SPANDANA

**Ref: SSFL/Stock Exchange/2022-23/042**

**Date: July 16, 2022**

**To**
**BSE Limited,**
**Department of Corporate Services**
**P. J. Towers, 25th Floor,**
**Dalal Street,**
**Mumbai – 400001**
**Scrip Code: 542759**

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

Dear Sir/Madam,

**Sub: Transcript of conference call held on Monday, July 11, 2022**

**Ref: Company Letter No.: SSFL/Stock Exchange/2022-23/31 dated July 8, 2022**

In furtherance to our above mentioned letter, please find enclosed the transcript of conference call held on Monday, July 11, 2022 to discuss the financial and operational performance of the Company for Q4 FY22.

The aforesaid information shall also be made available on the website of the Company at www.spandanasphoorty.com.

Kindly take the above on record.

Thanking you.
Your Sincerely,
**For Spandana Sphoorty Financial Limited**
Ramesh Periasamy
Digitally signed by Ramesh Periasamy
Date: 2022.07.16 11:38:13 +05'30'
**Ramesh Periasamy**
**Company Secretary and Compliance Officer**

*Encl: as above*

# "Spandana Sphoorty Financial Limited Q4 FY2022 Earnings Conference Call"

## July 11, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 11, 2022 will prevail.

**MANAGEMENT: MR. SHALABH SAXENA – MANAGING DIRECTOR & CEO - SPANDANA SPHOORTY FINANCIAL LIMITED**
**MR. ASHISH DAMANI – PRESIDENT & CFO - SPANDANA SPHOORTY FINANCIAL LIMITED**

**Moderator**: Ladies and gentlemen, good day and welcome to the Spandana Sphoorty Financial Limited Q4 FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shalabh Saxena – Managing Director and CEO of Spandana Sphoorty Financial Limited. Thank you and over to you, Mr. Saxena!

**Shalabh Saxena**: Thank you very much. Good evening to all of you, thank you for taking time out to join the conference call of Spandana Sphoorty Financial Limited. Thank you for showing interest in our company.

Friends it is now slightly more than three months that I have joined Spandana Sphoorty. Suffice to add that the initial period has been very exciting and absorbing. The support that has been received from the team members, shareholders and all the stakeholders have been very, very encouraging. I am happy to announce that the transition to the new management is now complete, which includes all the past issues that existed. We hence have our path clear in terms of way forward. Within assured support from all promoters and board.

The Q4 results have been uploaded however I would want to briefly take you through the same. Our quarter four disbursements were 1385 Crores, the full year disbursements were 3374 Crores with this our total AUM end of the year was 6581 Crores.

Of the above FY2022 disbursements contribute about 44% of the book, the book is very, very healthy and it has given a collection efficiency of 107% for the quarter four. The restructured book which is about 995 Crores 15% of the total book, that also has delivered a collection efficiency of 64% for the quarter. While all of you are aware that we are discussing and we are detailing the results for quarter four however wherever possible and wherever appropriate I will give some color on the Q1 numbers as well. So on the restructured book our positive trend continues it is in line with the Q4 collection efficiency, so Q1 restructured book collection efficiency is at 63%. The non-restructured book has delivered a 100.3% in quarter four with a positive trend in June quarter, the collection efficiency is 103% for the June quarter.

Now I will give you some details of the balance sheet. The balance sheet continues to be very strong. I will highlight certain ratios and information so that you will be able to appreciate this better.

In Q4 an equity infusion of 290 Crores was done with an additional 10 Crores coming in early part of Q1. Thus we have had 300 Crores of infusion between Q4 and Q1 beginning. Our networth at the end of March was 3088 Crores. The CRAR is at a very healthy 51.09%, the debt equity ratio or the gearing and was at 1.2. The provision coverage which is once again one of the critical factors is at 10.6% of the total portfolio. The normalized ROA and ROE figures are 6.9% and 16.6%. I must add here that this does not include the COVID impact and the onetime settlement expenses.

