



Ref: SSFL/Stock Exchange/2024-25/069

Date: August 02, 2024

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

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

Dear Sir,

**Subject: Transcript of conference call held on Saturday, July 27, 2024.**

**Ref: letter No. SSFL/Stock Exchange/2024-25/060 dated July 27, 2024**

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Saturday, July 27, 2024, to discuss the financial and operational performance of the Company for the quarter ended June 30, 2024.

The aforesaid information shall also be made available on the website of the Company at [www.spandanasphoorty.com](http://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: 2024.08.02  
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**Vinay Prakash Tripathi**  
**Company Secretary**

*Encl: As Above*

**Spandana Sphoorty Financial Limited**

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“Spandana Sphoorty Financial Limited  
Q1 FY25 Earnings Conference Call”  
July 27, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27th July 2024 will prevail.”



**MANAGEMENT: MR. SHALABH SAXENA – MANAGING  
DIRECTOR AND CHIEF EXECUTIVE OFFICER –  
SPANDANA SPHOORTY FINANCIAL LIMITED**



*Spandana Sphoorty Financial Limited*  
*July 27, 2024*

**MR. ASHISH DAMANI – PRESIDENT AND CHIEF  
FINANCIAL OFFICER – SPANDANA SPHOORTY  
FINANCIAL LIMITED  
SGA-STRATEGIC GROWTH ADVISORS – SPANDANA  
SPHOORTY FINANCIAL LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the Spandana Sphoorty Financial Limited Q1 FY '25 Earnings Conference Call. 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 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 the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shalabh Saxena, MD and CEO of Spandana Sphoorty Financial Limited. Thank you and over to you, sir.

**Shalabh Saxena:**

Thank you very much. Good afternoon to all of you. Thank you for your interest in Spandana and for taking time out to join us on this call. While the results have been uploaded, I am presenting to you the why of the results. Obviously, the outcome has been below par compared to the past 8 quarters of delivery. The team believes that collectively, they should have done better as it falls short of their expectations as well. However, the team is confident of a turnaround back to BAU and it would not take long.

Let me start with the events in quarter 1. India, as a democracy successfully conducted the largest ever electoral polls in the world to elect members of 18th Lok Sabha. While this 7-phase election was, by and large, normal, it disrupted our company's operations relatively significantly in key five states. We as a policy, post our employees away from their base locations. Hence, we had to give them a holiday on the voting day in their place. Plus, we had to close down the operations in the locations where we had our branches. That's leading to effectively 2 days of holidays, which unsettled the center meeting schedule majorly.

While we were grappling with the election disruption, the severe heat wave across large parts of India was a double whammy that had a higher impact on the attendance, thus leading to an unusually higher absenteeism amongst our customers. While these were external factors, we were hit by unusually high attrition in five of our key geographies; Madhya Pradesh, Rajasthan, Gujarat, Maharashtra and Telangana. These geographies have a cumulative AUM, which is 32%

of the country's portfolio. Our BM attrition for the quarter in these five states was about 10.5% versus 5.91% for rest of India, BM as in the Branch Manager.

A Branch Manager, as all of us know, is a key stakeholder in running the smooth operations of the branch and he is a 1 point single anchor directing his teams across. So that was a big blow in these five states in the quarter 1. Normally, if you see our figures, and we've been monitoring our figures, both for the loan officer and Branch Managers, we are relatively better than the industry. These five states, obviously, for quarter 1 was an aberration. And hence, we had an attrition of about 10.5% against the rest of the country, which was just 5.9%.

These states ultimately led the drag on our portfolio quality, contributing 59% of the arrear bucket. That's why it is unusual and unfortunate that all these 3 major events converged in quarter 1. However, the fact is it did. While it did impact our portfolio quality significantly, our teams are back in full force to ensure regularization and bringing back normalcy to the portfolio collections. While the teams are working on the field to normalize, as a means of abundant caution, we have already done the following steps to ensure we tread cautiously over the next few quarters.

The following steps have been taken. There is a slide. In fact, there are three slides that we have put in the deck. I'm just repeating it for the sake of reemphasizing the point. The first is we have -- at this point, we have stopped sourcing new to credit customers. Number two, we've paused new member acquisition in 14% branches across key states. There are about 230 branches where we are not doing member acquisition. These are the branches which have relatively higher challenge on quality compared to the country. So hence, this is the step that we've taken.

Point number three, we have restricted new center additions in about 40% branches, 39% branches to be precise. So 1 of the reasons, and I'll cover it during the Q1 and now I can just give you a highlight. One of the reasons why we saw elevated Branch Manager attrition was the workload. So what we have done is, as an immediate action, we have given them one down support at a credit level. Credit level resources have been put in about 20% of the branches. This will be scaled up to 50% branches by September 2024.

What this will do is, one, divide the workload of the Branch Manager. The minus 1 resource or the credit resources will do all the controls and checks that are required more rigorously. Point number five, the bench strength in 60% branches has been enhanced by 20% because as a preemptive measure of attrition, we are just ensuring that we strengthen our bench strength, so that immediately, there is no disruption.

And the last point is, which is very critical is, our entire supervisors have been enabled or have been given a monitoring tool, which is a tech-enabled monitoring tool, which monitors all the quality parameters and they are visiting the branches, the customers and the centers. So our belief is that these six key steps are going to immediately ensure that the portfolio comes back on track. This was the point I wanted to highlight, which is covered, as I said, in the investor deck.

The portfolio composition remains comfortable for us from an indebtedness perspective, as the following numbers will show. The reason why -- and again, this is a part of the deck, I'm reemphasizing the point, because there are a lot of talks in terms of -- is the customer over indebted, etcetera. All of you are aware, and we've been bringing this point across over the past 9 investor calls that we've been doing or we have done.

We, at Spandana, monitor the indebtedness level very closely. Our current indebtedness level is INR42,000, which is 76% of industry level. And in the deck, we've also given as per the new norms of the SRO which have been announced, we've given how does our flow of customers reflect.

So we are comfortable on the indebtedness level, number one. Number two, of the total customers that we have, we have split the customers' indebtedness across the MFI levels, and we've presented it in the slide for all of you to see.

