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Regency Fincorp Limited

(Formerly Known as: Regency Investments Limited)

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Date: 14th May 2026

To
The Listing Department
BSE Limited
25th Floor, P J Towers Dalal Street
Mumbai, Maharashtra- 400001

SUB: DISCLOSURE UNDER REGULATION 30 OF SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS) REGULATIONS, 2015– TRANSCRIPT OF THE EARNINGS CONFERENCE CALL

REF: REGENCY FINCORP LIMITED (SCRIP CODE: 540175)

Dear Sir/Madam,

Pursuant to provisions of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as amended, we are enclosing herewith the transcript of the earnings conference call on Audited financial results of the Company for the year ended March 31, 2026, conducted on Thursday, May 7, 2026.

This has been made available on the Company's website at the following link:

https://portal.regencyfincorp.co.in/uploads/investor-relation/SEBI/Schedule%20of%20Analysts%20or%20Institutional%20Investors%20Meet%20and%20Presentations%20made%20by%20the%20Company%20to%20Analysts%20or%20Institutional%20Investors%20and%20Audio/Video%20And%20Transcripts%20of%20Post%20Earnings/Quarterly%20Calls/0/transcript%20regency%20fincorp%20limited_q4%20fy%20'26.pdf

Kindly take the same on record:

Thanking You,

For Regency Fincorp Limited

Abhimanyu
Company Secretary & Compliance Officer
M No A 49176



“Regency Fincorp Limited
Q4 FY '26 Earnings Conference Call”

May 07, 2026



**MANAGEMENT: MR. GAURAV KUMAR – MANAGING DIRECTOR –
REGENCY FINCORP LIMITED
MR. SARFARAZ MALLICK – WHOLE-TIME DIRECTOR
AND CHIEF FINANCIAL OFFICER – REGENCY FINCORP
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Regency Fincorp Limited Q4 FY '26 Earnings Conference Call. Before we begin, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 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. Gaurav Kumar Abrol, Managing Director, for his opening remarks. Thank you, and over to you, sir.

Gaurav Kumar: Thank you. Good morning, everyone, and a very warm welcome to the Regency Fincorp Limited's maiden earnings call. I would like to thank you all for taking the time to join us today. This is a significant milestone for us. For a long time, we have been focused on building the business quietly, strengthening our foundation, refining our model, and preparing for scale. This call marks the beginning of a more open dialogue with the capital market community, and we intend to build that engagement consistently from here on.

Since this is our first earnings call, let me start by stepping back and taking you all through what we are building. I will start with the background of the market of Regency Fincorp Limited. At its core, Regency Fincorp is a leading platform focused on segment that are structurally undeserved, primarily MSMEs and emerging retail borrowers. These are segments where demand for credit is strong, but access remains inconsistent or inefficient. Our approach has been to operate in these spaces with a model that is high yield, but tightly controlled. Because in lending, growth without discipline does not last.

If I place this in the context of the broader industry, the MSME credit ecosystem in India continues to present a large and structurally underpenetrated opportunity. The market itself is sizeable and growing steadily, supported by increasing formalization of businesses and rising demand for working capital financing.

At the same time, a meaningful credit gap still exists, particularly in smaller and informal segments where access to timely finance remains limited. This creates a strong runway for lenders who can underwrite efficiently and scale responsibly.

Within this landscape, there is a clear shift toward secured MSME lending, driven by better risk-adjusted returns and improving borrower quality. While unsecured lending, although is still attractive from a yield perspective, is seeing more calibrated growth given tighter regulatory oversight. NBFCs are increasingly playing a critical role here, given their ability to serve customers beyond traditional banking channels and provide faster, more and flexible credit solutions.

This evolving environment with strong demand and a clear gap in credit availability and a shift toward more disciplined lending provides a strong tailwind for our business as we scale. So, coming back to our operating model, we currently have a diversified product mix that includes MSME secured loans, unsecured business loans, and digital personal loans. Our average ticket size in MSME lending are in the range of INR35 to INR45 lakhs, with loan tenure typically between 12 months to 60 month. This allows us to maintain a balance between yield, visibility of cash flows, and repayment discipline.

From a scale perspective, we have built a presence across 23 branches with a customer base of over approximately 16,000 plus borrower. During the year, we have continued to expand our physical footprint, adding new branches in the key markets, taking our total network to current levels. Similarly, our employee base has scaled up meaningfully to support this growth with additions across sales, credit, and operation functions. This expansion has been calibrated, ensuring that productivity and controls are maintained alongside growth.

Now geographically, we are presently concentrated in North India, particularly in the regions such as Punjab, NCR, Uttarakhand, Uttar Pradesh, and surrounding markets. These are areas with strong MSME activity and relatively stable credit behavior. Our expansion strategy from here is measured. We will continue to deepen our presence in existing markets while selectively entering new geographies where we see similar operating conditions and credit culture.

