SPANDANA

Ref: SSFL/Stock Exchange/2025-26/130

January 31, 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, January 27, 2026.

Ref: Company letter ref no. Ref: SSFL/Stock Exchange/2025-26/128 dated January 27, 2026.

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Tuesday, January 27, 2026, to discuss the financial and operational performance of the Company for the quarter and nine months ended December 31, 2025.

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: 2026.01.31 18:11:19 +05'30'

Vinay Prakash Tripathi
Company Secretary

Encl: As Above

"Spandana Sphoorty Financial Limited Q3 FY'26 Earnings Conference Call"

January 27, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 27th January 2026 will prevail.

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

Moderator: Ladies and gentlemen, good day and welcome to Spandana Sphoorty Financial Limited Q3 FY'26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' 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: Good evening, all. Thank you for taking time out to attend this call. This is my first earnings call at Spandana.

So, we will take just a couple of minutes to introduce myself. My name is Venkatesh. People call me Venki, been working for about 35 years. 31 out of those 35 years have been in the financial services across banks, both foreign as well as Indian banks, NBFC, insurance, stockbroking, and now of course NBFC MFI. I joined the company exactly two months ago, 27th of November, from HDFC Bank where I spent about close to 7.5 years handling both microfinance at the retail as well as the wholesale piece.

So, back to the earnings call. The winds of change are quite visible both within the industry as well as at Spandana. We have been having a struggle for the last couple of quarters, which initially people thought it's for a quarter or two, but then got extended for a variety of reasons and now things are looking reasonably settled or at least improving. What we have realized at Spandana is the new book which is sourcing starting 1st of April 2025, after the introduction of the guardrails by the SRO, that book constitutes about 58% of the overall book, which we expect it to be about 90% by end of this financial year. This book has a collection efficiency of 99.8% as of December. We also have a separate team looking after the 90+ collections since that's a little larger pool. There the performance in the Q3 was much better than Q2. We did about Rs. 65 crores of collection in the 90+ bucket. That team comprises about 800 odd exclusive people, which we wish to take it up to about 1,500 and retain it at that level for the next couple of quarters, and then decide how are things moving before we maybe wind up that sort of segment.

The other good thing that happened during the quarter was lenders reposing faith in us, and we managed to raise close to about Rs. 1,700 crores in Q3. Bulk of the money came in actually December. We also have a new Chief Transformation Officer joining us with nearly 30 years of experience. He joins us from Chaitanya, where he spent close to 10 years, both in business as well as audit. We wish to take a relook at how we have been running business. There are some minor tweaks to be done, which is what he's going to do. We also expect the credit guarantee, the much spoken about credit guarantee scheme, to be rolled out in due course of time, whether it comes out in the budget or immediately after the budget. One is waiting and watching and, of course, also trying to understand the contours of this guarantee, which I am told through sources that it might benefit the small and mid-sized MFIs, or it's aimed for this segment of the microfinance companies. A couple of things that we are working at Spandana now that this quarter, I am sure my colleague will take you through the numbers. We have been PPOP positive first time in about 2-3 quarters that we got into the red. So, a couple of changes that we're looking at. One, of course, is we are trying to merge some of the non-productive branches. We have about 1,500 odd branches trying to bring it down to about 1,250. Not shutting down branches, but trying to merge some of the branches which have run into some sort of an issue or wherein the number of people are less. And this 1,250 branches is the number that we're looking at, which is safe enough to sail us through 12,500 crores over the next couple of years, looking at 10 crores as a sort of a benchmark per branch AUM.

We are also delayering, getting into sort of a delayering of the regions. We had a lot of layers keeping in mind that we wanted to grow to 15,000 crores and 20,000 crores. Now that is some distance away, we are trying to delayer and bring it to the current book size that we have, close to 4,000 crores.

