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

August 16, 2024

Scrip Code: 538446

Dear Sir/ Madam,

Sub: Transcript of Schedule of Investor Conference Call held on August 09, 2024

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

Pursuant to Regulation 30 of the Listing Regulations, please find attached the transcript of earning conference call held on August 09, 2024, with respect to the financial results for the quarter ended June 30, 2024.

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

You are requested to kindly take the same on record and acknowledge the receipt.

Thanking You,
Yours faithfully,

For **MONEYBOXX FINANCE LIMITED**

SEMANT JUNEJA
Digitally signed by SEMANT JUNEJA
Date: 2024.08.16 18:08:58 +05'30'

Semant Juneja
Company Secretary and Compliance Officer

MoneyBoxx Finance Ltd
Q1 FY25 Earnings Conference Call

Event Date / Time: 09/08/2024, 16:00 Hrs.
Event Duration: 01 Hrs 01 mins 02 secs

CORPORATE PARTICIPANTS:

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

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

Moderator

Ladies and gentlemen, good day and welcome to the Moneyboxx Finance Limited Q1 FY25 Earnings Conference Call hosted by Ventura Securities Limited. As a reminder, all participants 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 Moderator 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. 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 Q1 FY25 Earnings Conference Call. The company is represented by Mr. Deepak Aggarwal, Co-Founder, Co-CEO, CFO and Whole Time Director and Mr. Mayur Modi, Co-Founder Co-CEO and Whole Time Director. I would now like to hand over the call to the Co-Founder of the company, Mr. Deepak Aggarwal for his opening remarks. Thank you and over to you sir.

Deepak Aggarwal

Thank you, Tushar. Good afternoon and warm welcome to everyone. We have Mayur Modi, Co-CEO, Co-Founder and Whole Time Director and Viral Sheth, Finance Controller of Moneyboxx Finance Limited with us. Before I start the Q1 discussion, we would like to thank our investors who have shown significant trust and faith in our business model, leading us to announce our largest round of equity raise till date. The recent announcement of INR 271 crores of fresh equity raise which is 1.6x our existing capital of INR 170 crores is significant. What is even more significant is that over 65% of the upcoming equity is coming from existing investors, which is a true reflection of our success. Promoters have also subscribed to a maximum permissible amount in equity through warrants, which again displays the commitment and faith of co-founders in the business.

The raise will not only help us meet our AUM growth target but will also lead us to strong returns for investors. Getting on to Q1 performance. AUM of the company increased 93% YoY to INR 746 crores, including managed book, up from INR 386 crores last year. Sequentially, the growth is 2.2%. And as we always say that Q1, in fact, H1 is muted for us. Our divergence is in H1, it's typically 30% of the yearly disbursement and H2 is 70%. We are again aiming to almost double our AUM in this financial year from INR 730 crores to around INR 1400 crores this year. The number of branches increased 53% YoY to 104 branches. As we speak, we have 113 branches, and we are on track to achieve 150 to 175 branches. Currently, we have presence in 8 states and soon in this quarter, we will expand our presence to 12 states.

We are adding 4 new states, which is Tamil Nadu, Karnataka, Telangana and Andhra Pradesh in this quarter, and we will be opening 25 branches in southern states of India, further increasing our diversification. Disbursements were up 95%, and for the quarter, the business was INR 106 crores, which is 18% up versus last year. And in total, our disbursements have topped INR 1300 crores. The important part is that share of our secured loans has increased very significantly. Last year, it was only 8% of our AUM, which as on June stands at 27%. We will continue to increase contribution from secured loans, and it will be over 40% by end of 2025.

Total income grew 94% to INR 45.7 crores versus INR 23.5 crores last year, in line with the business and AUM. OpEx as a percentage of AUM declined to 12% in Q1 compared to 13.3% in Q1 of last year and compared to 12.7% in FY24. So, you will see that OpEx has declined over half in last 3 years, which was 25% as percentage of AUM FY21 to 12% now. We are on our target to achieve around 11% OpEx this year, which I'm very confident of achieving.

Now this has resulted in the company posting profit after tax of INR 4.3 crores in this quarter. This is even though there have been large write-offs this quarter, and there are definitely in the first quarter, you see that employee expenses increased due to appraisals. However, AUM does not grow much. ROE stands at double digit 10% against 8.5% last year. ROE will continue to see improvement with the declining cost of borrowing and declining OpEx. The company has strong unit economics as shown in the presentation with incremental interest spread improved by 49 basis points, as seen on the quarterly basis. Although, you will see that on an average it has reduced but based on the incremental cost of borrowing and incremental lending, we have improved our strength, so which is a great sign despite including secured business significantly.

