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February 16, 2024

BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai-400 001

Scrip Code: 538446

Dear Sir/ Madam,

Sub: Transcript of Schedule of Analyst / Investor Call held on February 12, 2024

Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

In continuation to our letters dated February 07, 2024, and February 12, 2024, please find enclosed transcript of Analyst / Investor conference call held on February 12, 2024.

Pursuant to Regulation 46 of the Listing Regulations, the aforesaid intimation and transcript of the Investor Call is also available in the Company's website i.e., www.moneyboxxfinance.com

You are requested to kindly take the same on record.

Thanking You,

For **MONEYBOXX FINANCE LIMITED**

SEMANT JUNEJA
Digitally signed by SEMANT JUNEJA
Date: 2024.02.16 19:09:18 +05'30'

Semant Juneja
Company Secretary and Compliance Officer

Moneyboxx Finance Limited
Q3 & 9M FY24 Earnings Conference Call

Event Date / Time : 12/02/2024, 12:30 Hrs.
Event Duration : 51 mins 27 secs

CORPORATE PARTICIPANTS:

Mr. Deepak Aggarwal
Co-Founder, Co-CEO, CFO

Mr. Mayur Modi
Co-Founder, Co-CEO, COO

Mr. Viral Sheth
Finance Controller

Mr. Tushar Pendharkar
Ventura Securities Limited

Moderator

Ladies and gentlemen, good day, and welcome to the Moneyboxx Finance Limited Q3 and 9M FY24 Earnings Conference Call hosted by Ventura Securities Limited. 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 would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you, and over to you, Tushar.

Tushar Pendharkar

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Moneyboxx Finance Limited Q3 and 9M FY24 earnings conference call. The company is today represented by Mr. Deepak Aggarwal, Co-Founder, Co-CEO and CFO, and Mr. Mayur Modi, Co-Founder, Co-CEO and COO of the company. I would now like to hand over the call to Mr. Deepak Aggarwal for his opening remarks. Thank you, and over to, sir.

Deepak Aggarwal

Thank you, Tushar. Thank you, everyone, and a warm welcome to everyone. As we said, Mr. Mayur Modi is also on the call. He's Co-CEO and COO of the Company. We also have Viral Sheth on the call. He's the Finance Controller at Moneyboxx Finance. Before we start the Q3 FY24 discussion, I would like to thank all our investors with whose support we could raise our largest round of private placement in December 2023. This round was for INR 74 crore, and this led to more than doubling of our net worth to almost INR 159 crores. So, that's the kind of milestone we achieved recently. Now, getting on to Q3 performance, our AUM of the company increased by 124% YoY to INR 530 crores, including managed book from INR 237 crores, the same number versus last year, and AUM grew 18% sequentially from INR 448 crores.

Number of branches increased by 59% YoY to 86, up from 54 branches last year in six states. Now, we have our presence in eight states. In the 9M, we expanded our presence to eight states, by adding two more states, which is Bihar in Q2 and Gujarat in Q3. The extension is consistently improving geographic diversification of the portfolio. Today, we have around 1200 people on board, so this number has also doubled because of our feet-on-street model. Now, disbursements were up 55% YoY to INR 155 crores in Q3 versus INR 100 crore disbursement in last year Q3. Disbursements were up 92% in 9M to INR 374 crores versus INR 195 crores, the same number last year. And a very important milestone which we have achieved today is that we crossed the disbursement of INR 1,000 crores since inception.

So that's a journey of five years and the numbers are increasing continuously. An important parameter which we have achieved is that share of secured loans has increased very significantly, which grew from 5% of AUM as of March 2023 to 17% as of December 2023 and 19% as of January 2024. So, our expectation is from 5% last year to we will be around somewhere between 22-25%, by the time, we end this year in March. While total income grew strongly by 169% to INR 85.55 crores in 9M compared to INR 31.82 crores last year in line with the strong growth in the business. Operating expenses only grew by 84%. This is a large increase, but I'm saying compared to total income of 169%, operating expenses grew by 84% to INR 45.92 crores versus INR 24.9 crores.

