SPANDANA

Ref: SSFL/Stock Exchange/2026-27/025

May 12, 2026

To
BSE Limited,
Department of Corporate Services
P. J. Towers, 25th Floor,
Dalal Street,
Mumbai – 400001

Scrip Code: 542759 and 890221

To
National Stock Exchange of India Limited,
Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051

Symbol: SPANDANA and SSFLPP

Dear Sir/Madam,

Subject: Transcript of conference call held on Tuesday, May 05, 2026.

Ref: Company letter no.: SSFL/Stock Exchange/2026-27/022 dated May 05, 2026.

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Tuesday, May 05, 2026, to discuss the financial and operational performance of the Company for the quarter and year ended March 31, 2026.

The aforesaid information shall also be made available on the website of the Company at www.spandanasphoorty.com.

Kindly take the above on record.

Thanking you.

Yours sincerely,
For Spandana Sphoorty Financial Limited

VINAY PRAKASH TRIPATHI
Digitally signed by VINAY PRAKASH TRIPATHI
Date: 2026.05.12 16:47:27 +05'30'

Vinay Prakash Tripathi
Company Secretary

Encl: As Above

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"Spandana Sphoorty Financial Limited
Q4 FY26 Earnings Conference Call"
May 05, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 5th May 2026 will prevail.

MANAGEMENT: **MR. VENKATESH KRISHNAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SPANDANA SPHOORTY FINANCIAL LIMITED**
MR. ASHISH DAMANI – CHIEF FINANCIAL OFFICER – SPHOORTY FINANCIAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Spandana Sphoorty Financial Limited Q4 and FY26 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 this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Venkatesh Krishnan, MD and CEO Spandana Sphoorty Financial Limited for his opening remarks. Thank you and over to you, sir.

Venkatesh Krishnan: Spandana Namaskar, welcome to this call and it's a pleasure to be in your midst yet again. I'm sure some of you must have felt elated looking at the election results yesterday, whilst some of you may have felt gloomy, but one thing for sure that all of you should feel equally happy looking at our results for the last quarter.

We managed to disburse around INR500 crores a month during the last quarter, which was up against the INR400 crores per month that we used to disburse in Q3, which again was against the INR300 crores in Q2 per month. Our AUM at INR4,400 crores showed a 12% growth quarter-on-quarter and the share of new customers last quarter was about 45%, which comprised both new-to-credit as also new-to-Spandana.

And our overall customer base stands at a little over 11.5 lakhs. Our X-bucket collection efficiency at 99.7% showed a similar trend across the five major states that we are present, which is Bihar, Karnataka, Andhra, Madhya Pradesh and Odisha. Our new book, which is the sourcing effective 1st of April 2025, stands at 80% and we managed to collect nearly INR65 crores last quarter from our pool of 90 plus customers.

So, this was a second consecutive quarter wherein we managed to collect upwards of INR65 crores. The lender overlap, which is Spandana plus three stood at about 4.8%, with 34% being only Spandana customers, 37% being Spandana plus one and 25% being Spandana plus two.

We are adequately capitalized with capital adequacy at 35% and our cost of marginal borrowing at 12% for last quarter, comprised of 44% bank funding. Our opex came down to about INR161 crores last quarter as compared to INR195 crores and we had for the first time after six quarters had a PAT of INR5 crores against a loss of INR95 crores in the previous quarter.

Some of the things that I said in my last call, which also incidentally was my first call after joining Spandana in November, that we were planning to move to a new LOS platform being developed by Perfios. It has started moving and hopefully we should have our first product, which is the individual loan product, either before the end of this quarter or early next quarter and the JLG migration might happen sometime in October-November types.

So, it's moving in the right direction, that should give us a lot of flexibility and agility in terms of the platform that we have. Our micro-LAP portfolio in our group company and a subsidiary stands at about INR322 crores, which we definitely wish to grow in the times to come, that's a good portfolio that we have.

One of the things which is rarely spoken about is the customer satisfaction score. We started focusing heavily on customer satisfaction and our score, which was about 22% in Q3 has gone up to 71%. We are still not very happy, we are aiming for a 95% score either before the end of this quarter or early next quarter, wherein we want to ensure that all our customers who try to reach out to us get the response on time.

Incidentally, in the last quarter, there was only one case which was resolved outside of TAT of 21 days that RBI has fixed, otherwise all other customer complaints, queries were resolved well within the TAT. On the merger front, the process has begun, might take another 5 -6 months, we are working on it.

