



Q3 FY23 Earnings Conference Call

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Management

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Indian Numbering System Legend

INR 10 Lakhs	= INR 1Mn
INR 1 Crore	= INR 10Mn
INR 100 Crores	= INR 1Bn
INR 1 Lakh Crore	= INR 1Tn

NOTE:

- 1) This transcript has been edited for lucid reading. To that extent, this is not a verbatim transcription of the audio transcript.
- 2) Factual corrections are marked at relevant places in the transcript and are referenced to footnote/s.
- 3) Certain recurring terms like 'year-on-year', 'quarter-on-quarter', basis (referring to basis points) in the audio transcript have been shrunk to 'YoY', 'QoQ', and 'bps' respectively.

Moderator: Ladies and gentlemen, good day, and welcome to Capri Global Capital Limited Q3 FY23 Earnings Conference Call, hosted by Go India Advisors. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravikant Bhat from Capri Global Capital Limited. Thank you, and over to you, sir.

Ravikant Bhat: Good morning, everyone. This is Ravikant. I shall read out a brief disclaimer for today's call. The discussion on today's call regarding CGCL's earnings performance will be based on judgments derived from the declared results and information regarding business opportunity available to the company at this time. The company's performance is subject to risks, uncertainties and assumptions that could cause actual results to differ materially in the future. Given these uncertainties and other factors, participants on today's call may observe due caution while interpreting the results. A separate disclaimer is available on Slides 2 and Slide 3 of the Q3 FY23 investor deck. Participants are requested to note the same.

I now request our MD, Mr. Rajesh Sharma to present the opening remarks. Over to you, sir.

Rajesh Sharma: Yes, good afternoon, friends. Like always, it is a pleasure to welcome you all to Capri Global's post earnings conference call. Let me start by wishing you all a Happy New Year 2023. We declared our reviewed consolidated results for Q3 and for 9M FY23 on Saturday 28, January 2023. I hope you had a chance to go through the investor deck. With our right issue proceeds yet to be concluded, we will have to refrain ourselves once again from giving a specific forward guidance.

I hope our discussions today around CGCL's performance during Q3 and 9M FY23 will provide you all with the sufficient clarity and cues to understand the direction of company's progress. In this commentary, all references to profit and loss and balance sheet aggregates as well as ratios shall refer to consolidated values. All references to Urban Retail shall mean MSME and Affordable Housing.

As you would have noted, we have reported a decline of 42% YoY and 14% YoY in our Q3 FY23 and 9M FY23 net profit, respectively, driven majorly by the cost we incurred in the gold loan vertical. I shall elaborate on this later in this call. Let me first start with our business performance.

Please refer Slide 6 and Slide 7. Assets Under Management increased 49.9% YoY and 11.4% QoQ to touch INR 86,525 million. The share of retail loans improved to 79.1% from 74.4% in Q2 FY23. The share of construction finance segment where growth was stronger in H1 FY23 due to a strong sanctions and disbursal pipeline, softened 200bps QoQ to 19.4%, below our threshold of 20% at consolidated level. This is in line with our previous commentary that construction finance momentum shall be softer in H2 FY23.

Disbursals touched INR 18,105 million, growing 43.1% YoY and 21.7% QoQ. Disbursals for 9M FY23 stood at INR 43,917 million and were up 57.9% YoY. The share of retail disbursals comprising MSME, Affordable Housing, and Gold Loans was 75.5% in Q3 FY23 compared to 47.7% and 35% in Q2 FY23 and Q1 FY23 respectively.

Gold Loans led the momentum in disbursals during Q3 FY23, constituting INR 7,741 million or 42.8% of total disbursals. This translated in Gold Loan AUM touching INR 7,152 million, constituting 8.3% of total AUM compared to a 1.8% share in Q2 FY23. This rapid scale up was supported through an expansion of exclusive gold loan branches, which increased from 182 in Q2 FY23 to 449 in Q3 FY23. I shall discuss the core impact and our commitment to this business while discussing the earnings performance.