This change, or a lower growth in operating expenses is because operating leverage is kicking in which has resulted in the profit after tax of INR 5.02 crores in 9M compared to a net loss of INR 7.22 crores in 9M last year. It would be good to know that we have achieved a return on equity of 8.6% in Q3 and 8% in 9M. This is compared to a negative ROE last year. Profitability is further expected to improve driven by the decline in cost of borrowing and benefit of operating leverage which we are already seeing YoY. The company has strong unit economics and interest rate improved by 300 basis point, you would have seen the investor presentation because of the two factors. While our average yield versus last year improved by 210 basis point.

Our cost of borrowing has decreased to 14.7%. So, there is a decrease of 90 basis point there. It's still high. But a very important point to note here is that our incremental cost of borrowing in Q3 is to get 12.84%. So, compare this with over 15.5% last year to 14.17% on an average and incremental of below 13%. This, as we said earlier as well that this is one area of performance we match because larger players still get around 10% of a single-digit pricing. So, here as we grow in size and as our credit rating is improving, we are continuously decreasing our borrowing rates. Again, because of the large round of equity, debt to equity improved to 1.92% from 3.38% in March and leverage declined to 2.41% from 3.67%. Liquidity remains strong at INR 90 crores in December, also driven by a large equity round.

In addition to this, we have on tap funding available through two companies which is about INR 45 crores per month. So, in addition to maintaining our cash balance and investment, we have a strong on tap line of INR 45 crores per month. So, almost INR 25 crores in terms of co-lending lines and in about INR 20 crores in terms of business correspondence lines. So, this also helps in strong growth of AUM and expansion of business. Our Asset quality has also been strong. I would say, while the asset quality was impacted during the year as agricultural driven rural economy was affected by high and erratic rains, in especially our operating states which is Punjab, Haryana, Rajasthan and UP. So, you would see that.

Although normally, on an average basis, India received just about 6% lesser rainfall this year, but one, the rainfall was very erratic, that's some few months were dry like August and some months were gained. So, like May was the highest rains in 13 years. And also, there is a difference in sense that Punjab, Haryana, Rajasthan and UP got higher rain than usual while some states, which are our operating areas, while Northeastern, West Bengal, South India Telangana receive lesser rainfall of about 40%. So, 40% higher and 40% lower there. So, it has some impact. I would not say it's a very deep stress but definitely it led to, because again 65% of our portfolio is into livestock and about 95%-98% of these livestock borrowers also have the agriculture income.

Although we fund on livestock income. But if there is some stress or maybe some additional expenses like replantation, there is some impact. However, I would say that the impact is around about a percentage point. So, gross NPA for us increased by 1.51% compared to 0.99% in September and 0.59% in March. So, almost a 1.08% increase. Now this has also resulted because you would notice that in the 9M of this year we have taken a credit cost of 1.28% versus 1.91% in the last year same period. Because earlier what we were doing anything which is 180-day-plus we were writing it off, which is there is a change in status here because there is now we are slowly getting into secured loans as well. And because of our collection efforts, we are seeing that the payments even beyond 180 days is coming back.

So, there has been some change in policy, you see a higher GNPA, but also you will see a lower credit cost on the other hand. So, all-in-all, I'm saying the change is just about 1%, a little over 1%. The other fact here is that you will see that in the last five years, our credit cost was less than 3%, even during the extreme conditions like pandemic COVID-1, COVID-2, and Lumpy skin disease, which impacted us. But the credit cost overall has never gone above 3%. So, which were like larger stress situation, the recent deterioration, we expect that to normalize sooner than later, and thus we believe that asset quality will remain maintained. So, it's about every year, some of the other event, maybe half-a-percent here and there, but we are largely fine.