So the CFL merger is definitely in due course, it's going to happen. We've been hearing about the El Nino and fertilizer issue, so a lot of queries people keep asking how is it going to impact the portfolio. Well, it's something which is seasonal, which is expected, anticipated, but we are trying to be cautious in terms of how we source new customers and especially focus more on ensuring that our collection efficiency both in the X-bucket as also in the one plus bucket so that as and when a situation does arise and which should be a passing cloud, we are adequately prepared. With that, let me pass on the mic to my colleague Ashish, who is the CFO for him to give you further financial details. Thank you.

Ashish Damani: Spandana Namaskar, good evening to all of you. Thanks for joining the call. I will cover the highlights, try to divide it into sections which are relevant. So, let me cover some business drivers. AUM closing was INR4,420 crores, which is higher compared to last quarter AUM of INR3,948 crores.

This is after eight quarters we have seen an increase in the AUM and the AUM increase was 12% quarter-on-quarter. What is the better part of this is 80% of the AUM now is constituted under the new guardrails, under the new BRE and giving us a collection efficiency of 99.7%. And this is not over a period of 2 months, this is - 8 months of seasoning with which we are looking at this kind of collection efficiency.

So, that's very heartening to see. On the portfolio quality, getting into some more details - X-bucket collection efficiency has been seeing improvement for us month after month. For March 2026, it was at 99.7% against 99.3% for December 2025. In terms of our AUM which is into 1 to 90 DPD, that has come down now to 1.3% against the 2.5% which we have seen in the previous quarter.

The GNPA stood at 3.8% versus 4.2% in December. The NNPA is now down to 0.73% against the 0.92% compared to the December quarter. We continue to maintain sufficiently provided in our books at greater than 80%. In terms of some highlights on borrowings and liquidity, we have borrowed INR1,272 crores during the quarter.

The total borrowings since the rights issue we have done is at INR3,116 crores. This is since August 26, actually. From a liquidity standpoint, we've been maintaining sufficient amount of liquidity as at March 31, 2026, it was at INR1,438 crores. Accordingly, the capital adequacy is also very strong. CAR stood at 35.9% with a net worth of INR2,130 crores as of 31st of March.

Giving you some financial highlights on financial performance for the Q4, portfolio originated, like I've explained is at 80% during the FY26 with a net CE of 99.7%. Portfolio quality, given the AUM mix is shifting towards the newly originated portfolio has seen lot of improvement. Yield for the quarter got positive impact because of this movement into better portfolio mix. So, it is at 22.8% compared to 22.4% in Q3.

We have seen marginal cost of borrowings reduce during the quarter by 120 basis points, it is stacking at 12%. NIM contracted to 9.9% compared to 11.1% largely on the impact of cost of borrowings which we have seen in the previous quarter. Our PPOP has strengthened, we were at INR39 crores for Q4 compared to INR8 crores reported for Q3 FY26. Like you have noticed and Venky explained, this quarter we have reported INR8 crores of PBT compared to the loss of INR125 crores in the last quarter. With this, we will take a pause and open the floor for any questions or clarifications that you may require.

Moderator: Thank you very much. Our first question comes from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity and congrats on getting back to the growth path, at least on the loan book side. My first question was on the yield side and also on the cost of fund side. Given the tight liquidity in the market, how are you seeing the cost of fund moving for us, especially, I mean, while we have gone through our own journey as well?

So, how do you see that cost of fund moving in FY27 and what are we sort of estimating that to shape up during the year? And on the yield side, what is our incremental yield for, let's say, 4Q and what is our blended yield target also at book level for FY27?

Ashish Damani: So, I'll take that question, Shreepal. You know, the cost of borrowings should be stacking up in the similar levels, more around 12.5% on a blended basis, largely because we do see that, you know, there will be some impact on the cost of borrowings because of the liquidity crunch you are explaining. However, we believe that as our business strengthens and improves, we should not see a large amount of escalation in the cost of borrowings.

So, overall for the year, we believe it should be, below 12.5%. From a yield standpoint, the current pricing that we have on the loans is ranging between 23% to 26%, depends on where the customer is in the vintage with us. My disbursement yield, if I have to give you that number, that is around 25.25%. However, it is presently at 22.8% largely because there is GNPA and there is a book which has flowed into GNPA, so it gets impacted. But as we progress, I believe we should inch up closer towards the ideal yield during FY27.