Incremental borrowing costs reduced to 12.05%. If you see that, you know, in H2 of last year, it was 13%, while our average borrowing rate is around 13.7%, but incrementally the decline is sharp. And with increasing capital base by end of this month, we believe further in H2 we should be able to bring down cost by another 50 basis points. So, we are on track to reduce. We are still high compared to larger players, which are getting money at around 10%. But I think it's a journey and as our credit rating improves, we are sure that borrowing costs will continue to decline. Debt/equity improved to 2.7x in Q1 from 3.03x in Q1 last year and leverage declined to 3.47%.

Liquidity level remains adequate at INR 85 crores, which is more than 10%, so 12-13%, that's our target, that minimum 10% of AUM we should maintain. However, you will see elevated levels of liquidity because of upcoming equity rates. Besides the cash we maintain, we have about INR 500 crores per annum of co-lending and business correspondent lines, which are available. Asset quality has moderated during the quarter due to sluggishness in the rural economy. We had the same reasons as we had last quarter. Although gross NPA stood at 1.65%, compared to last year, it is high, but compared to last quarter of 1.54%, it is almost flat. Historically, the company credit cost was less than 3%, including pandemic.

And that's what we still maintain as we always say that on unsecured, we believe credit cost to remain between 2-3% and in secured portfolio maybe up to 1%, 1.5%, which will mean on a blended level, we should be around 2% of credit costs and not crossing that asset class portfolio increases. Credit costs stood at 2.36% in Q1 versus 1.88% in Q4 last year. So, we have taken a significant amount of write off. But as I said that this remains under the guidance level which we have said that it could be between 2% and 3%. It's still below 2.5%. And we believe that this will only improve with time.

We now have 33 institutional lenders. We added RBL last quarter. We got enhancements from IDFC. We got enhancements from Tata Capital, DCB Bank. We have in principle sanctions now from 3 new upcoming banks, which should close in this quarter. And with additional equity, we believe that we will have many more number of banks. So, contribution from banks, you will see that will significantly increase from current levels and which will lead to lowering of borrowing cost here. The other thing which happened in this quarter is improvement in our credit rating by CRISIL from BBB minus to BBB stable, which will now we expect that in another 5-6 months' time, maybe within this calendar year, we should see one more upgrade, especially driven by increasing AUM, increasing secure lending, improving ROA and most importantly equity capital.

So, we will have net worth of more than INR 300 crores very soon by end of this month. This brings us to, you know, telling you the major points, which are number 1, the equity rates, which is happening in this month, improvement in credit rating, secured lending, specifically realizing, expansion in South, which would be a major event, and the increase in secured lending. So, all in all, we believe that we are on track despite some challenges, there are definitely some external environment challenges, which are driven by election season, which always happens. You have lower spending by the government. So, there were environmental challenges, which is weather conditions not so fine. So that has led to some deterioration, but we believe that this is part and parcel of the financial sector, and it will improve with time.

Thank you for your continued support again and trust in our company. Now we look forward to the questions.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have 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. We will wait for a moment while the question queue assembles. Our first question comes from Mihir Shah from Riddhi Enterprises, please go ahead.

Mihir Shah

Hello sir, Good Afternoon. We are generally very confident about our asset quality. However, it has deteriorated significantly over the last few quarters. And given that like more than 50% of our AUM is less than 1 year old and like 30% is less than 2 quarters old, do you think like if this kind of credit cost is specified and how do you see it going further? And like how different is our asset quality with recurrence when compared to microfinance institutions?

Deepak Aggarwal

Okay. So, in terms of vintage, you will always see that 70% of business is unsecured, which you will always find that vintage is low in that. The thing you must see is that it's 5 years, so we have multiple repeat loans here. So that way we will have to see the vintage portfolio. And as far as secured loan goes, this is largely a book created in the last 18 months and more largely in the last 1 year. So, vintage will always look like that. Having said that, I would say that even in the extreme situations of pandemic, we have never crossed credit cost of 3%. The peak credit cost stood at 2.7%. So, we really have no reason to believe that the current situation will be worse than that. So, we believe that we are seeing the peak of credit costs, which we are seeing today, and this will soon stabilize and then improve.

So, we personally are looking at the numbers, we don't feel that we are going to have a higher credit cost than what we have. It's already among the highest in last 5.5 years of operation. So, we don't have that much concern. We are not even tighter these days in terms of underwriting. So, we don't see much impact going there.

Mihir Shah

Got it. Thank you, sir. And my second question is that we are going fast, which is really nice, but it gets me a little worried because there have been many examples of finance institutions that get... Hello?

Deepak Aggarwal

We are growing very fast in terms of percentage, you're saying?

Mihir Shah

In terms of AUM – Asset Under Management. But what gets me worried is that a lot of financial institutions in the past have got trapped in the collection related issues while growing fast. So, like, I'm sure you must have done your due diligence. So, could you share some information that could give us confidence?