And this in fact give us more strength in terms of our data that after all this pandemic, lumpy, or now the monsoon situation, the portfolio quality remains under control, other than movement of 50 basis points, 200 basis point here and there, which slowly recovers. And now, with almost 20% of the AUM going into secured, this becomes even better now. So, broadly, we are fine. Although, yes, we have taken more steps. So, like, till last year, were not doing any notices, we didn't have any customer collection calling. So, there are a lot of things which we have bought into picture this year to improve the collections. As a closing remark, I would say that our AUM is expected to more than double by March. We closed last year at INR 338 crores. We are already in December at INR 530 crores.

So, growth remains good on all parameters. We will be putting in additional equity of INR 4.9 crores by promoter, and definitely we are seeing decline in operating cost on one side, decline in improvement in yield on the other, which we have already shown, and also borrowing cost is coming down slowly. So, we believe that business will remain strong with the expansion in place. So, that's about our Q3 numbers.

We would be really happy to take up detailed questions as you like.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the Q&A session. If you have a question, please press * and 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. First question comes from Nisarg Vora, an Individual investor. Please go ahead.

Nisarg Vora

Hello, sir. Good afternoon. Congratulations on a good set of numbers. My first question was that, are there any industry specific patterns that make the last quarter favorable for our type of business? And in the last con-call were targeting around INR 10 crores of additional profit in the last two quarters. So, are we still on track to achieve that?

Deepak Aggarwal

Nisarg, to answer first question, I would say that there is nothing which, I would say positive. If I have to talk about the industry related pattern, if you see RBI guidelines or the position of RBI, that overall, in the industry asset quality has deteriorated a bit, especially in the unsecured lending environment. Having said that, this is more about personal loans, wherein RBI took some steps. So overall, we believe there is slight deterioration because of starting from some uneven erratic range to some other circumstances. But this is controllable.

So, nothing which we say that because starting a business we have seen worse scenario like COVID-1, COVID-2, Lumpy skin disease. So, this seems just okay to us. Secondly, because of the recent RBI guidelines wherein they have tightened the norms towards NBFC lending, we believe that it has impacted cost of borrowing a little bit. So, it has impacted the cost of borrowing for larger NBFCs. It has also impacted Banks' view towards NBFC lending.

So, they are still lending. Everyone is lending. But yes, relatively restriction is there because of which we feel that we see a 25 basis point kind of jump over a quarter. So overall, we are on the declining path, but we still believe that if these guidelines were not there, we would have been better off. So that's on the industry part. In terms of profitability, I think we are on a reasonably strong path. So, we can't exactly guide, but number seems to be good and improving. So, you would see that increase in OpEx is far lesser than the increase income. So, on all the terms, whether it is yield, whether it is spreads, things are improving and we are on a high single-digit ROE now, which we still hope to improve in the current quarter.

Nisarg Vora

Got it, sir. And sir, when you say about the 25 basis point increase, is it on top of the 12.85% that you were mentioning?

Deepak Aggarwal

Yes. So maybe we end up, maybe even less than 13. But that's like 25 basis point I am taking as a margin that this looks like a possibility to us.

Nisarg Vora

Got it. And what would be our steady state asset quality?

Deepak Aggarwal

So, as we said that the worst we have seen in the worst of the environment, we have not seen credit cost of more than 3%. So, they have always been less than 3%. So, on the unsecured side, some points here and there, take it maximum 2%-3%. My guess is, we will be closer to 2% than 3%.

Nisarg Vora

Okay. And you're talking about this quarter closer to 2%?

Deepak Aggarwal

No, not this quarter. I think numbers, overall, we are still below 2% now. And this situation will be maintained even in the March quarter. Although in terms of current efficiency, it is 97%. So, there is 1% decline in terms of current collection. Cumulative collection remains at 98%. The only thing which has changed is current collection a little bit. But I hope that this will improve only in this quarter.

