MONEYBOXX FINANCE LIMITED
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Date: June 04, 2025

BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai-400 001
Scrip Code: 538446

Dear Sir/Madam,

Sub: Transcript of Investor Earnings Conference Call pertaining to Financial Results for the Quarter and year ended March 31, 2025

With reference to our intimations dated May 26, 2025, and May 29, 2025, with respect to Investor Earnings Conference Call and pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015, please find attached the transcript of Investor Earning Conference Call held on May 29, 2025.

The aforesaid intimation is being made available on the Company's website at 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**

Lalit Sharma
Digitally signed by Lalit Sharma

Lalit Sharma
Company Secretary

"Moneyboxx Finance Limited

Q4 & FY '25 Earnings Conference Call"

May 29, 2025

MANAGEMENT: **MR. DEEPAK AGGARWAL – CO-FOUNDER – MONEYBOXX FINANCE LIMITED**
MR. MAYUR MODI – CO-FOUNDER – MONEYBOXX FINANCE LIMITED
MR. VIRAL SHETH – FINANCIAL CONTROLLER – MONEYBOXX FINANCE LIMITED

MODERATOR: **MS. MAMTA NEHRA – MUFG INTIME INDIA PVT. LTD**

Moderator: Ladies and gentlemen, good day and welcome to the Moneyboxx Finance Limited Q4 and FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Mamta Nehra from MUFG Intime India Pvt. Ltd. Thank you and over to you, ma'am.

Mamta Nehra: Thank you. Good afternoon, ladies, and gentlemen. I welcome you to the Q4 and FY25 Earnings Call of Moneyboxx Finance Limited.

To discuss this quarter's business performance, we have from the management Mr. Mayur Modi, Co-Founder, Mr. Deepak Aggarwal, Co-Founder, Mr. Viral Sheth, Finance Controller. Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website and stock exchanges.

Without further ado, I would like to hand over the call to the management for the opening comments and then we will open the floor for Q&A. Thank you and over to you, sir.

Deepak Aggarwal: Good afternoon, everyone. This is Deepak Aggarwal and I am delighted to welcome you all to the Q4 and FY25 Earnings Conference Call of Moneyboxx Finance Limited. Our financial visuals and investor presentation have been put on the company's website as well as the stock exchanges.

I hope you all had a chance to go through them. Joining me on the call today are Mr. Mayur Modi, Co-Founder of Moneyboxx Finance, and Mr. Viral Sheth, our Finance Controller. Before we dive into the details of our performance, I would like to begin by briefly touching upon the broader economic environment.

India's GDP is projected to grow at 6.5% in FY26. On the agricultural front, the outlook remains optimistic. Healthy reservoir levels and a record Rabi crop harvest are expected to sustain momentum in demand. Manufacturing activity is beginning to gain traction, and the services sector continues to demonstrate resilience.

Together, these factors present a balanced and encouraging picture of India's economic journey. The Reserve Bank of India announced a 25 basis point cut in repo rate, bringing it down to 6%. This move is expected to stimulate lending and investment activity, ultimately supporting domestic demand.

I further feel that the decrease in repo rate will bode well for us in terms of reducing our cost of borrowing. Now shifting the focus to the NBFC sector, the Central Bank's recent liquidity infusion measures and its decision to reduce risk weights for non-banking financial companies will provide boost to the sector and support credit flows. At the same time, the regulatory environment has become more stringent, emphasizing stronger compliance, governance, and risk management frameworks.

These reforms are pushing all of us to raise the bar, and in doing so, we are building a more trustworthy and stronger financial ecosystem. At Moneyboxx Finance Limited, our core mission is to drive financial inclusion by serving the underserved population. Despite ongoing macroeconomic uncertainty, we remain focused on strengthening our risk management practices, increasing the share of secured lending, and reducing slippages.

We have expanded our branch network and focusing on enhancing collection efficiencies and maintaining robust credit underwriting standards, all of which are critical to ensuring sustainable growth. Now moving to financial performance of Q4 and FY25. I am pleased to share that our AUM grew by 27% year-on-year, reaching INR927 crores in FY25, up from INR730 crores in FY24. Further, in FY25, we maintain a managed book of INR232 crores. Madhya Pradesh is the highest contributor to our portfolio in FY25. This reflects the steady and consistent growth in our business.

On the disbursement front, our cumulative disbursement as of Q4FY25 has reached INR1,800 crores. For the full year, disbursement stood at INR595 crores, marginal decrease of 11% year-on-year, compared to INR665 crores in FY24. As we have said earlier in our earlier earnings calls, AUM grew by 27%, but yes, definitely it is not as per our expected numbers at the beginning of the year.