Deepak Aggarwal

I think I would say that it's not that we are growing very fast. I mean, you have to see the percentage growth, based on our size. Typically, you know, if you see all the larger players, you know, have a similar growth initially, because, you know, although it looks like 100%, it's INR 338 to INR 730. It's the INR 350 crore. So, we still believe that and it's very diversified. It's not that a concentrated expansion in any one branch or in any one state. It's a very well diversified group. And if you compare with the base impact, the percentage will look high, but overall, it's not very fast. And, you know, we have seen the cycles now. I mean, we have seen COVID-1, we have seen COVID-2, so it's not that, you know, the book has been tested during those times and are being tested during, you know, these days also.

With MFI, you will have the numbers. I think the situation is much, much worse in MFI space. Whether you see MFI on a standalone basis, numbers are largely out. Or even if you see the MFI book of you know, large banks, you know, they are stating that MFI books, you know, most people are saying 4-5% to 6% kind of, you know, delinquency there. So, I think we are much better placed than MFI, you know, which we have always maintained that we are one level above that. So, in terms of credit cost, we have always been better than MFI, much better than MFI. But having said that. Some elevated cost will be seen because, you know, it's a market. So, we can't say that if industry is doing, you know, 7-8% or, you know, 5%-6% of delinquency, we will not have, you know, 2%- 2.5% kind of delinquency.

So, there is some ripple effect definitely, but we are trying to reduce that and not just from this year, last year, we realized that, and that's why, you know, we significantly increased our focus towards secure lending, which would generally, you know, mock your home loan and, you know, that kind of funding in terms of, you know, credit cost. So, I believe in the future, we will be much better placed here.

Mihir Shah

Thank you so much sir.

Moderator

Thank you, sir. Our next question comes from Harsh Shah from Sumaria Family Office. Please go ahead.

Harsh Shah

Firstly, sir, congratulations on the huge equity raise. I've been tracking the company from the last few quarters, and I'm happy with the progress and the growth that we are seeing. So sir, my first question is like in the medium term, the cost of borrowing for us might come down, but the average cost of lending rate will also come down as we provide more and more secured loans. So, I wanted to understand whether both of these will be at par or will we see any expansion or contraction of spread?

Deepak Aggarwal

Okay. Sure. So, the part is if you see our presentation for this quarter, we have also added just to answer to this question which we expected, what we have done is we have added what the lending rate for this quarter was, Q1, and what was the incremental borrowing rate for this quarter. So, you will, to our surprise also, see that our interest rates have improved in this quarter. What we have always maintained that we will have a spread of at least over 15% over a medium to long term perspective because this model has its own, you know, OpEx. So that will be maintained. However, if you see, we believe that given the decline in borrowing costs, we should not see any deterioration in spreads.

Harsh Shah

Okay.

Deepak Aggarwal

And that is also visible in Q1. We will continue to give quarterly updates on how the spreads are moving QoQ. But we believe that it is unlikely that spreads will fall below the benchmark of at least 15%. I believe that it should be around 15% and we have some levers to improve spread if we see some deterioration. We are aware wherein we can increase our lending rates in certain areas to maintain the spreads. But today, you can really see that there is no concern regarding that.

Harsh Shah

Right. Okay. So, sir second question is, like, so now that we are expanding into the south, so I wanted to know, like, how do we differentiate ourselves from the competitors? So, I mean that the yields that we charge from the customers, like, are maybe 100, 200 basis points higher than the competitors. Right? So how do we face any challenge when it comes to, do we face any challenge in convincing some customers? Or, like, when we expand to the southern region, what will be our strategy like?

Deepak Aggarwal

Generally, Harsh, we have maintained a strategy that we should align our interest rate at par or maybe some basis points lower than the largest competition. So, in unsecured loan, our pricing is not high definitely. If you compare us with the largest player in the segment, we may be 10 basis points lower or maybe at par with them. And then we have some additional as we always say that we have beds in our branches, we do agroforestry, now we are doing biodigester. So, there is always some additional benefit which we try to provide. We'll try to expand it. Having said that, I think the kind of market where we are, a 100-basis point, say, I would agree with your point that maybe we are 100 basis points higher than the largest players in south.

But I think in this market, 100 basis points does not impact much because even in the secured segment, we are 100 to at least 200 basis points lower than many large players today, which are based out of now. Maybe, yes, you correctly pointed out maybe 100 basis points higher than, you know, some, large place in South India. But that's a part of what I mean, we can also reduce it at some point in time. So, it's not that it's a big concern if we face that challenge, but I believe there is market for everyone, you know, with service level, with some additional benefits which we bring on the table. To the end customer, it does not matter much. It's like, you know, paying 50 rupees extra per lakh. It's not based on what decision is taken.