Nisarg Vora

Got it, sir. My last question is that the Deputy RBI Governor recently revisited the yield cap on MFIs. Do you see a similar risk playing out in our space as well and where we could be restricted by a yield cap? Because like 30% average yield might be slightly higher for the RBI.

Deepak Aggarwal

No, not really. Not at all. I think for other than the MFI, it has never been there with an NBFC. So, we have NBFC charging 72% as well and 90% as well. So, all kind of rates exist in the market. But definitely RBI will understand. Even if you see the players who are into MFI business and also into individual business, you will come across that there is a significant difference in the rates. Because when you do individual lending, the OpEx is different, the risks are different. So, you can't have the comparable rates. There will always be a bit higher than the MFI segment.

And if you see that 30% in this kind of segment, although it looks like that when you compared to a bank, to a corporate. But in this side where MFIs are also lending into 26%, 27% range, 30% is not that high. It's a very reasonable number. So, we are very competitive in the secured lending business with even larger players having a INR 5,000 crores book and similarly for unsecured lending. So, at each price point, we are very competitive in the market. We are not charging premium there.

Nisarg Vora

Got it. Thank you.

Moderator

Thank you. Ladies and gentlemen, if we have any questions please press * and 1 on your telephone keypad. I repeat. Ladies and gentlemen, if we have any questions please press * and 1 on your telephone keypad. Next question comes from Neha Jain, an Individual investor. Please go ahead.

Neha Jain

Hello.

Deepak Aggarwal

Hi

Neha Jain

Hi. Good afternoon, sir. I just had a couple of questions regarding key performance indicators like AUM or income which has to be different in different branches. So, how does it impact the variation and the overall productivity?

Deepak Aggarwal

Neha, generally, we look at the overall performance for the company then state-wise and then branch-wise. Definitely, it is looked upon. But I believe that you will always have some variation within branch to branch. Generally, our average productivity is contained, the way we look at it, that also because you can't have the same productivity level in all the branches. Because even now if you see, we have opened almost 36 branches this year over 61 branches which we had in March. So, every branch can't have a similar.

Also, I would tell you that even the competition intensity in each of the locations could be little different. So, while we open in some area of MP which is location-wise there are a lot of possibilities in terms of expansion. There could be some areas where you have higher competition and maybe the productivity could be lower. But the way we see it is on the overall basis, how company is doing. So, if you have anything specific related to branch-wise, I can answer specifically.

Neha Jain

So, sir, do we have any specific areas or locations which have been continuously performing better than the other areas or states?

Deepak Aggarwal

There are branches which have higher AUM. There are a number of branches. So, out of 100 persons you can always classify them as top 25. Or it could be like multiple branches in MP like Sehore, Mansoor in

Punjab, Bathinda. So, every time you have some of the branches who are like leading. But as I said that, that does not impact the business decision because you could have a branch head who is better than others. So, you could have higher or because of the area or because of the product there could be some change there.

Neha Jain

Okay. And sir, do we have any specific key points that we have to consider before opening of branches? So, what does the bank consider before opening of these branches?

Deepak Aggarwal

So, there is a full-fledged criterion on how we open it. it's very first on the top end you realize that, okay, you have to open in Gujarat or Bihar or MP, how much expansion. Then obviously there is a RBH and State Head recommendation because they know the business there. And then there is asset quality check based on various MFI and CRIF data. So, you check area-wise how the delinquency has been. You check in these terms because we are 65% into cattle, how the agriculture level there are in terms of water availability.

Then you also see how the political environment is there in terms of policy guidelines, logistics, availability of infrastructure, and then competitive analysis which is also very important. We see the population which is there, and also the earnings and the competitive scenario. So, we see how, say, the nearest five competition companies are doing there in terms of portfolio, in terms of disbursement, in terms of delinquencies.

