OnEMI Technology

Operator: Good day and welcome to the Q1 FY27 earnings conference call of OnEMI Technology Solutions Ltd. 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, please note that this conference is being recorded. I now hand the conference over to Mr. Ajit Kumar from JM Financial Institutional Securities Limited. Thank you and over to Mr. Kumar.

Ajit Kumar – JM Financial: Thank you, Nirav. Good afternoon everyone. This is Ajit Kumar from JM Financial. Welcome to the Q1 FY27 earnings conference call for OnEMI Technology Solutions Ltd., known as Kisht. We have with us today the management team, including Mr. Ranvir Singh, Founder and CEO; Mr. Krishnan Vishwanathan, Co-Founder and CFO; Mr. Rahul Roy, Chief Data Analytics Officer; and Mr. Chirag Jain, Head of Strategy and Investor Relations. I now invite Mr. Ranvir Singh for his opening remarks, after which we will open the floor for Q&A. Over to you, Ranvir.

Management: Thank you, Ajit and Nirav, and good afternoon everybody. Welcome to the call. As you know, we are Kisht, and we are focused on digital lending. We have built a platform which allows anyone in India to come to our platform via phone and avail of a loan. The entire journey from the first tap to money reaching the account takes approximately 5 to 10 minutes. Our aim here is straightforward, which is making borrowing easy and dignified for the customer while remaining extremely diligent on risk. Speed for us does not mean haste. Our commitment to risk is uncompromising and it shapes everything we do.

The AI and machine learning models read the risk in every loan, and the collections framework is built to be both firm and fair. The risk is being meticulously watched, measured, and controlled. It is this discipline which underpins our performance for this quarter. The registered users grew 33% year-over-year to 74.6 million. We have now served 12.25 million customers, an increase of 26% year-over-year. AUM stood at 8,001 crores, up 61% year-over-year and 13% quarter-on-quarter. Profit after tax grew to 95 crores, higher by 59% year-over-year and 16% quarter-on-quarter. Return on average AUM held steady at 5.05%, which is a reflection not only of growth, but of its quality.

On the macro picture, the Indian economy remains steady, and this steadiness is what a lender like us values the most. The Reserve Bank has held a neutral stance and left rates unchanged. For lenders, I believe predictability in the cost of funds matters more than the availability of cheap money. Two developments are worth watching, though neither touches our book directly. The first is West Asia, where the risk is not geography but transmission through higher oil prices, the cost of shipping, and over time, the confidence of the customer. The second is the Reserve Bank's push on FCNR deposits, which has drawn in foreign currency and eased system liquidity. Easier liquidity tends to lower the cost of funds for lenders like us. Neither changes our strategy, but both deserve attention because lending books are often affected first by second-order impacts rather than the first-order headlines.

Beyond the ebb and flow of any single quarter, the long-term opportunity in India remains unmistakably gargantuan. A large and growing number of Indians, be it salaried or self-employed with steady incomes, are digitally active with a profile that can be read without any manual intervention and now want credit on their own terms, which is fast, simple, and digital.

Our underwriting is shaped as much by what we see across the industry as by what we see on our own book. The bureau data for the industry now shows a clear divergence beneath a calm surface. Regarding the industry, headline asset quality looks benign, yet beneath the surface, stress is building. This is concentrated in a few places, particularly in small-ticket loans, instances of borrowers carrying debt across several lenders at once, and households taking new lines only to service old ones. Stress of this kind does not show itself in the averages; rather, it hides in pockets. We watch for those pockets early and act in both directions.

For instance, last quarter, out of caution, we paused lending across approximately 450 pin codes based on what our early warning system had flagged. We have re-examined those pin codes since. The signals have turned modestly positive and we have reopened approximately 40% of these pin codes already. This is cautious optimism, not a change of stance. As we said last quarter, we would rather carry prudence slightly early than discover optimism slightly late.