As part of our growth strategy, we continued expanding our urban retail network deeper and in contiguous geographies. We added 15 urban retail branches across Rajasthan, Uttar Pradesh and opened our maiden branch in Bihar in the state capital Patna*. Our non-gold loan branch network stood at 160[^] up from 145 in Q2 FY23. Our total branch network stood at 609[^], up from 327 Q2 FY23. Details on our network expansions are given on Slide 29 and 30[^].

The car loan distribution business continued with this strong momentum. As shown on Slide 12, the loan originations at INR 16,920 million, up 3.1x YoY and 24% QoQ basis. Total origination in 9M FY23 stood at INR 39,975 million over 2.3 x FY22 originations, which were INR 17,022 million. I shall discuss the fee contribution from the vertical while commenting on our earnings performance. As of Q3 FY23, the car loan distribution business had a presence in 322 locations

*Car Loan Branch, [^]161 / 610

in 29 States and Union Territories, unchanged from Q2 FY23. The vertical has six* exclusive branches and in other locations, it operates through its feet-on-street sales force.

I shall now turn to our earnings performance. I shall be referring to Slide 14 to Slide 17. The net interest income or NII increased 17.5% YoY and 5.3% QoQ to be 1,610 million. The net interest income in Q2 FY23 was boosted by certain one-off components amounting to INR 130 million attributed to recoveries. Adjusted for the same, the net interest income increased 15.1% QoQ.

The net interest margin computed on average net advances were 8.45%. Adjusted for the one-off item in Q2 FY23, the net interest margin was up 34bps QoQ, while unadjusted NIM declined 41bps QoQ. The near-term pressure on net interest margin has been higher on account of lagged repricing of loans compared to borrowings. We expect net interest margin to stabilize, incremental loan mix changes in favour of higher yielding loans as well as the repricing of existing loan book.

Let me now turn on non-interest income. During Q2 FY23 earnings call, we offered some historical perspective on CGCL's non-interest income, which has seen its share in net income rise from an average 14.5% between FY18 to FY22 to 26% H1 FY23. The non-interest income has become an important structural earnings driver for CGCL contributed by two key product lines, the net fee income from car loan distribution business and number two, the income on assigned portfolio under co-lending mechanism. Continuing with this analysis, I'm pleased to inform the share of non-interest income to net income improved further and stood at 32.4% and 28.6%, respectively, in Q3 FY23 and 9M FY23, respectively.

The car loan business contributed INR 333 million and INR 800 million in net fee during Q2 FY23 and 9M FY23, respectively. The income from co-lending portfolio constituted INR 200 million and INR 385 million or 8% or 6% net income in Q3 FY23 or in 9M FY23, respectively. I would like to mention here that presently, we are not targeting any mix of spread and non-spread income. Both the non-interest income streams are doing well and have a strong growth runway given the scope of intermediation and bank partnerships.

I shall now turn to the operating expenses. Please refer to Slide 16. Since the beginning of this year, we have not given a specific guidance on cost income ratio. We have generally said our cost ratios have remained lopsided on account

of aggregative expansion plans. In line with that, the cost-income ratio got pushed up further to 69.5% in Q3 FY23. As highlighted on Slide 16, adjusted for the expenses incurred in gold loan vertical, the cost-income ratio would have been 47% in 9M FY23.

Based on our internal classification, we estimate a loss before tax of INR 975 million in the gold loan vertical in 9M FY23. We have slightly modified our cost average AUM ratio graph to include an additional line graph. We have presented Costs / Average AUM ratio by including the car loan origination volume during the respective quarter in Average AUM definition. This gives a better perspective as the employee expenses incurred on the car loan vertical is captured in our opex, while the fee generating car loan is not part of our AUM. The Cost / Average AUM ratio has risen 329bps in trailing one year while the Cost / Average AUM ratio including the new car loan origination has risen by 234bps in the same period.

