Ref: SSFL/Stock Exchange/2026-27/083

November 05, 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,

Sub: Transcript of conference call held on Friday, October 30, 2026.

Ref: Company letter ref no. Ref: SSFL/Stock Exchange/2026-27/072 dated October 24, 2026
Ref: Company letter ref no. Ref: SSFL/Stock Exchange/2026-27/080 dated October 30, 2026

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Friday, October 30, 2026, to discuss the financial and operational performance of the Company for the quarter and half year ended September 30, 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: 2026.11.05 17:28:32 +05'30'

Vinay Prakash Tripathi
Company Secretary

Encl: as above

“Spandana Sphoorty Financial Limited

Q2 and H1 FY27 Earnings Conference Call”

October 30, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 30th October 2026 will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to Spandana Sphoorty Financial Limited Q2 and H1 FY27 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and the expectations of the company as on the date of this call. These statements are not a guarantee 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, 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. Thank you all for joining the Q2 FY27 performance update. A good quarter for the third time in a row after a series of turbulent periods. The AUM managed to cross the INR5,000 crores for the first time in recent quarters, showing a 10% growth over the previous quarter. We managed to add about 1.5 lakh new subscribers or consumers, which again showed a 10% increase over the previous quarter.

The share of new to Spandana or new to credit customers was roughly 65% during the last quarter, showing a 4% growth over the previous quarter. Monthly opex was around the similar lines of INR50-odd crores. The yield improved to 24.9%. Marginal cost of borrowing was 10.6%. Borrowing mix had about 57% share from banks. We managed to raise INR1,427 crores of debt.

Overall GNPA was 2.54%, net was 1.5% (Errata: to be read as 0.5%) with a PAT of INR18 crores. We managed to garner INR995 crores of funds under the CGS scheme, all of which has been utilized as I talked to you. The non-CGS borrowing was at 10.8%. I said 10.6% that included the CGS.

A couple of new initiatives. The new LOS that I spoke of in the last quarter has got piloted, and we hope to complete the entire migration of our branches over the next couple of months. CFL merger, which has been initiated, is progressing. We are awaiting the regulator nod, should happen over the next 3, 4 months.

We are strengthening our leadership team with a leaner structure in certain geographies to begin with. This is going to be a, sort of, a new structure, which is generally not prevalent in the industry, wherein we are trying to remove too many layers, but at the same time, have some senior people at the top so that the supervision and manageability is much better than what it is generally on the ground.

We have managed to raise INR194 crores of second tranche of partly paid shares, thereby 97% of the subscribers participated in the first tranche, participated in the second tranche as well. So all in all, as I said, we are moving in the right direction. And hopefully, we should continue to remain steady.

I'm sure there will be a lot of doubts in the minds of people or articles that are floating around about El Nino. Yes, we have identified, as reported in the press, Karnataka and Maharashtra as the 2 states wherein one could experience some stress. Fortunately, our book is about INR600 crores in these 2 states put together, of which about 96% of the portfolio is in current status, 3% is in the GNPA.

What we have done is in the state of Maharashtra, we have bifurcated the branches into various risk categories. And we realized that out of the 127-odd branches that we have in Maharashtra, 18 branches are so-called critical branches that is having special focus. So we have worked out certain strategies between policy and risk.

What we are looking at is in some of these stressed out branches or top branches, we are, at this point in time, staying away from onboarding new to credit customers and making the norms for new to Spandana customers a little more stringent and ensuring that the existing customers have repaid in time for a repeat loan.

With that, let me hand it over to Ashish Damani, our CFO, for further financial details. Thank you.

Ashish Damani: Spandana Namaskar. Good evening to everyone, and thanks for joining the call. I'm sure you had some chance to go through the presentation, which we have put up on the exchanges. I would like to just highlight the first page of the presentation. We have made a lot of efforts over the last 2 years focused on the 4 pillars, so to say, to see improvement in the financial performance. I will cover one by one.

Portfolio quality. We have strengthened our underwriting principles. We have strengthened our onboarding process of the customer. And resultantly, today, if we see the X-bucket collection efficiency, which at a point in time was as low as 96.2% over last 2 years at a particular point in time, today is at 99.6%. The delinquent bucket between 31 to 90 has also seen a huge improvement. It is at 0.4% compared to 9.8% at a point in time.

