ESAF SMALL FINANCE BANK
Joy of Banking

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To,

Listing Department **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400001**	**Listing & Compliance Department** **National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor** **Plot No. C/1, "G" Block** **Bandra- Kurla Complex** **Bandra(E), Mumbai- 400051**
BSE Scrip Code: 544020	**NSE Symbol: ESAFSFB**

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call on Financial Results of the Bank for the quarter ended on June 30, 2025

We would like to inform that the Transcript of the Earnings Conference Call in connection with the Unaudited Standalone Financial Results of ESAF Small Finance Bank Limited ("Bank") for the quarter ended June 30, 2025, held on Monday, August 11, 2025 at 11:30 hours (IST) is attached herewith. The above-mentioned transcript is also available on the website of the Bank at https://www.esafbank.com/investor-relation/?id=presentation-and-concall-transcript.

This is for your information and appropriate dissemination.

Thanking you

Yours Faithfully,

For ESAF Small Finance Bank Limited

RANJITH RAJ PARAMESWARAN
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Company Secretary and Compliance Officer

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"ESAF Small Finance Bank Limited
Q1 FY '26 Earnings Conference Call"
August 11, 2025

MANAGEMENT: **MR. K. PAUL THOMAS – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ESAF SMALL FINANCE BANK LIMITED**
MR. GIREESH C.P. – CHIEF FINANCIAL OFFICER – ESAF SMALL FINANCE BANK LIMITED
MR. GEORGE K. JOHN – EXECUTIVE DIRECTOR – ESAF SMALL FINANCE BANK LIMITED
MR. HARI VELLOOR – EXECUTIVE VICE PRESIDENT, CREDIT – ESAF SMALL FINANCE BANK LIMITED

MODERATOR: **MS. NIDHI VIJAYWARGIA – MUFG INTIME INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to ESAF Small Finance Bank Limited Q1 FY '26 Earnings Conference Call, hosted by MUFG Intime India Private Limited. 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 this 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. Nidhi Vijaywargia. Thank you, and over to you, ma'am.

Nidhi Vijaywargia: Thank you, Abhijit. Good morning, ladies and gentlemen. I welcome you all to the earnings conference call of ESAF Small Finance Bank Limited to discuss the Q1 FY '26 business performance. Today on the call, we have from the management, Mr. K. Paul Thomas, Managing Director and CEO; Mr. Gireesh C.P., CFO; Mr. George K. John, Executive Director; and Mr. Hari Velloor, Executive Vice President for Credit.

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.

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

K. Paul Thomas: Thank you. Thank you, Nidhi. Good morning to all. On behalf of ESAF Small Finance Bank, we welcome you to the Q1 FY '26 earnings call, where we will discuss our business and financial performance. We truly appreciate your unwavering support and the keen interest you have shown in our progress.

Joining me today are Mr. George K. John, Executive Director; Mr. Gireesh C. P., EVP and CFO; Mr. Hari Velloor, EVP. I hope you all had a chance to review our quarterly results and investor presentation which are already available on the stock exchange and our bank's website. At ESAF Small Finance Bank, financial inclusion is not just for our origin. It remains the foundation of our strategy.

While we began by serving the underserved, we have since expanded to all customer segments; rural, semi-urban and urban offering secured lending and a wide range of banking services for both retail and business customers. Our mission continues to be deeply rooted in social impact even as we focus on building a diversified, resilient and scalable business that meets the needs of every segment for the long term.

We are steadily expanding our retail business across secured lending, which includes gold loan, mortgage loan, mobility loans and agriculture loans. Strengthening our loan book and aligning with our long-term strategy for stability and growth, at the same time, we are focused on growing our CASA base and enhancing our digital banking capabilities, enabling us to stay connected with customers and foster long-term relationships.

Our strategy is built on balance to growth, delivering sustainable profitability while staying true to our mission of empowering underserved communities. We are scaling our business in a responsible, meaningful way, ensuring that every step forward enhances both shareholder value and social impact.

India's macroeconomic momentum, driven by structural reforms, rising formal employment and rapid digital adoption is creating unprecedented opportunities for financial inclusion. These shifts are enabling banks like ESAF Small Finance Bank to reach deeper into segments that were historically outside the formal banking network.