Shreepal Doshi: Got it. Got it. Thanks for that detailed answer. The second question was on the customer base. So, that has been shrinking for us, you know, for the last almost six-seven quarters. So, what has been our new customer acquisition during 4Q and where do we see that customer base, you know, ending for FY27 end? Because I mean, while we have seen unique customer share increasing and also we are aligning ourselves with the guardrails requirement, when do we see this customer base growth coming back?

Ashish Damani: So if you look at and if you go back to our commentary, we've been explaining that the focus would be to add new customers to the Spandana base and improve the productivity at a loan officer level, and there is a headroom which is available which we will, kind of continue to chase. If you would have noticed, we have added about 1.2 lakh new borrowers during the quarter against 63,000 odd in the last quarter.

So, there has been a clear focus on this aspect. I think by the next financial year end, our goal is to add another 7 lakh new borrowers during the financial year, which should take us after the, let's say, dropouts or whatever to closer to1.6 million borrowers from the present 1.1 million that we have. So, I think that's largely the trend that is likely to play out.

Shreepal Doshi: Got it. Okay. That's very helpful. And sir, thirdly, last question on the growth side. So, if you could highlight where do we see the FY27 loan book shaping up in terms of the growth, as well as what sort of a profitability should we see? Like, now we have seen PBT at least coming in green. So, when do we see PAT also, you know, at an FY27 end level?

Venkatesh Krishnan: So, last quarter, as I said, we averaged about INR500 crores of disbursal, and we want to retain at that level for at least next three-four months and then aim for about INR550 crores to about INR600 crores as we progress and keep a sharper eye on the collection efficiency as well. So, if all goes well, we should be closer to about INR6,500 crores AUM by FY27. And for profitability, no guidance, but yes, we aim to be in the black.

Shreepal Doshi: Got it. And sir, with this INR6,500 crores disbursement, in terms of loan book absolute, like we are at closer to INR4,400 crore. So, with this INR6,500 crore, where do we see the closing loan book or let's say the loan growth for the full year?

Venkatesh Krishnan: I spoke of, March '27, we are likely to exit at INR6,500 crores of AUM.

Shreepal Doshi: Okay. Okay. Sorry, I thought that was disbursement. Sorry, my bad. Okay. Got it, sir. Thank you so much, sir, for answering my question. I'll come in the queue for more questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, if you wish to ask questions, you may please press star and one. Our next question comes from the line of Pratyush Dammani, an Individual Investor. Please go ahead.

Pratyush Dammani: Yes, sir. So, my question is like one year back, the industry entirely had faced a challenge. So, I want to understand what kind of entity-level measures and what kind of industry-level measures have actually led to the new portfolio giving a collection yield of more than 99% X-bucket? That's my first question.

Venkatesh Krishnan: So, as far as the industry is concerned, the guardrails issued by the SROs are being followed in total, effective 1st of April, which is also reflecting in how the industry book is behaving. Whether it is our three-lender norm or the INR2 lakh indebtedness FOIR, and more importantly, one of the SRO is also doing a third-party evaluation of various lenders to ensure that they are well within the guardrails and any divergence is getting reported to the company for action. No response is getting reported to the board, and in some cases even getting reported to the regulator.

As far as Spandana is concerned, we went a little stringent as compared to the guardrail itself. So, today, for instance, 98% of the disbursements that I did, the customers were regular. So, I don't lend to customers who are 30 plus on the day of disbursal and ensuring that the focus remains tight on only giving to those customers who are exhibiting adequate behaviour that we believe is very important.

And of course, we all keep talking about sharper focus on recoveries, but we are also going one step forward trying to do something which is difficult to do, but we have started doing it. For instance, if a customer were to not honour their instalment on the demand date, the very next day we are trying to reach out to the customer saying that you need to honour or we try and meet the customer and we are trying to ensure that this is regimented as a process so that I know of what's happening on the ground on a daily basis in terms of recovery.

That's which is more important because disbursements will keep happening, not to worry. So, these two controls at our end should help us ensure that we build a very robust book as we go along in this journey.

Pratyush Dammani: Sure sir, so if I were to compare these current measures to maybe March '25, how is it broadly different? As in in terms of disbursement, as you said right now, if it's a 30-day plus customer, then you are avoiding disbursing to them. So, was this a practice which was also followed in March '25 or what increments from March '25 or prior to the entire crisis were implemented?