Accordingly, GNPA has also seen a reduction to 2.6% from the peak of 5%. The other aspect, which we have focused on was on improving the productivity. We have been increasing our customer acquisition quarter after quarter. We were at 1.13, 2 quarters back. Last quarter, we did about 1.35 -- and this quarter, second quarter of this financial year, we have done 1.5 lakh borrowers acquisition. So we have been strengthening this.

And resultantly, what we see is borrowers per branch has improved by 8%. Borrowers per loan officer has seen a 15% increase. Now we are at 211 borrowers per loan officer and average MFI

outstanding since we have started giving loans in line with the market in terms of ticket sizes. Today, we are at INR45,000 compared to INR22,000 in the past.

One other area of focus was to reinforce the confidence with the supply side. What we have done is we have completed, like Venky just mentioned, we have completed our partly paid rights issue, INR400 crores was infused into the company. And resultantly, the debt raised over a period was INR7,485 crores. And the important aspect, which is the cost of borrowings now is at 10.6%, which at a particular point I mean, Q3 of last financial year, it was at 13.2%.

So a good amount of improvement is what we have seen. All this could not have been done without focusing on people. We have strengthened our leadership team. We have restructured the team on the ground in the field to improve both accountability and the execution. Net-net, these actions are now reflected in the company's financial performance. Yield has improved, sequential expansion in the NIM is seen and reduction in opex to AUM ratio is also visible.

Let me cover some of the highlights. During the quarter, the company has disbursed INR1,481 crores, of which 54% was to the new customers. We have been focusing on reactivating the dropout borrowers. About 11% of disbursement has gone to such borrowers where we have reactivated them, brought it back into our fold and the balance 35% has gone to the existing customers who have met all the guardrail principles.

Our AUM stood at INR5,364 crores, which was a healthy 10% growth quarter-on-quarter. Portfolio that we have originated under the new guardrails or the strengthened underwriting framework is now 96% on the microfinance book. In terms of our X-bucket collection efficiency, we continue to hold it steady over 99.6%. Our AUM, like I've earlier explained, between 31 and 90 if we have to look at it on a consolidated basis, is at 0.55% compared to 0.73% end of June.

GNPA has come down to 2.5% against 3.6%. NNPA has reduced to 0.5% against 0.68%. We have maintained very healthy liquidity on the balance sheet. During the quarter, we have raised INR1,622 crores and this included the CGS, like Venky explained, INR995 crores. We are maintaining a very strong liquidity position with a closing liquidity of INR1,379 crores as of September 30.

Financial performance highlights. Portfolio originated in FY26 now contributes 96%. Sustained portfolio quality with the AUM mix has driven the improvement in the yield. We are at 24.9%, up from 24.6% compared to Q1. Our marginal cost, like I've explained, is now at 10.6%, which is a decline of 260 basis points since Q3 FY26. NIM has improved to 13.6% compared to 12.5%, which is output of both improvement in the yield as well as reduction in the financial cost.

PPOP grew quarter-on-quarter to INR52 crores compared to INR16 crores in Q1. Including some write-backs, PPOP almost doubled to INR79 crores in Q2 FY27, if we have to look at it with write-backs against the INR40 crores, which was the number in quarter 1. PAT resultantly was at INR18 crores compared to INR12 crores reported in quarter 1.

This has an impact of INR7.9 crores pertaining to the DTA reversal. As you are all aware, we are going in for merger with the subsidiary, Criss Finance Limited. And before the appointed date, if there was any DTA will not be available to the merged entity. And accordingly, this INR7.9 crores was reversed as a onetime impact. So stand-alone PAT increased to INR35 crores if we have to look at it on a stand-alone basis compared to the INR16 crores in the Q1. With this, I have completed all the highlights.

We may open the floor for any question and answers that are required.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Meet Sangoi with PL Capital.

Meet Sangoi: So just wanted to understand our trends in the month of October, specifically collection efficiencies in the overall book and also the drought and flood affected areas. That's my first question.

Venkatesh Krishnan: So Meet, as on date, since we are towards the month end, the month has looked steady, both in terms of business as also in terms of recovery. Yes, there has been efforts which have gone into recoveries in certain pockets of Maharashtra, which I said. But otherwise, it still holds good for the month.