So, all these criteria are taken into account and then the branch is opened. And this is also a feature that if you see, till now whatever branches we have opened and we are getting close to 100. There is not a single branch which we had to close for a non-performance reason. So, there has been a branch manager which may have to change because of the performance issues. But area-wise, every area has been good.

Neha Jain

Okay, just one last question. Just like on a future outlook, how many branches do we foresee in the next five years, and the total AUM?

Deepak Aggarwal

I think we have given some numbers in our Annual Report. So, broadly by 2028, we have said that we would like to open 400 branches and about INR 6,000 crores-plus kind of AUM by that time.

Neha Jain

Okay. Thank you so much, sir, and good luck.

Moderator

Thank you. Next question comes from Pratik Chowdhury from Saamarthya Capital. Please go.

Pratik Chaudhary

Sir, our ROE has been continuously improving. Do we have any guidance for ROE for the coming years?

Deepak Aggarwal

So, Partik, thank you. Yes, ROE is conditionally improving, and we believe the business we are in is definitely a 20%-plus ROE business. I could have said more, but I believe that this is a minimum 20% ROE kind of business even with a reasonable growth because growth is there. If you see the numbers that we are already on 8.6% ROE, and if you see that our cost of borrowing is still, I mean, even incremental cost is 13%. And if you see the average cost of 9M, it is at 14.7%.

Now you just compare the kind of borrowing rate which larger players are borrowing at, which I would say in the range of 10%, 11% max. So, there is one significant improvement which can come from declining ROE. I think we would be able to maintain the yields and with declining ROE and OpEx. So, definitely what we say in our numbers as well, that this is definitely a 20%-plus ROE business. So in next couple of years we should definitely move towards that.

Currently, our growth rate is very high-From 61 branches to 100 branches this year. So, you would notice that expansion is quite fast here. Some of them will be loss making, a lot of them, majority of them will be loss-making. Some of them will just break even this year. And even if they are earning profit, that would be very marginal.

So, there is a lot of pressure from that side, also from the corporate side. Because when you are growing, you still have to maintain the entire team, all the heads, all the IT team. So, with growth in AUM, this expense only distributes towards a larger AUM. So definitely we do see expansion of ROE over a period of time.

Pratik Chaudhary

Right. And since you mentioned about 400 branches. Was that by FY27 or FY28?

Deepak Aggarwal

FY28. **More likely** in FY29, yes.

Pratik Chaudhary

Okay. What would be rough diversification or in terms of geographical diversification amongst different states if you have to enumerate? What is it currently and what would it be **in few years**

Deepak Aggarwal

You will notice that among the early stage NBFCs, we are already very well-diversified with presence in eight states. No states have over 26% of AUM as of now. So, we are reasonably sure of the diversification. Eight states are already there, and I think next year again we will look at adding two to three more states. So, maybe two states on the South India side, and maybe one state here in our existing, nearby our existing location.

Thus, on average, you can assume that every year we would like to enter two new states at least and branches will keep on expanding, which is the way it is happening. There's a very large opportunity which is there in whether it is UP, MP, Gujarat, Bihar, maybe Jharkhand, then on the South India side with more competition. But still the opportunity is large.

Pratik Chaudhary

What would be a typical mix of category of loans by FY28?

Deepak Aggarwal

Basically, one in terms of secured and unsecured, we would definitely have a majority secured portfolio. So, this year around say 22-25% of secured, next year maybe 35%-plus. That's kind of at least improving the secured portfolio by at least 10% every year. So, what I can commit is we will have majority of secured portfolio by FY28, maybe 60-40 in that range. In terms of product mix, this may change. Every year you will see that first year we were doing more of ticket size of INR 1.2 lakhs.

Then slowly it improved to now in the unsecured segment about INR 1.6 and then secured is about close to INR 4 lakhs now. The highest ticket size, although we say INR 70,000 to INR 10 lakhs. But we have disbursed loan even up to INR 15 lakhs in the range of INR 11 lakhs, INR 12 lakhs, INR 15 lakhs. So, one, that ticket size could grow YoY and definitely new products will come in. So, we will announce as things happen, but definitely new products can come in here.