We are also watching the early signs that AI is reshaping certain salaried profiles. We have already adequately altered our underwriting to give more weightage to the durability and sustainability of income and not merely the quantum. The bureau data tells a two-sided story and our craft lies in telling the two sides apart. For the industry, the quality of new customers has softened even as headline delinquencies in personal loans have improved. Both are true at once.

Our recent vintages are performing materially better than a year ago. Let me reiterate: our recent vintages are performing materially better than a year ago. In lending, a loan's early behavior is a dependable guide to its eventual loss. We will keep reading the first signs of stress and acting before they surface in the numbers.

Regarding key financial and operational numbers, AUM stood at 8,001 crores, as I mentioned, up 61% year-over-year and 13% quarter-on-quarter. Disbursements for the quarter were 3,812 crores, up 37% year-over-year. As our repeat customers, who are decisively high quality, move to longer tenures, disbursement growth will be slower than the AUM growth. For us, the AUM is the true measure of the value we are building and it continues to grow at a strong pace.

Total income was 677 crores, up 45% year-over-year. As a share of average AUM, total income fell 249 basis points over the quarter. This drop is deliberate and is part of a conscious and concerted strategy on our part. We mentioned this last quarter and we are mentioning it now. We are steadily acquiring a higher proportion of high-quality customers who are priced lower precisely because they carry less risk. Also, a rising share of off-book lending, which has gone up from 49.7% to 53.6%, adds to the reduction in revenue margin. Pre-provisioning operating profit was 256 crores, up 42% year-over-year. Profit after tax was 95 crores, up 59% year-over-year and 16% quarter-on-quarter. Return on average AUM was 5.05% and return on average equity at 21.20%.

Regarding asset quality, portfolio quality stayed disciplined through the quarter with our asset quality metrics moving within the expected range. Credit cost was 6.80% of average AUM, down from 7.02% in Q4 FY26 and 8.85% in Q1 FY26. This is a significant improvement and is further testament to our strategy of targeting high-quality customers as we grow larger. Risk metrics have been range-bound. Stage 2 stood at 3.15%, which improved from 3.9% to 3.15% year-over-year. The increase compared with last quarter is seasonal in nature, something we see in almost every first quarter of the year. Gross NPA was 2.25%, which is very range-bound. Net NPA was 0.36% and collection efficiency was 96.82%, demonstrating our resilience in risk management. We firmly hold to the guidance we gave last quarter, which is a 15% reduction in credit cost, and we are tracking well on that. Provisioning stays deliberately conservative with Stage 3 ECL coverage at 84.1% and Stage 2 coverage at 80.4%. This is among the highest in the industry.

Regarding the balance sheet, it strengthened considerably this quarter following the IPO. Capital adequacy in our NBFC subsidiary rose to 40.2% from 25.3% last quarter. Net worth grew to 2,245 crores, nearly four times its level in March 2023, built on retained earnings, organic profitability, and the IPO completed in May 2026. Funding remains balanced with an on-book AUM of 3,716 crores and off-book AUM of 4,284 crores. This is a 46-54 split supported by more than 45 lending partners.

We are widening our product range to meet more of what our customers need and to deepen the relationship with those we already serve. The LAP (Loan Against Property) business, which we started 2 years ago, has an AUM of 617 crores across 101 branches in eight states. This is about 7.7% of the total AUM. We are not building a standard garden-variety LAP business, but something that is highly technology-enabled. For instance, it comprises model-based underwriting, branch credit fulfillment, smart document processing, and AI-validated property valuation. With the prudence with which we are building LAP, we feel very confident the risk will hold up well over time and not just today. Separately, we have begun to build capabilities in mutual fund distribution. The rationale for this is that a large proportion of our customers have invested in SIPs and mutual funds over time, and an offering like this will help serve them well and enhance our fee income. Our subsidiary has secured an AMFI registration already.