While we are repeating these concerns, it will bode well that starting from the year, initially, because of lesser spending due to elections by the government and controlling the deficit, and then heatwaves followed by floods in different areas, which increased delinquency levels, and further, which led to leading to RBI tightening the policies, especially for the unsecured lending, increasing the risk weightages, and then followed by MFIN guardrails, which really disturbed the industry and impacted the disbursements across all levels.

And you will see that which is an easier number to quote that MFI declined by 20% in the last nine months as an industry from INR4.5 lakh crores to INR3.6 lakh crores. So this is that 27% growth is still a reasonable number. Moving forward, our secured lending business continues to bring strong momentum.

In FY25, our secured disbursement was almost double to 50% up from 25% in FY24. Our secured loan book now represents approximately 45% of our total AUM as of Q4 FY25, compared to 24% in Q4 FY24, which is a 21% increase in the portfolio. This steady progress puts us firmly on track to reach a target of approximately 65% secured AUM by March 26, reflecting our strategic shift towards building a more resilient and lower risk portfolio.

There are significant steps undertaken for secured book. Earlier, just 71 out of 163 branches were allowed to do unsecured business. This number in next few months is changing to 50. So effectively, only 30% of our old branches will be allowed to do unsecured business, and which will lead to strong portfolio shift towards the secured lending. As of March 2025, we have made significant strides in building a truly pan-India presence. Our operations now span 12 states, including an expansion into four new states in South India during Q2 of FY25.

This growth reflects the strength and scalability of our tech-enabled digital operating model. Our branch network has grown considerably, from 100 branches in March 2024 to 163 branches as of March 2025. We plan to expand this further to 175 plus branches by March 2026, ensuring deeper penetration and better service delivery across regions.

On the partnership front, we now have visibility of INR500 crores per annum through lending collaboration, including business correspondence and co-lending model arrangements. In terms of funding, we continue to benefit from low-cost and diversified sources, with a lender base of 33, including 12 leading banks.

Now, moving to total income, which grew strongly by 56% year-on-year, reaching INR199 crores in FY25, up from INR128 crores in FY24. For Q4 FY25, total income stood at INR52 crores, reflecting a year-on-year growth of 23%. In FY25, our net interest income also witnessed healthy growth, rising by 60% to INR136 crores, compared to INR85 crores in FY24. Talking about our net interest margin, we have remained at around 16.23 for this quarter.

In terms of cost efficiency, our operating expenses as per percentage of AUM remained at 12.8% in FY25. This includes non-cash expenses like ESOPs as well, compared to 12.7% in FY24. While our declining over-strategy temporarily paused, primarily due to branch expansion and lower than expected AUM growth.

As I have mentioned in earlier quarters, reducing operating expenses continues to be a key focus area for us. We are targeting to bring down our opex below 10% over the next two years, supported by growth in AUM and ongoing efficiency improvements. I would like to again emphasize here that opex is very much driven by the amount of AUM you have.

Because, for example, every 100 crores of additional AUM, average AUM, gives you almost 12 crores of contribution to cover the opex. So the opex for this year is really impacted by the low AUM growth last year. Now, coming to our profit after tax, for FY25 stood at INR1.25 crores, as compared to INR9.14 crores in FY24. It's largely driven by, the AUM could not grow, and almost all the operating profits were eaten up by NPA provisions.

So that's what you will see that largely an impact of movement towards NPA. In terms of returns, our return on average AUM stood at 0.6%, while return on average AUM stood at 0.2%. Looking at our yields and splits, the company yield stood at 28.13%, which is still good for FY25, and our splits reduced to 15%, but remain at a very healthy level. The slight dip instead reflect the rising share of secured loans, partially balanced by lower borrowing cost.

In FY25, our average cost of borrowing stood at 13.1%, while the marginal cost was lower at 12.3%. In fact, for the first nine months, we borrowed at 12%, which is at par with the best in the industry at this level of rating and AUM level. However, in Q4, we did some large NCD transactions, which made the average cost of borrowing a little higher to 12.3%. But still, it's on a continuous decline mode. This year-on-year decline reflects the benefits of our improved credit rating and growing scale of operations.

So COP will continue to decline. During the quarter, we witnessed steady improvement in our collection performance. Our overall collection efficiency, including current and up to 30 days past due, improved to 99.4% in March 2025, which is definitely the best in the industry, up from 97.3% in December 2024.

Similarly, collection efficiency for current and up to 90 days past due rose to 98.4% in March, compared to 95.2% in December, again among the best in the industry, highlighting consistent progress in our recovery efforts. That said, our credit cost as percentage of average AUM stood at 3.33% for the quarter, reflecting some pressure from the broader industry-wide stress in the unsecured segment.