The other thing that we are proposing to do is merge our subsidiary, which is the Criss Financial, with the parent. Criss, has been doing individual loans as also loans against property, which is about a Rs. 650 crore book. But considering the fact that now with the qualifying asset criteria having come down from 75% to 60%, and even if you take about 10%-15% of cash, we have certain room to do any sort of business other than the qualifying asset within Spandana itself. So, rather than having a separate management with separate legalities and challenges and costs, we are trying to merge it, which might take about 6 to 9 months, but hopefully that should get completed within the coming financial year, considering that it's a 100% subsidiary of the parent Spandana. The other important thing which I thought of sharing with all of you , we are also planning to move to a new LOS platform. We have the current Jayam Solutions and we're planning to move to a platform which is being developed by Perfios. It's a known name in the financial services industry. Their LOS is running in a couple of PSU banks across maybe hundreds of journeys. So, we are going to be the first MFI using the platform of Perfios. We are seeing a lot of technological advancements that we have been talking to Perfios. In this segment, when we are dealing with customers who are largely illiterate, bottom of the pyramid, they keep changing their mobile numbers at frequent intervals, they may be moving away from one place to the other, there are certain technological advancements we see in Perfios which will help us be in touch with those customers at regular intervals, speak to them, reach out to them as and when it is required.

We are also thinking of launching an individual loan product. We are not too sure whether this is the right time or not, but yes, we have drawn the contours of the individual loan offering. And once we have the Perfios platform in place, which, as I said, could be anywhere between 5 to 6 months, and if all goes well with the loan against property product, we may launch the individual loan as a pilot in maybe 1 or 2 clusters or branches to see how is it working. Because on any given day, that is also going to be unsecured. But there will be underwriting and there will be more checks and balances as compared to a JLG offering, which is a vanilla product, where you just need a handful of women in a group and you lend to them after doing the general check and there is no further credit appraisal as such being done.

So, on that note, I will hand over the mic to my colleague, Ashish Damani – the CFO, who has been in the Company for the last four years, and I am sure he will take you through the numbers, post which, of course, we will answer your queries.

Thanks once again for joining us on this call and wish all of you a very happy new year, though there are about 27 days have passed by, but it's still a new year.

So, wish all of you and your near and dear ones a wonderful year ahead. Thank you.

Ashish Damani: Thank you, Venki. Good evening, everyone. I will cover some of the numbers in detail, business drivers and financials before we open the floor for question and answers.

Let me start with giving you the important information that we have been observing on collection efficiencies.

All the new book that we have sourced during the financial year has been trending very strong at 99.8% collection efficiency. This has definitely given us confidence to ramp up the disbursements during the quarter. So, if you see the disbursements have jumped by 27% compared to the previous quarter at Rs. 1,188 crores. This also, on a gross basis has given us a 1.8% on a company level AUM increase before write-off and also 2.5% when we look at microfinance book. However, post write-off the AUM stood at Rs. 3,948 crores for 31st of December.

Our portfolio quality in the X bucket is something that we have been carefully monitoring. Across the states, we have seen improving trend. We have detailed it out in our deck for the key states or monitorable states as well. But when we look at the pan India, we have moved to 99.3% for the December quarter compared to 98.7% when we looked at September quarter. So, there has been a good improvement. We hope that as our new book which is originated in the current BRE or the new BRE continues to increase to 90%, like Venki explained, this number will be sustained over 99.5% across the set of loans. Flow forwards in the 1 to 90 book have seen some marginal improvements. About 2.5% of the AUM was between 1 to 90 DPD at the end of December compared to 5.5% which we have seen in September quarter. The standalone GNPA is now down to 2.6%. This was at 4.97% last quarter. Likewise, the consolidated NNPA is at 0.9% while the standalone NNPA is now down to 0.5%.

We continue to maintain our provisioning at 80%. On overall balance sheet basis, we have 5.4% that we carry as a provisioning across the buckets. Borrowing and liquidity, I'd like to cover a little bit more detail. We have been maintaining sufficient liquidity on the balance sheet just to ensure all the external headwinds are addressed. Rs. 1,684 crores is what we have raised during the quarter compared to Rs. 160 crores in the previous quarter. We are ensuring that the borrowings are in line with the business momentum and we continue to keep improving on the disbursement trend or maintain the disbursement trend. At the end of December, we had 1,626 crores of cash and bank balance which is very healthy.

On the financial performance, portfolio originated I have already explained that is at 58% of the AUM and is trending very strong at 99.8% collection efficiency. This is likely to go to 90% as Venki alluded to earlier, portfolio quality is primarily also driven by this mix and has helping the yield as well. The reported yield for the quarter is 22.4% up from 19.6% in the previous quarter. We believe that this will continue to help us in the coming quarters and the yield should improve a little more from here on. Despite having an increase in cost of borrowings by 40 basis points, the NIM has expanded to 11.1% in comparison to 8.4% in the previous quarter. We expect all these improvements in yield and NIM to continue like I said as the stronger or the newer book replaces the older book in the coming quarters.