Regarding technology and AI initiatives, I should say at Kisht, technology is not a department; rather, it is the company. We are a technology company that lends, not a lender that has bolted technology on the side. That distinction has only sharpened as we have grown. Our underwriting and collections are built and run entirely in-house. The underwriting stack reads more than 7,200 signals for each borrower. This includes bureau data, banking flows, device intelligence, transactions, and alternative data. The models behind it have transitioned from simple decision trees to gradient boosting and now to transformer-based model systems. When I say transformer, this refers to the 'T' in GPT seen in AI. This currently has an AUC (Area Under the Curve) of 74%, up from 66% in 2023, separating good customers from bad customers about 2.5 times better than a bureau score alone. The objective has been simple and steadfast: to identify behavioral deterioration before it becomes delinquency.

Behind the statistical models stands the human half of the same effort. We have more than 7,000 field agents and over 1,000 tele-callers, with more than 95% of collections handled in-house. This is an architecture that held firm through Q1 FY27. Collections and fraud are where our AI is most visibly at work. In early-bucket tele-collection, our voice agents now recover at more than 80% of human efficiency, up from the 70% we reported earlier. Our feature store watches over 7,200 signals for drift, and our multi-agent fraud system runs more than 50 separate checks including deep fakes, false documents, anomaly detection, and network fraud. We would like to believe we have been pioneers in this space. Many of these numbers have held steady since FY26, and that steadiness is deliberate. It tells us the infrastructure is comfortably keeping pace with the growth. The same holds for our support and engineering team. AI-assisted support covers 100% of calls for quality and has cut response time to under 90 seconds. More than 80% of our own code is now written with AI. Technology investments have not made lending less about judgment; rather, they have made good judgment more scalable.

Management: Regarding future guidance, we remain firmly on track for the FY27 guidance we set out across different parameters, including AUM, gross NPA, credit cost, and profitability including ROE and ROA. I reiterate, we remain firmly on track. As closing remarks, I should say that the market keeps time in quarters, but we keep it in decades. In our first year as a public company, our attention is on things that last: robust governance, strategy, disclosure, and the patient work of building an institution meant to endure. We ask to be understood over the long run because that is the only span on which this kind of institution can be fairly judged. We are building for something larger and with due patience for India and for the long climb of its formal credit market, where there are millions of creditworthy customers who want credit that is fast, simple, and digital. My thanks to our shareholders, our partners, and everyone who has backed us. We are happy to take questions from the floor. Thank you.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon. Participants are requested to announce your name and company name before proceeding with your question. The first question is from the line of Tushar. Kindly proceed.

Tushar – Individual Investor: Hello, am I audible, sir?

Operator: Yes, Tushar. Kindly provide your company name and proceed with your question.

Tushar – Individual Investor: I am Tushar, an individual investor. I have a couple of questions. My first question is on AUM growth. We have experienced very good AUM growth this quarter. Could you please disclose the factors supporting this growth and how sustainable is this growth in your view?

Management: Thank you, Tushar. Yes, the growth has been robust. First and foremost, we believe it will be sustainable for the foreseeable future. This is reflected in the future guidance we gave last quarter. The key reasons for this growth are twofold. First is our relentless focus on ensuring risk is well-contained. As our models become more sharpened and better predict risk, it gives us a different level of confidence. It allows us to approve a higher share of good-quality customers, which has played the most significant role in this growth. Second, though you may call this growth of 13% quarter-on-quarter great, I should also say that we have exercised a high degree of prudence. In retrospect, as I mentioned, we are now opening up some locations that we had closed last quarter. So there is an element of growth which we believe will come in the future by being very balanced about growth while maintaining risk quality diligently. These two things—continuing to exercise prudence on good customers and targeting high-quality customers—are helping us sustain this growth.

Tushar – Individual Investor: Can we expect to surpass our full-year AUM growth guidance based on the answers you provided?

Management: Last quarter, we said our overall growth for the next 12 months will be upwards of 40%. Simple mathematics tells you that if we have already grown 13% in one quarter, we are on track to over-achieve that. Regarding guidance, we remain firmly confident of over-delivering on the 40% growth target that we gave last quarter.

Tushar – Individual Investor: My last question is on product portfolio evolution. How do you see the product portfolio evolving going forward? Are there opportunities to expand into other lending products?