But as I said earlier, we are continuously improving our collection infrastructure month-on-month, every month. And this will show up results. This has already started showing up results, especially up to 90 buckets. But recoveries will start taking some time. But as we take more and more steps every month, things are improving.

Our on-book gross NPA increased to 6.61% in Q4 FY '25, up from 5.6% in Q3 FY '25. Similarly, our net NPA rose to 3.42% from 2.88%. Our GNPA became elevated in FY '26 due to slowdown in rural economy and negligible write-offs. Our provision coverage ratio remains steady at 50%, reflecting our prudent risk management approach. I would like to mention here that as an industry-wise, when we compare to the MFI, including the write-off, the number is around 23% to 24%. For us, it is around 7% including write-off.

So that's kind of the difference when we say that we are not an MFI. But yes, exposure to rural hurted us this year. Now, since inception, the company has successfully raised INR270 crores in equity up to March 2025.

In FY '25, we also achieved our highest NCD raise of INR185 crores. In fact, from 23rd Feb to 23rd March, in one month time, we raised about INR165 crores in NCD, which is the highest ever in one single quarter, further strengthening our funding profile. Our net worth grew by 54%, reaching INR261 crores as of March 25, up from INR169 crores in March '24, given by the equity fund raise during the year.

Net worth will significantly improve this year as well as INR85 crores in pending from the issue of share warrants. Our debt-to-equity ratio stood at 2.44x, and we maintained a healthy capital adequacy ratio of 29.25%. As we look ahead, we remain committed to building a sustainable business that leverages both technology and deeper customer insight to deliver value to all our stakeholders.

We remain watchful of the fast-changing global environment and are well positioned to ensure rapid deployment of capital, scalability, and maintain cost efficiency. We will continue to uphold robust career and the writing standards to effectively manage risk and safeguard the quality of our portfolio. Thank you.

With this, we can now open the floor for Q&A.

Moderator: The first question is from the line of Mihir Shah from Ridhi Enterprises. Please proceed.

Mihir Shah: Yes, thank you. Thank you, sir, for this opportunity. So, sir, my question was like with the numbers reported this quarter, I think the investor confidence is slightly shaken, and like a lot of our assumptions have been invalidated.

Like, you know, we had assumptions in the past, like, you know, agri and allied dairy and all of those will help us on the unsecured side when the cycle turns and all of that. So, could you please help us with some tangible targets on the cost cutting front credit costs and growth for the upcoming quarters, so that we can continue to maintain our confidence?

Deepak Aggarwal: First of all, I think the confidence should not be shaken. You know, we have to compare this, you know, with the way industry has reported numbers for this year. I think there is no doubt that last year was one of the most challenging years we have seen in recent times.

You know, this is far more, you know, severe than even COVID waves, because it was hit at every angle, especially any lender who has some kind of rural exposure has suffered. And you would see, how the industry, I think numbers are known, how industry has shaped up. But yes, as I agree that, we still maintain the growth in AUM.

But I still agree that, it is not as per anyone's expectation. And the same is true for us as well. Going forward, there are many, many steps which we are taking. One is obviously the shift of book towards secured. And in fact, we are today 10% of our book is now above INR5 lakh kind of, loans, which is, where we are lending even INR15 lakh, INR20 lakh, with good MSME customers. So that focus is shifting.

That's one part of the area. One is that building a secured book, wherein asset quality can be improved. Second, it's a long-term book, so that, we will have a higher AUM. We can reduce cost of borrowing, say, at every level we have scope. Right now, our average COB is 13%, although incremental is at around 12 now. So there is a scope of about minimum 3% to 3.5% reduction over the next two, three years.

Similarly, there is significant scope in reducing the opex. So, once you take a deep dive, in FY '21, the opex was 25, then 20, then 15, then 12 and a half. So every year opex is reduced. It's just largely driven by AUM. For every INR100 crores, you make, you get a INR12 crores kind of contribution towards your opex. So I think that will also play around.

I agree that last year, in terms of numbers, it's a wipeout year. Although there are a lot of activities which is done, we have improved our team levels, we have improved our collection vertical, which is still improving the secured portfolio. So I think multiple steps are taken. And as you asked about the AUM target, with lenders, we are at least targeting a 50% growth. In fact, over 50% growth in AUM for the current year. So I hope I have answered all the queries.

Mihir Shah: Sir, any guidance on the target for the credit cost and, opex cost cutting?

Deepak Aggarwal: Opex, I believe it should be between 11% and 12%. It all depends on how soon we are able to grow our AUM. Our target would be to remain anywhere between 11% to 12%.