The gross NPA for the quarter was 15% and net NPA was 6%. On liquidity the position of our company was very strong end of March and continues to be very strong. At any point in time as a thumb rule we hold minimum of two months of repayment which works out to about 500 Crores. However end of March 2022 the company maintained a liquidity of 728 Crores as cash and cash equivalents of 475 Crores of bank deposits.

The macros for the industry, I would want to not touch upon where the industry is going and how is Spandana in the right positione to capitalize on the opportunity that present itself.

Spandana as on date is upwards of 81% in rural distribution. As a company our distribution is heavily skewed to the hinterland to the rural India as all of us are aware rural India has a high entry barrier and hence we do believe that we are in a very good position from a pure distribution point of view. We strongly believe that rural India will lead the economic growth for the country since a lot of money is moving to the hinterland.

With the economy thriving the microfinance industry is slated to grow on an estimated basis anywhere between 16% to 18% for the next six to eight years and with this in the background we do feel and there is a right reason of the optimism that we are in one of the best positions to capitalize on the opportunity. All of you are aware Reserve Bank of India had come out with a revised guideline for MFIs which are a huge positive for the industry. The enablers on pricing, customer indebtedness, qualifying asset criteria are welcome, it however puts a lot of responsibility on financials to act prudently. We intend to follow both in letter and spirit the regulation and we do believe that this is one of the good things that has happened for the industry. At Spandana we are very positive on what the future hold for us and are ready ourselves for what lays ahead. With successful transition of management for reasonably good quarter four on key business parameters and various efforts undertaken to strengthen the fundamentals of business, we feel confident of charting quality growth path for Spandana in the coming years. As a team we have articulated a vision 2025 for Spandana where we are planning to scale up our business to an AUM of 15000 Crores levels which is upwards of 2x from the present in the next three years. Our immediate five priorities which we have articulated and the entire company, management team, the folks here in the head office and in the field are working towards. The five priorities which we are working on. The first is people related, we are moving towards reinforcing the middle and senior management team. We do feel that a strong team with a good bench strength will augur well for the company both in the present and in the future. Point number two strengthen governance, risk and control with added focus on refining processes. Microfinance industry is a two decade old industry, a lot of alignment which to be done to the processes the way they existed earlier and the way they exist now, it is very important to have processes which are forward looking, aligned to technology and that is where it is very important, the second point of refining processes apart from the most important thing which is strengthening the governance risk and control measures. Point number three we as a company are very clear our growth path will be new customer acquisition led, while we continue and make all efforts to retain the existing customers our focus will be on new customer acquisition at any given point in time we are very clear our ticket sizes will at best be muted if not lower than the industry however we will always press the accelerator when it come to acquiring new customers and that a the way forward for us as a team. Point number four technology very, very critical for the distribution that we handle at this point in time we reach out to, we are spread across 1100 branches, we cover almost upwards of 80000 villages and a field force of about 6500, without technology this cannot be and hence over the past three months and going forward we have our charter ready for the next four quarters. We are going to scale up to deliver an end-to-end paperless customer experience. The last but not the least point number five, customer led initiatives with emphasis on products, service and meeting the lifecycle needs. We want to be the financier of choice which it comes to rural India and that is where we intend to strengthen our dominance we will continue to grow in those areas and will continue to strengthen our market share there. So while these are the five priorities, obviously the list is much longer but these are the core areas that we as a team are working.

So friends with a clear focus on rural India we are confident of increasing our market share by adding on the significant anticipated growth in these markets. The entire organization is taking incremental steps each day to converge on achieving the articulated objectives defined in the vision 2025 for the company.

With this I would want to end my commentary. I am joined by the management team here Mr. Ashish Damani – President & CBO; the Company Secretary, CTO and the other senior members of the team are with me. We are happy to take any questions that you would have. Over to you Peter.