Management: We have mentioned this before and we are saying it again: given our large base of 12.25 million customers, they end up taking multiple other loans. Given our access to them and the engagement we have through our app, we want to leverage that opportunity. Currently, we are focused on personal loans and LAP. LAP is 7.7% of the total book and we are highly committed to scaling that while continuing to focus on the personal loan book. It is difficult to say which new lending products will come in the future. We are always evaluating products that can add to the portfolio meaningfully, but for now, these two products are the core focus. Each of these products requires significant capabilities. When we say LAP, it is not plain vanilla; it is tech-enabled. We have invested significantly in technology, such as our AI-validated property valuation, which is perhaps the first of its kind in India. The process from the first customer meeting uses model-based underwriting to ensure a seamless experience. We see that there are two different products, but the required capabilities are quite prominent and we continue to build around them.

Tushar – Individual Investor: Okay, sir. Thank you for taking my questions and all the best.

Management: Thank you.

Operator: Thank you. Next question is from the line of Abhishek Murarka. Kindly announce your company name and proceed.

Abhishek Murarka – HSBC: I am Abhishek Murarka from HSBC. Thanks for taking my question. Ranvir, one question on asset quality. Regarding the pin codes where you paused business, last quarter that was 450. You said you resumed lending in 40% of those this quarter. So, is 270 the total outstanding number of paused pin codes, or are there other pin codes outside of these where lending is also paused? How has that moved quarter-on-quarter?

Management: Absolutely, Abhishek. At any point, we are serving 17,000 pin codes in India. Out of those, close to 11,000 pin codes contribute to 98% of our business. Last quarter, within those 11,000 pin codes, we paused business in 450 pin codes. Out of those 450, we have now restarted business in 180 pin codes because our outlook on the credit is positive. The remaining 270 pin codes remain paused and we will continue to monitor and evaluate them. If we see data confirming enough for us to start business there, we will restart in the future.

Abhishek Murarka – HSBC: If I marry this response with the reported numbers, collection efficiency is a little lower and bounce rates are a little higher, but the number of pin codes where you have paused business has come down. This means the number of pin codes where you are doing business is up. How does this tally? From a risk perspective, those first two metrics suggest more risk, but you are more confident of growing in more pin codes now. How do I reconcile this?

Management: It is a very good question. Let me lay it out clearly. For us, the biggest measure of risk first comes from the credit cost we see in the book. Credit cost as a percentage of average AUM has come down to 6.80% from 8.85% in last year's Q1 FY26. Between Q4 FY26 and now, we have seen a drop of 22 basis points. Regarding the bounce numbers, that is a function of many factors. For example, if you have a higher proportion of customers who have already paid a large number of their EMIs, they naturally have a lower bounce. There are factors specific to Q1 which influence this, and there is always an element of technical bounces which are operational. Our bounce has remained very range-bound, so it does not give concern that risk is deteriorating. Given our understanding of bounce across different cohorts, all the new sourcing we have done since December of last year is showing a much-improved bounce rate and a better eventual loss expectation. That gives us the confidence to release 40% of the locations we had paused.

Abhishek Murarka - HSBC: Since we are at the end of July, how has the bounce or collection efficiency trended versus your June ending numbers?

Management: Two things have happened. One, it has improved. This is because there is a Q1 phenomenon where you see a slight deterioration after the strong Q4 numbers, which goes away by the time you reach July, August, and September. Second, it has also improved because of the confidence we have in future performance. This is why we are opening geographies and easing curbs in specific sub-segments where risk was building due to macro factors. We are seeing numbers that are superior to the average of the last quarter.

Abhishek Murarka - HSBC: That is reassuring. My other question is on margins. In terms of your incremental yield on products, is it coming down or stable? What is the yield on personal loans versus LAP now? On the cost side, what is your incremental cost of funds? Last quarter it was 14.45%; what is the incremental cost today and what is your margin outlook?