The last point in this, I would mention is with tighter control on credit and sharper monitoring, We expect to see an improvement in the portfolio quality. So we believe these challenges are transitory in nature and operations should normalize within the next 3 to 4 months. We have not come across any structural changes, be it in terms of rural demand, be it in terms of dip in income levels or macroeconomic outlook and hence, have reasons to believe that the normalization should happen during the period.

With this, let me move to the regular updates for the quarter. During the quarter, we got 2 upgrades from the existing rating agencies. The first was India Ratings, which upgraded us to A+ Stable from A Stable. Then we had ICRA, which upgraded us to A+ Stable from, again, A Positive. This was on top of A+ rating from CARE, which was a new rating, which we had announced last quarter.

Meanwhile, on business front, let me start with update on the 2 new businesses we had launched mid of last year in our subsidiary, which is Criss Financial Limited. LAP and Nano loans. The new book that we ended within the quarter was INR88 crores. In fact, happy to inform everyone that we've crossed INR100 crores a couple of days back, which is a new book on secured and about 20%, 25% of the unsecured loans to retailers. But predominantly, it is a book which is biased on secured lending.

The book is delivering a yield of 23.75%. While a small portfolio yet, however, is delivering the collection efficiency of almost 100%.

On the business drivers, let me just quickly go through. Our disbursement for the quarter was INR2,283 crores, which was a growth of 37% Y-o-Y over last year. Q1 is usually a lean quarter for microfinance industry and hence, our quarter-on-quarter disbursement declined by 42%. However, a Y-o-Y at least -- while the numbers are there, but we do not see any weakening demand. We ourselves tone down the disbursement because we felt it is very important that we ensure that the quality is restored in the branches.



AUM at the end of quarter 1 was INR11,723 crores, which was a growth of 72% Y-o-Y. Customer acquisition continues to be our focus. We acquired about 200,000 customers during the quarter. For now, as I have covered, I'm just repeating, for now, we have stopped lending to new to credit borrowers. It's not that -- and I'll cover it in the question-and-answer session. But we've taken this practical step. Once things normalize, we'll kind of pick it up. Our LAP and Nano business under our subsidiary Criss Financial is growing steadily.

As I have already told you, no, we crossed INR100 crores a couple of days back. We have ambitious plans for this enterprise and this franchise, and we are going on track. We expect these 2 lines of business to scale up to about INR500 crores by end of the current financial year.

On the portfolio quality for the microfinance business, we continue to maintain provisioning at 80%. The quarter saw GNPA increase to 2.6% from 1.63% a year ago, which is an increase of about 97 bps. Sequentially, GNPA increased by 109 bps, which was reported end of March. Likewise, our NNPA for the quarter was 0.53%, up 4 bps over what was reported in the last quarter.

On the liability and marginal cost of borrowings, while we've given exhaustive slides, just covering the high level, we borrowed about INR1,554 crores, which was almost equivalent to what we borrowed last year in the same quarter. Sequentially, our borrowing was lower by 55%, and this is largely because of the seasonality of our business. Our marginal cost of borrowing for the quarter was 11.4%, which was 87 bps lower than 12.27% for last quarter and 50 bps lower than 11.9% reported for quarter 4.

Likewise, if I look at the borrowing mix, we now have a more healthy mix with bank's contribution increasing to 59% at the end of quarter 1. We intend to optimize our borrowing mix with banks contributing about 60% to 70%, so as to place us in a good position at the cost of borrowing fund.

On the financial performance side, the net interest income for the quarter increased 47% YoY to INR425 crores. The PPOP for the quarter was INR287 crores versus INR189 crores of the same quarter last year, this was up 52%.

Yield on the portfolio continues to be strong. It was up 35 bps Y-o-Y to 24.4%. NIM for the quarter was 15.2%, which is up 91 bps Y-o-Y and 58 bps quarter-on-quarter. NIMs improved as a result of lower cost of borrowing. We are working on means to pass on the benefits of improvement to the respective stakeholders, which includes the customers.

On the PBT and PAT higher provisions going to the transitional challenges experienced during the quarter resulted in 53% Y-o-Y decline in the PBT to INR75 crores. PAT for the quarter was INR56 crores, which was a drop of 53% Y-o-Y.

Given the temporary disruption, we expect to close the financial year with an AUM of around INR14,000 crores, and with a slightly elevated credit costs that we've been speaking about, we could end of the year, have a credit cost in the range of about 3.75% for the full year.

Since the situation is evolving, we will revisit the numbers end of quarter 2. To sum up, we believe these challenges to be temporary in nature and expect operations to normalize in the second half of the current year. We have taken a number of steps to improve portfolio quality, which should help us course correct in the current quarter. We will be prudent in our approach to lending, ensuring that our portfolio is well diversified, while staying conservative on ticket sizes and customer indebtedness.

The entire management team of Spandana is thankful for the consistent feedback that we have been receiving from all of you. We continue to focus on delivering on targets, which we set for ourselves and look forward to your continued support.

So thank you very much. That was the script that I had. Happy to open this up for questions, so that we could answer all of whatever you would want to ask.

**Moderator:**

Thank you very much. The first question is from the line of Renish from ICICI Bank. Please go ahead.

**Renish:**

Hi sir, know this has been a tough quarter, but just 2, 3 questions from my side. So sir, one on this entire Project Parivartan. Though in numbers, it looks like it is progressing well, especially when we look at the collection efficiency at 98% in weekly branches versus 92% maybe in monthly branches. But again, when we look at the another data point, the 65% of the GNPA being contributed by the Parivartan branches. So what is the disconnect here? I mean, though it one end collection is significantly better. And on the other end, a large part of Gross NPAs is still sort of contributed by the Parivartan?

**Ashish Damani:**

This is Ashish. I'll just take this and then maybe Shalabh can also add. Typically, the Parivartan branches, I think the right way to look at Parivartan branches is, these branches are not very different from non-Parivartan branches at this point in time, because what we did in the Parivartan branches was only change the date to a day. We have not yet initiated the weekly loans in these branches.

So logically, all the issues which happened in the country, like we have explained in our script, whether it was heat wave or for that matter, the disruption in the center meeting because of lack of availability of, let's say, either the staff or the customers during the elections or because of the heat wave, kind of resulted into a lack of on-time collection, so to say. So there has been a disruption. There have been flows.