**Moderator**: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Shreepal from Equirus Securities. Please go ahead.

**Shreepal**: Hi! Sir, this is Shreepal. Just a few questions with respect to your focus to the next three to six months. So just wanted to understand are we going to change the Spandana model which was more focused on having a monthly collection meeting which was trying to focus on having a lower Opex. So what changes that we brought in, in this model that you are planning to have.

**Shalabh Saxena**: See we do not want to take any kneejerk reaction, there is nothing which is going to happen overnight, having said which over the years Spandana has delivered quality growth and hence we do not want to do anything which is completely new. Having said which there are things, there are refinement that I said and hence in my commentary I used about refinement I did not use the word change, we will do refinements be it about the process or whether it is related to a product. For now there is a team which is set and used to a particular thing, these changes requires a lot of research a lot of customer insight etc. if at all we walk that path it will be a calibrated move not immediate, number one. Number two ieven if we were to take it we will not disturb the existing model we will start in probably a geography which is untouched by Spandana and there is a lot. So we will consolidate on what we already have which is good, if at all we think there is a merit in trying of something as we are different geography we want to mix up and it will be a celebrated approach there are enough opportunities in various pockets that you have mentioned both in terms of the geography and in terms of meet a product or even a repayment cycle as you mentioned but then it will be a very, very calibrated approach.

**Shreepal**: As you highlighted in your opening remarks that we are targeting FY24 AUM is almost 15000 Crores that is on book rather, presentation says it is going to be 18000 Crores and you have also highlighted some of the newer geographies that we have identified. So what are the reason for identifying these seven states?

**Shalabh Saxena**: Once again thank you for the question it is a very, very good question. I think what you have asked is like these seven states have been targeted that is your question right.

**Shreepal**: Right.

**Shalabh Saxena**: So if I were to take a step back and I work to analyze the contribution of these seven states to the industry as a whole, the microfinance is at 270000, 280000 Crores industry. These seven states contribute upwards of 42%-43% to the industry. When it comes to Spandana it is a much, much, much, much lower number. So just and obviously one for us that we will reach out we will open branches in these areas so that we get a incremental growth from the states where we already are that is point number one. Point number two is we have plans to go in the states we are present already but that will be an organic growth which is a regular growth, we do not want to step the accelerator to an extent where we really go more than what is desired, that states that we have identified we do see pockets for our appetite there is enough and more meat in these seven states we have given a chance to branch out we do feel that the incremental disbursements that we are seeking to get will come out of these seven states this also is in line with the earlier philosophy that I articulated that we will acquire more customers we will not increase the ticket size beyond we what we think in our mind is the right number at any given point in time we will be lower than the industry I understand there are quick pit falls to this particular approach but then we are fine with it and hence if I were to holistically take a view on where does Spandana grow in the next three years FY25 vision is 15000 Crores from the current 6500, 6600 Crores I think we will be able to balance our growth in both the new geographies and the old geographies the focus will obviously be getting distribution out of new branches that we open predominantly in these states identified and obviously in few areas where we already are present. I hope I have answered your question.

**Shreepal**: Yes, Sir, but still so do you think that these states while they contribute significantly as you highlighted so but then there are let us say few states will contribute maybe of higher if it is Bihar or for that matter UP, if you look at states like MP or Gujarat which is also a part of the strategy. So there are other issues which are also there so what have we sort of listed down some of the aspect where we looked at apart from the states contribution to the overall landscape.

**Shalabh Saxena**: See the state that we have identified are Gujarat, Rajasthan, Haryana, Uttar Pradesh, Bihar, West Bengal. We are looking from the current states even if we were to get a market share of about 2.5%, 3% we will get to an incremental AUM of about 6000, 6500 number one. Number two, I know what you are saying that these states have presence of other microfinance companies also, however microfinance as an industry is highly under penetrated when it comes to the national scene there are various research studies which are available where it is very evident that the penetration levels are just about 50%, 55% to the addressable population. So reaching out into new geography is one of the obvious strategies or approach that anybody would have, we are very confident and we are not pursuing growth only we are pursuing quality growth. Pursuing quality, growth to these seven states for the 6000 to 7000 incremental AUM that we are talking about is I am not saying easy but I am saying we will be able to sort of pick and choose and get to the quality growth that we are desiring to. So there is as I told you we are in these seven states a single digit contribution the industry is at 43%, 44% overall contribution I do feel we are reasonably confident that we should be able to get what we want in these states without compromising on the quality parameters.