And that's why I would again say that when we started our business 5 years back, we were at 28% yield on unsecured loan, which currently stands at around 32%. So there's a 400 basis point increase. We don't see that there is that kind of possibility where we will lose the business. So the market can absorb with high 100 basis points, market can absorb. But we will remain competitive. As you will see that, you know, our cost of borrowing is declining. There is no reason that in next 2 years, I will not be borrowing at very similar rates to very large players. So, we don't see any threat with respect to that.

Harsh Shah

So we'll pass on the benefit to end consumer maybe as a borrowing cost of credit.

Deepak Aggarwal

If it is needed, we will do that. It's not that we are very tricky that we have to be high end company. We never think like that. And that's why I'm saying that we would like to have an approach. We are at par with the larger companies. It may take some time. On unsecured lending, we are already there. On secured, we are competitive with many, many competitors except 1 or 2.

Harsh Shah

Yes, right. Okay. So one last question, if I may ask. So I wanted to ask like what is the leverage ratio that we intend to maintain in the medium term that now that we are having this equity raise, so what will be the leverage ratio that we intend on?

Deepak Aggarwal

What we have guided is that at a book level, we generally try to be lower than 4x or definitely lower than 4.5x. But historically, we'll see that whenever we reach about 3x and between 3x and 4x, we try to bring in new equity. Now this has been a larger round. We guided all our lenders that we would raise only INR 125 crores this year, but somehow because we as promoters also wanted to take exposure, this time and, we had those numbers, so we decided to raise a large amount. So what I believe is that, now we have with this round of equity, which is, you know, some amount will come now and as well, and some INR 85 crores of, our warrants will come within 18 months.

Largely, if you see that we are sorted, I'm definitely not saying that we will not raise equity next year. But with INR 175 crores of existing equity, INR 270 crores of infusion over the next 18 months, maybe a PAT of, say, minimum within next 1 year of INR 60 crores. I mean, in terms of going to next year as well, say, middle of next year, we'll have a net worth of INR 500 crores, which is enough to build the INR 2,500 crores of AUM, which we have guided for FY26. So that's why I'm saying that we are well aligned in terms of equity to reach that number. Having said that, we may go for an equity raise again next year. So to answer your question that leverage would be generally expected to be below 4x on the balance sheet.

Harsh Shah

Okay sir. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. Our next question comes from Manhar Rao an Individual Investor. Please go ahead.

Manhar Rao

Yes. Hi. Good evening, sir. Congratulations on a good set of numbers. So, I had a couple of questions. Could you sir, is there any number which we have on the credit cost for the secured books separately and the unsecured separately or the GNP or NNPA for both of the books separately?

Deepak Aggarwal

We don't prepare that. But, you know, in general, I can tell you because, again, the secured book is new book. We are not seeing at par which is more than not even 1.5% there. So secured book is definitely a little bit better, than unsecured books. That's what I can tell you. So we definitely believe, you know, based on the guidance we have given that we don't believe that credit cost would be more than 1.5% in secure and more than 3% in unsecured. That's our belief that this is the maximum number which we will reach. And with the right mix of secured and unsecured, maybe around a 2% credit cost. In last 5 years, you will see that we have a credit cost of 2%. Even with 100% of the unsecured portfolio, except in the pandemic, we are in the 2.7%. That's where we are.

That, you know, it looks elevated now because there are market conditions, which we can't avoid, but it's not like a very, very grim scenario. There are reasons that AUM doesn't grow much in Q1, so you see some elevation there also. And then all those reasons of heatwave somewhere, floods somewhere, election season, so that's part and parcel and some credit cycle impact. But on the whole, we are confident that what we are guiding is the maximum number which we should see.

Manhar Rao

Yes. My second question was, sir, the 36-month vintage branches which we have, the AUM per branch has decreased and the AUM has also decreased there. So we have had you know, de-growth QoQ in our matured branches. So anything around that, sir?

Deepak Aggarwal

No. In 36 branches, we have an AUM of INR 14.5 crores.

Manhar Rao

Sir, the 36 plus month I'm talking about, the 22 branches we have about with 36 plus month of vintage where the AUM is INR 318 crore, and the AUM per branch is INR 14.5 crore. If I compare this to the previous quarter, the AUM per branch was INR 14.7 crore and I think it was INR 328 crores.

Deepak Aggarwal

Which is just a reflection of what happened is that because largely those 22 branches have unsecured loan portfolio, which declined faster than the secured loan. And as we said that if you see Q1 always have a very muted performance, so that's the only reason. So it's not that it's a structural, there's nothing structural. YoY, you will see an improvement only. It's just because Q1 being a slow quarter, that's what the reflection is. Even if you go to, like say, a COVID year, the 2 years in COVID, you will see, in fact, overall AUM actually dipped in Q1 because of no increase in disbursements or actually zero disbursement there. So that's just a Q1 kind of scenario. There is nothing structural here.