In fact, if I have to look at the collection efficiency across the 2, there will be hardly any difference at this point in time between the non-Parivartan and Parivartan branches. So what we are trying to explain is, yes, Parivartan branches is something that was initiated earlier. But today, I think it is more about bringing the structural discipline across the branches in terms of whatever we have seen.

And the five states that we have mentioned, have a larger impact. And once we correct things in these five states, either by, let's say, balancing the load at a Branch Manager level staff by giving

one more credit guy, or by creating a bench for all the attrition that we have seen, which disrupted the kind of center meetings, or by giving them a little bit of relief from customer acquisition or disbursement, just letting them focus on bringing the customer back into the center meeting and organizing those center meetings will be the focus for these branches, including the Parivartan branches should -- correct things on an overall basis. So Parivartan, yes, was a concern in the past, but today across the board, I think we are going to focus on these pieces.

**Shalabh Saxena:**

Renish, let me just supplement what Ashish said. The Parivartan branches gap between the Parivartan and non-Parivartan now is practically very slim now. So which is what if you remember about two quarters back, three quarters back, we had said that by end of quarter 1, mid of quarter 2, I think we should have normalized, which I think, barring very small bps, some 50 bps, 60 bps, I think both the branches are at par.

The point Ashish is making is the disruption has happened everywhere. So that aside, let me also remember, and this is a number that I had said when I think in the quarter 2 call of last year. The problem with Parivartan, whatever historical legacy problem has now flown into the GNPA bucket.

So 48% of the portfolio was the Parivartan branch portfolio, which is contributing to 65% of the GNPA. So yes, it was not accepted the way it should have been. Even though it was with the best of intent, but it didn't work. So that is the reality and the numbers are showing.

Having said which now it is practically Parivartan, non-Parivartan is all the same. It doesn't matter. The numbers have regularized. Right now, what we are doing is to ensure that across the 1,500-1,600 branches, we regularized the disruption and normalize the disruption that had happened. So we've moved on from Parivartan and we are on to normalizing the disruption. The numbers that you see are the inherited legacy of whatever we had launched. So that's the supplement to what Ashish just mentioned.

**Renish Bhuv:**

just to elaborate a bit on that. So let's say the Project Parivartan was all about moving from a monthly to weekly collection model, right? But when we look at it in the PPT, only 400 branches are on weekly collection? When we are saying that we are behind the Project Parivartan, still I'm not able to connect the dots over here, sir?

**Shalabh Saxena:**

Yes. So let me explain. When I made that statement that we are behind, what I meant was that this whole differential and the fact that the flows are because of Parivartan, I was specifically mentioning about that. Now the original Project Parivartan, which continues to be, and we will drive that, was to convert the monthly to a weekly. We are still on it. In fact, this is the same question which was asked by somebody in the last call.

We continue to maintain that weekly is a good model. The only difference is that instead of the 48% of portfolio, which we attempted to convert into Parivartan, we will now go slow, step-by-step, center by center, branch by branch district by district. And any new loan which is given, we will encourage the customer to move to a weekly. This is what was our plan. This continues



to be our plan. We have not moved away from weekly into monthly, because we are very sure and we are convinced that weekly is a model to go. It is just that we will not really implement it at a wholesale level. We will go one step at a time. So instead of a 3 months, 6 months, it could probably take 1 year, 1.5 years. So be it. But obviously, at this stage, we cannot, hazard a wholesale conversion from a monthly to weekly. We will do it at a loan by level, center by center, branch by branch.

**Ashish Damani:**

I'm just trying to sum up. Yes, Parivartan branches had challenges or whatever. But right now, the challenges are across the Board in all branches and that is what we're trying to fix. And in the meantime, yes, Parivartan branches will not be done at that scale, but like Shalabh was explaining, on a smaller set, we will continue to approach. Because weekly, overall, if you would have seen our numbers, we have also given weekly branches in the INR1,400 crores portfolio's performance is at 98% collection efficiency compared to 94% on an overall basis.

So clearly, weekly model is much superior to the monthly model. And we continue to believe that, and experience shows that.

**Shalabh Saxena:**

So on a cadence basis, if you see, 25% of our disbursement is weekly. On an AUM basis, obviously, AUM operates at a lag, it is about 15%. So this will continue, Renish. And in parallel, we will start moving the customers on weekly. However, not straight away at a wholesale 48% or 50% type of a portfolio, we will move center by center, branch by branch, so that things remain under control.

**Renish Bhuvra:**

Got it. And sir, just lastly, on the cost of fund and the credit cost part. So when we look at the margins, which is at 15%, and if we believe what is there in the media, etcetera, wherein RBI is still behind the companies for passing on the benefit. So do you foresee any risk to the 15% NIM? And hence any risk to the ROA after factoring a higher credit cost at 3.75%?

**Ashish Damani:**

So Renish, 15% NIM is anyways a much higher number than what we have kind of communicated or guided for. We would like to be around the 14% number, 13.5% to 14%. And we have passed some benefits to the customers in April, starting April 1, where we have reduced 1% for customers who are in 6 cycle and above. And we keep reviewing this. This quarter from a cost of borrowing perspective has been very good for the organization at 10.7% in terms of marginal cost.

However, this is also something to do with the fact that we have done a lot many more PTC transactions. When you do some other kinds of borrowings, probably the cost may be slightly inching up in the coming quarters. It will be in between whatever we have seen last year and what we have seen for the quarter. And accordingly, whatever we feel that there is a benefit that can be passed back to the customer. We'll keep deliberating on that.

**Shalabh Saxena:**

Yes. So Renish, let me just supplement what Ashish said. There are two vectors of the two variables that we're working on. First is the absolute cost and the borrowing cost, which is a factor of the mix that we operate, number one. Number two, whatever is the optimization that

you get out of the mix or even otherwise, because we've got now two upgrades and one fresh rating, which is A+ Stable. So obviously, some of the impact will kick in by moving the cost of borrowings south.

If that happens, as I said in my opening remarks also, we will kind of attempt to pass it on to the customers, which is the first step that we've already taken. We will continue to evaluate that position so as to ensure that we remain fair to the customers at every given point in time.