I have to explain the PPOP of Rs. 8 crores during the quarter compared to the loss of Rs. 40 crores reported in the previous quarter. This includes the recoveries that we have done during the quarter and excludes the one-off impact of the new labor code cost that we have seen for the quarter which is roughly about Rs. 8.4 crores on a consolidated basis and Rs. 7.6 crores for standalone basis. Overall, we have reported about a Rs. 95 crore loss for the quarter, stemming from the write-offs or the flows that slippages that we have seen largely from the old book and that one-off impact of the new labor code that was implemented.

So, we will now like to open the floor for the questions. Just would like to highlight one aspect that we would continue with the pace of disbursement and continue to monitor the strong portfolio quality that is developing in the new book.

Thank you very much and operator, if you can open the floor for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta: Hi, good evening. Congrats on much improved performance and congratulations to you, sir, on becoming the MD & CEO of Spandana. So, I have got 2-3 questions. First, in January, how are you seeing the X bucket collection efficiency trending as well as how the disbursements are also playing out in January? And in December collection efficiency of Andhra Pradesh, we saw a little bit of dip. So, has that kind of normalized and come back in January?

Venkatesh Krishnan: So, as your first question, January thus far on disbursement and collection efficiency looks better than December. And as far as Andhra Pradesh is concerned, if you look at the numbers, October was something like a little over 97%, which went up to 99% in November, came down to about 98.9% in December. More or less, it is going to be a little around the 98.9% or 99% collection efficiency. So, things are improving and should improve in the months to come.

Rajiv Mehta: And sir, how do you look at your disbursements scaling up? Because there are two comments that you made. One is that the new book will become 90% of the AUM by March. And then there is a statement in the PPT saying that your loan officer productivity will improve to about 250 customers per loan officer by March. So, this implies a significant scale-up in disbursement in Q4. Maybe the number could be between Rs. 1,600 crores-Rs. 1,700 crore kind of a disbursement in Q4. Would that be correct?

Venkatesh Krishnan: So, we are looking at Rs. 1,500 crores to begin with. It is more important to do a sort of a sustainable business. And we want to stabilize at about Rs. 500 crores a month and then take it to about Rs. 550 crores-Rs. 600 crores as the months pass by.

Rajiv Mehta: And just one last thing on funding the growth. What has been the traction in mobilization of bank loans since you have come in December and January? And at what rates are the new bank loan coming? And whether the kind of growth that we are wanting to achieve, say Rs. 500 crores or Rs. 550 crores per month, would it get fully funded, largely funded by bank loans coming at a more reasonable rate?

Venkatesh Krishnan: The bank loans currently contribute about 42% of our overall borrowings and should go up as the quarters pass by and the results keep improving, especially considering that the PSU banks are still out of the fray currently. We have been funded by private banks and foreign banks, but should see again, especially after the credit guarantee scheme is out, we need to see what are those contours but hope that the PSU banks come into the fray. And once that happens, our share of bank funding, I think should go up from the current 42% to about 60%.

Rajiv Mehta: Got it. Thank you. I have more questions, but I will come back. Thanks.

Moderator: Thank you. Our next question comes from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir. Sir, two questions. So, first of all, you would not take CGFMU. So, what's the sort of plan there? Are you planning to take it or if you can throw some more light on that?

Venkatesh Krishnan: So, CGFMU, the way the scheme is that in a business as usual environment, if then your credit costs are going to be, say, sub 3%, it doesn't make sense because of where it is in this plan. And unfortunately, since we went through the rough, you know, there is no point in taking it now, but we are definitely trying to see if it could be studied well and try and take it in the new financial year. And especially we also want to see the credit guarantee scheme and then take a call vis-à-vis what are the kind of costs involved and what are the kind of benefits we anticipate.

Sarvesh Gupta: Okay. And secondly, if I look at your NPA numbers, in the subsidiary, it looks like you have hit 10% gross NPA. So, if you can throw some light on what is the kind of assets over there and what is the stress and how do you see it resolve in the coming quarters?