Mihir Shah: And on the credit cost?

Deepak Aggarwal: On the credit cost, see there will be, although the numbers are improving, the shift to NPA, for example, INR24 crores moved to NPA in last quarter, as in December quarter. For Q4, it was INR18 crores. For Q1, it will again decline. So my guess is that, but given that there is some portfolio which has already moved to NPA, maybe around, you know, 3% kind of credit cost we still see for the current year.

Mihir Shah: Sir, my second question was that, like you mentioned, right, that the secured portfolio is much better when it comes to credit cost and other stuff. So in that case, is it right to assume that currently, like our unsecured portfolio has completely blown up because like our GNP numbers are 6%, right? And 50% is secured. So roughly like on an unsecured front, we have a 12% NPA or something like that.

Deepak Aggarwal: No, no, no. It's not 12% NPA. But try to understand, it's not blown up. I mean, see the situation currently that, there were factors in the rural economy because of the reasons I mentioned. Even if you have 2%, 3% kind of movementout of 100 borrowers, if, you know, 3, 4 customers go bad, right, you have a higher NPA levels. So that's what has happened.

It's not that a full book has blown up. So these customers take time to repay, and then, we will go legal, we will do collection measures. So the money will come. It is still coming. I mean, it's a slow process. So it's not like that everything is blown up. But yes, there are times, when you have to take some changes in the portfolio level. Last year was some, had some exceptional circumstances. And that's what you see across the board.

I mean, it's not that, so any lender which had rural exposure last year got some hit. But I think the way we are seeing, the way we have given the numbers of collection efficiency, things are improving now. And these are the same, it's not that I could achieve a 99.4% collection efficiency from only secured book.

So both, in fact, initial five years, we had 1.5% credit cost, when largely it was an unsecured book. So I think last year had some very, very pressing situations, which led to this movement towards NPA. So I think take it as a one-off scenario, not something which is a consistent thing. But yes, lessons being learned, we have significant improvement in our collection infrastructure, which I have told even in earlier earnings calls. And it continues to improve every month.

Mihir Shah: Got it. So if we look at numbers for last quarter, 30 DPA and this quarter, so roughly if we negate the impact of AUM growth, then most of our 30 DPA is moving to NPA. Whereas on the write-off front, we are only taking 50% write-off after 90 days. So if we are not able to get the 30 DPA collections back, can we expect that we will get the 50% of them?

Deepak Aggarwal: No, I think it's not moving like that. I mean, we have almost minimum 60% collection efficiency in 30 to 60 bucket. It even goes to 70%. And even now this looks like 60% to 70% collection efficiency in 30 to 60 bucket. And in 60 to 90 bucket also, the lowest we reach is 40%. But largely it is between 50% and 60%. So that's not the case that anything which moves to 30 plus goes towards NPA. That's not the case.

Mihir Shah: Because 8.17% of our portfolio was 30 plus last quarter and 6.6% is the gross NPA this quarter. So that's what I was referring to?

Deepak Aggarwal: Yes, but because there is a movement. I mean, anything which is coming, the way we have to see is there were at some point in time in December, there were like 1,600 to 1,800 cases flowing towards the next bucket. And then it came to 1,000, then it came to 800. In March, only 450 cases moved to 30 plus out of the 51,000 customers. So I'm saying that you see a month-on-month reduction.

And anything which is coming from back, which is already in 30, 60, 60, 90 will take some time, but that's what I'm saying, that out of the same portfolio in December quarter, we had a movement of INR24 crores. In March, it was INR18 crores. So incrementally, it is coming down. So I'm sure that once the bucket is improved at X, I mean, the current level, after two, three months, you see the impact on the NPA level. So which we have very, very significant focus and I'm sure you will see the result in Q1 and Q2.

Mihir Shah: Thank you, sir. May last is like…

Moderator: Sorry to interrupt Mr. Mihir, we request you to join the question queue again, as we have other participants waiting for their turn.

Mihir Shah: Sure. So I'll just complete this one follow up. Are we looking at another no profit here, like with 24% yield and like 12% borrowing rate, 11% opex and 3% credit cost?

Deepak Aggarwal: No, not like that. See, you look at it, one is that this is not 24% yield, our yield is still at 28% plus. So it's not that even with 24% ROE, you have you have PF of 2.5%. And then you have multiple other sources of income. So one is that yield is at 28 point something percent today, not 24%. And borrowing cost, yes, to 12%. So it's not the case.