Pratik Chaudhary

What about end use if you have to bifurcate the loans in terms of end use and what would be a rough mix by FY27 or FY28?

Deepak Aggarwal

So, right now the presence is into business loans, but definitely with year passing by it could be home improvements, EV segment or it could be other segment as well. You will see as the time grows. Currently it's YoY. Sometimes we focus on the lending partnership. This year around it's like, see, one main area of focus is to expand the current services because this is already a proven model. Expansion of our services to newer states, newer branches, more branches. And then slowly and steadily bring in new products.

Pratik Chaudhary

How many of our borrowers are women? If you would have that data?

Deepak Aggarwal

How many?

Pratik Chaudhary

How many of our borrowers are women?

Deepak Aggarwal

About 55%.

Pratik Chaudhary
Okay. Okay, sir. Thank you. I'll get back in the queue.

Moderator

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. We have a follow-up question from Nisarg Vora, an Individual investor. Please go ahead.

Nisarg Vora

Hi, thank you for this opportunity again. Sir, my question was that, this quarter we have relied on PTC securitization for debt funding. What is our strategy for them, and do they help us bring down our rates of borrowing?

Deepak Aggarwal

Yes, maybe, PTC definitely gives us a better pricing because when you do the PTC transaction, you get a two-notch plus rating. So, if I am, say BBB minus as of now on a PTC paper because of enhancement, I will give a rating of say A minus. Which means that, as I said that last time we did PTC, we would charge about 12.4% on that. Definitely, yes. One, it's an additional source of liquidity, which is the most important thing. The structures are better and you get reasonably good pricing.

And also in the last quarter you see, on the sourcing side, one is definitely PTC, but the other development is that we did our first retail NCD, which was done on the wint platform and we could raise about INR 25 crores in a two-day span and which we are doing again now. So, this is again a very good source of funding where you can raise money from public in a range of about INR 1 lakh to INR 2 lakhs per lender or per retail investor. So, retail investors also get a good pricing.

And then for us also it opens up a new source of funding. So, this will remain. We will have new opportunities always to look out. Now, because as the rating improves, we would also be eligible to raise from foreign funds, DFIs, like organizations like KFW impact funds. So, there's always an intention to improve the funding profile and diversify the funding profile. To answer your question, yes, there is some benefit of raising from securitization papers both in terms of structure and pricing.

Nisarg Vora

Got it. And sir, we have been growing very fast recently. So, what happens is the numbers get blurred. So, what would be the best way to monitor the asset quality and ROE excluding the growth part of it, like on a steady business, what would be the best way to do that?

Deepak Aggarwal

To answer your first question, when you say monitor the asset quality, I think definitely you should not look at it QoQ, because we're still an early stage NBFC. The best way to look at it is how we performed in the worst performing scenario. So, I think pandemic was one of the worst performing scenario. COVID-2 was even worse, although because there was no moratorium also. And then we saw Lumpy skin disease.

As I said that, each year when we have some scenario, and then we are sure that at least on those worst timings. We have not crossed credit cost of over, which includes everything, all the ECL, all the provisions, all the write off, we never touch 3%. So, I think that can give you a fair sense on how asset quality is moving. So current year, I would say that it is a blip for last six months, where we realize that there are some on-ground pain, but we don't feel that it is as worse as what happened in the past.

Sometimes those were like permanent damages. Here it is not the case. It is like it's a matter of about six months or so. So that's on the asset quality. Obviously, policies are there. We always feel collection is definitely more important than sales. So, all the policies are driven that way that we are focused on the collections because we understand how bad it can impact if we don't control the asset quality. That's one part. So, the track record serves the best.