Ashish Damani: Hi, Pratyush, Ashish this side. So, see, the question is whether the industry was following the norm or not. We have adopted this sometime in January in terms of not disbursing to a 30 plus borrower. However, if the customer was getting loans from, let's say, the industry at large irrespective of their aging across the loans, then, the behaviour could not have been improved.

Which is what SROs have done, stepped in and made it a full-blown a guardrail which has to be adopted by each and every lender in the space and today nobody is lending beyond 60 days, however Spandana follows 30 days. So, that's where we are right now.

Pratyush Dammani: Okay. Got it, sir. One last question, sir. In terms of AI implementation, is there anything that has come up? Like, for example, L&T Finance, I think they speak about implementing AI in determining customer cash flows and all of that, but there are few other MFI companies which are not yet comfortable. So, where are we among them?

Venkatesh Krishnan: So, there are two-three areas wherein we are exploring. At this point in time, the larger energy is towards migration of our LOS platform, the current one to Perfios, which when implemented is definitely going to make a difference. MIS automation is something wherein we are looking at, and second is the customer satisfaction, the call centre, the in-house call centre that we have, there is a scope for doing an AI project, very simple one, but in our quest to reach to a 95% CSAT, that's an area again we are looking at. Apart from that, there could be one or two areas in IT wherein we could explore some of those AI initiatives, but largely this year is going to be the migration to the new platform.

Pratyush Dammani: Sir, actually I meant in terms of analysing cash flow. Like, for example, is it possible or like I'm just generally asking that since there are so many online UPI transfer companies right now, Paytm, etcetera., and they have database of so many MSMEs, etcetera, is it possible to legally purchase data from them and kind of process that in the AI system and then decide whether lending to them is profitable or not? Is that a practice that's happening?

Venkatesh Krishnan: See, if you're talking from a lending perspective, the kind of controls that we have is more than sufficient. We don't need to have any buying of data. So, for instance, one of the other things that we are doing is bot calling. Today when customers bounce or we are in the 90 plus, we are using a bot call, which is quite advanced and that itself is helping us. And then of course, over and above the bot call, you can always reach out to customers through the manual calling. But for the disbursement purposes, I don't think we need to buy anything from the marketplace. There are enough and more customers available in the marketplace today.

Pratyush Dammani: Okay. Got it, sir. Thank you.

Moderator: Our next question comes from the line of Aviral Jain from Siguler Guff. Please go ahead.

Aviral Jain: So, Venkatesh and Ashish, thank you for taking my call and questions. I have a fundamental question given whatever the industry has gone through in the last two years and what we observed was that JLG attendance discipline had gone, there was a lot of door knock and frontline attrition was very sky high, 4% to 5% or sometimes 6% to 7% a month.

How do you see the borrower behaviour and fundamentally scalability of the microfinance model basis which Spandana has been built and there are many other companies? So, what is, obviously lot has gone through in the last two years, but till say end of FY24 versus as you see the on-ground situation today, is there fundamental changes that you need to make in terms of loan officers coverage per borrower, borrower selection, and what is the borrower behaviour on ground in terms of adhering to the best practices as laid out by the borrower or from the lenders?

Venkatesh Krishnan: See, the business has been evolving over the years and what held good couple of years ago is no longer valid and may not be valid three years down the line, and it's a very dynamic world. We did not talk about digital repayment three years ago. Today, for instance, at Spandana, my average is about 22%. Now, if customers are paying me online and if I expect them to attend meeting center just for the sake of attending, it's not going to happen.

So, there is always going to be a conflict between meeting center and digital repayment. What we need to think through is how do we engage with our customers, be in touch with them, and money comes through online. Because we have to increase this. If we have to be more agile and we have to be more opex optimization, we can't be doing all these things, of going meeting center, collecting cash. So, we have to educate the customers, we have to ensure that the customer's money remains in the bank account because 100% of our customers have a bank account, that's for sure, because we are disbursing the money into their accounts.

So, if they have a bank account, then why should they pay cash? Okay, so that's an education series we are thinking, you know, we've also been discussing with the SROs to say that can we have some sort of a target aim to take it to about 50% to ensure that as an industry we stand to gain. So, meeting center will undergo a change, the way we have been assessing our customers will also undergo a change. For instance, we've been talking about using data analytics or data science to understand what sort of a customer we need to lend to.