I would also like to highlight that we had already onboarded a significant number of staff for Gold Loan vertical branch rollout in Q2 FY23. This was to ensure bench strength ahead of the planned roll out in Q3 FY23. Hence, the average headcount in the Gold Loan vertical at the beginning of Q3 FY23 was 13 / branch. It normalized to 7 / branch by the end of Q3 FY23. This contributed to the increased employee opex in Q3 FY23. The necessity for such pre-rollout hiring has now reduced with our initial presence getting established. We had planned a gold loan branch count of 550-650 in FY23. Having rolled out a significant number of planned branches in 9M FY23, the incremental employee additions and opex intensity should soften in Q4 FY23.

Now I'm coming to credit cost and asset quality. We reported a net credit cost of INR 245 million in Q3 FY23. This includes INR 188 million net write-off and INR 57 million in ECL provisions. Despite the spike in Q3 FY23, the cumulative credit cost in 9M FY23 was INR 530 million, 50% of FY23 credit cost of INR 1,057 million. The 9M FY23 annualized credit cost stood at 94bps compared to 124bps 9M FY22.

The Stage 3 assets increased 7.3% or INR 130 million QoQ to touch INR 1,911 million. We expect cash recoveries from some of these slipped accounts in Q4 FY23. The Stage 3 ratio stood at 2.36%, -66bps YoY and -4bps QoQ. Our provisions on Stage 3 assets were 29.1%, marginally better than 28.7% in Q2 FY23. Standard restructured assets stood at INR 1,454 million constituting 1.8%

of AUM, approximately INR 1,100 million-plus of restructured assets have exited moratorium and other INR 350 million shall exit moratorium in Q1 FY24.

The cost drivers discussed earlier in the call subdued profitability in Q3 FY23. Our consolidated net profit after tax declined 42.3% YoY and 13.5% QoQ to INR 374 million. The 9M FY23 net profit was lower 14.4% at INR 1,398 million, excluding the direct costs incurred on the gold loan vertical. Our Q3 FY23 and 9M FY23 net profit would have been higher by approximately 32% on YoY. We reported a capital adequacy ratio of 24.2% for CGCL and 38% for CGHFL. The proposed capital infusion through INR 14.4 billion right issue will be timely and augment our growth equity. We hope to communicate the timeline of the capital raise in the near future.

With that, I conclude my commentary. We shall now take questions.

Moderator:

We have a first question from the line of Uday Pai from Investec.

Uday Pai:

I have two questions. What will be the gold loan yield on a steady-state basis, considering that 15% which seems lower pricing? And what is the quarterly disbursement in gold loan that you are targeting?

Rajesh Sharma:

Yes. Can you repeat the question, there's a lot of background noise is coming.

Uday Pai:

Yes. So, what would be the gold on yield on a steady state basis? And what is the quarterly disbursement of gold loans you are targeting?

Rajesh Sharma:

So, gold loan yields when we -- now the rollout, the beginning, you had to add a lot of customers have a yield in the range of about 15.5%. But slowly, it is going up. So when the retail customer segment is increasing of the low-ticket size, the yield will start going up. Our target yield will be in the range of 19%. So gradually, we'll see our yield is inching up.

In Q4 and next year, Q1 FY24, you will see the yields improve significantly when the branch gets some vintage. And we are targeting the gold loan book to close in the range of about INR 850 crores in Q4 FY23 and will continue to grow depending on the branch rollout and everything else. But we are targeting about INR 3.5 crores, INR 4 crores per branch AUM within 15 months from the date of its starting operations.

Moderator:

We have our next question from the line of Gaurav Sharma from HSBC.

Gaurav Sharma:

Congratulation on a great set of numbers. Just three questions. So one is like, Sir, your AUM mix is shifting towards gold loans, and just from MSMEs coming. So I just wanted to know the steady-state mix of your AUM? That is one. Second is, Sir, in gold segment, some of the bigger NBFC players mentioned that we are also getting aggressive. They are also expanding their standalone branches in gold. So how do you see the competition? And how you cater that...how are you going to counter that? And third, my question is related to the car loan disbursement showing a great momentum. So -- and you have mentioned that you're operating -- you have the branches -- you have just six branches and you're operating at 322 locations. So just wanted to know more about your operating model in this segment. And if you can provide the OEM mix in that, like which are the largest contributor in this fee income, it will be really helpful.