On the ROE side, I would say there are two parameters, that it's a growing company and the ROE is obviously improving. It's in line with some of the very large NBFCs in place, and the best way to look at it, how the unit economics is working around. So, when you see this is the kind of and you can definitely guess, seeing the track record, which is in terms of bringing down the borrowing cost. So, on a stable basis, you can assume that if this is the yield and this is the borrowing cost, over say next 2.5- 3 years' time span, our spread is already 16%.

Our NIM is already close to 18%, between 17-18%. So, it's easy to make out that you know the OpEx. So, if you do full secured, maybe you are at around 6% OpEx. If you are doing only unsecured, maybe you are at around 11%- 12%. If you are doing a combination, you are at between 8% and 10%. So, you can always guess the OpEx. You can always see how the leverage strategy of the company is, which is again, if you see our past track record, it is there that we have not been just equity heavy company in the past.

It has always been lesser. We always try to optimize the capital structure to the extent possible. There would be some leverage on book and then the off book, which is a managed book. So, all the way, judiciously, we try to optimize on the return on equity. You can do the basic calculation to arrive at the number.

Nisarg Vora

Right. Okay, I see. And sir, crossing the 15% ROE mark would be a great milestone for us. So, do we have any internal targets to reach that number without slowing or compromising on the growth?

Deepak Aggarwal

You said 15%?

Nisarg Vora

Yes, 15%.

Deepak Aggarwal

If you just take my opinion. I'm not suggesting anything, but I believe it should be definitely achieving over next 24 months, which is in FY26.

Nisarg Vora

Got it. Sir, my last question would be that what is our vision with the cap? And could you throw some light on the new collection methods that you were talking about in your initial reference?

Deepak Aggarwal

I'm just saying that we have become relatively stricter on the collection, that earlier we were not issuing any notices, any legal notices to the client, which we have started for the first time this year. Now, all the NPA accounts have been served legal notices. We did not have a collection calling team, which is any outside. It was all the responsibility of the branch guys. Now, we have four guys starting December. So, every borrower who has not paid is kind of getting a call every alternate day. So, that's another step.

Then there is a central team in Gurgaon where we have hired two people serving in the collection side. I'm saying that we have taken some initiatives in terms of that if DPDs crosses some benchmark, the incentives are not given to branch heads. So, I mean, there are multiple criteria and the parameters which are made and steps which are taken to improve the collection. Although, I'm saying it's not too worse, it sometimes happens because of the external scenario. But yes, we realize that thing, and multiple steps are taken there.

Nisarg Vora

Got it. Thank you. And, sir, the vision with the Sikka app that we have?

Deepak Aggarwal

Mayur, do you want to take this?

Mayur Modi

Sure. Nisarg, so basically what we are doing is because of fact that we see this as a very large distribution play. So, we also wanted to strengthen our digital platform. I think the Sikka app serves as that platform. It also helps us to connect with our customers more closely. Because being in a rural economy, I think most of the customers had to walk into the branches for some of the services that they wanted on a day-to-day basis, like understanding what is their outstanding, downloading their statements and applying for a loan, they had to do it through their loan officers.

What we have done is through the Sikka app, we have enabled them to kind of access all our products and services online. So, we are seeing very good traction on this. Whatever cash collections were coming in, we are trying to move that through BBPS to the Sikka app. And we have seen almost from last month, if you look at it on a month-on-month basis, there's an increase of almost 10% of our overall collection, which we used to do, is now coming through BBPS. So, that saves us a lot of time and money, and cash collection has its own demerits in terms of moving cash and handling cash.

So, that's one thing. We also want to distribute some of the other products to this because we feel we have a very large customer base. We should be able to service or distribute some of the other products that we intend to do in near future. So, digital gold is one savings product that we are now servicing through this app. So, the idea is that we make this a wholesome experience for our customers wherein they can not only access their existing products, if they're in need of any other financial products, they should be able to do this. And it becomes a very easy tool for them to be able to access this.

Nisarg Vora

Got it, sir. Thank you and all the best.