Our stated position on NIMs has been that we will operate in a range of about 14,-14.25 anywhere around that range. You could see one quarter is not a reflection of either a good or bad. It is more a consistency which we are kind of wanting to deliver. With this, we'll keep on evaluating, and obviously, evaluation happens once we see a stability in the movement across two, three quarters. So that's how we would position ourselves when it comes to the NIM and the lending rates.

**Renish Bhuv:** **Alright** Sir, just last thing from my side on this collection efficiency or maybe stress at the industry level. If I were to just keep aside this project Parivartan and then when you look at the credit behaviour, etcetera, at the ground level, it is fair to assume that the July collection or the July trend is better than April, May and June?

**Shalabh Saxena:** Yes. So trajectory wise correct, and it will keep on improving is my belief, which is what we are getting to know from when we speak to our people on the ground.

**Renish Bhuv:** Okay. So there is no further stress build up, right? I mean keeping aside the Project Parivartan at all?

**Shalabh Saxena:** Yes. So Project Parivartan also, I gave a very elaborate answer. So I think we've moved on, and we will adjust on regularizing everything because we've had a year of Project Parivartan. Now everything is regularized, including the numbers. It is just the legacy, which is kind of flowing in, which we have to accept and move on.

With respect to your specific question on the stress, we've laid out the indebtedness levels in the presentations that we've given. We are in a reasonably -- and I speak for our company, we are in a reasonable position. And as far as the customer indebtedness is concerned, in fact, we are in a better position. And most importantly, to your last question, are we seeing any specific stress in a specific geography, the answer is no.

**Moderator:** The next question is from the line of Aviral Jain from SG India.

**Aviral Jain** I just want to understand that heat waves and general elections basically got over by 10th June. So are you seeing some signs of improvement in terms of collection efficiency across branches post that period, because we have past 6 weeks after that? And it's quite concerning to know that there is increased attrition in 4 or 5 key geographies. What were some of the reasons for that? And how would you correct it structurally, because that is specific to the company and not specific to the environment?

**Ashish Damani:**

Aviral, thanks for the questions. I will just take the collection efficiency piece and then let Shalabh kind of respond to the attrition one. I think this entire collection efficiency piece, yes, there have been green shoots, which we have seen during the month of July. So things have definitely started improving. Heat wave and all definitely reduced the participation from the customers, combined with the elections which were going on at that time. We have rolled out many branches in Northern India, where the heat wave was even more strenuous. And that's probably seen in the numbers in the June quarter. But definitely, as we move forward, things will start improving. July has been -- there has been green shoots. I would say there is still scope for a lot of improvement, which we will start seeing from August onwards.

**Shalabh Saxena:**

Yes. So Aviral, let me answer the second part, and it's a very pertinent question, because it's a company-focused thing. Let me take a step back. Historically, when I see Spandana's attrition rates across the loan officer and branch manager level, we've always been doing slightly better than the industry. Our annualized attrition last year, for example, at a Branch Manager level was 2% per month, roughly about 24% for Spandana. At a LO level, Loan Officer level, we were at roughly about 38% to 40% when it comes to loan officer level.

So this has been the historical trend. There have been always some spikes here and there in states, but never a convergence into a particular quarter. So this particular quarter, we had these five states, which we've articulated in the slide number three, where we've said that compared to our standards itself, while everywhere, there was a bit of an elevated attrition, but these five states kind of had almost, if not double, slightly less than double was the attrition rate.

The reasons are as follows. The first is we were reasonably strong in these states. So there was an attrition because of an opportunity, because the market presents itself with opportunities. That's number one. Number two, we like it or not, but there is some bit of an additional workload, which a Branch Manager has to go through, more so from a structure point of view, because in our branch, we had a Branch Manager and a Loan Officer.

That is why what we have immediately done is that we've put, as I mentioned in my opening remarks, in 20% of the branches, the branches which were big had a pause and a customer strength level, we've added people. We've given support to the branch managers so that he is able to focus on the other things and not -- because right now, the administrative and the supervisory responsibility is with them. So that's what we've done immediately in the 20% of the branches as we speak. We already have people positioned.

We've said that by September end, we will have 50% of the branches have these additional support. So this will give some respite to the branch manager. The last one is, obviously, what we have done is at just a branch manager is not going to solve the problem. So we've already started putting people and creating an additional bench of 20% at every of the critical branches, which is almost about 70%, 75% branches, where we'll have additional bench strength of about 20% additional. So that if there is an attrition at a loan officer level also, we are able to address that.

This is apart from the other engagement activities, recognitions, etcetera, that we are continuing to pursue and will continue to strengthen. So point is valid, these five states bore the brunt of the higher exodus. But we've taken the corrective measures and corrective steps the moment we kind of saw the data in the first couple of months itself. And I think the last month, which is July, while we're still not out of July, but we are seeing -- I mean, between July and August, I think we should be normalized on the attrition front. As an institution, we take pride in the fact that we've been able to hold on to our resources for the past 2 years. This was an aberration and it should be looked at in that light.

**Aviral Jain:**

My final question, I'll dwell on these credit costs, you had mentioned that this year as of things that we see today, you are envisaging a 3.75% sort of a credit cost. Does that mean that there is further slippages that you are envisaging?

Yes, we are at 80% PCR already. So any further incremental credit cost has to be driven by fresh slippage, which again looks -- if the business has come back to normalcy from a fresh slippages standpoint, it's a very high number compared to the past 7, 8 quarters?

**Ashish Damani:**

Yes, that's pretty accurate. It has been a higher number compared to the last 7, 8 quarters. Probably, we will see this kind of stabilizing towards August and September. And from Q3, Q4 onwards, it's should completely be BAU, that's the expectation. So credit cost in that light in the remarks kind of Shalabh alluded to that we are likely to be around the 3.75% number for full year. Definitely, this is much higher than what we envisaged. In fact, our guidance was more like 2.5% when we had our call last quarter. But basis what we have seen in the first quarter, probably we are...

**Shalabh Saxena:**

So Aviral, what happens is that on a distribution of 14,000 employees, INR12,000 crores across 1,600 branches and about 3.4 million customers, when you have this kind of an impact, it will take at least one additional quarter to kind of come back to normalcy because what you could do is to reinitiate the entire effort of reaching out to the customers and trying to clear off whatever went through the earlier buckets. So we will take about a quarter more, which is this quarter is what I'm saying, just to clarify.