Otherwise, it becomes very simple, you know, this is the age group, hardly any income that we are talking of, so on and so forth. Is there some smart analysis we could do to say that this sort of borrowers tend to repay much better than the others? So, that over the next three-four months we're going to work on certain data science to understand how does it fit into our existing database and which will help us decide what sort of customers we need to source going forward, or which markets for that matter. Or for that matter, different markets may have different policies or processes.

Aviral Jain: So, are you saying that the joint liability group sort of no longer it's just for the namesake because it's actually coming out to individual borrower behavior and how you're able to engage with them and how they hopefully repay digitally?

Venkatesh Krishnan: See, it was always like this. It is now getting a little more pronounced, being talked about. Never for once, you know, 10 years ago when I was handling this, I've seen customers, the group repaying one or two installments of the defaulting borrower. But I've never seen a group even 10 years ago which said, okay, for the next 18 months or 24 months we will honor just because this lady has migrated or she's not in a position to repay.

So, it was never there. But it's now getting more pronounced, more being talked about. Yes, still the women are coming together, they will help you to say that this lady has migrated to this village, I know her contact number, so those things remain. The fabric remains, but see the ability of one member or other members to pay for the defaulting member also is beyond reach today because the EMI have gone up because of the ticket sizes. What used to be a INR400INR-500 EMI today is about INR1,800-INR2,000. So, if a lady has not paid for three installments and to three different institutions, expecting others to pay is highly improbable.

Aviral Jain: Sure, fair enough. And further coming back to Spandana's operations, two more questions I have. Is there further opex optimization that is possible in your operations? You are from INR195 crores last quarter you've down to INR160-odd crore. But obviously this is a distributed borrower base that you have, so you cannot really look at loan officer sort of efficiency from a loan under management perspective, but given the size and scale and the disbursement that you are targeting, what's the optimal opex that you would want to work with on an absolute number basis and then two years, three years down the line as a percentage of AUM basis?

Venkatesh Krishnan: See, in the medium term, it should come down to about 7% to 8% opex to AUM, and in the near term, can INR160 crores come down? That's what we are aiming for. I can't say no, definitely there is a room, but I need to ensure that I don't cut corners. These are optimization in the normal course without compromising on efficiency and growth, other factors, but there is room, which we will also ensure that it will be seen in the quarters to come.

Aviral Jain: So, till such time you reach almost a INR8,000 crores AUM, as in I'm just taking off a 7% to 8% opex would mean INR660-INR650-odd crores of opex annually. So, your system is today built for, say, INR8,000 crores AUM where till such time you wouldn't have to increase your opex and maybe try to optimize from where you are today downwards. Is that a fair assumption?

Venkatesh Krishnan: Opex up to INR8,000 crores in terms of some people in the frontline I may have to add. Other opex I don't need to. For instance, head office is adequately capacitized, I don't need to open branches because I've got 1,250 branches in a steady state, and even if I take a INR10 crores assumption, you know, I'm well equipped for INR12,500 crores of AUM. But I may accelerate more head count in the frontline in my quest to increase my volumes or reach certain numbers much before time. Otherwise, I don't need to add on to any fixed cost at the head office levels.

Aviral Jain: And finally on the borrower acquisition, either new to credit or new to Spandana or existing, how is the rejection rates now? It used to be as high as 70% to 80% till about two quarters back. So, is the overall landscape getting better that you are able to source better customers who are able to pass through the credit filters? So, what has changed from your working style and also from a macro environment perspective that keeping the quality of the book as good, you'd be able to accelerate your disbursements?

Venkatesh Krishnan: Rejections continue to be in the range of 60% to 65%, and it may remain so for a while. Now, what will happen is some of these customers who for whatever reasons could not pay, defaulted, with no adverse intent, you know, it was just their capacity, may come back into the mainstream in about two-three years, like it happens in the stock market as well.

So, like for instance, customers who defaulted during COVID times, many of them have got regularized and they are even paying to most of the institutions. So, as I see it, you know, the market has got a lot of customers, of course most of the players are going to be focusing on these customers who are still availing of finance through the unorganized sector.

But we'll also have the crore, crore-and-a-half customers who went out of the system in recent times, many of them will come back at a later point in time through some behavior which gives us the confidence that we can again look at them.

Aviral Jain: And given your rejection rates are still 60% to 65%, are you able to source more with the same frontline loan officer network that you have?