Venkatesh Krishnan: So, that book CFL, which is a Criss Financial, has two lines. One is the individual loans, which is about roughly Rs. 350 crores and about 300 crores is the loans against property. There are two things which is causing this so-called, the losses that you spoke of. In loans against property, we need to really bring down our cost and improve our productivity. To a great extent, the cost will be taken care of when we do the merger. And in the case of individual loans, the impairment has been relatively high, which again, we are trying to now put a special team and try and ensure that a couple of months, the focus intensifies so that we can improve the collection efficiency and then look at increasing the disbursal. But hopefully, in the coming months, we should address both these issues around LAP as also the individual loans.

Sarvesh Gupta: And in your net worth, what part is DTA and what are the timelines to consume that DTA?

Ashish Damani: This is Ashish, Sarvesh. So, total DTA is roughly about Rs. 700 crores. The timeline, the tax authorities allow you to consume that in eight years. We see that we will sufficiently cover that. That's how it has been recognized.

Sarvesh Gupta: Okay. And this quarter, we have seen a good TWO recovery of Rs. 65 odd crores. So, what's the pool right now that we have from which we can recover? And what is the expectation for 4th Quarter? And let's say next year, how much are we expecting to get out of this?

Venkatesh Krishnan: The overall NPA pool is upwards of Rs. 2,500 crores. It's about Rs. 2,700 crores. And we have kept three quarters for us between this quarter and another three quarters to collect as much as possible. So, we are aiming for anywhere between Rs. 20 crores to Rs. 25 crores a month.

Sarvesh Gupta: Okay, that's all.

Moderator: Thank you. Your next question comes from the line of Rajkumar Vaidyanathan from RK Invest. Please go ahead.

Rajakumar Vaidyanathan: Good evening. Thanks for the opportunity. So, just 2-3 questions. The first question is, what is the medium term outlook you have for the next 2 to 3 years? Where do you want to take the AUM and what are the ROA levels that we are looking at?

Venkatesh Krishnan: As far as the business is concerned, in recent times, I am sure you have been hearing the regulators saying they are not very enthused with institutions in this segment showing upwards of 25%- 30% growth. So, whilst owing to the low base, I may end up growing at about 40%, but I am also keeping my eyes and ears closer to what the regulator is guiding us. So, I could see about 25% to 30% growth is there for sure. Anything more than that, we need to wait and watch.

Rajakumar Vaidyanathan: Okay. And the second question is, in the recent credit rating report, the agency has highlighted the frequent changes in the management as a kind of a hurdle for normalization of operations. So, would you like to comment on that?

Venkatesh Krishnan: I just missed you. If you could just repeat, please.

Rajakumar Vaidyanathan: The recent credit rating given by CARE for Spandana, they have highlighted that there have been significant changes in the senior , mid-level management, as well as significant attrition at the ground level. And they are saying that that will come in the way of normalization of operations.

Venkatesh Krishnan: As far as the ground level is concerned, yes, there has been attrition and attrition has been relatively high. But given the fact that things are improving, as I said, both at Spandana as well as in the industry, I am sure people spending time on recoveries will come down, they will be able to do more business, and it will be more positive. So, that should also bring down the attrition. So, I foresee the attrition coming down in the months to come. As far as the senior level is concerned, not too sure which of the many attrition you're talking of, there could be some attrition here and there, but otherwise, by and large, the team is intact.

Rajakumar Vaidyanathan: Okay. And the last question is to the CFO, this is on the DTA number of Rs. 700 crores that you just mentioned. So, that means you are having a loss of almost Rs. 2,600 crores on which you have set up the DTA. So, that loss is almost 1.5 times the market cap of Spandana. And also, if you see last 15 years, you have not made cumulatively that kind of profit. So, it looks like you guys are kind of bit aggressive in booking the DTA. I think you may have to probably look at that number when you do the March numbers.

Ashish Damani: So, amount of gross profitability required to cover this will be roughly about Rs. 1,800 crores and not Rs. 2,000 odd crores. Yes, we will keep evaluating. As I explained, that we have eight years to cover this DTA amount. And given the current projections, whatever we have lined up and reviewed, we see that we will absorb all of this DTA. So, yes, this is something that we are monitoring very closely and we will take call as and when required.

Rajakumar Vaidyanathan: Okay. Thank you.

Moderator: Thank you. Our next question comes from the line of Vatsal Parag Shah from Knightstone Capital Management. Please go ahead.

Vatsal Parag Shah: Hi. Thanks for the opportunity. Just one question. Can you just quantify the slippages for this quarter?