Manhar Rao

Sir, and then, sir, our 30 day, I think, DPD or the 30 day risky book, I think there is a 70 basis point increase there QoQ. So does this reflect that Q2 also we might slightly deteriorate a little bit more on the asset quality?

Deepak Aggarwal

Can't say. We are hopeful that it should not. I'm really hopeful that this will actually improve when we review the Q2 results. It should actually be lower than this. As I said that, you know, there are, market conditions.

Manhar Rao

Okay.

Deepak Aggarwal

So what I'm saying is that we don't believe -- see, at Q1, , you know, across industry, numbers have deteriorated in 30 plus par in Q1. So one impact is definitely a very low disbursement in this quarter. Other than that is you will know the reasons which all the industry data is out. There is sluggishness in the real economy. There are heatwaves, there are, in some areas, like Tamil Nadu, you have flood. So that's the reason. I'm completely sure that this will improve from Q2 onwards. I mean versus the Q1, there will definitely be improvement in Q2.

Manhar Rao

One last question from my side, sir. Given that we have done a huge equity raise, so what can be the average ROE for this year? And sir, also if you could give us some idea on the collection efficiency for this quarter and you know, as requested in the previous con-call, if this can also be, you know, put up in the presentation, so that would be really helpful.

Deepak Aggarwal

So for ROE, we have already guided that it will be double digit only. We feel that ROE should reach which was about 10% in last year, we should see an elevation maybe somewhere around 12% is our idea that we should see. And the collection efficiency for the month of June is above 95%. It's about 95.5%.

Manhar Rao

Yes, sir. That's it from my side. And if we could, sir, put this collection efficiency in our presentation next time maybe or this time, that should be relevant. That's it from my side, sir. All the best.

Deepak Aggarwal

Yes. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad, and please wait for your tone to ask the question. Our next question comes from Aniket Redkar, an Individual Investor. Please go ahead.

Aniket Redkar

Thank you for the opportunity. Sir, I just wanted to know, how do pass through certificate fit into our current financial strategy? Could you throw some light on this?

Deepak Aggarwal

Hi, Aniket. Aniket, last year, we did, a significant amount of PTC, which is which is about INR 50 crores of PTC, which we did last year, from PTC. For you know, we don't have any specific target for PTC. If you get, you know, it may happen in the last quarter because, I don't see it happening in this -- in the current quarter or even in Q3, but it may happen in Q4 just from liquidity perspective. If you get a very good rate there, last year we got a good structure in the PTC. If we get it same and at a reasonable cost because now the credit rating has also improved.

So we are hopeful that so if we need to, you know, the strategy wise, it would be either to do it with some bank, which can give us very low pricing on PTC because with PTC what happens is that you have a 3 step upgrade on the credit rating when you do that PTC. So from BBB, you will get A rated on our PTC. So if you see that we can get funds as to 10% on PTC, we'll go ahead. Or if you get a very good structure, we may go ahead in Q4 when the liquidity requirement is high. But otherwise, there is no specific guidance per se on the PTC.

Aniket Redkar

So sir, how do you foresee this PTC in terms of the capital efficiency and the performance for the next coming couple of quarters?

Deepak Aggarwal

PTC in terms of capital efficiency?

Aniket Redkar

Yes.

Deepak Aggarwal

There is no particular as I said, there are only two reasons we do PTC. 1 is that we can if we are able to minimize cost because there are 3 notch upgrade to that particular product. So, you know, if I'm today borrowing at 12%, and, you know, I get a deal at 10% or 10.5%, I may go for PTC. Otherwise and for liquidity, if there is a requirement. Because of NBFC, you know, I have to use multiple sources. If there is a requirement, I will do it, but there is no specific preference for PTC as such. I mean, we don't believe that there is any specific capital efficiency there. It's the loan remains on your book. So the leverage is as in term loan, it's similar. So there is nothing additional with PTC other than if you can better you get a better structure there or you get a very better pricing there and a significant, you know, price benefit there.

Aniket Redkar

Okay. And, sir-

Deepak Aggarwal

I hope I am audible now. I hope I am audible now.

Aniket Redkar

Yes, you're audible, sir. You're audible.

Aniket Redkar

Yes. So, sir, could you clarify the recent write off and the effects on our company's financial health? And what are the measures being taken to mitigate such challenges?

Deepak Aggarwal

Okay. If you see, on a larger base, you know, as I said that it's 2.3% which we have apparently, we have guided that, you know, there could be some cost elevation. But, you know, when you see overall on the overall basis, you see, Aniket, we on an unsecured part, we are on a yield of 32%. So when you are running that kind of product, you can't say that my credit cost should be at par with the very high quality asset. You know. Even with home loan or affordable housing or LAP, you see that, you know, 1%- 1.5% kind of credit cost. So when you are I mean, so what you do here as a strategy is like what we did last year when we feel that there could be some elevation in the credit cost because of the way the market scenario is, you adjust your yield to that.