Venkatesh Krishnan: So, last quarter, as I said, our sourcing of new customers was 45%, 10% was NTC, another 35% was NTS. NTC requires a little more effort, so that's what we are now promoting our people to say that focus on those customers, what are the different ways of acquiring new to credit customers. But 50% to 55% of the customers have to be new in our quest to build the portfolio.

Aviral Jain: And on the ticket size wise what changes have you made? What we realize is cycle three or cycle four borrowers, or borrowers who've been there with you for three, four years and have been good in their repayment behavior, certainly you should play big with them. I'm just making a very generalized statement. So, what have been the learnings and what has been implemented born out of those learnings?

Venkatesh Krishnan: It's a very apt statement that you've made. As we go along, in our sixth or seventh cycle, we give as high as INR1,70,000, but that's a very small share of our overall portfolio, maybe 2%, 4%. But average ticket size continues to be INR60,000. But yes, as we go along, you know, when you acquire new customers, new to credit is always going to be INR50,000-INR60,000 types. When you acquire new to Spandana or existing customers, the ticket sizes will go up. So, it's always going to be hovering between, say, INR 60,000 and INR 80,000 – INR 85,000.

Aviral Jain: Okay. Good. That's it from my side. Thank you so much.

Moderator: Our next question comes from the line of Rudraksh Raheja from Ithought Financial Consulting Please go ahead.

Rudraksh Raheja: Yes, thank you for the opportunity, sir. Sir, I wanted to ask on the individual loan portfolio under Criss Financial. How are we doing on that, sir?

Venkatesh Krishnan: So, Criss Financial has two portfolio, one is individual loans and the other is micro-LAP. Micro-LAP as I said is about INR322 crores, this will be about INR260 crores odd. But we are launching a different individual loan in the month of June or July, which is going to be a better underwritten product wherein there will be a personal visit by a credit officer, questions being asked, PAN being collected, 100.00% e-NACH repayments, so on and so forth.

So, once that is launched, we will do a pilot in certain states or certain branches within Spandana, and we are setting certain milestones. Once those milestones are reached, we will give it to Criss as well, and they will then start sourcing individual loans as per the new criteria.

Rudraksh Raheja: Understood. And what about the existing GNPAs in that book?

Venkatesh Krishnan: In the Criss Financial book?

Rudraksh Raheja: Yes, sir.

Ashish Damani: So, the numbers have come down. Last quarter it was about 11.45% GNPA, this quarter it is at 6.50%. Yes, we've done one ARC transaction in the entity and also the collection efficiencies have started improving. So, leading to both these things, you know, the current GNPA is at 6.5%.

Rudraksh Raheja: Understood, sir, understood. And sir, where do you see this number going, like stabilizing?

Ashish Damani: No, I think the right way to look at it is how is the new book behaving, because we have made changes to the underwriting and we are likely to make more changes on the underwriting like Venky was just explaining. And the new book under the new underwriting is performing pretty strongly. However, the changes were made sometime in November. So, going forward, this number should obviously start coming down to much manageable levels.

Rudraksh Raheja: Understood, sir. And sir, if I recall correctly, micro-LAP was somewhere around 1% on GNPA levels. Are we still around those levels or something has changed there?

Ashish Damani: That's correct. So, micro-LAP is still around 1.2% in terms of GNPA, that's the number.

Rudraksh Raheja: Understood, sir. And sir, you mentioned that we'll launch a pilot for individual loan where a officer will go and evaluate and all. In this model, sir, from my limited understanding, the problem arises due to additional operational expenditure because of catering each and every customer on a one-to-one basis. So, sir, how do we plan to control that part of this product?

Venkatesh Krishnan: See, the individual loans is still going to be offered between 23% and 26% and so at this point in time, the initial workings that we have done, if we are able to keep our collection efficiency at 99.5% also, it is still profitable.

Rudraksh Raheja: Understood sir.

Venkatesh Krishnan: The individual ticket size is going to be between INR1 lakhs and INR4 lakhs.

Rudraksh Raheja: Got it, sir. So, are we targeting some different income class with this product?

Venkatesh Krishnan: So, we are targeting customers who have an enterprise, who are running a business. We're not going to fund for starting a new business, we are going to fund for working capital. So, a person needs to have definitely a shop or something which is visible, which has stock, which has sales.

Rudraksh Raheja: Understood. And will we be targeting Tier two, three cities under this or would it still be rural?