Rajesh Sharma:

So if you talk about the competition in the gold loan, yes, there is a competition, but there is a market also growing market of about INR 3,50,000 crores is growing at the pace of 12%. A majority of growth is still contributed and catered by the NBFCs. So to build a book of INR 10,000 crores, which you have said earlier, in next four to five years should not be, given the size, given the growth coming up, be a problem. And it depends on how fast you build a brand and how fast you quickly build a confidence among the borrowers to come and take the loan from you. So for that, we are continuously doing our radio campaign, you must have seen that even cricket team, Gujarat Titan, the IPL cricket team, we have taken the sponsorship showing the Capri loans. So various campaigns are going on to build that brand. And I think that is showing up. We have built a very fast INR 700-plus crores of AUM in less than six months. So I think it's very credible as (far as) I am concerned. So we feel competition is there, but market size is growing.

If you talk about car loan, it is a purely fee income where the referral is given to the bank and we assist the borrower to have a hassle-free disbursement in a fastest turnaround time. So it is a mix of technology and feet on the street. While the branches are six, but we have our connector model also, so we get the lead. We use some technology there and we use our local feet on the street combined. And I think, we are one of the largest player in this segment and fee income is directly contributing to the bottomline. So, we work on the unit economics as well. This year, I think we are targeting a fee income of INR 100 crores, and it will significantly contribute to the bottom line.

Gaurav Sharma:

And Sir, lastly on the steady state of the AUM mix, what will be the share of gold loans and MSME?

Rajesh Sharma: So, I think initially, it can be depending on the branches, but if you talk about four to five years, how it will look like, gold loan will be about 25% of AUM and 25% of AUM will be MSME and about 30% will be home loan and about 20% will be construction finance. That is how it will look like.

Moderator: We have our next question from the line of Bunty Chawla from IDBI Capital.

Bunty Chawla: So firstly, what is the incremental cost of borrowing for us during this quarter and how the cost of fund will shape up in Q4 FY23? And similarly, what will be the impact on the margin front going forward?

Rajesh Sharma: So, our cost of borrowing for NBFC is in the range of about 9%, which has gone up by about 70bps from one year ago. And our Cost of Fund for Q4 for our housing finance subsidiary, which was earlier about 7.25% has also gone up to about 8%. If you talk about the Cost of Funds, it will remain in the same range. Our new borrowings are happening at increased rate. And all the customers which are on floating basis, we have already passed on this hike. Only the customers where we have given fixed rate loans for three years, we are not able to pass on that rate because that is how that has been designed.

So, Cost of Fund will not be able to put pressure on the bottomline to the extent that we are able to pass on (rate hikes) to certain segments of customers. And I think this is a cycle when the interest rate goes down, then those segment of customers still continue to pay at higher rate. And when the cycle is going up, still the customer enjoys. So on the longer term, those set of customers that do not create much of the problem for the bottomline. But why will it give you fixed because it helps to retain the customer for a certain period because we incur a cost on that. So based on the category of customer, we offer floating and fixed. So, Cost of Fund increase will not put much pressure. We have already passed on to the customer as well as the new loans are booking at the increased rate of interest.

Bunty Chawla: And Sir, similarly, in the liability mix, if you see, the bank borrowings has increased. So, are we focused more towards bank borrowings? Is there any specific reason?

Rajesh Sharma: First of all, the banks give long-term money, about seven-to-eight-year money we can have from the bank. And PSU banks' cost of funds is cheaper to us as compared to private sector bank. So, if you see the rate of interest a State Bank of India can offer, perhaps the mid-sized private sector may not offer. So, we

always see who can give us long-term rate loan and who can give a better rate of interest. So, these two criteria, we go with for our borrowing mix.