Over the years, we have evolved significantly. So what started as a more traditional lending setup has gradually transformed into the focused NBFC with a clear identity. We entered MSME and structured lending segments, expanded our portfolio, strengthened our capital base, and more importantly, built internal capabilities around underwriting and risk. Now we are witnessing a delta phase where momentum is expected to grow.

Until recently, the business was largely branch-led and people-intensive, which gave strong control but also limited scalability. Now what we are now doing in the coming time is transitioning towards a more technology-enabled model where decision-making is supported by data and a system, improving both efficiency and consistency.

In MSME lending, underwriting can often be slow and dependent on individual judgment. We are addressing this by using data-driven tools to better assess borrower profiles, focusing on their cash flows, their banking behavior, and their transaction pattern alongside traditional financial metrics. This helps us standardize credit decisions and improve turnaround time without compromising on risk quality.

So let me emphasize on these things, at the same time, we are increasingly using data to improve sourcing efficiency. Instead of relying entirely on the physical channels, we are working towards more targeted customer acquisitions, which should help generate better leads, improve conversion rate, and optimize acquisition cost over time.

On the collection side as well, we are moving towards a more proactive approach where a borrower behavior is monitored more closely on a daily basis and early signs of stress can be identified well in advance. Alongside this, we are building a more integrated digital ecosystem.

Our app, the name of Cash My Salary, is aligned in this strategic direction. Over the next 12 months, we plan to launch a digital wallet, named RedPay, which will enable smoother disbursement, repayments, and customer transactions within our ecosystem.

Over time, this will also give us better visibility into customer cash flows and behavior, allowing us to make more informed lending and risk decisions. On another note, we have also received NOC from RBI for the PPI license. I would also like to highlight that last month we raised approximately INR25 crores of equity through CCD, Compulsorily Convertible Debentures. This capital will be deployed towards scaling our secured MSME portfolios and supporting our digital lending initiatives.

From a portfolio strategy standpoint, we are consciously increasing the share of secured MSME lending. This provides better downside protection still allowing us to operate in attractive yield segments. At the same time, we continue to maintain a diversified mix across products to avoid concentration risk.

Risk management, like we are into NBFC financial industry, it remains a core focus area for us. Our understanding framework include strict credit filters, detailed due diligence, and continuous monitoring across the loan grid life cycles. We also maintain conservative leverage and strong capital adequacy, which gives us the flexibility to grow in a calibrated manner.

Now looking ahead, our execution will be anchored around three clear priorities: scaling our secured MSME book, strengthening our distribution and operating capabilities, and expand digital lending progressively, integrating technology to improve efficiency and control. We are building a differentiated lending platform that combines scale, profitability, and disciplined risk management to deliver long-term value.

With that, I will now hand over to our CFO, Mr. Sarfaraz Mallick, to walk through the financial performance of the company. Thank you.

Sarfaraz Mallick:

Thanks very much, Gaurav. I think it's been a good insight for all our investors that what the strategy that we are following from maintaining the MSME secured book towards also moving to having AI based digital lending platform, which gives the key financial indicator values that we will create in the going forward.

While I would like to share the key financial highlights for the quarter and the full year FY2026, I am pleased to share that our asset under management continued to demonstrate healthy growth. Increased by 45% year-on-year to INR261.2 crores as on 31st March 2026, as compared to INR170 crores in financial year 2025. The growth reflects continued momentum through the year as we expand our client base.

On the disbursement front, our cumulative disbursement for the year end March 2026 stood at INR142 crores reflecting an increase of 43% year-on-year compared to financial year FY2025. Disbursement growth was healthy, even as we were prioritizing asset quality over aggressive expansion.

A key highlight of the year has been the strong momentum in our secured lending business. The secured disbursement contributed approximately 57% of our total disbursement in FY2026, compared to 23% in FY2025. As a result, the secured loan book now constitutes around 61% of the total AUM, significantly higher than the 18% in our previous year FY2025. The shift is deliberate strategy move to build a more resilient and low risk portfolio. In line with this, we further rationalized unsecured lending across branches, ensuring tighter credit filters and strong portfolio quality going forward.

Moving to the income statement, our total income grew by 85% year-on-year to INR40.1 crores in FY2026, compared to INR21.7 crores in financial year 2025. For Q4 FY2026, the total income stood at INR12 crores, reflecting a 43% of growth over Q4 FY2025. Our net interest income, which is income included with fees, has doubled more to INR27.6 crores in financial year 2026, while that same Q4 2026 came in as INR7.5 crores, up to 20% on year-on-year.

Coming to profitability, our profit after tax for financial year 2026 stands at INR13.4 crores, compared to INR4.9 crores in FY2025, a growth of 170%, which is a robust growth that we have catered in the last financial year. PAT for the quarter grew to 37% of Y-o-Y to INR3.5 crores for fourth quarter FY2026. In terms of the yield, our portfolio average yield stood at approximately 15%, while spread remained healthy at 7.1%, reflecting a balance approach between growth risk and profitability.