Venkatesh Krishnan: Wherever we have branches, in the same branch, we are going to offer them the facility to say when you graduate, either you can go in for a group loan or you can go for individual loan if you have an enterprise. And then we will also over time look at new to Spandana customers who have got a track record elsewhere to be offered individual loan. Again, basis the criteria that we have defined.

Rudraksh Raheja: Got it, sir. Another question on the guidance part, sir, you said INR6,500 crores by year end FY '27. If I recall correctly, some calculations indicated that we could reach INR9,000 crores to INR10,000 crores by FY '28. Would that still be a correct assessment?

Venkatesh Krishnan: Yes.

Rudraksh Raheja: Okay. So, that translates into more or less like 40%-45% book growth on an annual basis. So, keeping that in mind, what are the levels of X-bucket collection efficiency that we are targeting that we will be comfortable along with this level of growth?

Venkatesh Krishnan: Any level of growth, I can't compromise on collection efficiency, especially in the X-bucket. It has to be 99.5%, I can understand some months hovering between 99.3% and 99.5%, some months going up to 99.6%. But irrespective of the book size, I can't compromise on collection efficiency.

Rudraksh Raheja: So, 99.5% is what we would like to maintain going forward.

Venkatesh Krishnan: That's right. So, which means that 0.50% flows, yearly 6% flows, even if you collect 50% back, your credit costs can hover between 2.5% to 3%, which is acceptable.

Rudraksh Raheja: Understood, sir. Perfect. Thank you so much, sir.

Moderator: Thank you. Our next question is from the line of Aviral Jain from Siguler Guff. Please go ahead.

Aviral Jain: Just on that individual loan product, there, I'm just assuming that you would still have a stronger filter of the customer not having total indebtedness or not having any loans other than Spandana because and would that be also backed by some collateral or it will be a uncollateralized loan, unsecured loan?

Venkatesh Krishnan: Unsecured, fully unsecured.

Aviral Jain: And customer indebtedness in terms of having other lenders?

Venkatesh Krishnan: Overall remains within the INR2 lakhs guideline that MFIN has fixed, but as I said, our product offers INR1 lakh to INR4 lakhs, so we will see. But as of now, for the pilot, we are ensuring that we maintain the indebtedness cap of INR2 lakhs.

Aviral Jain: But this would not qualify as an MFI loan, I'm assuming.

Venkatesh Krishnan: That's true, yes.

Aviral Jain: So, you need not adhere to the SRO guidelines. I'm just saying that the discipline breaks, right, once obviously you will have your internal underwriting benchmarks and rules, but there is no SRO oversight, right, on such kind of loans.

Ashish Damani: Absolutely. So, here the income levels, Aviral, are likely to be higher than INR3 lakhs also because such customers we will evaluate from a perspective of what kind of businesses, what kind of cash flows do they have.

So, to start with they may not fit the definition of microfinance of the household income. So, these are slightly more, let's say, affluent compared to the customers we service in the microfinance space.

Aviral Jain: And what would be the loan tenure here in terms of door-to-door and average?

Venkatesh Krishnan: I think the maximum is three to four years, but average should be about 24 months.

Aviral Jain: Sure. And is there some any other player that you have modeled yourself after for this sort of loan? I know as in without calling it out, but who does this on a individual basis and these are rural customers assuming because you would use your existing branch network to source these customers.

But is that very prevalent amongst organized lenders or this is largely being catered to for higher ticket size requirement by local money lenders amongst your borrower base?

Venkatesh Krishnan: Quite a few institutions have started on a low key. We are not the first, but has it gained a lot of momentum, the answer is no.

Aviral Jain: Yes, as in so would it be fair to say that the overall organized industry's size for this segment may not be even INR10,000 crores across lenders today?

Venkatesh Krishnan: INR10,000 crores is too big a number. Yes, I don't think so.

Aviral Jain: Sure. Thanks.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Venkatesh Krishnan: So, thanks a lot once again for participation and it really feels nice to be in your midst. The efforts are on to ensure that after six quarters of painfully painstaking efforts, we are back in the black and from here on we should retain the momentum and grow the book sustainably, which is very important, and ensuring that we stick to all the guidelines and Spandana is again back in the reckoning, people start respecting Spandana.

Of course, the respect was always there, the lenders have been very supportive even during trying times, but it should move couple of notches up in terms of how it has been doing business in recent times. Thanks a lot.

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