Bunty Chawla:

Sir, lastly, last week, Bajaj Finance has shared similarly, as we are going aggressive in gold loan branches in gold loan focus. So how should one see that in our overall market pie, is that increasing? Or are -- it's altogether different they are focusing as we are focusing. How should one see versus Bajaj Finance in terms of gold finance?

Rajesh Sharma:

So, I think any sector which is offering a margin, there will be competition, competition will increase. But we have to drive a comfort from that overall. Market is also growing. So, it is not that the market is stagnant and more players are adding on. So, if INR 350,000 crores market is growing 10%, 12%, I think that offers good room for the new player to come in as well as the existing players to grow their book.

Moderator:

We have a next question from the line of Ashish Kumar from Infinity Alternatives.

Ashish Kumar:

Sir, a couple of questions on the gold loan business. One is you mentioned that each branch you're targeting INR 3.5 crores to INR 4 crores of AUM. So what kind of an opex as a cost to AUM will you be having at that, once we achieve that?

Rajesh Sharma:

If you talk about costs, I think every branch, we have a cost in the region of about INR 2.5 lakhs to INR 3 lakhs a month. So we break even every branch at INR 3.5 crores level on an average basis.

Ashish Kumar:

And so basically, for us to be able to hit our numbers in terms of profitability, let's say, 5% NIM, correct? We will need to at least have maybe 5% PPOP -- sorry, what I mean is at least INR 6.5 crores per branch, INR 6 crores, INR 6.5 crores?

Rajesh Sharma:

I may not be able to answer that immediately because I have not analyzed it that way. But after INR 3.5 crores, we start making and it starts to directly add to the PBT, I would say. So if you build AUM INR 6 crores and assuming those cost parameters, then on the balance INR 2.5 crores, we should be able to make about at INR 25 lakhs of an operating profit.

Ashish Kumar:

Fair enough. These are operating profit per branch, which is made of 3%, 4% and a 3% RoA. Sir, the second question was in relation to the whole competitive scenario. In gold loan, you're seeing traditional market standalone leaders like Muthoot and Manappuram from struggling to grow their AUM.

From a purely from a timing perspective, given the fact that we are looking at INR 3.5 crores maybe in 18 months, 15 to 18 months' time, is it a right time to enter into this business because everybody, including the banks have become super hyper competitive in this space. So do you think it makes sense for the competition to reduce a little bit because like we have seen in the past, every time a few people entered in and some people figure out that they can't make money on this business and exit the business. The banks get busy with the larger ticket size lending. So from a purely from a timing perspective, does it make sense for us to wait and rather than go so aggressive in terms of the gold loan branch opening? Or do you think...

Rajesh Sharma:

So our belief in and analysis is, if you want to enter into gold loan, you have to have a wider branch network in a very small ticket size, INR 80,000, INR 90,000, INR 50,000, INR 100,000 kind of a loan. So unless you have a size, you cannot make profit out of it. And you should be able to absorb the first 15 months operating losses every branch will throw. Unless the branch reaches breakeven point and start building AUM thereafter, it will not make money. So that kind of capital allocation is required. So in some ways, it is an entry barrier for a smaller player to do gold loan.

So still, if you see Muthoot and who has reached the INR 12 crores per branch. Even if they are able to maintain, they are super profitable in terms because they are in this business since long. So any branch which is reaching at a INR 7-8 crores and above, that will start delivering higher profit. And any segment which is offering profit, it is natural to attract more players and more competition. But it still all about your branch presence, your ability to build confidence among the borrowers. And these are the two facts that help you to build a high AUM.

We are quite confident that we have MSME, we have a home loan, we have car loan lead referral business and the gold loan. So some sort of cross-selling will also be possible. So we have to work on the cost efficiency also. And with the multiproduct, we have to believe in the cross-selling aspect. Combination of this, I think this business also in the plus positive side that if your processes are set, when you accelerate it, I think you need not worry about the delinquencies, whether your profits will be affected. So there are every plus and minuses, but overall, it is attractive business model to follow if you are able to continue to expand your network and achieve a size.