I mean, there are other sources of income. Even this year, after so much of cost, it was not a zero profit year. You have money every time you give a two year to three year unsecured loan, it comes for a repeat after a year. And then you again make money on PF. You make login fees, you make multiple other fees even that when the top up comes in secured, even then you make fee income. So it's not that the yield is not 24% in any case.

Mihir Shah: Got it, sir. Thank you so much.

Deepak Aggarwal: I would like to say here just to answer the question. See, In terms of our yields, we are very well placed. You see any player, any large player with a 25%. So we are a 20%, but 28%, but even at a 25% yield, it's a very good deal. What you reduce as you grow. One is your cost of borrowing, which is with large player, you will have anywhere between 9 and 10, nothing more than that.

So one, if you reduce your cost of borrowing, with secured portfolio maturing, you will have your opex at 6% to 7%, 8% max. So that's the way you have to look at that in the initial stages, you cannot compare it with a large company. In initial stages, it's a build up stage. So what you gain is from the increase in net worth and increase in portfolio, very high level of growth. But profit comes in later years, I mean, in terms of exceptional profits start coming in when you covered your cost. So every INR100 crores, then you gives you very high profitability.

Moderator: Thank you. The next question is from the line of Mamta Agarwal from AVS Investments. Please proceed.

Mamta Agarwal: Hi, thanks for the opportunity. Sir my first question is since now secured lending accounts for 45% of your AUM, which is like significantly up by 24% in the previous year. So could you elaborate on key drivers behind this and what market signals or like internal metrics led to you prior to secure assets? Also, it would be helpful if you can like throw some light on what are your medium to long term goals for this portfolio?

Deepak Aggarwal: Okay, so one thing is you asked that what is driving. So the main thing is, Mamta, that we have made all the new branches. So there's six new states which we entered, Gujarat, Bihar and the four states in South. They do only secured business. So, this is one driver where we say that we have to do only secured business. And I'm telling you that there is no single case in these six, only one case, actually, in a 30 plus bucket in these six states.

So one is that we have communicated well that we want to touch upon a customer which is reasonably well off. So, in terms of business, in terms of stability of business, then in terms of good, having a good collateral, multiple sources of income. So that's one that it's an organization drive, you know, which we are making that even in our states like Punjab and Haryana, we are starting to raise very, very significant amount in the secured lending space.

So that's what is driving. In terms of our outlook as we have said earlier also, largely that next year target for secured is about 65%. And in 27, it will be 75% plus. So it could be around 75% to 80%, more likely 80 than 75.

Mamta Agarwal: Okay. Great. So just one more question. Given the increasing stress being observed in the unsecured lending space across the industry. So what changes have you implemented in your underwriting process to mitigate the potential delinquencies and credit losses? And have there been any changes in your borrower selection criteria, like geographic focus or product mix?

Deepak Aggarwal: There are few kind of customers which now we are focusing, I mean, or which are coming, because now we are even giving 15 lakh to 20 lakh kind of exposure. So there are a lot of customers which have inventory level of about 1 crores. So I think there are customers who have multiple sources of income, very stable sources of income.

So that's one area wherein the customer profile is also changing. With respect to your question related to unsecured segment, I think not just this year, starting last year only we had made some changes in our underwriting model. So I mean, we have started, you know, taking less and less exposure in with customers who have like low level of incomes. So typically, which is an MFI customer. So that's we are getting away and away from them. So that's one thing which has happened.

Mamta Agarwal: Okay. Great. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Sahil from M&S Associate. Please proceed.

Sahil: Sir I have a couple of questions. Sir the livestock financing currently constitutes approximately 65% of your total AUM, making it the single largest contributor to your portfolio. Could you elaborate on whether you see this segment continuing to grow as a proportion of your overall lending mix?

Deepak Aggarwal: I think the exposure will reduce in terms of percentage. So it will remain one of the focus areas. But as we are growing, so you know, if I tell you in South with four states, the cattle book is only around 20%. Again, if you see Bihar, the cattle book is very small. So one thing is that proportion will reduce. So maybe in a few years, it will come down to 50% of our portfolio.

But the quality there also is improving. So although like in Gujarat, we have more than 90% of our portfolios into cattle, but they're always in each single case, there are multiple sources of income. Although we mentioned that cattle is the main portfolio, but see we don't do any single case in cattle where there is no other source of income as well. So agri may be one other source.

And especially in Gujarat, we've seen that there's a significant other source of income with cattle. So people will have some shop, some other activity also. So that way, I think and plus we are taking many other steps also to improve this portfolio. In terms of app, just to mention, we have made an app, AI app for cattle identification, which is a unique identification for each cattle. So this will be first in India and maybe first globally.