Ashish Damani: Total slippage for the quarter was about Rs, 152 crores. However, the credit cost that we have taken is about Rs. 58 crores, which is after recovery and whatever the proceeds we have received from the ARC transaction.

Moderator: Thank you. Our next question comes from the line of Abhijeet Tibrewal from Motilal Oswal. Please go ahead.

Abhijeet Tibrewal: Good evening, sir. Thank you for taking the question. So, just trying to understand one thing, lot of MFI that we speak to, often tell that if one were to adhere to the MFIN guardrails the rejection rates are actually very high. And so today, when we look at disbursements, there are two things which are kind of plaguing the MFI industry. One is obviously availability of capital borrowings i.e., liabilities. And the second thing is the rejection rates are supposedly very, very high. So, what are our rejection rates like? And when we say that we are looking at 25% to 30% growth and possibly even higher this year, given our small base, how are we looking to address it? What part of the growth can actually come from your existing customers, basically giving them more loans? And what portion of that growth can actually come from newer customers? That is something I wanted to understand.

Venkatesh Krishnan: The rejections currently hover at around 60%. It is indeed high and it may remain so for the next couple of months because of the impact of all that has happened over the last 6-9-12 months. That said, the ratio of new-to-credit plus new-to-Spandana on one side and existing customers is about 40-60. And as we go along, when I travel, I keep meeting various money lenders and they're all thriving. So, we have not reached the saturation point to say that there are no new customers in the marketplace, but you got to find them. So, there are enough and more customers which are there at least for the next couple of years, and you got to get them into the mainstream. So, effort is required, but 40-60 or a 50-50 share of existing customers versus new customers, whether to credit or to Spandana is definitely possible.

Abhijeet Tibrewal: And then, one last question that I had was around the industry dynamics, Obviously, the fourth quarter comes across as a seasonally strong quarter. We see very sharp momentum in disbursements in the 4th Quarter across a lot of MFIs. Earlier during your opening remarks, I think you made one comment wherein you said that, this quarter we will look at a monthly run rate of about Rs. 500 crores and then maybe take it up from there to 550 crores-600 crores. Basically, rather than showing a sharp spike, we want to gradually build up the business momentum. So, to that end, I am just trying to understand when you look at the industry, do you see everyone and on a no-names basis, everyone remaining compliant to guardrails and there is no flow of money again to basically MFI borrowers or do you think the excesses in the industry have now started and maybe in the next maybe 3-6 months, we will again see everyone starting to disburse just like we did in the past?

Venkatesh Krishnan: So, the last episode that happened, of course, all the incidents that have engulfed the microfinance industry are all man-made. Even COVID was man-made. So, people have realized that the flow of funds into the industry is going to be difficult if you are not maintaining proper books of accounts. So, I don't foresee people randomly giving money to customers in spite of there are say breach of guardrails. Secondly, the SRO has become far more active today, they are doing third-party evaluations through consultants like Deloitte and others, CIRISL, to name a few, and they are throwing reports of the respective institutions in case they find a breach. They are even writing to the board if they find continued breach and are reporting to the regulator. So, if someone is trying to breach the guardrails, they are doing it at their own risk and life is going to be short-lived.

Abhijeet Tibrewal: Well, this is useful. Thank you so much for patiently answering all my questions and I wish you and your team the very best.

Moderator: Thank you. The next question comes from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Thank you for the opportunity and so congratulations on the improvement in the business momentum. So, on the credit cost, firstly, I think this quarter we have seen a steep decline, almost 80% sequential. But now going ahead, given that we have a provision of almost 80% on stage 3 and 45% on stage 2 and incrementally in the book being of a much better quality with higher collections, how should we look at the credit cost for FY'27? So, that's the first question.

Venkatesh Krishnan: So, we expect about Rs. 220 odd crores of, these are all numbers, Rs. 227 crores or Rs. 225 crores of gross slippages and net of about Rs. 50 odd crores in FY'27.

Chintan Shah: So, Rs. 225 crores gross slippage and Rs. 50 crores net on net slippages FY'27, right?

Venkatesh Krishnan: Yes.

Chintan Shah: So, okay, understood. And so, what is the write-off policy and what are the write-off number for the current quarter which you said? Current quarter and for 9-months?