So now if we see that there are particular segments, say, customer or some specific area where we see some elevation of paid costs, we readjust the price. So I think on an overall number of the less than INR 4 crores being at the balance sheet, it's not that high. I mean, because it's always a part of business. We cannot have, a lending business without a credit cost. So yes, I'm not saying we are not concerned. We are taking multiple steps in terms of collecting that.We have , very high focus on collection because of the way the market is. But having said that, it's not that high that we should be I mean, you will always have to see that it's a business. At lending at 32%, the cost can come.

But yes, you will have when the lending rates are lower, you have lower paid costs. So it's not still not that big a concern. I mean, whatever it is at 2.36% credit cost which we have done, It is fine. Not that it is not concerning and not we are not taking any steps, but seeing the kind of, you always have to see that we share the back with bank as well. When you compare the credit cost, when your yield is at 12%, then you will see that 2%- 2.5% is high. But 32% it's still fine. And that's the way because the OpEx is high, because the credit costs are there, that's why the rates are higher.

Aniket Redkar

Okay. Got it. And sir, one more last question. What is our outlook for the next quarter and the rest of the fiscal year? I mean, is there any opportunity that you anticipate which can influence our performance? I mean, in terms of the new initiatives, in terms of digital initiatives or any other partnership like?

Deepak Aggarwal

I think so there are multiple ways to look at it. On AUM, we have already guided that, you know, we are looking at a good growth number by year end. H2 will see the pickup because there -- so what are the levers are that branches which we are developing. In Q2, you will see very significant number of branches which will come up in South and even other regions. We already have 13 new branches. There's a very large number which is now coming. Our team is hired in South, so that will play some role in H2.

So considering the factors we have already guided in terms of AUM growth, the key factors for us in terms of next 2-3 years performance is that we have to bring down our borrowing costs, which is happening consistently every 6 months. You will be looking at that, we have shown some decline in borrowing costs. OpEx is continuously declining. There are digital initiatives which are happening, but I would say that they are still not that large to talk about. Our app is very good, you know, if you check that out. So that way, it's doing well. We are getting a lot of leads from that. Having said that, it will still take some time in terms of business expansion.

Aniket Redkar

Okay sir. Thank you so much sir. That's it from side. All the best.

Deepak Aggarwal

Thank you.

Moderator

Thank you, sir. Our next question comes from Harshal Patel, an Individual Investor. Please go ahead.

Harshal Patel

Good evening. Just wanted to know about the outlook for the FY25, actually.

Deepak Aggarwal

FY25, as we guided, we in terms of AUM, we believe that anywhere between INR 1,300 crore and INR 1,400 crore, we should reach in terms of AUM. In terms of branches, the target is to have 175 branches, with the minimum number to be at 160. I'm very hopeful that in terms of return on equity, we should be 12% plus hopefully. With increase in equity now. So ROE should be maintained, ROE should improve more than 2% definitely. But we are expecting definitely some decline further in cost of borrowing, which is it stands at 12% now. Whatever you want to borrow in the coming months would be lower than the structural cost, which we are looking at. Now OpEx is coming down consistently, so we believe that we should see about 100-200 basis points at least 100 basis points for the reduction in this year. So that's the key guidance we can get now.

Harshal Patel

What was the increase in cost NPA to like 1.65% and net NPA 1.11% in Q1 FY25? What strategies does Moneyboxx have in place to manage these NPAs and mitigate credit risk, particularly in the rural economy?

Deepak Aggarwal

So the focus has increased on collection. As we said, till last year, we had absolutely no I mean, we were not doing any legal cases. We didn't have any collection calling team. So or so, you know, these things are happening and there is we do not have the specific incentive for collection, which we have introduced, last month. So logically, there are many steps which are being taken to improve the collection efficiency. So we hope that, you know, this will bring some changes. We have seen such times in the past, so that's why we are not that negative that it looks high because business is low in Q1 and Q2. But as numbers improve in terms of disbursement and market scenario improvement, Q1 definitely has been bad. And it's not just for us. It's throughout the industry.

We are not different. I mean, we have no different, you know, yes, there is underwriting which is there, but some deterioration you will see. And now as I said earlier, we believe that things will only improve in next quarter from here. We don't see that it will deteriorate. Let's hope for the best. But always assume in lending business, some such metrics can definitely come. Credit cycle always plays out. And the other thing which I have said is that including focus on secured loans, where, it has been proven that delinquency is low, credit cost is lower. So that we are increasing. So from 6% last year to then 8% in Q1, now 27%. July it was 28%. So every month we are seeing at least a 1% incremental secure business. So that will bring in results in over medium terms.