And I think Q3, Q4, and that's what we've said also in H2, we believe will be normal. We will see some elevated costs because the flows are there, we are still managing. But a normalcy should be restored by end of this quarter. We will need at least those 4, 5 months of period to kind of come out of it.

**Aviral Jain:**

Yes, that I know that is completely fair. My question was that would you see more incremental and 30+ plus addition over this time. Finally come back normalcy in the next 3, 4 months? Because ultimately, I'm saying, the credit cost would be defined by how much provision coverage you need for each of the buckets?

**Ashish Damani:**

Yes. So the credit cost for the full year, as Shalabh mentioned, was probably around 3.75%. There are going to be a little bit more flows in the coming quarters. But there is likely to be

improvement in the 30 to 90 bucket where we have almost INR160 crores of provision setting right now. So clearly, it will be a bit of slippages, but some bit of upgrades as well when we are giving out number.

**Aviral Jain:**

Okay. Let's see. Maybe at the end of second quarter, we'll have clarity as to what was the fact and my point was that sir, just to complete, what I was saying was this looks like a temporary phenomenon given multiple factors, but some of the credit costs could get reversed. I am being slightly optimistic, again, on ground situation we'll kind of say, but this would be temporary in nature?

**Shalabh Saxena:**

Absolutely. And that's our belief because see, there's inherently nothing wrong with the customers. See one should be worried when you see a spike in the so-called not-so-good customers, which doesn't look like. The issue with this whole model here is that if a customer slips, you have to work doubly hard to ensure and work with the customer to ensure you recover and ensure that she backflows her SMA bucket moves in the reverse, which is where the challenge comes.

There's nothing inherently wrong in the customer in our belief. In the process here, something will flow. But as long as you are able to squeeze the fresh flows from a standard into SMA bucket, I think another 2, 3 months, we should be fine. And we believe that that's what the belief of the team that while this quarter could see some more flows, obviously, but not to the extent of what one would believe. So that's the reason when I said the 3.75, that was the number that we said. And then Q3, Q4, I think we completely should be fine.

**Moderator:**

The next question is from the line of Ajay Modi from Piper Serica PMS.

**Ajay Modi:**

Quickly, Shalabh, while on the last questions, the response kind of feels like this is actually transitory. I would like to kind of rephrase and ask this once again. The slippages in 30 to 60 and 60 to 90 buckets have been very sharp. I mean, 0.92% to 1.68% Q-o-Q and 0.64% to 1.47% Q-on-Q. And this is at a time when we've been reading about sudden telling the industry participants to go slow on -- or stop exposure to borrowers with more than 2 lakh of exposure, plus the industry kind of talking about setting up a so-called support fund of INR500 crores. And at a time when there is loan waiver already kind of starting from states like Telangana. So does it get worse in Q2, Q3 before it kind of actually starts settling down?

**Shalabh Saxena:**

No. So Ajay, I think if you go to our investor deck, slide five, we have put out our customers' cohorts across the various indebtedness level. If you see, only 0.7% of our borrowers are more than INR2,00,000. Rest everything is -- about half of them are under INR50,000, which goes back to point, and it has nothing to do with this specific quarter. For the last nine quarters, we've been stressing on three, four things, Ajay.

The first is that we, as a company, we measure and focus and monitor customer indebtedness, number one. We believe that the ticket size is not a game to play. our maximum ticket size on our loan is INR80,000, no more.

Probably this would be the lowest in the industry, but then we are okay with that number two. Number three, Ajay, and this I did not mention in my earnings call, nor is it there on the slide. The rejection rate as a result of the FOIR, which is in existence at this point in time, our company rejection rates are 51%. So what I source, I say no to half of them because of the so-called indebtedness. And that goes back to, once again, the shorter tenure loans that we've been propagating all along.

While our maximum tenor on the loan is 24 months. And we put out in our slide, on the monthly loans, we are 12%, 86% is a 24 months, rest everything is about 14% is 12 and 18 months. If you see the weekly loans, we are 68%, 12 and 18 months loan, and we have just about 32%, 24 months loan. So the philosophy of lending short, lending muted ticket sizes, focusing on indebtedness is what we are focused on, and we've put up the numbers that you alluded to, right here up front. So this is our spread.

And hence, back to the previous question, which was answered, our confidence on the customers from an indebted point of view is high. If there are -- there could be other issues, there could be other reasons. But over leveraging, etcetera, does not -- at least the data doesn't suggest, nor does our interaction with the customers suggest. So that's the, sorry, long answer to your question, but that's our belief.

**Ajay Modi:**

Okay. So I have seen the slide that you are mentioning to. And my question was more, and I am just trying to understand more from an industry standpoint, while definitely for you about 48% borrowers are below INR50,000. So that's very good as an industry number. What I'm simply trying to understand is, from a microfinance industry standpoint, is there a stress building up in the overall industry that we may kind of see in the coming quarters, or was Q1 more of largely taken the impact?

**Shalabh Saxena:**

Yes. So Q1, my personal belief and having looked at multiple data points, I personally do not believe there is a systemic over-leverage issue across the industry. I firmly believe that. There could be a few pockets, a few institutions here and there. But my sense is -- forget Spandana, my sense is that it will at best be in a single digit, cannot be more. So that's number one.

Number two is when it comes to the industry, what are the issues the industry is facing today? The industry has to look at, and it is true of us as well. We have to ensure that we look at attrition across the levels, particularly at the branch level for the widespread distribution that we have. So attrition is something that one should be looking at.

And the controls and supervision to ensure that the instances of misappropriation / frauds are reduced, so these are the three things that one should be looking at. My personal opinion is that instead of over-leverage, I think these are the two things every company should be looking at, and I'm sure every company is looking at.