Ashish Damani: So, for the quarter we have written-off Rs. 214 crores. The approach has been similar to what we have followed earlier, which is 180 days plus and although this is not the policy, policy stands at 455 days. However, we have been trying to look at how the engagement has been with the borrowers and accordingly we have taken these measures. Probably, this will be the last quarter in which we take this approach. So, yes, 180 days plus and engagement during the quarter is what we have looked at.

Chintan Shah: Okay. So, going ahead, probably you will again be writing it off at 450. So, we won't be seeing much elevated write-off going ahead. Is that a fair assumption?

Ashish Damani: That's a fair assumption. Yes.

Chintan Shah: Understood. Yes, sir. And on margins front, actually, margins have seen a sharp uptick. I think this largely, the yield rise is largely on account of lower interest reversal. So, if you could also quantify the interest reversal number for Q2 and Q3, that could be helpful?

Ashish Damani: So, for the current quarter, Q3, it is Rs. 14 crores. For the last quarter, it was Rs. 33 Crores.

Chintan Shah: 14 versus 33 crores, QOQ.

Ashish Damani: Yes.

Chintan Shah: So, I think margins will see further uptick. So, now going ahead, this will be largely driven by decline in the borrowing cost, right? So, borrowing cost looks relatively higher compared to our peers. So, for the credit guarantee scheme, how much are we seeing some reduction in the borrowing cost? Any ballpark number or estimate where should it settle around?

Ashish Damani: No. So, the reason why I said there will be expansion in the NIM further is largely because the topline has been muted. If you look at our lending rates, blended lending rate on our new book is about 25.3%. However, the yield is stacking up at 22.4% right now. So, there is a gap which will be built over a period of time with the new book, the stronger performing book becomes a larger percentage of the balance sheet. So, the yield will move from 22.4% to very likely closer to 25% over time. And accordingly, what we believe is will help us have a better NIM going forward. The cost of borrowing is at 12.6%. In fact, there has been an increase of 40 basis points. And we see that it will hover between 12.5% to 13% in terms of cost of borrowing. So, we do not see much immediate improvement there, because our reliance has been on both capital markets as well as bank funding, which is more or less 50-50 like, Venki, was explaining earlier.

Chintan Shah: Sure. And this gross leverage which you mentioned for FY'27, that would be on the consolidated book as we might be also looking for a merger only before the end of the year. So, that will be on the consolidated basis, right?

Venkatesh Krishnan: Yes, that's right.

Ashish Damani: That's right.

Moderator: Thank you. The next question comes from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Thank you for taking my question. Sir, just on previous participant question on this technical write-off of Rs. 214 crore in this quarter, how much we expect this number to continue going forward or is it like most of it is already done?

Ashish Damani: So, yes, most of it looks like it's done. We have to now look at the business from a more BAU standpoint, like Venki was explaining, we are likely to have a 2.5% to 3% kind of a credit cost is what we are assuming in future.

Ankur Kumar: 2.5% to 3% next year is what our estimate is?

Ashish Damani: Yes.

Ankur Kumar: But you also said that there is Rs. 20 crores-Rs. 25 crore per month which we expect to come back. So, this is including that or that is excluding that, that we come back?

Ashish Damani: That is recovery. I am saying on a business as usual basis, if one has to look at what kind of credit cost we have built into the pricing and what do we expect, then it's 2.5% to 3%.

Ankur Kumar: But given we have such a large pool, next year, credit cost could be quite lower than this business as usual.

Ashish Damani: So, on a net basis, I think we also give the number, it should be Rs. 50 crores or around a number like that.

Ankur Kumar: So, only 50 crores of net slippage we expect in the next year?

Ashish Damani: Yes.

Ankur Kumar: And sir, in terms of book reduction, as in from peak, our AUM has reduced to like one-third from Rs. 12,000 crores at the time of peak to now around Rs. 4,000 crores. So, how soon we expect things to, as in business to improve or grow fast?

Venkatesh Krishnan: So, as I said, we have to be watchful in how we grow. We want to grow sustainably. So, whilst we grow, I need to ensure that my cost and my collection efficiency remains steadfast. So, if you ask for a ballpark figure, we are expecting roughly about somewhere close to between Rs. 9,000 crores to Rs. 10,000 crores of AUM by FY'28.

Moderator: Thank you. The next question comes from the line of Sagar Shah from Spark PWM. Please go ahead.