The kind of app we are making to, we have already made and launched in terms of identifying cattle so that there is no repeat cattle refund to identify any disease, the breed of the cattle, the lactation cycle of the cattle. So there are a lot we are doing to really improve this structure. And this cattle portfolio also gives us a lot of impact related advantages.

So like Rabo has given a 75 crores kind of line to build this portfolio, not line as in guarantee. So first 3% loss in our cattle portfolio when the cattle number is up to 5 cattle, there is a 3% loss which is taken by Rabo Foundation. So there are multiple things happening on that direction as well.

Sahil: Understood, sir.

Deepak Aggarwal: So just to answer, yes, it will be a key portfolio, but the proportion will reduce over a period of time.

Sahil: Understood. Sir additionally how are you assessing the current trends in rural demand, especially in the context of monsoon conditions, agricultural income, and credit appetite in your key geographies?

Deepak Aggarwal: I think it is reasonable. I will not say that it is sharply up, but it is reasonable. The month on month situation is improving. So that is one part of it. But as I said, we are now significantly, very significantly in terms of incremental debt, which we are giving. We are getting significantly shift towards non-agri profiles, you know, which could be like where we are opening branches.

So earlier, you know, if we have a branch in X location, generally the funding will happen interiors, in the rural areas. But now even in those cities with people, say having an electronic shop, having an inventory of INR1 crore, we are giving them INR15 lakh. You know, there are people with, you know, large building material supply. There are larger manufacturers of various things, which have asset base of INR3 crores-INR4 crores.

You know, we are, I mean, in terms of land and building, maybe not correct INR3 crores-INR4 crores, at least, you know, in the range of INR1 crores-INR2 crores, where we are lending them, you know, INR15 to in some cases, INR20 lakhs. So that portfolio is also changing quickly. Although yes, it doesn't show up in mass numbers, or maybe obviously takes some time to really show up. But things are changing from that perspective.

Sahil: Okay, sir. Thank you for the detailed responses. All the very best.

Deepak Aggarwal: Thank you.

Moderator: Thank you. The next question is from the line of Harsh Shah from Sumaria Family Office. Please proceed.

Harsh Shah: Hi. Thank you for taking my question. Sir, my first question was regarding the opex guidance that you have given. So, sir, I wanted to understand that in the last year, we have added 63 branches. And in the coming year...

Deepak Aggarwal: Your voice is breaking, Harsh. You said last year?

Harsh Shah: Last year, we have added 63 branches.

Deepak Aggarwal: Right.

Harsh Shah: In the coming year, our target is to add another 63 branches.

Deepak Aggarwal: Right.

Harsh Shah: And the opex guidance that you have given is between 11% to 12%. So, don't you think that is more conservative and the opex as a percentage of AUM should reduce more?

Deepak Aggarwal: More conservative, as in you feel the opex will be higher than what we are saying? Is it that?

Harsh Shah: No, no, no. No, I meant the opex should be more lower than what you have guided for the year.

Deepak Aggarwal: So, Harsh, it actually depends on how soon we are able to increase the AUM from now. So, opex changes with each INR100 crore number. So, for example, if the way our calculation goes, if the average AUM for the current year is INR1300 crore, opex will be 10%. If average AUM is INR1200 crore, the opex will be at 11%. And if it is INR1100, it will be 12%. So, what I am trying to say, there is a lot of dependence on the AUM growth and AUM at a particular level.

So, it seems easy to say that there is a company which has a INR5000 crore AUM as the opex of say 6% or 7%. But really, if you see the corporate expenses, even at lower level of say INR1000 crore AUM, you need all the function. You need a CTO, you need a compliance head senior, you need a senior credit guy.

Every position needs to be filled up and nothing comes at a lower price. When you go for a good guy, the pricing is same, whether you have a INR1000 crore portfolio, whether you have a INR5000 crore portfolio, things don't change much. So, that's where I'm saying that, it's a combination of AUM. Last year, if it were not bad, we would have reached 11% by now, even in last year level.

So, it's just how soon we are able to pick up the growth level in terms of AUM.

Harsh Shah: If the maximum growth is in the second half of the year, our average AUM may be lower because of that.

Deepak Aggarwal: Yes, because current AUM stands at ~~INR937~~ INR927 crores. So, the most important thing is how soon we can grow our AUM, which will impact the opex level at the end of the year.

Harsh Shah: Right.

Deepak Aggarwal: And you will notice that, you know, when a company reaches INR2000 crores end of the year, that's where you really, you know, opex starts coming down. So, everything starts falling in place. But other than that, I'm saying that if you see year-on-year, COB is falling, opex is falling. I mean, this year was an exception just because of this branch extension.