On asset quality, our net NPA stood at 0.74% in FY2026, compared to 0.31% FY2025, far better than what the market is performing on the asset contributors. Importantly, our credit metrics continues to remain significantly strong than typical microfinance benchmark or reinforcing our different positioning. From a balance sheet perspective, our net worth is increased to INR106 crores as of March 2026, supported by internal accruals capital infusion during the year.

We maintain a healthy CRAR ratio of 57.6%, providing sufficient headroom for further growth. Overall, our financial performance of the year reflects a balanced approach towards growth, focusing on scaling the business while maintaining asset quality, improving portfolio mix, and preserving strong capital adequacy. As we move forward, we will continue to prioritize discipline growth, optimize our cost of funds, and further strengthen our liability franchise to support the next phase of expansion.

With that, we conclude our opening remarks and would like to open the floor for question-answers.

Moderator: Thank you very much. We will now begin with the question and answer session. We will take the first question from the line of Daksh Jain from Sagun Capital. Please go ahead.

Daksh Jain: Yes, hi. Good morning. Am I audible?

Gaurav Kumar: Yes, you are.

Daksh Jain: Yes, so my first question is like what is the collateral that we secure against the MSME loan that we disbursed?

- Sarfaraz Mallick:** Okay. And any other questions you have or shall we answer this?
- Daksh Jain:** We can go one by one.
- Sarfaraz Mallick:** Okay. So basically, we take an LTV value of between 50% to 60% of a collateral value towards the loan value. So technically, in a tier-two city, we look at a doing a ticket size between INR30 to INR40 lakhs. So average, if I have to give you, my collateral security value will be anything from a INR65 lakhs to INR75 lakhs kind of a range.
- Daksh Jain:** The collateral here is a property?
- Sarfaraz Mallick:** It is a residential or commercial property. We do not take anything which is a land or industrial land, or no agri land, nothing. It is just a constructed property. Reference from a customer base is a residential property, where we offer an incentive to our customer. We lower their interest rate and reduce the PF if we get a residential property as a collateral versus a commercial property, which is their shop or their whether it is their industrial workout place, XYZ whatever is available into it.
- Daksh Jain:** Okay. And are we, there is a SARFAESI Act, so have we, you know, recovery of property through that?
- Sarfaraz Mallick:** So as of now, we are not in any recovery mode. Fortunately, our loan book of 90 days PAR ratio from a secured loan is about just one loan ticket size, which we have already applied, we have already taken all legal matters to it. I think so we should be able to liquidate that in the coming next in this coming quarter. That's just one loan account.
- Daksh Jain:** So that is done in-house or that we outsource to some lawyers or something?
- Sarfaraz Mallick:** So we have in-house lawyers as well, plus we have outsourced lawyers as well. So when we do a legal technical evaluation is done through a third party, no in-house is involved. Let's say that we have to issue any legal notices of non-repayment of these loans, that is happening through our in-house lawyers team, and now let's say for recovery, we are using our third-party agencies as well to help us to recover that amount.
- Daksh Jain:** Okay, sir. And you know, I saw your PPT and it is mentioning like JLG and digital loans. So it is I think microfinance and personal loans only.
- Sarfaraz Mallick:** Yes.
- Daksh Jain:** Yes, so what percentage of AUM do you think you will take it up to?
- Sarfaraz Mallick:** So we are reducing our entire JLG book. So today, if I have to give you the percentage point of view, 10.5% is my JLG book that consists today from a total AUM of INR261 crores. From November month onwards, we have stopped disbursing into this into this venture because we are focusing on moving our entire books towards MSME secured loan. Apart from that, we will have a digital lending platform for salaried people.

So while a JLG is a woman borrower, we have an unorganized borrower versus an organized or a salaried borrower, which makes more sense from a risk adequate ratio point of view. So the book is getting run down even in JLG. So by end of the coming financial year, we should have around 70% of the book rundown. By end of the next calendar year, the 100% JLG book would be zero. We will only have two products which has been focused for our company, which is MSME secured lending and digital lending part of it.

Daksh Jain: And what percentage of AUM will be digital lending?

Sarfaraz Mallick: 80% of my lending will be in MSME secured percent. Between 15% to 20% will be my digital lending.

Daksh Jain: Okay, and what all do we require from the customer when we lend through our digital lending platform? I think is it the Cash My Salary app that you are referring to?

Sarfaraz Mallick: Cash My Salary app is our digital lending platform, okay. So people can just download this app and fill in all the details. It has to be a salaried guy with more than INR45,000 as a salary. The verification of that is through an AI application, which help us to take out their bank statement to review their salaries that is getting credited, plus all of that happens through technology-based lending. And within say about half an hour to 45 minutes, we the approval is passed on to the borrower.

Daksh Jain: Okay, sir. And what will be the recovery process in that collection process in that? Because you are doing small ticket lending, so the recovery will be very hard and costly.

Sarfaraz Mallick: No, no. So what we have done is that we have already run through this pilot and we see quite a good recovery happening to a salaried customer. See when we if we have to bifurcate today two products, which is my JLG, which is my group lending program, versus my digital lending program, here my borrower is more of a salaried guy who is working for any MNC, any bank or any reputed institution. We have already given a list of institutions that they are working into it, okay.

