our last rating was done in the month of March only, so at least we need six months to go for a further rating upgrade. Post our September results, we are going for our rating upgrade, and we have filed the papers with our rating agency and hope that within 10 to 15 days we will get the update on the rating, and we are quite hopeful that we will get an upgrade.
- So, at least we need six months to go for a further rating upgrade. Post our September results, we are going for our rating upgrade, and we have filed the papers with our rating agency, and hope that within 10 to 15 days, we will get an update on the rating, and we are quite hopeful that we will get an upgrade.
- Bhaskar:** Okay. Thank you. What is the present AUM and what is the assumption? How much will the AUM upgrade be by March?
- Akash Jain:** The current AUM is INR 495 crores, and we are expecting that we will reach INR 650 crores by the end of this March.
- Bhaskar:** Thank you.
- Akash Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Neha Jain, who is an Individual Investor. Please go ahead.
- Neha Jain:** I just wanted to understand, what is the average ticket size change in the secure loan segment, and do you see any change in that, and how much time does it take for that, for the entire verification process?
- Akash Jain:** Okay, your question is about the average ticket size in SME loan, right?

- Neha Jain:** Right, yes.
- Akash Jain:** Yes, SME loan, our average ticket size comes to around 7 to 8 lakhs, though we have a total range of from 2 lakhs to 30 lakhs, we do the SME loans, but our average ticket size comes at 7 to 8 lakhs.
- Neha Jain:** And do we see that increasing over time?
- Akash Jain:** No, majority of our, since our area operation is majorly in rural and semi-urban areas, so we, majority of our loans are in the range of this price target only.
- Neha Jain:** Okay. And, sir, are we planning to foray into secured loan segment through digital platform?
- Akash Jain:** So, we will not -- we are completely digitalizing our operations, but we won't be doing any funding like fintech company do. There will be an internal process only through that after, because in secured loans, it cannot be done on the base of online application, until unless we have done that -- what is this, until we do the PD of that particular customer. So, we don't do such type of loans.
- So, what we are planning is that we will be digitalizing our whole operations, so that, so that from initial, from loan initiation to loan disbursement and the loan management, complete cycle is taken care on the digital platform. Even the customer can check their, loan balances, loan statements. That, that will be provided to, that feature will be provided to customers also. So, in that way, we are targeting to reduce our TAT and grow rapidly.
- Neha Jain:** Okay, sure, sir. Thank you and good luck.
- Akash Jain:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aditya Doshi from M3 Investment. Please go ahead.
- Aditya Doshi:** Congratulations and thanks for the opportunity. Sir, my question is related to our other operating income. So, last quarter, we had around INR 2 crores of, and this quarter we have around INR 43 lakhs something. So, was there any one-off or what is the scope here?
- Akash Jain:** So, that was a one-off transaction. We, since we are in this finance field, we have tie-up, we have association with various banks. So, there was a one-off assignment which we have done for a particular company for which we have raised some funds. So, that was the income from doing that assignment.
- Aditya Doshi:** Okay. Sir, and second on the asset quality side, can you give the break-up between SMA 1, SMA 2 and SMA 3 buckets?
- Akash Jain:** Yes, just trust us all. I give you that too.
- Management:** So, just a second, Aditya.

- Aditya Doshi:** Yes.
- Management:** So, SMA1, so our total one -- around 1% of portfolio is under SMA 1, and around 1.17% is under SMA 2. So, SMA 2, we are having around 0.83%. And our NPA is 3.13%.
- Aditya Doshi:** Okay. Thank you. Sir, and if I see our disbursements for this quarter is around INR 55 crores, INR 60 crores, and we still have around INR 96 crores, INR 97 crores. So, our target of INR 300 crores this year is doable, still achievable?
- Management:** So, we, since you know that we have opened new branches, and these branches will generate business hence forward in quarter 2, and quarter 3, and quarter 4. So, we are quite hopeful that we will achieve these targets.
- Aditya Doshi:** Okay. Great, sir. Thank you, and all the best.
- Moderator:** Thank you. The next question is from the line of Aditya, who is an Individual Investor. Please go ahead.
- Aditya:** Hi, sir. Thank you for taking my question once again. Sir, happy Diwali, sir. I forgot to mention that earlier. Sir, one question is, how much of our business is coming from co-lending business?
- Akash Jain:** So, around INR25 crores is our co-lending books right now. We are aggressively expanding in our co-lending segment also. So, we have opened a new line with MAS. So, in case of SME loans, we are targeting that every month around 40% to 50% business will be done in co-lending in case of SME business. And for used commercial vehicles, we are targeting around 50% business will be done in used commercial vehicles under co-lending.
- Aditya:** Okay. And, sir, what is a typical arrangement with a co-lending partner like MAS or some other trade Shriram or someone else?
- Akash Jain:** So, in case of, usually in case of vehicle loans under used commercial vehicle, there is a ratio of 90-10. 90% share is of co-lending partner and 10% is ours. In case of SME loans, it is 80-20. So, 80 is our co-lending partner share and 20 is ours.
- Aditya:** The share is on the risk side or on the profit side?
- Akash Jain:** The share is for the risk as well as the contribution side, both. So, the ROI is work like that. There is a hurdle rate. Above that, on the whole amount, we charge the interest. The rate is fixed, whatever rate we decided mutually. And above that, the complete spread is ours. So, that's why it helps us in improving our profitability as well.
- Aditya:** Okay. So, basically, let's say the hurdle rate is 10%. Then above 10%, you will get interest?
- Akash Jain:** Yes. The above 10%, the complete interest will be ours.
- Aditya:** Okay. So, the 10% will be born in the share of 90-10, right?
- Akash Jain:** Yes.

Aditya: Okay. And are you planning for a physical meeting with investors? Because you are based out of Udaipur and I am based out of Jodhpur, Rajasthan.

Akash Jain: Hopefully, we are attending an investor meet in the month of November in Mumbai. So, there we can meet. We will share the details of that investor meet. I think the Anand Rathi Group is planning for that investor meet. So, it's an investor conclave where we are also participating. So, hopefully, we will meet there.

Aditya: Okay. And so, what is the cost to open a branch?

Akash Jain: So, it again depends upon the geography where we are opening it. So, we have categorized our branches under four categories, A, B, C, D category. So, if we are opening in a big center, then the cost will be different. And if we are operating in a rural sector, the cost will be different. So, depending on the geography, it normally works. So, normally, it ranges between 2 lakhs to 5 lakhs depending upon the geography. This is the normal initial investment that we do.

Aditya: Okay. Thank you, sir. That's it from my side. Happy Diwali once again to you and the team, sir.

Akash Jain: Thank you very much.

Moderator: Thank you. That was the last question for today. We have reached the end of our Q&A session. I now hand the conference over to Mr. Nirmal Kumar Jain for closing comments.

Nirmal Kumar Jain: Thank you all and wishing you a happy Diwali and Dhanteras. And we look forward for continuous support of all the investors and 100% we are confident that whatever we have committed means we will fulfill our target and projections and we look forward for continuous support. Thank you.

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