Anyway, this year, we are saying that we are more in a consolidation mode and we are trying to optimize the AUM of the existing branches. Because see, 12 branches opening is nothing at this current level. So, current year, the agenda is to optimize on the people we have.

Harsh Shah: Right. Okay. And so, my second question was, so assuming that we get an average yield of 27, our cost of borrowing is 12%, our opex is another 12% and credit cost is 3%. So, the ROA for this coming year should be negligible.

Deepak Aggarwal: As I said earlier also, this is not a simple calculation. There are other incomes you make, there are PFs, there are repeat PFs, there are foreclosure charges, there are penal charges, there are bounce charges, there are a lot of other things which impact the profitability numbers.

Moderator: Thank you. The next question is from the line of Nikita Surya from SNK Ventures. Please proceed.

Nikita Surya: Hi, sir. Thank you for the opportunity. I have a couple of questions. First being, with ROE and ROA slipping to 0.6% and 0.2% respectively in FY '25, how do you plan to revive your return ratios going forward? And are there any specific financial targets in terms of ROE or ROA you aim to hit by FY '26 or FY '27?

Deepak Aggarwal: First of all, even if this year you see, our initial target for the credit cost was about INR7 crores, which actually became INR28 crores or INR29 crores. So, the largest, if that credit cost were not there, we would have made the numbers as per the guidelines, wherein we were targeting a part of INR20 crore plus for last year, which got impacted because of very high credit cost.

So, one of the major areas of improvement is to stop fresh NPA. I mean, it will not stop, but to minimize to the highest extent. There will still be some write-off cost there. So, at all levels, to bring down borrowing cost, it may happen that it may decline to, incremental may decline to even 11%. I don't see a complete non-possibility given that repo is coming down, the liquidity levels will be better.

But I'm saying we have to target each single sector. The opex is on one side. The other side is definitely your borrowing cost. And third is stopping NPA movement to the best level possible, which is on track. And every month, we are improving that. So, that's one area of improvement.

In terms of guidance, I think soon we should be able to share. We will internally discuss if we have to give it because right now, we cannot say because it's a listed company, we have to make it at a BSC level. But definitely, the target is big. And targets are good, "27, I think we will have a full recovery, as I see the projections. It will be, '26 will be the year of recovery, where I see that on the financials, as I already said that 1 year got lost. But this year will be the year of recovery. And '27 would look very, very significantly better.

This, I mean, you should see how a company profitability improves as it scales the business. It's not just true for us. But any company you see when it crosses INR2000 crore kind of AUM, the numbers really start showing very different results.

Nikita Surya: Okay, sir. Got it. My another question would be, like as of March 2025, Madhya Pradesh and Rajasthan remain the highest contributors of your AUM. So, given this concentration, what steps…

Deepak Aggarwal: No, not MP one. Rajasthan hardly had any contribution. Rajasthan actually AUM came down from the last year. So, largely, it was led by Gujarat, getting almost INR45 crores of AUM. Bihar, some contribution from south states, then MP and UP. So, these are the main states contributing to the growth.

Nikita Surya: Okay. So, what are the steps like you are taking towards deeper geographical diversification?

Deepak Aggarwal: Deeper as in within the state, you are saying?

Nikita Surya: No, the entire country.

Deepak Aggarwal: I think at this AUM level, we are among the most diversified companies. I mean, people tell us that at INR1000 crore, you are too diversified, which actually increases the opex level. So, we are in 12 states, 163 branches with AUM of INR930 odd crore. So, I think geographically, we are very, very well diversified. We can obviously, once we scale up, there are two, three more states where we can start the branches.

But I think Tamil Nadu, we just have 10 branches, you can have immense opportunity in Tamil Nadu. So, I mean, people are disbursing in INR200 crore -INR300 crore every month there. So, I think within these 12 states only, there's very large opportunity. And as I said that we are now going forward trying to capture a very different set of customers, which were not doing till now.

Because as initial years, you want to have a lower tenor because you are not getting a higher tenor. You want to keep your borrowing rate also high because your cost of borrowing is high.

So, I think all that is now aligning, aligning on the incremental basis. So, I think on diversification, we are good.

Nikita Surya: Okay. So, are you witnessing any stress or early warning signals in these areas, in these states particularly?

Deepak Aggarwal: Nothing more what has already happened. So, now it is only on the how to improve these areas. I think we had face stress in Rajasthan, in Haryana. So, we have seen that. But I think from here on, we don't see any further, you know, anything worse happening. I mean, it's on the positive side only. Yes, what has happened has happened on, it will have some impact on the financials. But I think nothing beyond that.