So majorly it is a proper salaried guy, so we don't see a challenge in recovery on that amount because this is fairly easily available. So there is no challenge on that and everything is happening digitally. There is no human intervention. There is a soft collection team that we have already hired when it comes to in terms of collection if there is an overdue account. So we see recovery at very good space. So there is no challenge on that.

Daksh Jain: Okay, sir. And if I may ask, what is the current zero-plus DPD in the overall AUM?

Sarfaraz Mallick: So if I have to give my zero-plus DPD, we stand about close to INR2.2 crores of my total AUM, which stand with my zero-plus DPD. And same by if I reach to 90 days PAR ratio, I am at about close to INR65 to INR70 lakhs.

Daksh Jain: Okay, sir. And last question, like what is the average tenure in the MSME secured loan book and average yield that we derive from it?

Sarfaraz Mallick: So average tenure is 48 months to 60 month, that is our average tenure of lending. And in terms of ROI, it's a reducing ROI from a 20% to 24% subject to the cash flow, subject to the collateral security value, subject to the kind of an inflows that is there of the borrower.

Daksh Jain: Okay, thank you. That's it from my side. Thank you very much.

Moderator: Thank you. We will take the next question from the line of Divyanshu from Bank of America Securities. Please go ahead. We have lost the current participant. Moving to the next participant, we have the question from Akash Sharma, an individual investor. Please go ahead.

Akash Sharma: Yes, hi sir. Congratulations on good set of numbers. Sir, I have a few questions. First of all, I was seeing that your AUM is increased from INR170 crores to around INR261 crores and we are targeting for 500 and then for INR3,000 crores. So just wanted to know like how we are planning to achieve that.

Sarfaraz Mallick: So there are two set of strategy which are happening. First set of strategy if you see in my annual disbursement number for this financial year was about has been INR147 crores, okay. We were earlier having some portion of book in unsecured, which we are running down. So it was an INR104 crores book, today we run down that to INR60 crores, okay. So idea is that we will run down our entire MSME unsecured book and move into MSME secured portfolio. Today our branches have the capacity to disburse on an average per month basis about close to INR2 to INR2.5 crores.

Since we are in the growth trajectory and we are raising fund through banks and NBFCs, our raw material is money, And we see a strong pipeline for this year where we are raising money through lenders about close to INR400 to INR450 crores, And this entire money will be used towards scaling up the business on the borrower side, So, our cost to efficiencies if I have to give you that number, I would say that my opex cost would be going forward at around 2.5 to 2.75.

Rest is my margin plus my spread that I will make out of my lending borrower. So, keeping that in mind and context, we are deeply going to penetrate Punjab, Haryana, Uttarakhand and UP, northern part of India. Have a branch spread of about close to 50 branches by the year-end financial year end next year and mid of calendar year next year. So, we will double our branch numbers, that is how we'll penetrate further more into this segment. That's what we plan for the current financial year and keeping that registry in mind, we see that by FY '30 we should touch our INR3000 crores of golden AUM number.

Akash Sharma: Got it, that helps. And sir, what would be the average AUM per branch?

Sarfaraz Mallick: So that depends upon the location-wise. So, if I have to give you, average AUM of any branch will be anything between INR10 to INR12 crores. So, some branches are even lower about let's say that we have restricted on the borrower side as well, some branch which is closer to my other larger branch might have a smaller AUM, right?

My Varanasi has an AUM of INR10 crores. My Gopiganj has an AUM of INR3 crores. It's just 40 kilometers away from the main branch, right? So, we've spread it out in this way that the

collection should not be a challenge. What happens in a MSME secured loan, right? People appoint their collection agencies or hire collection teams separately to collect EMIs

While we have moved further of creating a robust way of collecting money is through not only through NACH, but allowing our customers once we have our PPI license in place to use our QR code to make payments, just like payment wallets you see what Google Pay and PhonePe is doing today. This gives me access towards their bank statements and also gives me to read through how the behavior of a customer is, so this will enhance further for me to make sure the collection efficiency is further more improvised as compared to today.

Akash Sharma: Got it. Got it, sir. And you know, our average ticket size lies between 35 to 40 lakhs. I believe that it is a very, I mean, good set of numbers compared to others, you know, small-sized lenders. So just want to know like to which kind of businesses are we lending to?

Sarfaraz Mallick: So, we are lending to a hardware guy, we are lending to somebody who's running a smaller restaurant, he's running a smaller 10 rooms hotel, we are running to somebody who is into the any kind of an MSME segment he's applying to. There are few lenders which are into the smaller manufacturing of water bottles, they're into manufacturing of juice, small units of, you know, shampoo sachets in tier-two cities. So, there is immense value over there.

Akash Sharma: So mostly I believe that with a 35 to 40 lakh kind of an average ticket size, mostly manufacturing or asset-heavy kind of industries will be the one.