Ashish Kumar:

So I understand where you're coming from. I was coming more from a -- while from an absolute amount of profit pool, I agree with you completely. And I

understand it. I was coming more from an RoE perspective because anticipating somebody like Manappuram who has been for so long is struggling to get to a mid-teens kind of an RoE. So anyways, I understand where you coming from. Thank you, sir, and wish you all the best.

- Moderator:** We have a next question from the line of Gaurav Somani from Korman Capital.
- Gaurav Somani:** Sir, can you share the mix of lending in terms of fixed and floating, which we have?
- Rajesh Sharma:** Our borrowing?
- Gaurav Somani:** No. Lending, sorry, the assets, the lending which you have done, currently, what is the mix of floating and fixed loan rates, which we have?
- Rajesh Sharma:** Ravikant, will you be able to share that detail, please?
- Ravikant Bhat:** Gaurav, so most of our borrowings are basic, if you could just repeat it?
- Gaurav Somani:** So my question is the loans which we have given. Can you share the mix of fixed and floating, which we have in...
- Ravikant Bhat:** So gold loans would be entirely fixed. They reset only on at the end of the tenure. As far as the other loans are concerned, housing and MSME particularly, these are resettable. So basically, we give out loans that are fixed for a tenure up to three years. And after that, they become floating. So typically, in a year, we would have about -- I would reckon at least 25% to 30% of the portfolio at least coming up for, (becoming) eligible for repricing. And construction finance, the resets happen can happen more often.
- Gaurav Somani:** Sir, my question is on the cost-to-income ratio. In the past, you have said that it will be around 60% to 65%. It's hit 70% this quarter. So where do you see this normalizing once the gold loan business stabilize?
- Rajesh Sharma:** So I think we have to see that had not been gold loan profit* would have debited to P&L account, this cost income ratio would have be in the range of 47%. So if you talk about overall cost-to-income ratio vertical-wise, so MSME and home loans, our aim will be to bring it to in the range of about 35%-36%. And if you talk about gold, it will be in the range of about 45% kind of opex.

And if we start doing cross-selling and also the BC arrangement and co-lending in the gold loan, that will completely change the dynamics. While we are not saying that when it will happen. But I think next year, we'll have a few co-lending partnerships in the gold loan. We'll use our network to originate loan so that we'll be able to compete with even the lower segment of gold loan customer. So the dynamics of the cost-to-income ratio will completely change in our favor in a larger way.

Gaurav Somani: So we see this stabilizing below 50%, probably a year down the line?

Rajesh Sharma: Yes.

Gaurav Somani: Sir, lastly, on the co-lending aspect, if you can share the amount of co-lending, which you have done till now?

Rajesh Sharma: So co-lending till now, we have done in the range of about INR 450* crores.

Gaurav Somani: And any, and what is our view on this business on the co-lending business, do you want to grow it or we want to do it on our own book?

Rajesh Sharma: No, we definitely we want to do co-lending business, and we want to grow this. At the moment, a technology interface with the banks is underway. Once that is accepted, the volumes will increase significantly. And this has an edge where we get a cheaper rate and the risk is shared. We originate, we collect, and we get a fee. So, while on the profitability side, it has no impact, but on the allocation of capital, these are not required[^]. So it becomes very-very highly RoE accretive.

Moderator: We have a next question from the line of Kartik Gada from Multiple Wealth Management.

Kartik Gada: Yes. One question on MSME. So in terms of the percentage mix of the MSME disbursements, it's clear because the gold loan has been quite sharp, the increase in gold loan. That's why the percentage disbursement share has reduced. But even the absolute amounts for last two, three quarters has been lower compared to previous periods, the MSME disbursements. So can you throw some light on that, what is our thought process? Are we deliberately going slower, or what's the scene out there?

Rajesh Sharma: So if we -- there is no thought process to slow down the MSME disbursement, if you see our disbursements have not slowed down. The other verticals have also picked up. So you might be seeing that our disbursements overall MSME have come down,

but that has come down because the gold loan has also come up. But if you see our branch network is increasing, the branch network is increasing, the disbursements in absolute terms is increasing only. So it is all-time high disbursements are happening in all the segments.