Nikita Surya: All right, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Darshan from ABC Capital. You may proceed.

Darshan: Just on the previous participant's question, actually, I also have a question on the operating expenses. So, if I can just see your, from the results, operating expenses as a percentage of AUM which stood at around 12.8% in FY '25, which I can see this flat as compared to FY '24.

I just want to understand, this has seemed to taken a pause with the downward trajectory, which was seen in the previous years. So, I just want to understand what is the company doing? And could you elaborate any key reasons behind this pause in the opex reduction?

Deepak Aggarwal: Okay. Sir, I thought I have already answered that. But just to say that again, the expenses have increased, because of new extension in four new states last year, adding 63 branches, adding a lot of senior manpower. If you go to our website and see the presentations, we have now functional heads which are very senior at each function level.

So, that has increased the cost. More importantly, the AUM has not increased. Ultimately, you get a contribution from the AUM increase, which has not moved up. It is not that it happened only with us. For a very large part of market, it happened that last year was a year of slowdown. There was focus on collection, AUM could not increase. And this is where you cannot lend forcibly.

So, I am saying that it is not that fundamentally something has changed. It is just that AUM did not grow in line with the amount of expansion when we did. So, that is why we have now with focusing on that, with those limited, which is not limited , we have 2000 people today.

So, the idea is to optimize that thing and grow the AUM. With the same number of people, grow the AUM. And so, opex will automatically show the result.

Darshan: All right. Thank you so much for the detailed question. I have a couple of questions more. So, if you can just see, we noticed a decline in both the average and marginal cost of borrowing over the past 3 years. With FY '25, average cost of borrowing is at around 13.1% and marginal cost of borrowing at around 12.3%. Could you just share some insights on the drivers behind this decline?

Deepak Aggarwal: I think we will see that companies which are in the INR1000 crores, INR4000 crores, INR5000 crores AUM, they are borrowing at between 9% and 10%. So, that is fundamentally as your scale of operations grow, and as your credit rating improves, the pricing of loans decreases. And this is since inception, in the last 6 years.

First year we borrowed at 20%, and now it is at 12%. So, the decline will remain continual for the next 3 to 4 years until you reach a stage where you are around anywhere between 9% and 10%. So, it could be like 9.5%, it could be 9.3%. I mean because you get better rates for the Cattle portfolio.

Because it is an SMF portfolio, once you have a better credit rating, you can get very good pricing for this portfolio. So, I am saying till it reaches, I mean, the average COB, which is 13% today, till it reaches at least 9.5%, even if I do not get more aggressive than that, at least till it reaches, which is a 3.5% decline, the cost will continue to decline over the next, say, 3 years.

Darshan: Okay. Thank you so much. Another question would be on the collection efficiency. So, you highlighted a steep improvement in the collection efficiency. Would you just elaborate on what specific measures or initiatives were taken during FY '25 to achieve this improvement? And you also mentioned that stabilization is expected by Q1 of FY '26.

So, what does the full stabilization look for you in terms of collection metrics? And also, our last question would be, are there any particular geographies or product lines which are still facing stress issues on company level?

Deepak Aggarwal: So, I think one is, we started building up our collection infrastructure starting from September. We got some around 50, 60 collection officers as on date. So, it has been a slow build-up, but from 1st to February, we had a full telecallers platform.

So, each single customer gets a telecall, IVR, SMS, so which improves the collection efficiency, especially in 0 to 90 bucket. So, those results have been published already. So, it's a very significant jump versus what happened last year.

And I will continue to say, it has been an industry-wide stress. Any balance sheet, any presentation you see, it has been an industry-wide stress. Unless someone is not having a rural exposure. So, that's a different ballgame altogether.

Having said that, the infrastructure keeps on improving. In terms of 0 to 90 bucket, I believe that the stabilization is seen in Q1. So, even with June quarter, I believe, will be as good as the March of last year, which is 24, when we were just doing good enough. In terms of clients, which have moved to 90 plus, we are building our infrastructure, appointing collection agencies, doing all. I mean, we have a very senior resource now in collections.

And incrementally, we are building state-level collection teams, state heads for collection. So, all that is coming up, legal part is coming up. So, everything is coming up. I think, especially the way we see early warning signals, we have a portfolio cut of whether these clients are paying to other customers. So, there is a lot of data which we have seen. I believe that even what has moved to NPA will have a very decent recovery over a period of time.

Darshan: Okay. Thank you so much for the detailed answer.

Deepak Aggarwal: Thank you.

Moderator: Thank you. Due to time constraint, that was the last question. Thank you, managers and speakers, MUFG team and everyone for joining us. On behalf of Moneyboxx Finance Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.