Sarfaraz Mallick: We are not doing any lending to any trading company, no real estate, no trading.

Akash Sharma: Okay, got it. And sir, our, you know, loan tenure has a huge gap of around one year to around 5 years. So, you know, just want to know is this one year relevant for the unsecured loans and something like that or?

Sarfaraz Mallick: I'll tell you the breakup to this is that my MSME secured loan stands between four to five years. If somebody's ready to give me a collateral security worth of 100% and I'm giving him LTV value of 50% to 60%, so that guy's looking for three, four, five years of a loan ticket size, obviously, right? When I say, 12 months whatever we had unsecured loans in the past and to keep the maintain the healthiness of the book, we keep doing some part of a disbursement over there just to maintain the cash flows and collection efficiencies over there, that is that 12-month segment. Otherwise, from a secured point of view, it is always between 4 to 5 years. We are not going beyond 60 months at all.

Akash Sharma: Makes sense, sir. And sir, we have around 9-plus lenders, can you highlight that some of the name of the lenders if that's fine?

Sarfaraz Mallick: So, we have ICICI Bank, we have Axis Bank, we have Yes Bank, we have LC Venture Debt that has given us money. We have Lighthouse Canton which has helped us to raise NCDs where NCD raised through Grip, we have NCDs raised through InCred Wealth, and few initial individuals as well. Then we have Usha Finance, we have RAR we have UC Finance And there are further more to get onboarded in this coming quarter.

Akash Sharma: Got it, got it, sir. And you know, we have hefty presence in the northern side which is, you know, kind of known for delinquencies. So just want to know when we are expanding so we'll be focused on the northern side only or we will expand towards west and the southern side also?

Sarfaraz Mallick: So, we will not go southern sides very soon. Our focus is that because we belong our head office based out of Zirakpur and we both promoters come from our North India background, right? So, we understand the versatility and diversification available over there, right? There are regions which are negative which are negative for our NBFC as well, okay. So, we are not going and focusing on those cities for obviously, that is part A. Part B to it is that from North India, we would like to expand to the West of India.

We are not going to the South so soon. Maybe down the line two-three years we can think of South, but we feel that there is immense business which is available and while before we go out of our region why not first concentrate itself around our own region.

Akash Sharma: Got it. Thank you, sir. That helps.

Sarfraz Malik: Thank you very much, thank you.

Moderator: Thank you. We will take the next question from the line of Tejpal Singh from Manthan Capital . Please go ahead.

Tejpal Singh: Hello sir, am I audible?

Gaurav Kumar: Yes, you are audible.

Tejpal Singh: So good afternoon, sir. My question is that given the increasing competition in the Indian lending space, what differentiate your -- our company from other player in the market? What are the key strength and strategic initiatives that you believe will drive a sustainable value creation for shareholders?

Sarfraz Malik: So Tejpal, just to answer this question, I think Gaurav in his speech mentioned very, very categorized. That we are focusing -- our focus is not on the race, our focus is on the quality, right? If our focus is on the quality, we will make sure that we might take time to build a quality book, but we will not miss the bus. That's the first answer to your question.

Second far most important thing is that we have invested in technology and getting technology on board in an NBFC is far itself a very success story. Whether you talk about L&T Finance, you talk about today any of these lenders, right? You see their AI technology whether it is Bajaj, how their approach is and how you're able to make sure that your AUM is growing keeping quality and risk in parameters in line, right?

So while we should be in the coming financial year itself or in the coming quarter we should get the approval for our PPI license, right? This will give edge over all the NBFCs who are doing traditional lending. Why it'll give an edge for us? Because this will give an access for us to reach out a customer from looking at his bank behavior statement or borrowing statement, right? So

that gives me early sign of risk to be mitigated if we found to be having some kind of a risk parameters available over there.

Second important thing is that AI will help me to engage further more customer with what banks have been doing using. Today, we are sourcing 100% leads from our in-house. We don't have a DSA model. We have not empanelled a single DSA till date today. Rather we don't have opportunity available for any DSA to work around on this.

It is the sales guy in-house team who has to go, get out and go out in the market and acquire a customer, right? Once AI is we are enabled to get the PPI license, my AI will give access to all his suppliers, all his customer base, so the database itself will generate lot of leads in-house. Right? So that will help why we can grow on the faster mode as compared to a traditional NBFC.

Further to it is that we are investing our money in technology to make sure my MSME lending also reach to a digital lending platform sooner or later. So yes, that is where we are approaching out to it. So this gives an edge over against all other NBFCs or the competitive comparatives in the NBFC side.

And secondly is that slowly gradually once we are in the low cost of funds, that we will reflect in our customer base as well. So we're not adamant that we'll be running at a 20% or 22% of an ROI. Once we have cheaper funds available, which we expect by the end of this financial year our cost of funds to go drastically down, we will have a customer base which will be a sticky customer base.