**Shreepal**: Sir just some data keeping questions. So what is that as you have been highlighted that the GNPA is 15%. Wanted to get some sense on what is stage I, stage II, stage III percentage, what is the coverage that we are having right now and what is the ECL requirement for the same like for stage I, II, and III and if you could give this detail.

**Shalabh Saxena**: Sure, I will request Ashish Damani – President & CFO to kind of take this question.

**Ashish Damani**: Thanks Shalabh. So in terms of percentages I am looking at a hopefully which is on our book we have 69.5% of the portfolio in the current bucket itself, so that is in some part of stage I, if I include even 1 to 30 then we are talking about 75% of the portfolio is in stage I, stage II would be 426 Crores which is 6.5% and we have 18.8% of the portfolio which is in stage III of this like we have mentioned we have provided significant amount of portfolio what will be NPA, net NPA will be 6% of the portfolio which is still sitting in the net NPA rest of all the portfolio we have a coverage for that.

**Shreepal**: Sir you said the stage III is 18.8%.

**Ashish Damani**: So this includes off balance sheet if I have to really look at only on balance sheet then we are talking about 15.9% to 16% roughly.

**Shreepal**: So basically looking at the numbers we have close to 1050 Crores of stage III of which 520 Crores would have slipped from the restructured pool and the remaining 525,530 Crores will be from the other standard asset that have been there.

**Ashish Damani**: Yes restructured would be 512 and the rest will be from the roughly 368 Crores will be from non-restructured book.

**Shreepal**: So that the number is right take the 1050 Crores is into the stage III basically.

**Ashish Damani**: No, it will be 912 Crores.

**Shreepal**: Okay got it, and what is the stage wise provision that we will have.

**Ashish Damani**: So we will have this is driven by the ECL so we will have a 50% coverage for stage III and standard assets we carry 0.25.

**Shreepal**: Okay so even at stage I & II the coverage is 0.25%.

**Ashish Damani**: No, roughly about 28% on book which is in stage II.

**Shreepal**: And I think in the presentation also it has mentioned that close to 15% of the portfolio is NPA that will be constitutes this non-DA and non-securitization. So how has our DA and securitization portfolio behaved with respect to the delinquency?

**Ashish Damani**: No so DA numbers I will have to come back to you but the pool more or less behaves in line there is no specific separation that field is give in terms of whether it is DA or non-DA as a pool they do not really differentiate between that pool that has been hived off from the books. So I do not see any reason there will be a different experience for a DA pool of that.

**Shreepal**: Okay Sir I have a few more questions but I will come in the queue thank you so much. Thank you so much for answering my questions.

**Moderator**: Thank you. Our next question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

**Renish Bhuva**: Hi! And congrats Shalabh. Two, three questions from my side. So first it is about a clarification on the FY2023 outlook which you have shared in PPT. So in that PPT we are saying our branches will remain flat at 1120, 1123 kind of a number but in your opening remarks you did mentioned about incremental growth either you should come from the new customer acquisition. So is it fair to assume that the existing branch network has a lot of room for improvement and hence we are sort of having the flattish kind of a branch network in FY2023.