Meet Sangoi: Got it. And how is growth looking like given that in certain regions, as you mentioned, we have curtailed new customers. How is the disbursement trend like? Are we hitting the INR500 crores mark? Or have we –have put the growth pedal, sort of, on hold for now?

Venkatesh Krishnan: See, growth, we are not putting it in any, sort of, a slow mode or a stop mode. It is just that we are a little more careful and ensuring that the checks and balance are a little more stringent. But yes, this month, as I said, even in terms of disbursement and business looks good.

Meet Sangoi: Got it. And just one last thing. Karnataka, AP, Telangana, again, what's the month looking like in these 3 states?

Venkatesh Krishnan: So as of now, Andhra, Telangana and Karnataka, not much of an issue. Maharashtra, some issues are there. But again, not too much of a worry at this point in time, but we need to keep a watch. As I said, we've got some strategy working out for Maharashtra in terms of how do we source going forward, categorizing the customers as existing, new to Spandana and new to credit. So we got to be watchful. We got to be a little more stringent in terms of how we onboard customers. But otherwise, they are looking okay.

Moderator: Our next question comes from the line of Rudraksh Raheja with iThought Financial Consulting.

Rudraksh Raheja: Sir, you mentioned Maharashtra with regards to the drought situation. Can you help us understand if there is any other situation weather related in other states also, maybe drought or excess rains? And if that is, how is it impacting our business as of now?

Venkatesh Krishnan: See, it's too early days. We keep having rains in Odisha and Andhra, Telangana, but these are all too-too early. It just happened over the weekend. As I said, Maharashtra has been in the news that also accentuates the issue at hand. But as of now, this month, since we are on the 30th of the month, I'm not seeing too much of a stress on any of the fronts. As I said, a little more effort is required in Maharashtra towards collections, but it's still holding good.

Rudraksh Raheja: Understood, sir. And sir, historically, whenever we have faced these issues, droughts and excess rains, generally, what is the time line when we get more clarity on how the collections and how the sourcing is panning out for the market? Like typically, how long does it take for us to manage this?

Venkatesh Krishnan: So if you look at the industry over the last 10, 15 years, natural calamities has never been a major issue, okay? For instance, in 2018, when Kerala had its one of the worst floods in 100 years, it took about 3, 4 months for people to get back on their feet because these are the people who have to dig the well and drink the water. So people are still very resilient in that part of the country, and they know that these things will keep happening.

So if the industry has, at any point in time, gone through really tough times like it went through in recent times, it's because of other reasons and not because of natural calamities. But I would still believe that in about 3 months' time, if things go well, especially with most of the local governments trying to support in one form or the other, people should be back on their feet.

Rudraksh Raheja: Understood, sir. Understood. And sir, if we were to just draw a comparison of this year's droughts with any other year in the past that we may have faced, what would be the most appropriate comparison for that? Which year we may have faced a very similar situation, just for us outsiders to understand the situation?

Venkatesh Krishnan: Very difficult to predict all these. We've got to still wait and watch. It's more in the press that one gets to read and it's like sometimes you look at the TV and it says that it is 6 degree outside and you start shivering, though it may not be all that cold.

So I would say that you've got to wait for 1 or 2 more months to understand the real impact. If at all, it's impacting in a big way or it is something which, yes, there is some impact, but not something to lose your sleep.

Moderator: Our next question comes from the line of Shreepal Doshi with Equirus.

Shreepal Doshi: Congrats on a good recovery that we are seeing. Just one question as yousaid, that we've seen such a drought-like situation or flood-like situation even in the past. But this time around, is it fair to assume that we might get clarity as to the depth of the impact by maybe December or January or Feb?

Because so far, I think overall collections are holding up well and maybe the impacted customer segment might actually slip to NPA or higher buckets only by December or Jan. And just a

follow-up there would also be to understand like today, what percent of our customers are pure-play agri-income oriented? So I just want to understand these 2 aspects.

Venkatesh Krishnan: So coming to the agri-based customers, by and large, people tend to again confuse with rural lending versus MFI. Now MFI customers are not straight into agri. They may be in allied activities or they may be having multiple income, one of which is some activities relating to agri or agri allied. So otherwise, we don't lend to do any form of farming. None of the players actually do it.