Sagar Shah: Yes. Thank you so much for the opportunity. Congratulations, sir, for showing good set of results. My first question was the figure that you told about the disbursements of Rs. 1,500 crores by Q4 FY'26. So, I wanted to understand are we eyeing weekly or monthly payment model in that disbursement model? And secondly, which other states actually are we eyeing for a growth of almost 30% quarter-on-quarter in disbursements? Which states are we eyeing? That is part of the first question.

Venkatesh Krishnan: So, let me take your second question first. Our top six states contribute about 60% of our AUM, which is Odisha, Madhya Pradesh, Bihar, Karnataka, West Bengal, and one more state. So, we will continue to grow in these states. And there are states like Tamil Nadu where our presence is very limited. We are planning to grow there. Kerala, we want to be a little watchful. We are present in Jharkhand and Chhattisgarh. So, typically, if you look at the microfinance industry, the top 10 states contribute about 80% of the business. Now, in our case, the top 10 states don't feature in the industry, doesn't feature Jharkhand and Chhattisgarh. So, we will also try and grow in those 8 or 9 top states wherein our presence is, there is scope for us to grow and our presence is also limited to a certain extent.

Ashish Damani: Disbursement presently is roughly 20% in weekly business. I think that is in line with the number of branches we have in the weekly format.

Venkatesh Krishnan: We will neither change the monthly branches to weekly nor the weekly to monthly. So, the 80-20 ratio or 85-15 will continue to remain.

Sagar Shah: Okay. So, 80% will be monthly and 20% will be weekly going ahead as well. That we can safely assume. And my next question was on the loan officer count and the employee count. On the loan officer count, we saw almost a reduction of almost 900 officers in this quarter as well. So, where do we see this number stabilizing, sir? Because we are eyeing a very aggressive AUM outlook in FY'27 and '28 and as well as for exit Q4 for FY'26. So, where do we see this number stabilizing?

Venkatesh Krishnan: So, on the loan officer count, we are looking at somewhere between 4,800 to 5,500 as a stable factor. And in the interim, there could be some officers who may move into the so called 90+ collections pool. Once that stabilizes, they may come back.So, they are all fungible. These are all front liners who can either do collections or business or both. But 4,800 to 5,500 is the number we are aiming for on a steady state basis.

Sagar Shah: And that will be visible in the next quarter, the number that you're just stating?

Venkatesh Krishnan: In the coming one or two quarters, yes.

Sagar Shah: Okay. So, basically, we can expect some healthy productivity from at least from the remainder of the loan officer's count. The productivity will almost double as per the metric that you have just stated, if I am not wrong.

Venkatesh Krishnan: So, since we are taking away the 90+ collections from our regular offices, we expect the business productivity to improve.

Sagar Shah: Okay. Got your point, sir. Thank you so much and all the best for the future.

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

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity. I was looking at one of the slides wherein we highlighted that 86% of our customers had less than 1 lakh of household outstanding. And I mean, apparently, we have seen significant rundown in terms of customer base, of course, given the kind of industry stress as well as the write offs that we have seen. But with this number of 86% of the customers below 1 lakh household credit, doesn't it give us an opportunity to sort of scale up our size or our share in their pocket and grow? So, is that how we are trying to strategize and give more disbursements to the existing customers than to go and acquire customers from the open market?

Venkatesh Krishnan: So, it's a combination of both, as I said a little while ago. These are all customers that you're referring to the slide is outstanding loan of less than 1 lakh. So, definitely, of course, you can give a top-up loan or a higher loan to these women. At the same time, you have to keep identifying new customers because your new customers become your existing customers over time. So, it is not either or it has to be both.

Shreepal Doshi: So, to take it other way, what is the disbursement ticket size that we have for our, let's say, peers and new customers currently?

Venkatesh Krishnan: So, the new customers would get a about Rs. 50,000, whereas existing customers, depending upon their vintage, can even go up to Rs 1,10,000 if they have been with us for about five years plus.

Shreepal Doshi: Got it. And then the second question was pertaining to the pricing. So, I mean, have we taken any price hike in the last six months? And if yes, what is the range that we have taken?

Venkatesh Krishnan: Currently, hovers between 23% and 26%, 26% being in the first cycle, keeps coming down.

Shreepal Doshi: Okay, so with vintage, it will keep coming down.

Venkatesh Krishnan: Absolutely.