Moderator

Thank you. Next question comes from Nihar Mehta, an Individual investor. Please go ahead.

Nihar Mehta

Hi. Can you hear me?

Moderator

Yes, sir. Please go ahead.

Nihar Mehta

In terms of following the fundraising via equity in December 2023, what kind of growth capitalization does the NBFC have? If you could highlight on that?

Deepak Aggarwal

So, you want to know that how much AUM we can reach with this current round?

Nihar Mehta

Yes, right.

Deepak Aggarwal

I would say very comfortably INR 1,000 crores number. But if we can stretch it to about INR 1200 crores as well. So, take a broad number of, say on a higher side I would say a 4x leverage. Say, if by March we have about INR 168 crores of net worth into 4. So, we can build about INR 700 crores kind of book on balance sheet and another INR 300-500 crores off balance sheet. But I would say if you want to take a reasonable number, take it about INR 1,000 crores, but INR 1,200 crores is possible through various structures, like having some off-book as well.

Nihar Mehta

Okay. My other question is, talking about the interest spread percentage.

Deepak Aggarwal

Nihar, I would also like to mention based on our covenants, we can make an AUM of about, on all the covenants I'm saying. On a net worth basis, we can make about 7.5x of AUM based on our equity. So, if equity is say 170x7.5. It gives a number of INR 1,275 crores. So, I'm saying this is bit stretched number, but theoretically this is possible.

Nihar Mehta

Understood, sir. That is all from me. Thank you so much for the insight and wish you the very best.

Deepak Aggarwal

Thank you.

Moderator

Thank you. There are no further questions. Now I hand over the floor to management for closing comments.

Deepak Aggarwal

From my side, I think we are in a good shape. Branches are expanding, geographical expansion is happening, team is expanding. We are on track in terms of equity. So, we don't see much of the problem in terms of raising the issue. For next year, I think we will be on track to open. So, we opened almost 40 branches now. By March, as we suggested last year that we will have 100 branches. Everything is on track there. For next year, again, we feel that strong business performance will be there, and we expect our credit rating to improve in next financial year by at least two notches. So maybe we are BBB minus positive now. We should be BBB very soon and BBB plus is what we expect anytime during the calendar year or definitely in this financial year.

I hope that the key focus area other than the expansion is to bring the borrowing cost down. So, we are sure that slowly and steadily this will also happen. And as we grow our AUM, OpEx will decline. Thus, operating leverage will kick in. which is definitely our focus area. On credit cost, we definitely have to improve. This rain thing came in something which is not so expected I would say because COVID and Lumpy skin it was on your face that something would happen. This happened something, this dip happened something very slow and sturdy.

I think it took us a little while to take that action. Although we realized it sooner to bring it to secured space and then increasing our rate of interest on the unsecured because we could saw some delinquency happening there. So that ways we controlled it. But overall, we see a good scenario here in terms of growth because product is very light in livestock especially. We have this agroforestry, we have vet services which are very unique feature. Now we are launching other features like biodiversities which will show up slowly and steadily. I think we are definitely a good space. Mayur, if you want to say something

Mayur Modi

No, I think what I want to just say is that we just completed five years two days back. I think all the hard work of the team put in the last five years, including two years of COVID is finally now starting to pay off. I think this is the first full-year profitability that we will probably report in March. I think we've built a very strong team. I think our product is very strong, and we are gaining a lot of traction in the markets that we operate. And some of the markets, we are either the first port of call or we are second in line to gain market share. I think that's very important.

Wherever we operate, I think we have a very fantastic team on the ground. Vintage has been very strong. That shows the conviction of the team on the ground well, as well as the team at the corporate levels that they believe in the story. I think all that put together, I think we have a winning product and business at hand. All that we need to do is, we need to continue to execute well. I think that's what the team is focused on. I'm sure that in the coming months and quarters, you will see the results of the hard work even more as we keep on reporting positive numbers. Thank you so much.

Moderator

Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.