Management: I will let Krishnan talk about cost of funds, but let me first address margins. This is a critical part of our strategy. One cardinal strategy we follow is that with every passing day, we go after high-quality customers who come at lower risk. The credit cost reduction from 8.85% to 6.80% is testament to that. Whether these are new high-quality customers or repeat customers where we have a track record, we offer them loans at a lower cost. It is a deliberate strategy to attract and retain these customers by keeping pricing lower for them. This leads to a reduction in the revenue margin, but the calculation shows the benefit from better risk and higher customer quality is unilaterally positive. We see a situation where the revenue margin has come down and yet profitability is sustaining and improving.

Specifically this quarter, another factor is that our off-book share increased from almost 49% to 54%. The off-book portion comes at a lower margin because we earn a service fee over and above the agreed cost of funds with the partner. That reduction in revenue margin is offset because PPOP (Pre-Provision Operating Profit) has only improved. Regarding overall profitability, we remain firmly committed to the ROE guidance we gave. The conviction comes from the interplay of revenue margin and risk reduction, plus operating leverage. The operating expense as a proportion of AUM has improved from 19.9% to 18%. This contributes to our conviction that we will deliver a steady ROE above 20% in the coming quarters.

Even after accounting for the large pool of capital raised in the IPO, roughly 850 crores, we delivered an ROE above 20%. This is because of the benefits in risk and operating margins which will sustain for many years. Krishnan, will you address the cost of fund and credit rating?

Abhishek Murarka – HSBC: Just before that, Ranvir, what is the product yield today?

Management: For personal loans, the rate we charge is around 29–30%. However, if we include all other income like processing fees, bounce charges, penal charges, and insurance, the landed cost comes to 36–37%. On the LAP business, the range is between 16% on the lower end to 24%. The average is almost 21.8%. There is a small reduction in overall yield due to the increased share of LAP, but since it only increased from 7.3% to 7.7%, the impact is very small.

Abhishek Murarka – HSBC: Thank you. And Krishnan, on the cost of funds?

Management: In Q1, because we raised equity, there was very little incremental debt raised as we were in a capital surplus. That is why you do not see a big difference in the cost of borrowing between Q4 and Q1. There was only one debt raise in Q1 FY27, which came at a loaded cost of approximately 12.9%. When comparing to the AUM level cost of borrowing which you see at 14.45%, note that the 14.45% includes the GST impact on processing fees. The incremental borrowing was 150 basis points lower than the average borrowing cost of FY26. Our guidance for H2 FY27 is that you will see the cost of borrowing dropping by 100 basis points as old debt runs off.

From a rating perspective, we are engaging actively with India Ratings and Crisil. We are cautiously optimistic that given the risk performance, capitalization, and profitability, one or both will look favorably at a rating upgrade. An upgrade will not likely impact borrowing costs in FY27 but will meaningfully impact them in FY28.

Abhishek Murarka – HSBC: I noticed the reported cost of borrowing was higher this quarter versus the last, but it should actually come down.

Management: One clarification there: it is not actually higher. We shared in our KPI handbook that we moved from a monthly average debt AUM to a daily average for calculation. The apparent increase was an anomaly based on the timing of debt raises relative to the quarter end. Interest is paid on a daily balance basis. On a daily average basis, you see an improvement of 10 basis points. We will see a significant reduction in H2 onwards. Over the next three quarters, we expect a cost of fund improvement of at least 100 basis points. At an incremental level, some of the lines we are taking now come at a fully loaded cost of 12% to 12.4%.

Abhishek Murarka – HSBC: Thank you so much and all the best.

Operator: Thank you. The next question is from the line of Manish Ostwal. Kindly announce your company name and proceed.

Manish Ostwal – Nirmal Bang Securities: I am Manish Ostwal from Nirmal Bang Securities. Most of my questions were answered, but I have one long-term question. You spoke about thinking in decades and building an institution. Regarding the product trajectory and product additions, how should we think of the strategy?