**Shalabh Saxena**: I will answer this in two parts. The number of branches we are projecting an increase from 1120 to 1500 results of that is about 380 more branches that is part one. The second element to the answer is the question of the point on customer acquisition our estimate is that we will scale up our customer strength or customer number from the current 2.3 million to 4 million and yes what you said is right there is a significant opportunity for improving the productivity at the branch and at the loan officer level which we intend to leverage on two counts. The first is the technology commentary that I gave and the second one I am just sort of informing everyone you are aware in the month of towards the later part of last year Reserve Bank of India allowed the e-KYC through the KUA route for NBFC MFIs and NBFCs. We have applied for a license and I think another two months we should be getting that license what this does or what this helps us is from the current physical sourcing which is clicking pictures of KYC document sending it the back office which then by the data entry so on and so forth at the press of a thumb print we will be able to give a decision to the customer post a CB check we will be able to conclude and complete the e-KYC with the customer there and then on the spot. So the current process of a loan which takes about three to five days as and we are not new as a company which do not have this facility have to go through this it comes down from three to five days currently into may be 60 seconds or a 90 seconds that to our mind is a big transformation when it comes to focusing on the our efficiency metrics and yes at a process level also we have identified a few processes which if refined will add a lot of delta to the already existing delta to our efficiency story and customer acquisition led yes branch network will be increase but yes predominantly focus will be on improving efficiencies.

**Renish Bhuva**: And Sir the second question again is sort of related to this. So where do we stand as on June in terms of implementing the revised MFI process as per the new guidelines.

**Shalabh Saxena**: We have already moved to the new process and as you know that every loan we are disbursing this month, starting this month from the 1st is under the new regime.

**Renish Bhuva**: So entire 1000 plus branch network are now on the new process.

**Shalabh Saxena**: Yes, all new customers acquired we will have to go through the new guidelines.

**Renish Bhuva**: And Sir just last question from my side again is sort of a clarification. So when we are projecting a 2% kind of a credit cost for FY2023 and when we look at the gross NPA pool of 15% PAR 0 to 90 again at 6.5%. So what is the rationale behind having such a low credit cost in FY2023.

**Shalabh Saxena**: Two answers to your question. The first is all of us are aware without getting into the details the field was limited in terms of the detailed customer data in quarter four. This data post the settlement we now have access to all the data we had access to the data earlier also we had constructed the data but obviously there were some limitations not really cent percent which now all of that is behind us. This is about the historical data, another the data point is a lot of us are aware that the microfinance customer needs a slightly longer run rate to regularize we as an institution did not give when I say did not give any moratorium which we will not give any payment holiday to the customers so the moratorium when it was propelled on the 30th of September starting the 1st of October the repayment and there was no holiday which was given to the customer number two. Number three if you combine, if you join the dots all I can say is we are doing a catch up the 64%, 65% restructured book delivering a collection efficiency of 64%, 65% is a testimony to the fact the point that I made that if given a loner run way, you know the customer who come I can then start repaying which is what we are already evidencing this quarter and the next quarter will be regularizing these customers and hence are optimism that all the numbers that is reeled out in terms of 2% loss for FY23 which in the background of the greater than 90 NPA etc., no I think we will be able to substantially bring down the numbers over the next two, three quarters. Most of these customers we have done. We have a detailed drill of these customers about 30% to 35% customers are customers who are less than three cycle customers rest 60%, 65% are four and above cycle customers which means they had taken more loans four or more loans from us so all the more reason for us to believe, that it is a environment which has find out drag them down to a scenario that exist today with slightly inadequate follow-up is why we are where we are but we do hope and we are pretty confident that we will be able to regularize this book in the next two quarters.

**Renish Bhuva**: So is it right to assume that let us say in Q1 or maybe in May and June the collection efficiency in gross NPA portfolio is better like say upwards of 50% that is what our coverage basically implied.

**Shalabh Saxena**: Yes, so if I take the restructured book which is where most of the people use to fear and nothing to do with Spandana but generally the industry and microfinance, the Q4 we delivered on the restructured book of 64% collection efficiency Q1 is 63% just I will shade lower but round about in that range, Ashish given you the details we are adequately provisioned on this particular book but on an overall basis I think we are in a reasonably comfortable position when it comes to the restructured book the non restructured book is delivering upwards of 100% the last year sourcing which is FY2022 of about 2800 Crores of the rundown book that we have as on March has delivered at a 107% so the nonrestructured book is behaving fine the restructured book the trends are pretty, pretty strong overall if I connect the story I think it looks to be a decent picture.