- Ajay Modi:** Okay. One quick support question here. So the minus 1 credit officer that you've instituted in 20% of your branches, can you give a little bit of profile of these officers, just for an understanding perspective?
- Shalabh Saxena:** We lost you for the first five seconds. So we picked you up from the minus 1, so if you could repeat the first one.
- Ajay Modi:** I was just asking the credit level resources that you put in 20%, I'd say the minus 1 to the branch managers. Can you just share a little bit of profile of these officers?
- Shalabh Saxena:** So these officers, so our criteria is that they should have -- so we have a performance criteria, we have a vintage criteria, and we are picking people from our company, people who've been with us for more than two years, vintage with us, number one. Number two, as loan officer
- Shalabh Saxena:** So what we do is to ensure that there is a cultural synergy, the minus 1 profile is somebody who's worked with us for two years as a loan officer obviously, number one. Number two, he should have delivered some performance criteria standards that we put in. Number three, we ensure that there shouldn't be any -- from a discipline and conduct point of view, he should be completely above board.
- So, they go through our assessment process because there are quite a lot of eligible candidates around, they go through a process and then they are posted as a minus 1 to the branch manager. Obviously, this is a bench for the branch manager. After a year, they become eligible for a branch manager promotion.
- Moderator:** The next question is from the line of Rajiv Mehta from YES Securities.
- Rajiv Mehta:** Just a couple of questions. Firstly, if you can share what is the PAR of 1 to 30 bucket? And follow-up is what can be done from collections to strengthening point of view to stop the forward flow or at least stem the forward flow of already delinquent customers who are in 30-60, 60-90 bucket?
- Shalabh Saxena:** Yes. So Rajiv, as I mentioned, we've kind of increased the -- we've increased the bench strength at a branch level, as I mentioned, 20% additional manpower has been put in. Our experience is that once a customer flows, all it needs is persuasive efforts to ensure you're engaged with the customer for, one, the same month collection. And the second one is the additional one, which she would have missed out.
- So this micro monitoring at a customer level is what each of these branches are exposed to and each of these branches are being guided to. In the first phase, we have about 822 branches where we put up these additional resources who are along with the branch manager and the credit officer wherever the person has been appointed, together they go and they kind of monitor and they engage with the customer to ensure that there's a sufficient traction built for the reverse. That's number one.

Number two is, Rajiv, what we are also doing is to ensure that the fresh sourcing that we do is only under control and hence the job description of the minus 1 resource is just to ensure that the profile and the quality of the customer is very well understood. We have a chat with the customer. This is outside of the loan officer and the branch manager who would have already engaged with the customer, do all the quality checks before the customers -- before the proposal is pushed for disbursement.

So we are not in a hurry to disburse. We are taking our time to ensure that it passes through all the quality checks before a loan is done. So this is on both the earlier collection as well as the fresh proposal. To your question on the 1 to 30, it's typical. If you see the past trends also, it is 1 to 30 equivalent to your 31 to 90. So at this point in time, it is 3.1%, 3.2%.

**Rajiv Mehta:** Is this the whole -- is this the part 1 to 30 or...?

**Shalabh Saxena:** Yes, 1 to 30.

**Rajiv Mehta:** Okay. And see, we have stopped acquisition of new to credit customers in certain branches, maybe post a new member acquisition in 14% branches. The new center addition has been restricted in 39% of branches. So what will make us lift these restrictions because at some point in time, you will start to even grow in these impacted locations. So is there any benchmarking in terms of say, the general parameters like collection efficiency or the PAR being brought down to a certain level, post which we will more open up in terms of customer acquisition and growth?

**Shalabh Saxena:** Absolutely. So Rajiv, we have -- for each of the elements that have been put out on the slides, we have our internal benchmark, which we put up where we will start opening up the gates. At this point in time, our belief is getting the portfolio back in control is very important. And hence, we've taken all those steps. Internally, yes, for each of the branches have been given a mandate that you cross this milestone, this gate opens. You cross another milestone, this gate opens.

Across the branches, what we have definitely not done is to not stop loans to the existing members who are paying well. Obviously, that channel remains open. But otherwise, for every single of the milestones that have been put up, which includes center addition, which is at this point in time applicable to about 510-odd branches, the member acquisition has been paused in about 223 branches and so on and so forth. So every single branch has a milestone to cross and then they kind of move up the ladder.

**Rajiv Mehta:** Just one last thing on this INR2,300 crores disbursement, which we did in this quarter. So I'm sure this has been a much lesser impacted or kind of relatively much, much better markets than we would have disbursed. So can you maybe call out which are the better markets at this point in time, which are performing better versus the problems what you see in some of the impacted markets?

**Shalabh Saxena:** So the five states that we've already put out, Rajiv, those are the five states which have borne the brunt of whatever has been the quality interruption. I think outside of that, we personally



don't believe that -- I mean the numbers don't tell any different story from what we put out in the slides.

So these are the five states where we are -- I mean there is a differential of about -- if my memory serves right about 300 bps between these five states and the non-five states. So overall, once if we are able to correct and we are -in these five states regularized, I think we should be good.

**Rajiv Mehta:**

Sorry, just one clarification. You said 300 bps difference in collection efficiency?

**Shalabh Saxena:**

Yes. So overall quality matrix -- collection efficiency is the first, because GNPA has gone, we can't do anything about it. But we measure various -- we see the flow rates. We see the early delinquencies and so on and so forth. All of that, if I combine, there is that bit of a difference between these five states and the non-five states.

**Moderator:**

The next question is from the line of Shreepal Doshi from Equirus Securities.

**Shreepal Doshi:**

So the question was pertaining to this high attrition. So this seems pretty sudden in nature. So have we looked at what are the reasons? Is it the entry of a number of new lenders in these states, or what is it like? Because this sort of an attrition looks pretty sharp. I mean, maybe the zonal or regional managers would have got some hint of this sort of event. So just if you can elaborate on this?

**Shalabh Saxena:**

So for the specific, Shreepal, the point you are making on terms of entry is for the state of Telangana. That is the only state where others are not there and they are coming. So is there an impact? We have some INR320 crores of portfolio across the INR12,000 crores in Telangana. So is that one reason? So I'm saying, see, it is not about whether you -- and the attrition is in states where everybody or the other people have been around, the competition has been around.

Our personal experience is that microfinance to microfinance, people attriting into another microfinance company is a small portion of the attrition. People tend to kind of go out of the industry because there are enough opportunities that exist. So specifically, and we've done a lot of analysis for all the employees who've gone across not just these five states, but across all the states that we operate. There isn't a specific trend of some 50% people moving into another microfinance company. It's a small portion. It is a portion, but it is definitely not a large portion worth measuring.