And to answer your first part of the question, yes, December, January is the right period by when we will have more clarity in how things are playing out. And again, it's too early days because with the spread of these days, with the way social media plays out, you never get to really know the intensity of either the good thing or the bad thing because you got to take everything with a pinch of salt.

So hopefully, by December, November should indicate the first signs of signals should come through in November. By December, January, you should have more clarity in how things are playing out.

Shreepal Doshi: Right. Sir, just a follow-up there. So while I understand like agri is not for farming, but let's say, what percentage of our customers would be dependent on agri-related income, meaning going to the farm and working for the daily wages. So that's, sort of, an activity. So with your experience, do you see that as a proportion has come down in the last 7, 8 years? And today, a customer even in the Tier 4, 5, 6 geography has multiple incomes pertaining to maybe milk income or somebody in the family having a job income.

So I just want to understand it from that angle that how much is the dependency on just this daily wage-related income for our customer segment in maybe geographies where the drought has been highly hit or is seeing higher hit being talked about?

Venkatesh Krishnan: So leave aside the drought, the microfinance customers or people in rural India, if you look at, they are really multi-talented. You will never come across a person who does the same thing throughout the year. If they are doing any form of business or doing something like sericulture, they may be doing multiple activities during the course of the year. They're actually multi-skilled because they know that you can't rely on one source of income for the entire year because it has its own cycles.

So to that extent, you would find a lady who can do tailoring plus, she can do into some, sort of, a beauty parlor, she can do something else. So reliance on one line of business is gone, it's passed. It's multiple income, and that's why if you see the microfinance business, we don't cater to people below the poverty line. We're all talking about people above the poverty line. Now whether it is INR3 lakh annual income or INR4 lakh is always debatable because it's not recorded anywhere.

But these are all families who have their own ambitions of sending their kids to school. Many of them send their kids to English medium schools, so on and so forth. So they are multi-talented.

So even if situations like these arise, I'm sure they will find out a way. They are not going to sit and twiddle their thumbs to say that what do I do next? They have their backup plan well in place.

Shreepal Doshi: Right. Just another question was on the LAP front that we had under the CFL. So what is the aspiration there in terms of growing that segment? Because I understand that, that segment particularly was limited to just Andhra Pradesh or that region. But incrementally, how do we plan to roll that product out to other states and districts?

Venkatesh Krishnan: So we are present in 6 states, Rajasthan and Madhya Pradesh in the North or West, whatever you call it, and in South, Andhra, Telangana, Karnataka, Tamil Nadu. Book is currently about INR305-odd crores. Ambition is to take it to INR1,000 crores over the next 2- 3 years. What has happened is we used to focus on INR1 lakh to INR5 lakh segment thus far, which we have now changed it to 5 lakh to INR15 lakh or 5 lakh to INR20 lakhs because that is a different profile. INR 1 to 5 lakh mirrors the microfinance profile.

So we wanted to have 3 lines of business even post merger. One, of course, is the JLG, which is the bread and butter business, followed by individual loan, which is better underwritten, but it will be a small book and followed by micro-LAP, which is a secured book.

So these are the 6 states, and we plan to continue in these 6 states, no new states at least in the next year or so, but grow in all these 6 states. So we are trying to revamp the people, bring in more experienced people, bring in people who are looking at affordable housing rather than micro housing or micro-LAP.

Shreepal Doshi: Got it. Got it. Sir, can I just squeeze in one more question, if you allow, like?

Venkatesh Krishnan: Sure, sure. Carry on.

Shreepal Doshi: Yes. So sir, last question was just wanting to understand since you're changing the ticket size focus from INR 5 to 15 lakh incrementally on the LAP side. So what is the pricing LTV and tenure that we have in mind for this particular product that we want to focus on?

Venkatesh Krishnan: Tenure will be 7 to 10 years, ideally 7 to 8 years with some exceptions around 8 to 10 years. The LTV is going to be about 60%. In some cases, may go up to 65%. And pricing, again, we are looking between 19% and 22%.

Shreepal Doshi: Got it. And this will be rolled out from the same MFI branches or will we have a separate network?