Kartik Gada: Now, I'm looking at Slide 7. So if I take, Q3 and Q4 of last year, the MSME disbursement was INR 3,600 crores, INR 4,200 crores versus that this year for the last - this year for the three quarters, it has been INR 1,800 crores, INR 3,100 crores and INR 2,800 crores. So that is where I was coming from?

Rajesh Sharma: Ravikant, will you check that? Because I'm not seeing that much of count.

Ravikant Bhat: Yes, Sir. So what has happened is basically, you see, we have combined teams for both MSME as well as housing. There is a certain stiffness as far as MSME is concerned, both on the pricing as well as the overall growth. This is more of a momentary thing. And therefore, we had focused slightly more on the housing side. So quarterly, there could be some dissonance as far as the growth is concerned. But as Mr. Sharma said earlier, all the three - MSME, affordable housing as well as gold loans would be key retail growth drivers for us.

So don't read too much into what has happened during the second (third) quarter. And overall, again, if you see how the MSME portfolio has performed, it's up 30% Y-o-Y. And you have to look at it both on book plus the assigned portfolio, where the assignment has been slightly higher during the third quarter. So growth is happening. It's just that it shifted a bit to some other segments. But it could return once again going ahead. So we'll be focused on all the three products as far as the growth outlook is concerned.

Kartik Gada: And another question on the housing loan segment. So how is the ticket size been moving for us in this segment? Can you throw some light on that?

Rajesh Sharma: Hello.

Kartik Gada: Yes. So I was asking my second question, which is on the home loan, home loan segment. How has the average ticket size been moving in this segment for us?

Rajesh Sharma: Yes, average ticket size is in the range of about INR 12 lakhs to INR 13 lakhs. And if the housing prices are growing, it might, at the most can reach about INR 16 lakh, INR 17 lakhs. It is not going to significantly change since we are in the affordable housing segment.

- Moderator:** We have our next question from the line of Pravin Mule from ICICI Securities.
- Pravin Mule:** So just a continuation of earlier question that how you are seeing the incremental demand in MSME segment? I mean any specific segment or geographies we are seeing a strong demand. And sorry if I missed this, what is the quarterly disbursement rate we are targeting?
- Rajesh Sharma:** So if you talk about the demand, demand is depending on our branch network. So suppose we have more branches in Madhya Pradesh, then we see the stronger disbursal happening in Madhya Pradesh because our branch network is more. But our Rest of Maharashtra branches are lesser. So we will see lesser disbursement. So it is sometimes a function of our presence also. And if we talk about our disbursals, I think always MSME, we have seen the disbursal of in Q3 about INR 286 crores and construction finance to INR 278 crores.
- So if we see this disbursal in last quarter of year happened highest. So it increases QoQ. First quarter of the year is always lower, and the last quarter is always highest. In that the sequence disbursements happen because loan demand in the push products will happen there. And it happens across NBFC and banking system. So I think we should be growing our MSME portfolio in the range of about 25%-plus this year as well.
- Moderator:** Thank you. As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.
- Rajesh Sharma:** Yes. Thank you. So as we said, we will always stick to our core philosophy to build a customer base which banks are not catering to. So we do MSME where customers do not have income proof, we do affordable housing, and in the same sequence and thought process, we added the gold loan. And for the fee income, we are doing very well in the car loan distribution. I believe that next two years once our gold loan expansion takes place, every branch will start contributing. And at the same time, our MSME and affordable housing portfolio will also grow. Our operating costs will come down and there will be great fee contribution from the car loan and the advertising income of the insurance products. So I think we are inching towards a higher AUM and better profitability.
- Technology, we are making a lot of investments and data science team. We have added about 15 people. We are pinpointed. We are analyzing every geography, every product, everything, and they are making a sea change. That will also help us not only in our asset quality policy, but also in cost to income. So overall, we

are quite confident that we are on a path where we should be able to deliver better returns for our stakeholders. So thank you all of you for joining the call.

Moderator:

Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