Management: We have aspirations of building a very large, credible, and profitable business over a much longer horizon. It is natural that we will add more lending products. When we evaluate products, the order of preference is Gold loans, Business loans, Education loans, then Auto loans and so on. We have also evaluated things like loans against mutual funds because a large portion of our customers are already in mutual funds, and offering this digitally is attractive. It is difficult to speculate on which specific product will be next in the immediate term. Over the next decade, we will almost certainly add more products.

Having said that, we see a massive opportunity in personal loans and LAP. Personal loans in and of itself is a massive market, which is why we are confident in long-term growth. Historically, we have not grown less than 60% in any individual year. On LAP, it cannot grow as fast as personal loans, but its share in our business is increasing steadily and currently stands at 7.7%.

Management: I will add that our commitment to delivering profitability on an ROA and ROE basis remains steadfast. Even as we add products, we will do it in a way where we can absorb the initial burn and still deliver a 5% ROA and 20% ROE consistently.

Manish Ostwal – Nirmal Bang Securities: Regarding the mutual fund distribution license, how should we think about the fee income potential?

Management: Fee income potential outside of lending comes primarily from insurance protection products and savings or investment products. We are currently doing insurance with credible partners, and that is part of our fee income. Mutual funds will add another revenue line and improve overall profitability. Insurance is established; adding mutual funds allows us to serve our existing customers who buy SIPs and earn fee income there.

Manish Ostwal – Nirmal Bang Securities: Thank you and all the best.

Operator: Next question is from the line of Nidesh Jain. Kindly announce your company name and proceed.

Nidesh Jain – Investec: I am Nidesh from Investec. What is the share of the organic channel in customer sourcing for Q1 and how is it trending?

Management: The organic channel contributed 31% for Q1. It was 27% last quarter. The average for FY26 was close to 23-24%. Over the last 3 years, the share of organic channels has risen from 8% in 2022 to 31% today. Our assessment is that as we build a credible brand, the number will stabilize between 40% and 50%.

Nidesh Jain – Investec: You mentioned moving toward better quality customers. What is the aspiration for yields on personal loans from the current 30% or 36% landed cost? How will that be compensated in the DuPont analysis to deliver a 5% ROA over the next 3 years?

Management: We think of this in reverse. Looking ahead 3 years, we see three unambiguous benefits in our DuPont analysis. First is operating leverage. Our cost is currently 18%, which we believe is high. Approximately 55% of this is fixed cost—technology, leadership, and admin. As we scale over the next 3 years, this will grow only at an inflationary rate, and we will get efficiency from AI. The benefit from operating leverage alone is around 4-5% over 3 years. Second is the cost of funds. We expect at least a 100 basis point reduction in the short term, but over 3 years, that could be a 200-300 basis point reduction. Third is risk reduction. We expect the risk to be approximately 40% lower.

Cumulatively, we are looking at a benefit of 8-9% over 3 years. This means we can deliver an ROA above 5% while reducing our revenue margin by 8-9%. We follow a feedback loop logic: we realize the benefit first and then pass it on to the customer with a one-quarter lag. This ensures stable ROAs.

Nidesh Jain – Investec: You mentioned signs of AI reshaping salaried profiles and industry-wide stress building. Can you elaborate on how you have changed your underwriting for that?

Management: To clarify on pin codes, we actually opened more. My commentary on stress was regarding the overall industry. Bureau reports show that industry-wide sourcing in the last two quarters shows signs of higher delinquency. In our case, it is exactly the reverse. All sourcing since December 2026 shows much better bounce, collection efficiency, and early indicators. That gives us the confidence that our credit cost will come down by 15%.

Regarding specific segments like salaried profiles where AI may play a role, we have observed segments where people applying for loans show no EPFO credit in their accounts for the last 1 or 2 months. These individuals may have been salaried but recently lost employment. We have put additional checks on that through Account Aggregator to see salary credits as of yesterday rather than using stale data. We have also shown caution with self-employed businesses showing volatility in banking credit over the last 6 months. We have tightened underwriting there as they seem more cyclically impacted. Finally, we traditionally bucket customers from band 1 to 16. While we usually approve the top 4 bands, in specific segments, we tightened this last quarter to approve only up to band 3.7. We are re-evaluating whether that was extra caution and may return to the normal band 4 approval this quarter.