What gets to the people is the general fatigue having worked for long in microfinance, the strenuous nature and the drill that goes into this. So every person takes every pressure differently. And if it is a sustained pressure over the years, then people react differently. And I agree with you, these five states only in this quarter. So nothing has -- I mean the only thing that we can and we've done, we spoke to all of them after they had exited and all of them.

It's a combined nature of staying away from the family and a lot of hours being put in this apart from the workload, etcetera, which leads them to sort of move on either in the industry or outside

the industry. But there's no specific one line trend that I can give you an answer saying because of this, they left or X company took them or Y company took them.

**Shreepal Doshi:** Got it. Sir, the other question is little industry-wide. So while speaking with other MFI management as well, I mean these are the five, at least Gujarat, Rajasthan, Maharashtra, MP comes across as common states in terms of asset quality issues. While our reasons are, of course, little company specific, the other peers have indicated more industry-wide issue, while our stance is a little different. So I'm not able to connect the two, because...

**Shalabh Saxena:** No. So let me clarify. For Spandana, these five states, the flows have been accentuated because of the reasons that I have mentioned. Inherently, there are issues in pockets in the states that you've mentioned. So it is not that everything is hunky dory for us and -- but for this they too would have been resolved. That's not the point.

The point is that there are challenges and there are challenges in these locations. We were able to manage to a large extent, even at that time, if you go back to Q4 and Q3 of last year, not these 5, but at least 3 states had a slightly elevated deterioration, if I may call so, in the -- compared to the rest of the country.

What we are trying to say is that the reason these five states, the number has been accentuated because of the experienced branch manager leaving. Obviously, we put the experienced people back and we are back to business, and I'm just clarifying that. It's not a stand-alone, it is a 1 plus 1.

**Shreepal Doshi:** Got it. Sir, just last question. If you look at the Stage 2 coverage, maybe Ashish sir can also add in here. The Stage 2 coverage has seen a very sharp increase from say, 37%, 38% to almost 47%, 48%. I mean, if you could just elaborate on this?

**Ashish Damani:** So Shreepal what we did was we have updated the model last quarter, if you recall, and we have kind of smoothened the data across the 8-year period in the ECL model and have taken out all the biases, which were running in the model from a, let's say, COVID-perspective or from a Demonetisation perspective or any other aberration that was there in the business?

We have actually now ignored all of that and let the data only smoothen across the buckets of the periods. What we have done is we've taken monthly data for last 8 years, and that has been built into the model as a driver. This kind of led to an increase in the bucket requirements of the flows of the PD rates for both Stage 1 and Stage 2 which was implemented last quarter. So this quarter, just to clarify thisquarterv, there has not been any change. We have just sticked to the model as is and whatever has been coming out has been provided for.

**Shreepal Doshi:** Just one data keeping I think somebody else also asked what is par 1 to 30 bucket a number?

**Ashish Damani:** 3.2% is 1 to 30 bucket.

**Shreepal Doshi:** Got it. Thank you so much and good luck for the next quarter.

**Moderator:** Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal Financial Services. Please go ahead.

**Abhijit Tibrewal:** Based on questions from these 5 specialist individuals who asked questions before me, I mean, I'm sure you can very well make out what most of us analysts and investors are trying to understand is what the MFI sector is going through now is transient in nature, more like disruption from elections or heat waves and will course correct itself in the next 3 to 6 months from now or is this a credit cycle in the works because of, I mean, reasons which are unexplained as of now. You also referred to this leverage which is actively being tracked by all players today.

So I had two questions. You have cut your AUM growth guidance for this fiscal year based on what you saw in 1Q, you've also increased your credit cost guidance to 3.75% versus 2.5% until last quarter. So I mean while a lot of discussion has already happened on this subject, what I'm trying to understand is if we are so confident of things normalizing after, let's say, 3 months from now in the second half of the fiscal year?

Then, I mean, what was the need for this increase in credit cost guidance? Now why I'm asking this is if you look at this quarter's credit cost almost INR210 crores, maybe around INR5 crores, INR6 crores is towards write-offs. Rest of it is towards provisioning on Stage 3 and Stage 2 loans.

So if it was just heat wave, if it was just an election impact where someone could have missed an EMI because of operational reasons. And if they start repaying, then your guidance cannot go up, right, because your guidance is going up from 2.5% to 3.75% is because you're expecting more write-offs to come through, not necessarily because of higher provisioning. Had it been higher provisioning, they would actually have got reversed when the asset quality would have improved from collections? So what am I missing here is something I'm trying to understand.

**Ashish Damani:** I will just take this question and probably Shalabh may add if there is something missed out. Abhijit, the right way to look at it is, one, at the industry level, you have said and I think at the industry level, our belief was that the new norm is definitely a base of 2%, which is now hovering between, let's say, 2% and 2.5%. But given what we have seen in the first quarter like Shalabh was explaining earlier definitely what we have seen in the first quarter in terms of credit cost is something has been higher than our own estimates.

And this 3.75% is the outcome of what we have seen in the first quarter. There are improvements that we are confident of seeing, but those improvements are likely to play out, let's say, in the next 3 to 4 months. So in the interim, there are likely to be some flows. And probably we have taken into account those flows and improvements also subsequently, and that's how the guidance.

I think in the initial narrative that Shalabh gave, he also talked about there has been a little bit of reduction in our overall business numbers for the year. And that probably will give you some increase on a percentage terms basis. So these are the factors which are at play, and that's how

we have kind of changed the course on the guidance. However, we have also said that this is an evolving situation. We are looking at this. And if, let's say, the improvement is much more, then we will obviously come back and keep discussing these numbers or the outlook going forward.

**Abhijit Tibrewal:**

So I mean, if I understand this correctly, the way we kind of summarize this is that given that this is an evolving situation, if things are better than what you are expecting right now, you will maybe revisit your credit cost guidance. If that were not to happen, then what will happen is, after 3 to 6 months, collections are expected to improve -- but the slippages, which have happened not just in 1Q, but we've been seeing slippages in 3Q and 4Q of the last fiscal year as well. They will reflect in your Stage 2 and Stage 3 and will eventually get written off? Is that right understanding in terms of -- if credit costs were to remain at 3.75%?

**Ashish Damani:**

Yes, that's right, because if the customers have already moved into either a GNPA bucket or if the customer is in 60 bucket, the improvement from there is difficult. It will be slow. However, there are recoveries. It's not that the recoveries are zero. Definitely, there are recoveries.