**Renish Bhuva**: Got it Sir, it is very, very, helpful Sir thank you so much and all the best.

**Moderator**: Thank you. Our next question is from the line of Parag Jariwala from White Oak India. Please go ahead.

**Parag Jariwala**: Thank you. I have two questions, one is with regard to settlement with earlier MD, CEO can you quantify the amount which we have paid for the settlement that is one, secondly Shalabh you have outlined a really great path going forward, you know some of the metrics if I looked at it are kind of best in class in the industry so far like probably achieving an ROA of closer to 5% in FY2025 with 22%, 24% ROE customer base which you are talking about is approximately around 40 lakhs I think CreditAccess is 40 lakhs at current juncture so it is almost best in class metrics. I know you are confident, but it is a challenging task so basically there may be certain processes which you are changing or you are probably hold maybe some of the operation aspect so what are the challenges involved in achieving this numbers.

**Shalabh Saxena**: We are talking of FY2025 scenario point number one, point number two is there are a list of issues that we have picked up in terms of process refinements which if done will we do see and we are very positive that we will see an incremental jump on the current productivity levels of the loan officer who is out on the ground that is number two. Number three and that is very important which I am just at the cost of repetition the fact that we are moving to a thumb based e-KYC/validations/KUA model that I think is a game changer for us as a company because that is kind of go to free for make the green time available for the loan officer considerably a three day to five day process if it compresses into a 90 second to 180 second you can imagine the kind of green time that will be available for the loan officer to do other things and here when we say other things it is essentially focusing on the new customer acquisitions, the new wave of customer growth. To your point in terms of how easy or how difficult it is I know you did not say that but I am kind of saying it aloud, microfinance to my mind is how well you do is a factor of what is the team that you have, how good your people are and how cautious you are in terms of aggression. There is no scope in this business and I say this is the utmost responsibility there is no scope or limited scope of being cowboy in this industry you have to be extremely cautious you have to walk the line which is under the so called indebtedness level at every given point in time you have to ensure that the training that you give to your loan officer who ultimately delivers the proposition to the customer is very well refined so us to not tread the path which is not desired. If a customer there is a lot of education and an awareness level that needs to be undertaken from a customer point of view in terms of how much borrowing needs to be done, even though at a customer level there is a headroom available for a higher indebtedness the responsibility of the loan officer is to ensure that he keeps it tapered down to a level which is more manageable that is something which is defined or differentiates a responsible financier to the other category of financiers. We are pretty confident that the training team, training structure, the controls, the process, the risk mitigation all of these things put together we will be able to deliver and it is not just a topline delivery for us I am very sure that we are not talking of a topline delivery only we are talking of an overall delivery which borders on quality as well. So we have done this before we are very sure that we will kind of walk this path. I will take this and any more questions you have in the meantime I will request Ashish to answer on the settlement question that you asked.

**Ashish Damani**: We had less items but specifically with respect to the payment to the erstwhile MD we have detailed it out it was 40 Crores that was paid as a part of the settlement.

**Parag Jariwala**: And there is nothing else which kind of forgone in terms of inter corporate deposit or something like that right.

**Ashish Damani**: With this payments and whatever receipts that the company had to get the everything is settled there is no further open items between the erstwhile MD or the company or for that matter the IT vendor that we had or for that matter the Keertana or other parties involved.

**Shalabh Saxena**: So Parag here is my thing. With the settlement, roads are clear for our company to move forward. We are looking ahead to the future with no issues at this point in time which are related internally as all of those have been settled. There was a press note which details the settlement and that kind of ends the earlier issue that we had. Literally speaking, for our company and as far as this issue is concerned, there isn’t a rear-view mirror and we have only a way forward to look at. Our entire management collectivity will converge now on delivering the clear objectives that we set out to achieve which I have articulated which we will focus. So this issue is now of the past and we are now on geared up for the future.