The banking sector itself is undergoing a significant transformation with stronger regulations, growing fintech partnerships and a sharper focus on rural and semi-urban penetration, ESAF SFB is well positioned to capitalize on this environment. We have been strengthening our secured lending portfolio, deepening our deposit base, investing in cutting edge digital platforms and driving operational efficiencies, actions that reinforce our growth trajectory and risk resilience.

Further, bank has also raised Tier 2 bonds with 6-year maturity amounting to INR65 crores during July 2025 to further strengthen the CRAR position. With our deep rural franchise, digital-first approach and unwavering commitment to responsible banking, ESAF Small Finance Bank is poised to deliver sustainable growth, expand market share and create long-term value, positioning ourselves as India's most trusted social bank.

With this context, I now invite our Executive Director, Mr. George K. John, to take you through the next segment.

George K. John: Thank you, Paul sir, and good morning, everyone. Let me begin by providing a brief perspective on the broader macroeconomic environment that set the context of our business performance. In this August 2025 Monetary Policy Committee meeting, Reserve Bank of India maintained a repo rate at 5.50 percentage, the standing deposit facility rate at 5.25% and the marginal standing facility and bank rate at 5.75 percentage.

CPI inflation for FY '25-'26 is projected at 3.1 percentage, while GDP growth is forecasting to remain steady at 6.5 percentage, supported by resilient domestic demand and the continued government capital expenditure. The RBI stance reflect a caution balance, managing inflationary pressure while nurturing growth.

The cumulative 100 basis point rate cut since February 2025 are still working through the economy and the revised inflation outlook underscores the focus on macroeconomic stability amid global uncertainties and domestic challenges.

Turning to the rural economy, which forms the backbone of our customer base, the Indian Meteorological Departments project above normal rainfall for July at 106% of the long period average following a 9% surplus in June. This bodes well for kharif sowing, reservoir replenishment and rabi season preparation. Stronger agriculture output and farm incomes are expected to lift rural sentiment and drive consumption growth in the coming quarters.

While the microfinance segment faced headwinds earlier this year, we are beginning to see constructive developments, aided by stronger governance framework, enhanced risk controls and accelerated digital adoption. On the regulatory front, the RBI decision to lower priority sector lending requirements for small finance bank from 75 percentage to 60 percentage is a welcome development, offering greater portfolio flexibility, improved capital allocation and enhanced diversification.

In parallel, ESAF SFB has fully implemented MFIN Guardrails 2.0, which will support the building of a stronger, more resilient loan book. As of early July, overall bank credit growth stood at 9.8 percentage, while deposit growth remained steady at 10.1 percentage. The moderation in credit growth reflects a sector-wide focus on asset quality with lenders tightening underwriting standards in response to higher delinquencies in unsecured retail segments.

I am pleased to share that in the first quarter of FY '26, ESAF Small Finance Bank made meaningful progress in advancing our strategic priorities with continued focus on quality growth, prudent risk calibration and operational efficiency. Our performance demonstrates steady momentum across key business segments, even as we maintain a measured approach in our microfinance portfolio in line with evolving market conditions and our disciplined risk management framework.

As of 30th June 2025, our total business stood at INR42,507 crores compared to INR40,551 crores a year ago, reflecting a Y-o-Y growth of 4.82 percentage. Adjusting for the impact of technical write-off and NPA sales during the period, the underlying growth in total business was a robust 8.74 percentage. Our micro loan book declined from INR13,236 crores in Q1 FY '25 to INR9,095 crores in Q1 FY '26 in line with our strategy to de-risk the portfolio.

During the quarter, we executed NPA sales of INR733.4 crores comprising NPA of INR362.43crores and technical write-offs INR371 crores, resulting total concentration of INR733.34 crores. This resulted in the net P&L benefit of INR45.76 crores for the quarter, and the meaningful reduction in gross NPA INR362.43 crores.

Gold loans were the standout performer growing 16% quarter-on-quarter and more than doubling in Y-o-Y, reflecting consistent demand from our rural and semi-urban customer base. We are well on track to achieve our long-term goal of increasing the share of secured assets to 70 percentage by March 2027.

As of now, secured assets account is 54.79 percentage of our total loan book, up sharply from 32.69 percentage a year ago. This significant shift underscores the success of strategy building and more resilient high-quality and lower risk portfolio. ESAF Small Finance Bank today operates 788 banking outlets, 1,095 customer service centers, 713 ATMs and 33 institutional business correspondents, across 24 states and 2 union territories, enabling deep penetration in rural and semi-urban markets.