And since the challenges have been more from a, let's say, administrative disruption or because of lack of availability in the center meeting and during that time, and it was not the intent of the customer. We are very hopeful that things will improve. This will not be a normal flow that if it goes down then it goes down it will not be like that. But we don't want to get ahead of ourselves and put the numbers out right now, we will see how things will play out. Efforts will be made 100%. We have already looked at what are the things that are required to fix this on structural basis, and that's what has been articulated in the document, putting in people, strengthening the monitoring staff at the branch level.

Looking at how can we improve the monitoring at every stage by using technology. For that matter, reducing the workload of the branch from a disbursement standpoint, focus, let them focus more on the portfolio quality and improving the discipline at the center level. These are the things which people will be focusing more, at least for next, let's say, 4 to 5 months. And that would yield results. On either basis, how things will flow move on, we will get to know in the next 2 to 3 months.

**Abhijit Tibrewal:**

Got it. Sir, just 1 last question that I had is -- I mean, you've already answered this partly in prior questions. But what I'm just kind of trying to understand is, I mean, how are the yields still improving for us when you're already seeing broad-based yield moderation in the sector? And despite the significant increase in our Stage 3, why is it that I mean, interest income reversals are not visible which should have impacted your interest income and yields?

**Ashish Damani:**

So two things here. One is, I think this is also linked to the last question which Shreepal asked. In Stage 2 itself, we kind of see 50% provisioning that we do. And from 52 moving to 80% would mean additional 30% of reversal or the impact normally when things move into Stage 3. But this is partly the answer. The other part on the yield side is the mix for us has been improving over the quarters. We were earlier, if you recall, we have 2-year loans largely. And the loans

until October of '22 were given at even 22%. From there we moved to 25% in two parts and that's how the yield was improving on overall basis. That is one aspect.

The second aspect is whenever we are doing DA transactions as you know the interest income will move from the interest income line into the net gains line item. And that also has an impact on the ratio. This quarter we had zero DA. I mean if we were to compare it from the previous quarter then that definitely has a positive bearing on the yield on the NIMs and things like that. That's why we are saying on a steady-state basis one should look at a NIM of 13.5% to 14%, more like around 14% to be a standard steady-state NIM for us.

**Abhijit Tibrewal:**

Got it. Sir, I think this is useful. Ashish sir, I'll just leave you with a thought. I will connect with you maybe offline, but one thing that I'm not able to comprehend is. I mean we've always said these MFI customers who should never doubt their intention and willingness to repay when we come across a quarter where elections and heat waves bring out operational challenges, where maybe 1 or 2 EMIs could not be collected. But if the willingness and intent of the customer is there, why is it that, I mean, these things should lead to basically write-offs, is something I'm not able to wrap my head around?

**Ashish Damani:**

Certainly, we'll connect on this offline. Abhijit, just one line. The reason we are saying we are very hopeful in terms of improvements is precisely the reason which you have articulated that intention is not a problem. It is an administrative disruption that we are dealing with, it's a temporary issue with us at the customer level. And there are other challenges in terms of addressing this which we will discuss maybe offline.

**Abhijit Tibrewal:**

Great. Thank you so much and all the very best to you and your team.

**Moderator:**

Ladies and gentlemen due to time constraints, we will just take last two questions. The next question is from the line of Janavi Bapat from Hara Capital. Please go ahead.

**Janavi Bapat:**

Hello. I wanted to quickly ask if there is any pattern in attrition in the Parivartan branches versus non-Parivartan branches.

**Ashish Damani:**

So there is no pattern per se in Parivartan versus non-Parivartan. It is more towards the states, Jahnvi, and that's why we have kind of called out those states where there was a higher attrition.

**Janavi Bapat:**

Okay. And the last 1 is, since you've provided a good breakup of the indebtedness of the borrowers. Is it possible also to provide broadly the income distribution of the borrowers, say how many households are like below 1 lakh or between 1 lakh to 2 lakh, 3 lakh, something on those lines?

**Ashish Damani :**

We will give you this data offline because I don't have it readily available, but largely, these numbers are more that our guys discuss with the customer. I mean this is not a very reliable set just I'm trying to say because it is more of a discussion and assessment that is being done by the loan officers, and that's how it is being worked out. Having said that, we will give you whatever numbers we have.



**Janavi Bapat:** Got it. Thank you so much.

**Moderator:** Thank you. The last question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir, your performance relative to your peers, it looks like on a much, much weaker set of numbers overall. So what can be the reason why we are particularly hit much more than the industry. Of course, all the players have reported weaker results. But I think your results are probably at the bottom percent, 25 percentile. So any specific reason with respect to our policies or our management of this entire election season how we have been disproportionately impacted? This is something I could not understand.

**Shalabh Saxena:** So Sarvesh, every company operates a different model, has different way in which it functions and has a different environment in which it operates. The numbers are there for everyone to see, so nobody can doubt or dispute it. All we know for sure is that for the last 9 quarters, there is a certain set of patterns that we had and we had observed. This one quarter had some disruption, probably as we've kind of very -- in an elaborate way we've articulated the reasons which were the states which kind of dragged the portfolio down. And that's the reason why we've a result, which is what all you and I see.

Having said, which -- what is very critical is that -- what is the profile of the customer? Is the deterioration or is the quality which has gone down south, Is it because of a structural reason? Is there something that you are doing, which is very different from what the industry is doing? The answer is no. We have evaluated and which is what I covered in my commentary also, the nature, there is no structural difference in the way we operate from the industry. Yes, we have certain norms or certain philosophies in which we operate, which are from credit point of view, which are more on the conservative side. So if not today, tomorrow, it will show up.

But at this point in time, all I would want to say is that the disruption was accentuated by the attrition which has led us to where we are. And we'll take a quarter to recover post which then I think things should be BAU.

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

**Shalabh Saxena:** Thank you very much for joining this call. Thank you for the patience. We took an extra about 20, 25 minutes of call just to ensure that we are able to communicate what happened during the quarter and what is the way ahead for us. For all those who couldn't ask specific questions you have our coordinates, you can get in touch with us and we'll be very happy to kind of provide all the clarifications. Thank you for all the support and thank you for joining the call.

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