Venkatesh Krishnan: So we have a completely separate set of branches for LAP. 86, which we are trying to bring it down to about 75 to about 70 over the next couple of months, but all these 70 are exclusive LAP branches. What might happen is going forward, once the merger is effected, some of the SSFL branches can also refer leads.

Moderator: Our next question comes from the line of Divyansh Gupta with Latent PMS.

Divyansh Gupta: First question regarding the provision. So I think in the Q1 call, you had mentioned that on a annual basis, we expect 0 or almost nil credit cost. Just that this quarter, it has shown up. So is there a change in guidance? Or you expect this to revert back to a nil credit cost for the year?

Venkatesh Krishnan: The gross always, I said 2.5% to 3%, and we are holding good because even if you have a 99% - 99.5% collection efficiency, even if you flow 0.5%, you flow 6% during the course of the year, 50%, if you are able to collect, it's going to be around 2.5% to 3% gross.

Then of course, there is recoveries. So the recoveries, if they are better, it could lead to nil or marginal positive. So as of now, it is holding good, but gross could be hovering between 2.5% to 3%.

Divyansh Gupta: So my question was specific on a net basis, which is net of recoveries. So is there a guidance that is there in your mind on what we should expect for the second half of the year?

Venkatesh Krishnan: Looking at the times that we are in currently, guidance could be a little ahead of time because of all that is playing out to the marketplace in certain states, but we are trying to see how best we can keep it to the bare minimum.

Divyansh Gupta: Got it. Got it. And just the second question on the, let's say, the walk of the credit cost, right? The GNPA number is pointing to a minus 31%. So does it mean that customers who were DPD 90, let's say, S3 have moved to S1 or S2?

Ashish Damani: So this is Ashish this side. Divyansh, we did have an ARC transaction done in the subsidiary because of which the GNPA number has reduced. I think that's the impact which you are able to see in the numbers.

Divyansh Gupta: Sorry, this is because of -- sorry, can you repeat that?

Ashish Damani: We have done an ARC transaction. So we've sold a book, which was in GNPA outside, yes.

Divyansh Gupta: Got it. So if I remove it, then GNPA stress is much higher. Is that a correct understanding then?

Ashish Damani: No, it will still be a reduction, may not be as steep as what you see right now, but it will still be a reduction compared to the previous quarter.

Divyansh Gupta: Sorry, if 72 minus 31 is 41, which is a 42 in your P&L on gross provisions.

Ashish Damani: I was talking about GNPA as a percentage of the book. There will still be a reduction. In terms of absolutes, just give me a second.

Divyansh Gupta: It's 1.35.

Ashish Damani: Yes. So it was a INR15 crores increase on a gross basis.

Divyansh Gupta: 15 crores on gross basis.

Moderator: Our next question comes from the line of Rahul Kumar with Vaikarya Fund.

Rahul Kumar: Just one question. Do we insure our loans through the CGFMU scheme?

Venkatesh Krishnan: Thus far, no. We might look at in the coming year.

Moderator: The next question comes from the line of Shubhranshu Mishra with PhillipCapital.

Shubhranshu Mishra: So in the PPT, it's not clear what is the MFI proportion versus the non-MFI proportion. If we can speak on that and how we plan to scale up the non-MFI proportion. Sorry, I joined the call late if you've already spoken about it. I'm sorry, if you can spend 2, 3 minutes more.

The second order point is that there are still customers who are Spandana+3. How many of them account for delinquent customers? And how are we looking at FOIR? We don't speak about FOIR anywhere in the PPT. What is the FOIR distribution, say, between 40% to 50%, 50% to 70%, 70%-plus, if we can speak on that?

Venkatesh Krishnan: So let me start with your third observation first. FOIR is mandated by the SROs. So we don't exceed ideally, one should not exceed FOIR 50%. So I don't see any reason our rule engines run on 50% max. Now coming to qualifying assets. Spandana, the parent company does only qualifying assets, 100% is qualifying assets.

It is a subsidiary, which is Criss Financial, which does a combination of individual loans and micro-LAP. And even in a post-merger scenario, your JLG loans will continue to be 60%, 70%, another 20%-odd will be cash, 1% or 2% could be individual loans, 8%, 10% would be micro-LAP.