**Parag Jariwala**: Thank you, I think that is great. All the best Shalabh and team for the future.

**Shalabh Saxena**: Sorry, apologies some technical this thing our line got disconnected. So Parag did we answered your question or is there a follow-up.

**Parag Jariwala**: No, I think I am good thank you for the answers.

**Moderator**: Thank you. Our next question is from the line of Disha Jugat from JM Financial Private Equity. Please go ahead.

**Disha Jugat**: Just wanted to check how is the lender sentiment are bank disbursing money's to Spandana this quarter how was the sanction pipeline etc., or how are the credit rating agencies thinking.

**Ashish Damani**: So basically the way it works is typically the first quarter is always slow from the lenders' side since they are also trying to close their books and trying to look into putting out fresh budgets for disbursements and all. So it is always slow having said that in our case it was the lenders were waiting for kind of having clarity one on the settlement, two on getting the audited financials for their review and to start giving out the sanction letters. Having said that we had drawn some funds 140 Crores was raised during the quarter from two of the lending partners and we have lot of pipeline sitting which is primarily waiting for the audited financials with today's disclosures I think we should start seeing a normalized second quarter in terms of the supply side.

**Shalabh Saxena:** On your question of the rating agencies we continue to engage with them there was a background which everyone is aware about which with every single passing date I think it is moving upwards and I think now another max one quarter we should be good.

**Disha Jugat**: So you raised 140 Crores in the last Jan to March quarter.

**Ashish Damani**: Sorry that was Q1 in Jan to March we have raised 420 Crores.

**Disha Jugat**: And now it is only 140 Crores April to May.

**Shalabh Saxena:** Our disbursements were in quarter one were almost equivalent to what we disbursed in quarter four there is also a context and sorry I am being slightly elaborative on the question our priority, disbursement is a priority of every single company, I mean, no, I not taking away anything from there, but we are right now from our point of view getting people in place strengthening the governance, controls, the risk mitigation, making the processes robust all of this is in continuum to the business growth that we are pursuing that is number one, number two is this will continue for this quarter as well I am just kind of giving you some color on how the year will pan out. Q3 and Q4 is when we will be reasonably confident of the fundamentals in place for us to really launch ourselves to get a decent FY2023 number so this is it will be a back-ended growth but it will be a growth which will be backed or which will rest on strong fundamentals and robust infrastructure both from a, be it tech perspective, be it from a risk mitigation or control perspective.

**Disha Jugat**: Thank you.

**Moderator**: Thank you. Our next question is from the line of Sarvesh Gupta from Maximal Capital Pvt Ltd. Please go ahead.

**Sarvesh Gupta**: Sir I had two questions, first of all on the customer part I think from a peak of like 26 lakhs we are down to around 20 odd lakhs so this 6 lakh people who have migrated away from the company are they sort of they were marginal so they are no longer loan worthy or is there any other reason and how are we planning to sort of bring them back in to the system and since your focus is more on new geographies are they included as part of your focus going forward so that is number one and secondly in for the new management team have you guys all sort of relocated to Hyderabad or where is the team sitting and if you can throw some more color into how you guys have organized your lives around the new sort of shift which has happened in the top management.

**Shalabh Saxena**: Hyderabad is a very good place and I invite everyone and everyone to please come and stay here for three, four days it is raining nine months in a year the temperature is under 30 so it is a great please and yes this is to confirm that all of the people who are a part of the senior management and otherwise etc., everybody is based out of Hyderabad which includes me, Ashish and the other team members that is number one, number two is you asked the question on customer attrition. Customer attrition is a part and parcel of the microfinance industry there is something called a fatigue factor when it comes to even good customers I am not even getting into the not so good customers which happens and hence a 20% to 25% customer attrition is not really unheard of there are companies which kind of toggle between a 15% to 25% and hence the only way you have to manage this is to keep on getting new customers there is also which partly you answered there is also a scenario where you want to attrite a few customers because of the behavior that they would have shown on your book over the past few years so it is a combination of all things the last one year we have had a temporary I am not say pause, but it was a rollercoaster for us and hence we could not step up our journey in terms of the new customer acquisition as I have clearly articulated the organization is now converging to ensure that all resources are directed towards getting these new customer acquisition from the current numbers to a 4 million number in the next three years as I say the new member acquisitions like a petrol in a car you have to keep on constantly filling it while the car is on the move hence at some stage you will have to stop which might not be the best thing or best interest of the organization. So conceptually and from a strategy perspective we are very clear that is the way to grow; peg yourself below the industry on ticket sizes get more and more customers.