Harshal Patel

Thank you so much sir.

Moderator

Thank you, sir. We have a follow-up question from Mihir Shah from Riddhi Enterprises. Please go ahead.

Mihir Shah

So like I understand that we are still very small, but I just wanted to benchmark us against one of the largest players in South India. And I wanted to know your comments on these 3 aspects. First one being that for us the QoQ growth in disbursement was very low whereas for them it was just less than 1% of a difference. Second was that, they are generally, defensive. Well, like, we are more aggressive in terms of going to more states, whereas they feel that it is difficult to underwrite in new states. And, the last one is that, even in the secured book, even in this time, they have around credit cost of around 0.61%, whereas we are guiding for 1.5%. So I just wanted to know your comments on these three aspects.

Deepak Aggarwal

So one question is on we can't comment in terms of their strategy. So for example, if they feel that they're well placed in South, I think we should just suspend their decision. Yes, in terms of underwriting, the documentation in South India is better, but that does not mean that we can't underwrite secured loans in Northern India or the Middle part. So as we said that we are already with no presence in South, we are already at 30% secured book. So it's not impossible to build. It's very difficult to build. And so it's okay. I mean, every player could have a different strategy, but we have always maintained that not just the south, the south Indian tier which we're talking about. Take any example whether it is, whether it is the largest tier, 2nd largest tier, 3rd largest tier in south, or what we have in what we have secured players in North India.

Everyone has been focusing on 2 to 3 states. We have always maintained that we want to be a pan India player. So that's the part of the strategy. So that's one thing. And I think that is working for us. In terms of growth, so there is not much difference. We have done sequentially, we are like up 2.2%. They may be up, what, 5% or 6%, I think, 6% is what we are talking about. So this is okay. I mean, 1 quarter here and there does not impact much. For the same tier, if you will see that what has been the growth rate in FY21 and FY22 versus us. So we were growing at 100% in both those years. They were not growing at that point of time. So I think we cannot have a quarterly comparison with competition. Different market, few things can be here and there.

And in terms of when you said in terms of guiding their 10.6, there are players who always had far more power, you know, at 14%- 15%. You can see the books where the SMA book has been around 14% -15% when they were at our size. So I'm saying that 1.5 and guiding does not mean that we will incur 1.5%. We are saying that conservatively this could happen. We are not seeing that neither we pay, neither in unsecured loan in last 5 years, we have seen a 3% kind of cost. It has always been about 1.5% excluding this year. You see all the 5 years except for the COVID immediately after COVID where we saw some cost. Otherwise, it has always been around 1% - 1.5% in unsecured category. Ideally it should not be more than that 1% in secured loan, but who knows what it can be.

Mihir Shah

Got it, sir. When I was talking about growth, I was talking about QoQ disbursements where ours is down, like, around 60%, whereas-

Deepak Aggarwal

No. No. I understand that. I know that number. But this is fine. What I'm saying is that, you know, it also depends on the segment you're catering to. So there are multiple ways. 1, there is a geographic difference between there. 2nd is that we have a historically, even if you see, we have always said that it's a 30:70 split between H1 and H2 because today also two-third of our funding goes to rural, which is Agreen Allied. With Agreen Allied, when you have cattle loans, the market is slow. You have lower production within the cattle space in Q1 because of the heat. And people start taking loans starting September largely. So that's the core period starting with weather conditions changing, festival season coming in.

And then Q4 you have all the dairy who buy large quantities of milk either to make ghee or to do, making up into powder form. So that's the cycle. A large part of our business is that you have some, you know, versus other player, you will have some dead there. When we go to south, the current strategy is that we will have only 20% into this Agreen Allied, maybe 80%. So that's the plan. Let's see how it works out. But the plan is to have 20% into this Agreen thing and rest the balance. So you will see some, some bit of movement here and there. It's also, as I said, it depends on what kind of portfolio you are building and some regional changes also.

Mihir Shah

Got it, sir. And sir, I just wanted to get a clarification. When you say 12% ROE, which is a really positive number, do you mean it on a weighted cost or weighted equity after the funding or do you just tell it on the current equity?

Deepak Aggarwal

We do it the calculation we give is only at a weighted equity level. So generally, the way we calculate is, say, for example, if I raised money on 20 -- my last equity round, which I raised on, money came in on 20th December. So when I disclosed you December number, I am not taking the total equity, because I used that money only for 10 days. So there is a weighted average there. But having said that for now because it's August, you will see a similar number. I mean, the difference will not be much. And I'm really hopeful that our ROE would be higher than what we have given to our bankers, because in the projections we made to our bankers, we only estimated that for the full year we will raise only INR 125 crores of equity, which would be sufficient for the AUM which we wanted to build. Definitely, I see that more this time around more money will be raised.