As we keep growing micro-LAP, of course, but bulk of the loans will still continue to remain JLG unless, of course, tomorrow, the regulator comes and says that the qualifying asset, which used to be 75% brought down to 68% is further brought down to 50%. And in between, there was one more question, if you could just repeat.

Ashish Damani: MFI non-MFI.

Venkatesh Krishnan: MFI non-MFI, clarified.

Shubhranshu Mishra: So essentially, just a clarification question on the FOIR. So even if we see the Spandana + 2 and Spandana more than 3, even here, the FOIR would be less than 50%.

Venkatesh Krishnan: Everywhere. Everywhere, Spandana today, 100% of my loans are at the most, I could be a third lender. So I don't breach unless, of course, there is a bug in the system and one-off case comes here and there. Otherwise, I don't breach at all. The delinquency has got nothing to do because since we are first lender, second lender or the most of the third lender.

Moderator: Our next question is a follow-up from Divyansh Gupta with Latent PMS.

Divyansh Gupta: That previous one was got solved. So the next 2 questions is what is our technical write-off policy for our loans?

Venkatesh Krishnan: 455 days.

Divyansh Gupta: 455 days. Got it. So which means that there is a big bulk of previous loans that will still be coming in write-off pool or that is more or less done and dusted with?

Ashish Damani: No, your GNPA stands at 2.6%. I mean any write-off can come from this only. 90 plus 365 is how 455 is arrived at. If for 1 year, I am not able to collect from the customer anything, then such loans will move into technical write-off.

Divyansh Gupta: Let me ask it differently. So if I split the AUM for the customers that we had started disbursal now versus...

Ashish Damani: I understand. Sorry. Sorry, I understand now, Divyansh, what you are asking. So if I have to split the GNPA or look at the new book and dissect and what percentage is in the GNPA, then that would be 0.5%.

Venkatesh Krishnan: And when I say a new book or when Ashish says a new book, it is disbursals effected from 1st of April 2025.

Divyansh Gupta: Got it. FY26 is disbursal versus pre and post.. So post is 0.5% and balance is in 3, right?

Venkatesh Krishnan: Yes, that's right.

Ashish Damani: That's correct.

Divyansh Gupta: Got it. And the other question was the incremental cost of debt of 10.6%. Does it include any of the government scheme related drawdown and what would have been the cost ex of it?

Venkatesh Krishnan: 10.6% was including the CGS scheme and 10.8% without the CGS scheme.

Moderator: Our next question comes from the line of Ashwini Agarwal with Demeter Advisors LLP.

Ashwini Agarwal: Congratulations on good progress that's been made both on growth, asset quality and return to profitability. The question that I had was that how do you see -- I mean, obviously, we are living in an uncertain time from a short-term perspective. But given all the levers that you have in place and the capital that you have in place, how do you see the next 2 to 3 years playing out?

If you were to hazard a guess for fiscal '29, what kind of an ROA, ROE do you think is possible with reasonable assumptions? And how would you, sort of, paraphrase the, kind of, big risks that you see to that guidance or not guidance aspiration, let me put it that way.

Venkatesh Krishnan: So I will allow Ashish to speak about the numbers on ROA, ROE. But the question was, how do I see this business moving over the next 3, 4 years? What we went through over the last 18 months was something which the industry never expected.

We all thought that it was a 1-quarter issue, which dragged on for about 5, 6 quarters and people really learned a hard lesson. Even during the CGS scheme, a lot of these midsized and small MFIs could not garner funds because the banks were very selective in who they lend to.

With the SROs now playing a very active role and duly supported by the regulator, I think there is semblance in the marketplace to say that let's ensure that we have a proper selection process in place. There was a time when people used to say that this customer is regular with me. I don't care whether she is regular with others or not. But it was a time before the lady exhibits similar behaviour with you as well.

So with controls being in place, yes, we are dealing with a segment which is like bottom of the pyramid, but definitely above the poverty line. So you're going to have some shocks, some hurdles, some hiccups. But hopefully, it should play out given the fact that we still have a sizable number of customers who continue to borrow from the unorganized sector at 60% to 100% per annum, and many of them are coming into the organized fold.