Tejpal Singh: Okay, okay, sir. Great to hear. And sir, you have mentioned that your cost of borrowing is going to reduce significantly in the next financial years. So can you define -- can you quantify that how much is going to reduce and what is the next 2-3 year trajectory?

Sarfraz Malik: So Tejpal ji, we see that we should be able to borrow our net cost of funds anything between 10.5 to 10.25, right? As we mentioned that going forward our opex will be between 2 to 2.5. So we have a net spread to be maintained and we can lend at 15%-16% to our customer base and which is a very good credit quality customer base.

Tejpal Singh: Okay, okay, sir. Great to hear. And how do you see that...

Sarfraz Malik: And we don't want to do a transaction more than 5 years. We don't want any ALM mismatch in our balance sheet. So comparatively other NBFCs which are acquiring customer for 15 years, have money for 4 years and 5 years.

And eventually you land up further more to raise money because your ALM mismatch is a bigger mismatch because the tenure of the loan for the existing customer base is 10 years, 12 years, 14 years versus what you have borrowed at 4 or 5 years. So we are strictly going to follow this rule of not going beyond 60 months. This not only help us to reduce the ALM mismatch, but also help us to reduce the risk on the longer tenure side.

Tejpal Singh: Okay, okay, sir. Great to hear. And one more question, sir. How do you see the cost of borrowing in the next 2-3 years? Can we see more significant reduction in the cost of borrowing like 8%?

- Sarfraz Malik:** So, 8% while I may not want to comment right now, but Yes, we will have significant reduce on the cost of funds.
- Tejpal Singh:** Okay, okay, sir. Great to hear and best of luck for the next financial year. Thank you.
- Sarfraz Malik:** Thank you. Thank you, Tejpal ji.
- Moderator:** Thank you. We will take the next question from the line of Disha from Sapphire Capital. Please go ahead.
- Disha:** Hello?
- Sarfraz Malik:** Hi Disha, very good afternoon to you.
- Disha:** Thank you so much for this opportunity, sir. Sir, I just wanted to understand a bit on your NIMs. So I understand they have significantly to 10.3% this year, but because you're shifting to around I think 75% plus to the MSME secured portfolio, how do we manage to protect our NIMs and what's your guidance for NIMs for this year?
- Sarfraz Malik:** So there are two ways to look into this number, right? We have given the mix of basket of product will be one is our my digital lending platform which generates about close to 24% of an ROI over there, and I have a reducing ROI in my MSME segment, right? So our NIM today stands at 10.75% around close to 11% right now, net interest margin.
- If we maintain our 75% to 80% book in my secured lending and my average cost keep borrowing goes down, I keep maintaining my NIM at the level that we are today. I would not say that we'll enhance this to further limit but we'll be able to maintain. My digital lending platform is today at about close to 24% flat interest borrowing, okay, and that's a shorter tenure of six months, right? So I have further a head on my NIM to make sure that both combined average will give me a good NIM value that I'll be able to create.
- So this year if we are project projecting to projections about let's to reach about INR500 crores of an AUM or INR550 crores when we double the numbers from here, and if I say that 80% is my secured lending, I'm talking about INR400 crores of lending in my MSME secured book, about close to INR75 to INR80 crores or INR100 crores lending in my unsecured book which is basically my digital lending platform. So if we maintain this numbers, I think so we should be able to average out our NIM to the numbers that we have today and maybe we could further enhance depending upon our cost of fund going further down.
- Disha:** Okay, and so what sort of cost of funds are you targeting for this year?
- Sarfraz Malik:** So our current cost of fund is right now about close to 13% to 14%, right? We want to take down so between 11% to 12%.
- Disha:** To 11% to 12%?
- Sarfraz Malik:** Yes, that's what we want to take down. And once we have public sector banks also onboarded, we should get an access of a 10% kind of an ROI as well.

Disha: Okay, okay. That's good to hear, sir. And sir, this 75% of the secured loan book and 15% to 20% digital lending, this is like a sustainable mix going ahead?

Sarfraz Malik: Absolutely sustainable. We find the credit quality and the credit requirement in our country is growing. Our country's absolutely focusing on MSME as a segment. This year also our finance minister has budgeted about INR5 lakh crores towards MSME lending, right? So that means there is immense value that a medium borrower still is alive and is wanting to do business in our country, right?

Further to it, there is also a change in the borrower happening in the digital lending platform. Today nobody wants to go back to a bank, go to a branch and apply for a loan of INR1 lakhs, INR2 lakhs, you might want to just go and take open up one of the apps that are available. And just go for a digital borrowing without any hassle. In 10-15 minutes, he receives an approval, the entire signing happens digitally, everything is happening digitally.

So as an India, we are moving to a digital India. So today if you go to a vendor you see there is a QR code available, if you go to a coconut vendor today even he has a QR code, which we never thought in year 2020, right? So that means there is change which is happening robustly and we find this change is a very good change from our salaried customer base that we want to focus on the digital lending part.

And salaried customer majorly is a guy who would have a house, will have a car. And will definitely would not want to have any credit impact of towards any non-payment of his loan, right? So keeping that in mind, that's how we focused on moving on to that digital part also very strongly.