Mihir Shah

Got it. And sir, I see a lot of players trying to get into micro loan against property, even microfinance and other institutions. So how do you see the competitive intensity on the ground?

Deepak Aggarwal

What is happening, which is quite okay. What do you do with that? There was a point when unsecured loan also, I mean, go back, you know, 4 years back or 3 years back, the same trend, we were coming in unsecured loan segment. Not every player could reach any significant book size. You will see there are many players that are now INR 300 crores, there are players available at INR 600 crores and they are up for sale. So you can't say what will happen, because it's a business, we are just about entry into this space. There are SFBs I know who started this MicroLAP business and they discontinued after 6 months. So players will keep coming in. Even in MFI, you see every month there is a new MFI. So I think I'm wrong. Maybe every week, there's an MFI sometimes.

So this is just fine. I mean, execution, you know, doing this that, you know, okay, we want to enter a space is one thing, but this is a very execution heavy business. Believe me, this is very execution heavy. When you have to open branches, hire a team, you hire, sales managers, managing them day in, day out, it's not a cakewalk. So yes, you we will see a lot of announcement even by larger players, but getting into that business is not easy.

Mihir Shah

Got it, sir. And sir, one last question from my side would be that how do we take a call on the write offs? Could you please elaborate that?

Deepak Aggarwal

It's a simple thing. For every 90 days, we make a 50% provision, which is as per the RBI, and 360 days is a complete write off between that period we see, you know, based on the management call. Obviously, so beyond 360 is the full write off. Between that, we see that if there is some delinquency, which we believe that it should be taken into account, we will take it. Otherwise, we could secure the policy for a full write off. But any loan in liquidity from 90 days is a 50% provision, which is made.

Mihir Shah

Thank you so much and all the best.

Deepak Aggarwal

Thank you.

Moderator

Thank you, sir. We have a follow-up question from Harsh Shah from Sumaria Family Office. Please go ahead.

Harsh Shah

So I had one just one question that, what is the disbursement number that we are targeting for this year to achieve the INR 1,300 - INR 1,400 crore loan book size?

Deepak Aggarwal

The target is to do around INR 1,100 crores.

Harsh Shah

Okay. INR 1,100 crores. And so just one-

Deepak Aggarwal

Just to give you one perspective that in Q4 last year, we did this INR 290 crores. So although the INR 100 crores of this quarter will look less, but we have so many branches in Q2, Q3. So that number today it will look impossible, but then things change. Definitely, there is an external environment, which no one can predict, but things change.

Harsh Shah

Right. Okay, sir. And sir, just one last suggestion like if you can give the loan book breaker that you used to give in the investor presentation, it would be helpful like the Agreen.

Deepak Aggarwal

Which one?

Harsh Shah

So livestock customers, Kerana stores.

Deepak Aggarwal

Okay. Fair enough. Well, although you will see that very soon in our annual report, which will come out. But, yes, that we can do. That's not a problem. We can give that.

Harsh Shah

Thank you sir. All the very best.

Deepak Aggarwal

Thank you.

Moderator

Thank you, sir. That was the last question. Now I hand over the floor to the management for closing comments.

Deepak Aggarwal

Okay. I would just say thanks a lot for the continuous support. We are really, what has been kind and we really appreciate the kind of support which we have got throughout. We have been, to some extent, taken a different route to this because generally it's all the way company grows is being private, even from VC. We have been fully, you know, from day 1, we are listed and, you know, all the groups which have come till date is with the support of retail investors, you know, like you. And yes, and now with institutions also coming in, but yes, there has been a strong faith by banks, lenders and investors, which have been very helpful. And I believe that to some extent that we have been also doing well in that way. I hand over to Mayur for any closing comment.

Mayur Modi

Thank you everybody. I think as Deepak already kind of mentioned that we are on track to kind of double our loan book and significantly expand our geographical presence. And I think Q1 is always muted for us. This is not a real reflection of what we ought to achieve in this financial year. We're already seeing signs of good pipeline getting generated in Q2. And hopefully, when we come back in the next quarter, I think we'll be showing much better growth. And hopefully with the monsoons going to be as per predictions on track, I think the rural demand is also expected to pick up with all these factors. I think we are very excited with what is in store for us in the rest of the financial year.

With South also coming up and with our loan book on the secured side significantly expanding, I think this will really add to kind of containing our credit cost on an overall basis. So net, I think it's a very exciting place. Obviously, we are seeing some headwinds, which is reflected in some of the credit cost. But I think this is a transition phase. And in coming quarters, I think we'll see much better results on this side. 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 and you may all disconnect your lines now.

Note: 1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.