And people are also realizing that if I don't honor the repayments, it could be a onetime loan from one institution, which I can get away with, but further borrowing gets stopped. So I definitely see a growth in the sector. We are currently at about INR3.4 lakh crores, definitely a growth. Growth is going to be calibrated.

You can't talk about a 40%, 50% growth, but 10%, 15%, 20% or 25%. Now this could vary from company to company depending upon which end of the spectrum they are in. But definitely a growth from here on over the next at least 3, 4 years.

Ashish Damani: Yes. Let me take the ROA, ROE question. So for the current financial year, since you also spoke about short term, we should just maintain the trajectory for the coming quarters. However, in a BAU and that BAU is FY27 onwards is what we feel, we should get to the ROA of 3.5% to 4%, which is what we have stated.

And we're very confident that, that looks like will play out. ROE accordingly, with a 4x gearing should be closer to 14%, 15%, thereabouts. That's the number we are looking at.

Ashwini Agarwal: So in short, I mean, a few years ago, Spandana was at a INR500 crores profit handle. I mean, I know that number sounds insane today. But fiscal '29, you should be back at that handle if things play out this way. Would that be a fair assumption?

Venkatesh Krishnan: Thanks for your sweet remarks

Ashwini Agarwal: But I mean this is not unrealistic in terms of spreads because your cost to income should decline from where you are. I mean, your spreads seem to be improving. Your cost of funds seem to have gone down. So I mean, I think that should be possible. But I mean, do you have...

Venkatesh Krishnan: Mathematically, yes. See, it's like playing on a pitch. You say that you've got the best team, so why can't you bat on. But the first couple of overs that you play in Australia or in England, when the ball swings, you realize that it's a tough pitch. So on the face of it, what you're seeing definitely holds good. It's a simple business, but people make a mess out of it.

If you are chasing a 40% growth, you're going to run into troubles at some point in time and then 40% growth can lead you to about 60% downfall. So we are trying to keep it simple, keep improving on productivity, but without taking our eyes off on recoveries.

And cost, build the cost, but ensure that first, you start building the revenue before you build the cost so that you have a predictable revenue to which you have a variable cost rather than having a predicted cost and a variable revenue.

Ashwini Agarwal: So sir, let me ask you the question slightly differently. What kind of an aspiration would you have for sustainable growth rate in the AUM? I mean, would it be of the order of like 15%? Or would it be of the order of 25%?

Venkatesh Krishnan: So I would say that at this point in time, we are aiming for at least near-term aim is to reach a INR10,000 crores mark by March '28. In terms of percentage, that might sound high because of low base, but that's what our plans are.

Ashwini Agarwal: And when do you think you need the next leg of capital? I know you've called money from the rights partly paid up, and leverage is quite low. But let me put it differently, what leverage ratio is comfortable for you? 3x to 4x is what you mentioned in passing when we were doing the -- when Ashish spoke about the ROA, ROE handle. Is that 4x the limit where you would raise more capital?

Venkatesh Krishnan: Sure. We are looking at sometime middle of next year if the plan goes as what we are aiming for.

Moderator: Our next question comes from the line of Abhijit Tibrewal with Motilal Oswal.

Abhijit Tibrewal: Sir, just trying to understand one thing because we've not seen such things like deficient rainfall, monsoons playing out for many years in India now. How do things typically work? Because as I keep reading, I also read that there are state governments which are, kind of, trying to support farmers. I think earlier today, Maharashtra I was reading they're planning to give INR5,000 to every farmer in Maharashtra.

So all I'm trying to understand is why you said that MFI is not really equivalent to lending to farmers or to agri, but these customers could be there in agri and allied activities. So in times of drought, does it happen that their incomes get impacted and then they are not in a position to

repay? The only thing I'm trying to do here is trying to differentiate between what we saw in the last asset quality cycle, which I think all of us acknowledged was because of customer overleveraging.

This time, is it going to beif at all, there is some stress that we saw like you also acknowledged more clearer picture will emerge by maybe December, January. But if at all, if we see some defaults, that will be more because incomes of these customers have got impacted and they're not in a position to repay. So there might be delays. But do you think it eventually gets to a point where we see credit costs or eventual write-offs coming out of these delays?