Disha: Yes, that's very clear, sir. And sir, on this geographical expansion, you mentioned we'll want to deepen our presence in existing market but we're also looking at some new markets. So could you elaborate a bit more on what markets are you targeting and will we get the similar competitive edge that we have in these markets vis-à-vis the new markets that we'll enter?

Sarfraz Malik: So if I have to give you a number, a tier-two city today contributes to the very larger growth of the retail growth story of our India, if I have to give you, okay. Tier-two cities still contributes about 60% to 64% of my retail growth in our country, right? Now tier-two city comprises of what? A manufacturer, a trader, a agriculturalist, a farmer, or a small MSME segment borrower or SME segment borrower, right?

So if we keep focusing on these parameters, we are very, very sure that market is immense available. Everybody's expanding, but it is the way that we want to expand. In region of Punjab, Haryana, and Uttarakhand, this is our hometown. We are just let's say 400 kilometer within our radius to reach anywhere, right? So our approach is that if we are able to penetrate further and have better branch locations as compared to our competitive NBFCs or banks.

We should have an edge over them over there. Now second far most important to answer is that which other regions do we see? We see there is a good belt of UP and MP towards eastern part of it, where there are small-small manufacturers. And we have visited those places personally

and did a due diligence and we find that going forward this should be our region of penetration when it comes to a customer base acquisition.

And the quality of employment that we can create. It's always wind-win situation to create a qualitative and quantitative number, right? If we are able to create a qualitative number, we will have quantitative number following it to it as well.

Moderator: We will take the next question from the line of Urmish Shah from MoneyWisers.

Urmish Shah: Yes, so I just had one question on the asset quality if we compare FY25 and FY26, we can see a NPA swelling a bit. So if you could throw some color on that, and also on the capital adequacy on similar lines we have had a decrease. So if you could just throw some color on that, sir?

Sarfraz Malik: So I'll give you the perspective. So if you see the standard gross NPA, net NPA in the parameters that we were working earlier versus now, okay. When we were working last year, these were all majorly loans between 12 to 18 months, the maturity was shorter durations. And there was an impact of having certain portion of microfinance lending as well which is our JLG book, right?

Going forward, since now we are moving to a secured kind of a lending, right? My 90 days PAR is about close to INR40-INR50 lakhs, INR60 lakhs I think so probably. And my zero to 30 day PAR is about close to INR2 to INR2.2 crores, okay. Which is just a just less than a 1% of my total AUM today. So there are two things to it, right? Since there was a -- there was a microfinance, there was a Karja Mukti Abhiyan which happened in Punjab then Haryana.

There were other issues which happened in Haryana, so there was a bit NPA that rose in our book as well, which is witnessed in our balance sheet as well. Right? Keeping that context in mind is then when this second financial year onwards, so the half year onwards after the September meet, we decided that we are not going further of disbursing anything into JLG department. Rather we run down this book and move into a credit rated better borrower as salaried borrower, right?

Urmish Shah: Okay, so we are discontinuing JLG, is it?

Sarfraz Malik: No, we are we're discontinuing completely JLG. Absolutely. We have not done a single penny disbursement from the month of November onwards and we don't do we don't intend to do a single penny disbursement over there. There is only collection happening right now, okay. Second far more important thing is that if you look at the average industry data, right? With the segment and an AUM we will see is around, you know, 1.5, 1.6 kind of a number.

We are far better at 0.76. So we have an edge over into it, right? Plus major portfolio now is MSME secured, right? So there is further more comfort that the recovery of that any particular loan is easily available since our LTV value is 50%. So if we have given you a loan of INR40 lakh rupees and taken a INR1 crores property of yours, right? You will make sure any dead end to, you know, drills all the unstone term well.

Making sure that you can repay us back, whether through a sale of property or sale of any other asset, right? So this will improvise or maybe within this range. Which is very, very healthy at

0.75, 0.8 at our kind of an opex and everything, it is a very healthy number. Maybe compared to last year it might be increased, but if you look at today the volume of the books as well.

Urmish Shah: Because why I ask this, sir, because it was 0.3 and from 0.3 it has jumped to 0.7, more than a 50% jump.

Sarfaraz Mallick: Absolutely. I understand. Yes, it is only because when we realize and we demonstrated that this is the segment that we want to move away and let's just focus on a secured segment and as well as just secured on a digital lending. See the borrower over there is a salaried borrower, as I already explained earlier, right? This guy will have a housing loan, will have a car loan. He will never want to default your INR10,000, INR8,000, INR5,000 of EMI to screw up his any creditability so that he cannot borrow in further or he has in impact on his credit score for his existing loans.

Plus a salaried guy always has a salary to pay your dues, right? It is not uncertain then just like a JLG book or a or a self-employed book, right? A self-employed borrower has no may have a deeper pockets at point in time, but at point in time may not even have a money to pay your EMI. Right? That's the risk that you run over there. Right? Keeping that in mind, we are only working with salaried customers.