**Sarvesh Gupta**: And this vision of FY2025 where you have targeted around 15000 odd Crores so that is microfinance and what could be the similar number on the secured book which has also mentioned in one of the slides.

**Shalabh Saxena**: That is an additional 2000 to 3000 Crores that is in the second last slide if I am not mistaken that is over and above the current number so I sort of when you go and meet these customers this is an aspiring India this is an India which wants to grow and they want to taste how a growth story looks like what is it to be in an environment where they do not really have to worry too much on their square meal a day. So when you go and speak to them there is an approach that we have charted which is how do you graduate a customer from a microfinance to and upwards so this is scheme one which is the microfinance and if you see slide #34 of our presentation there is an individual loan to existing borrowers which is a graduated customer from a JLG to an individual level. So this is one stream another stream is a slightly upscale customer from the microfinance customer which is the nano enterprise loans that we are talking about we already have a home loan portfolio of about 98 Crores as we speak we are very, very optimistic on this business line we do hope that in the tier III, tier IV and tier V that we are talking about we see a tremendous opportunity for us as an enterprise to kind of capture this particular space. The two-wheeler which is a mobility solution for a customer that applies both for a microfinance and a non-microfinance customer so all of this our attempt is over and above the 15000 Crores about 2000 to 3000 will come out of the various lines articulated of the total book our attempt will be to get anywhere upwards north of 10% on the secured line. We will evolve as we grow but there is an apart from the microfinance there is a housing book already of about 98 Crores that we feel and right now this is concentrated in Andhra and Telangana two states so obviously the entire country is open for us. I must add however that at any given point in time we will always be focused on tier III, tier IV, tier V which is the rural India and that is where we see ourselves expanding in the next three years.

**Sarvesh Gupta**: On the credit cost side you alluded that growth might be back-ended but this credit cost do you envisage a scenario that Q1 onwards itself it should align itself to a 2% sort of a number or this is because of the write backs and other things that you are assuming in the later half so do you see a step down significantly from this Q1 onwards or do you see this also being a back ended sort of a number.

**Ashish Damani**: Yes, that is right it will be back ended 2% is what we expect it to be at on a closing basis so we may have a situation where there will be some cost that we kick in, in the earlier part of the year but then there will be recoveries and eventually we lead to something like 2% on the overall basis.

**Sarvesh Gupta**: Understood thank you and all the best.

**Moderator**: Thank you very much. Ladies and gentlemen due to time constraint this was the last question for today. I would now like to hand the conference over to Mr. Shalabh Saxena for closing comments.

**Shalabh Saxena**: Thank you very much all of you for joining and listening to us. We as a company are pretty optimistic about what the future holds for us as a company and what the business growth for us in terms of the potential and how we as a company are in the right position to tap that potential. People is one of the focus areas that we are going to drive at and our constant endeavor will be to get the right people in the right place so that this organization which is Spandana kind of people become the organization to come agnostic to who is running what show it is more creating a bench strength so that as an organization we as a company are pretty much ready to handle any kind of a situation. Thank you for the support in case there are any more questions we are happy to kind of take them on directly you can reach out to us we are pretty accessible. One other thing that we can definitely guarantee is candidness and transparency in terms of giving out the true picture of the company and the situation that we are in. Thank you for your support and look forward to listening and speaking to you again. Thank you very much.

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