Venkatesh Krishnan: So we are talking about drought at length, but do we realize that every year, there are floods, coastal parts of Odisha, Assam -- there are floods wherein people lose their cattle, they lose their lives, so on and so forth. But we have taken that for granted, that every year, it's going to happen. I'm not trying to play down the drought. Yes, it is something which all of us are trying to face. But as I said in the past, given the profile of our customers, they are multi-talented. They know how to handle a situation. They may still go through a period of stress. I don't deny.

So there could be a slip up in EMIs, but the tendency is to pay up. And that's why today, if we are able to recover anywhere between INR12 crores, INR13 crores, INR14 crores from customers who are 90-plus. Now why would a customer pay when she's 90-plus? She still pays because the intent is there to repay. So there could be stress, no deny. By December, Jan, as I said, it will play out more openly, more clearly to say which way the wind is blowing. But the intent of the customers, as I said, they is to pay as long as they are able to identify an alternate way of earning.

So all the state government help is really appreciable. Apart from this help, they're also getting a lot of this -- if you look at the schemes in the form of DBT, today, a family gets multiple DBTs. So basics are all taken care of. It's not that basics are not taken care of. So as I said, very difficult to predict how things will pan out 2 months down the line.

But somewhere, I'm gaining the confidence that with the profile of customers that we have seen for so many decades now, never in the history of microfinance has a natural calamity, whether it's earthquake, drought or flood has really distorted the industry, gives me the confidence that this is one more event or a phase, which too shall pass. More numbers, as I said, in the next 2 months, it will play out.

Abhijit Tibrewal: Got it, sir. And just one more clarification, sir, if I may ask. Earlier in the call, you said that it is only the state of Maharashtra where you have identified a few branches where you need to very closely monitor things. So it is just state of Maharashtra as we speak at the end of October, where maybe some delays are happening.

But I think all other states where you are present, you're thinking that there are no delays from customers, collections are on course along expected lines?

Venkatesh Krishnan: See, there are 10 states which contribute about 85% of the microfinance industry business. And the same state can behave differently for different sets of institutions. It has got to do with your district presence. It has got to do with the selection of customers. It has got to do with your own caliber of reaching out to customers, so on and so forth. So at this point in time, our internal assessment, we have identified Maharashtra.

Again, as I said, we have divided the state of Maharashtra. We have 127 branches. We have tried to classify it into ABCD and try to figure out what are the steps we need to take across each of those category of branches. Tomorrow, if there is extending like Karnataka, people are talking of, but the industry as such has not felt any turbulence there as of now. But tomorrow, if there is, again, we get into the same action.

Moderator: The next question is from the line of Sanjana Sivaram with DAM Capital.

Sanjana Sivaram: I just wanted to check where we would be standing against the guidance we had given for this year earlier. I mean we had said we were expecting around INR6,000 crores to INR6,500 crores on disbursements and around INR6,000 plus on AUM and around INR675 crores on opex, if I'm not wrong.

So just based on tightening some guardrails in Maharashtra and also with the higher collection efforts that we're doing, where would we stand against those now?

Venkatesh Krishnan: See, as of now, end of October, we stand where we had said we will stand as of March '27. So no change in forecast. But as we go along, there is no point in giving a, sort of, a false commitment. If things change, it changes, but not as of now.

Sanjana Sivaram: Right, right. So even on the opex front, we think with the increased collection efforts, we think we would be able to meet that, sort of, target?

Venkatesh Krishnan: So see, opex, it depends on how you are -- there are areas wherein we are trying to save, and we are investing some of these savings are being plowed back into into business into areas wherein it is required. So for instance, we are trying to increase our count of people in the 90-plus bucket. We are building some leadership level in the collections. So those are all -- it's a left pocket, right pocket arrangement. But overall opex, I don't see it going up.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

Venkatesh Krishnan: Thanks again to all of you for those interesting questions, some of which, or many of which are really relevant, and we are just keeping our head low, trying to focus to ensure that whatever so-called mistakes we have made in the past, we are nowhere near that. Simple business, just stay focused on basics.

At the same time, we are working on a couple of projects to ensure that we find out green shoots of how to improve productivity, improve recovery and manage costs. And hopefully, with the blessings of the Almighty, things should sail through. Thank you.

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.