And our pilot has been very good, we are doing digitally very well and we find that the kind of an borrower getting onboarded is very, very good. We have somebody who's working with MNCs, somebody working with pharmacy pharma companies. How do we do is that a borrower has to put his official email ID, okay. OTP will go to his official email ID which will verify which will do a verification, right? Quality of borrower is improvising, so it's far better than it was.

Urmish Shah: Okay, okay, sir. So if you could just, help me with the collection efficiencies and if you could also just help me whether there has been any scenario wherein someone has defaulted and how are we mitigating ourselves from that?

Sarfaraz Mallick: So from a collection efficiency point of view, we are around today 95% to 96% of collection efficiency if a zero month is considered. If a zero plus month is considered, I am at 97%, 98%. That is my collection efficiency from a collection efficiency point of view.

Urmish Shah: Across segments.

Sarfaraz Mallick: Across segments, right. Okay. Now if I have to give you that how do -- what has impacts if somebody has not paid, right? Obviously, there are only two ways that you can recover. One is obviously through a legal mode or through a recovery mode, right?

So legal in-house we have, as I already explained, we have in-house lawyers, so we are not outsourced any lawyers, we've rather kept in-house so that things are in our control from that point of view. And when it comes to when it comes to collections, collection will happen at the branch level, the sales guy himself is responsible for the collection. Okay.

- Urmish Shah:** Have you faced such situation? Are we, pursuing any legal action against a defaulter? Are we, you know?
- Sarfraz Mallick:** There are two cases that we are following, so there is a liquidation of assets happening on them in next maybe 50 to 60 days in this quarter itself. There is. But the liquidation is happening, the client is trying to make sure that he's able to sell the property or else comes under we can go ahead and liquidate that. So what happens even in a tier-two borrower till today there is a social impact pressure on a borrower because you are staying in the belt.
- Urmish Shah:** Right? Yes, that is that is, yes.
- Sarfraz Mallick:** I'll give an example today, we are working around let's say Varanasi in UP, right? Now that city has how many, it has about what 800, 900 people, let's say, right? And among that 800, 900 people, if you have a liquidation, right? So then there is a social impact as well, that you have not paid your EMI, there's somebody coming to collect your EMI. So that social impact is still available in a tier-two city versus a tier-one city.
- A tier-one guy's least bothered. He said, okay, I have defaulted INR5 crores doesn't matter, I'll default further more 3 crores, it's okay to me, I'll anyway have to go to NCLT, I'll see what I can do. Right? Versus a tier-two borrower, he thinks that okay, if I lose my assets, if the bank comes today HDFC comes in and liquidate my assets, so one is that obviously I lose my asset, second is that I lose my social impact within the vicinity.
- So as I earlier mentioned, we are always focusing to have residential as the primary collateral unless and until it is a commercial. So we give benefit to the customer of having 50% reduced on PF charges, reducing ROI for that guy, so because that is more comforting from a lender's point of view.
- Urmish Shah:** Right. Okay, sir. Yes, I just missed your answer on cost of funds if you could just?
- Sarfraz Mallick:** So currently it is between 13% to 14% is our cost of funds.
- Urmish Shah:** Okay, okay. And it can be -- it can have a impact of coming down also, or are we comfortable?
- Sarfraz Mallick:** Obviously we are we're wanting to see our idea is that if today my borrower is giving me 20% ROI, I am borrowing at 12 or 13, and I having a 2% or 2.5% of opex, I am still making my spread of 3, 3 and a quarter, right? What we want to do is that we want to reach to a stage where my borrowing goes to 10, 10.5 or 11%. The 2% arbitrage that I have, I want to pass on to the customer. Okay, so your quality customer can get onboarded rather than you having in risk on that adequacy, right? So that is our management level decision on that.
- Urmish Shah:** So in I mean obviously as a ballpark, in how many years do you plan to achieve that since because you are moving completely to a secured this thing, so.
- Sarfraz Mallick:** Not more than 12 months. Not more than 12 months, Yes absolutely.
- Urmish Shah:** Okay, sir. Thank you, I'll join back. Thank you.

Sarfaraz Mallick: Yes, thank you very much, pleasure.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today, and with that concludes the question and answer session. I now hand the conference over to Mr. Gaurav Kumar Abrol for the closing comments. Thank you and over to you, sir.

Gaurav Kumar: Yes, thank you very much for such a nice interactive question and answer session. For the closing, I would like to emphasize that the market opportunity is immense and we are well positioned to leverage our strength to capitalize on those opportunity. Our key focus area will be expanding the digital lending and secured MSME portfolio while using AI and technology to make process more efficient.

We remain focused on generating sustainable value for all the stakeholders who are already existing stakeholders and who are our projected stakeholders. And once again, thank you for taking the time to join us in the call today and look forward to interacting with you all in the future again. Thanks a lot, thank you very much.

Moderator: Thank you, members of the management. On behalf of Regency Fincorp Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines. Thank you.