Shreepal Doshi: The third question, the last question was on the, so while we are looking at acquiring, I mean, rather merging our subsidiary, but what is the kind of mix that we plan to sort of achieve in then by FY'28 in terms of loan book mix? I am sorry if you have answered this question, because I joined the call a little late.

Venkatesh Krishnan: The qualifying assets has to be always at 60%. And if you believe that 15%-20% will be in cash, so you will have a leeway to the extent of 10%-15% being in non-qualifying assets. And as the JLG book grows, your ability to do more of non-qualifying assets also improves.

Shreepal Doshi: So, are we targeting that sort of a percentage in the loan book mix? I mean, I understand from the opportunity point of view, or from the regulation point of view, but are we strategizing a loan book mix to reach that level?

Venkatesh Krishnan: We are looking at, today my loans against property is about Rs. 300 crores. Trying to see if I can take it to Rs. 1,000 crores in the next couple of years.

Shreepal Doshi: Got it. So, that is like 10% by FY28 sort of a number, or this is what we are looking at. Is that a fair assumption?

Venkatesh Krishnan: Absolutely.

Shreepal Doshi: Thank you, sir. I will come in the queue for more questions. Thank you for answering my question and good luck for the next quarter.

Moderator: Thank you. Our next question comes from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta: Thank you for allowing me a follow up. Firstly, sir, I just want to check on a few things. Can our absolute OPEX fall further for the next few quarters given the fact that we have kind of calibrated employee count and loan officer count? That is one check. Second is, should we break even or can we break even on a consolidated basis by second quarter of FY'27? Is that also a possibility on the table given the way our disbursement and credit costs could play out? And third is, has the credit cost peaked out? Because when I look at the credit cost of credit of Criss in the last two quarters, it is very high on a relatively small book. So, are we behind in terms of the peak of the cycle of recognition there or would more credit costs come from that book?

Venkatesh Krishnan: So, to answer your query, we should try and break-even next quarter. That is our immediate objective considering that this quarter and the last quarter was PPOP positive. As far as Criss Financial is concerned, as I said a little while ago, our focus on individual loans is to focus more on collections over the next one or two quarters. Try to get the book back on track before we start disbursing all over again or going about a little aggressively. The LAP book is behaving very well with a GNPA of a little over 1%. So, no worries on that. We are trying to see how to grow that book more, as I said, from the current Rs. 300 crores to about Rs. 1,000 crores. I think you had a third question as well.

Rajiv Mehta: No, it was on the OPEX. So, when are talking about breaking even, did you mean that you will break even in the current quarter, which is fourth quarter? And would it also imply that the absolute OPEX will fall, given the fact that the adjustments you have done in employee base and loan officer base?

Venkatesh Krishnan: We will work hard, you just pray. It will happen. So, OPEX has been coming down Rs. 884 crores two years ago to came down to about Rs. 790 crores last year to about 720 crores this year, trying to bring it down further. There is scope. So, it's a combination of increasing your revenue and bringing down your cost and your credit cost. That's how you bring in profitability.

Rajiv Mehta: Got it, sir. Best of luck. Thank you so much.

Moderator: Thank you. Your next question comes from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Thank you for the follow-up. So, sir, on the AUM growth, so I think this quarter, if we exclude the write-off, then we have seen a sequential uptick in the AUM. So, but now the repayments were relatively elevated in the past, but given now the AUM is Rs. 4,000 crores, the repayments also would be less. So, going ahead, can we expect a sequential growth in AUM to continue in the coming quarters as well, given that write-offs also would be lower?

Venkatesh Krishnan: Very much. So, the kind of disbursals we are expecting with the kind of write-offs which we are expecting to bring it down, there should be growth.

Chintan Shah: And our repayments, so what sort of steady-state repayments could we assume on the AUM, on the opening AUM? Any ballpark number there?

Ashish Damani: Rs. 900 crores.

Chintan Shah: Sure. Okay. Thank you, sir.

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

Venkatesh Krishnan: Thanks a lot, all, for participating and asking those relevant questions. And we at Spandana stand committed to delivering the results. Yes, there have been a couple of quarters which have been difficult on our way, but as I said, we are getting back on track both on the revenue as well as on the cost, as well as on the credit cost front. So, with that, I want to thank all of you once again from all of us out here at Spandana and see you in three months from now. Thank you.

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