Nidesh Jain – Investec: Thank you.

Operator: Thank you. Next question is from Devansh Dugar. Kindly announce your company name and proceed.

Devansh Dugar – Equintus: I am Devansh from Equintus. On the LAP side, how are we doing with that transition from digital to physical? Also, on spreads, as cost of borrowing decreases, will you pass on the complete benefit or keep some of it?

Management: I will address the second question first. We pass on the benefit with a lag. After we have fully realized the benefit in our accounting book and confirmed ROAs above 5% and ROE above 20%, we pass it on. If we do not see the benefit realized in a particular quarter, we do not immediately pass it on. This ensures we deliver on our predictions.

On LAP, we started this 2.5 years ago with many pilots. Once we had confidence, we began scaling and now have 101 branches. It accounts for 7.7% of the total AUM. We are confident the risk will hold up well because the risk curves and payout patterns are playing out exactly as expected. Because personal loans grow so fast (growing 73% last year), the proportion of LAP appears lower, but its share is increasing steadily. The LAP business will achieve break-even in H2 FY27, likely around Q3. The initial drag was expected as part of building the business, but once it breaks even, it will deliver the desired 20% plus ROE.

Devansh Dugar – Equintus: How much time does it take for a branch to break even? also, how are the early LAP buckets from 2 years ago behaving compared to recent ones?

Management: The performance of loans from 2 years ago and the recent buckets are both playing out well. We have been extra prudent because we are using branch presence plus technology like AI-validated property valuation. Regarding branch profitability, an average branch in the industry might take 16-18 months to break even. In our case, it takes 7-8 months. This is because more than 40% of our LAP customers are sourced from our existing personal loan customer base, so we do not have to spend as much on initial sourcing. The ROE for this business is also 20% plus, so it is not dilutive; it helps us scale and spread our fixed expenses.

Devansh Dugar – Equintus: That was very helpful.

Operator: Thank you. Next question is from Aditya Mondra. Kindly announce your company name and proceed.

Aditya Mondra – Myntra Capital: I am Aditya Mondra from Myntra Capital. Does the FLDG portion of the credit cost fall under Opex?

Management: Yes.

Aditya Mondra – Myntra Capital: What would that portion be for this quarter? And does the credit cost reduction from 8% to 6% include that FLDG portion?

Management: The non-utilized FLDG portion is not included. When we do off-book disbursements, we provide a 5% FLDG upfront. The unutilized part is not part of the total Opex or credit cost because it has not been incurred as an expense. However, the total portion being blocked reduces the capital available for us to lend. Only the utilized portion is reflected.

Aditya Mondra – Myntra Capital: Why has the gross NPA increased while the credit cost has come down? Also, is the gross NPA for combined on and off-book?

Management: Gross NPA is only for the on-book, because that is where the stage movement is tracked. Gross NPA is a function of when we write off. We write off personal loans at 150 DPD. Gross NPA shows what is between 90 DPD and 150 DPD. Credit cost, however, comes from all provisions for Stage 1, 2, and 3, plus the 100% write-offs. It is a normal scenario for these to move differently.

Aditya Mondra – Myntra Capital: Could we disclose NIM and yield product-wise in the presentations?

Management: We will consider that for next quarter. On-balance sheet yields and spreads are currently in the presentation. NIM for off-balance sheet business is not a standard accounting metric because it is booked as servicing fee income, not interest income. We disclose NIM for the on-balance sheet business as mentioned.

Aditya Mondra – Myntra Capital: Thank you, sir.

Operator: Ladies and gentlemen, that was our last question. I hand the conference over to management for closing comments.

Management: I have already covered most points in my opening remarks. I want to thank all our shareholders, partners, and those who have backed us. We will now conclude the call.

Operator: Thank you very much. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.