While Q1 was seasonally muted impacted by subdued macro conditions, heavy rains in several states and continued stress in the microfinance segment, we expect the economic environment to improve in the second half of the year, supported by a good monsoon, revival in urban rural demand, the upcoming festival season, RBI rate cut and sustained government capital expenditures. The microfinance industry is currently facing newer challenges, asset quality pressure and book degrowth leading to accelerated provisions and revenue softness.

We believe stress levels have likely peaked in Q1, but stabilize in Q2 and show positive traction from Q3. Our microfinance recovery strategy includes revamping the group meetings, cater new customer acquisition and incentivized delinquent borrower follow-up. We remain fully committed to balancing growth with sustainability and prudent risk management.

Our continued shift towards secured lending, coupled with disciplined execution in retail, MSME and gold loan segments position us well for consistent and sustainable performance. I'm also pleased to share that our QR loan was recognized as the best UPI-based digital payment solution, PayTech at the ETBFSI FinNext Awards 2025, underscoring our ability to innovate and lead in inclusive digital finance.

At ESAF SFB, financial inclusion remains at the heart of our business model. Our deep presence, technology-led approach and commitment to serve underserved give us a unique and defensive position in the market. Alongside this, we are steadily expanding our retail segment across secure lending, MSME and other asset products, complemented by strong CASA and digital banking focus.

This balanced growth strategy allows us to diversify our portfolio, strengthen quality asset and capture opportunities across customer segments. We carry this trust with humility and responsibility, ensuring that every step we take creates values, drive environment and deliver long-term impact for our customers, communities and shareholders.

With this comments, I now invite our EVP and CFO, Mr. Gireesh C. P., to take you through the financial performance.

C. P. Gireesh: Thank you, sir. Good morning, everyone. I thank all participants for taking the time for joining us on the call. Let me give an overview of the financial performance highlights for Q1 FY '26. In Q1 FY '26, deposits stood at INR22,698 crores, up from INR20,887 crores in Q1 FY '25, representing an 8.7% Y-o-Y increase.

As part of our strategic focus on stability, we have consciously reduced our share of bulk deposits. Retail deposit growth to INR21,763 crores as on 30th June '25 from INR19,230 crores a year ago, making a robust 13.17 percentage Y-o-Y growth. The share of retail deposits in total deposits improved further to 93 percentage in FY '25 to 96 percentage in Q1 FY '26, underscoring the strength and stickiness of our deposit base.

CASA balances remain a key pillar of our deposit franchise reaching INR5,628 crores in Q1 FY '26 compared to INR4,927 crores in Q1 FY '25, translating to 14 percentage Y-o-Y growth. Gross advances stood at INR18,224 crores versus INR18,783 crores in Q1 FY '25, reflecting our calibrated approach to lending in the current environment. Disbursements for the quarter were INR7,694 crores, a sharp, 71 percentage Y-o-Y growth from INR4,503 crores last year with secured loans forming 90 percentage of total disbursements aligned with our derisking and portfolio quality strategies.

Net interest income for the quarter was INR378 crores compared to INR588 crores in Q1 FY '25, while net interest margin moderated to 6 percentage from 9.4 percentage last year. This was primarily due to the shift in our loan portfolio mix towards secured assets, reduction in repo rates by RBI, the strategic decision to maintain excess liquidity, controlled loan book growth and higher delinquencies in the high-yielding micro loan portfolio.

Even though we have done correction in the deposit rates, the transmission in the rate cuts on liability side will take some more time to materialize in full. The product pricing strategy also being rationalized to reverse the impact of immediate shock in the NIM.

Non-interest income rose 58 percentage Y-o-Y, supported by treasury gains and PSLC income despite moderated asset growth. Pre-provisioning operating profit came to INR125 crores versus INR254 crores in Q1 FY '25, impacted by annual interest reversal and the cost of carrying excess liquidity.

On asset quality, as of FY '26, gross NPA stood at 7.5 percentage and net NPA 3.8 percentage reflecting both the prevailing macroeconomic conditions and other cautious stand on micro finance lending. importantly, our provision coverage ratio improved to 73.2 percentage demonstrating our continued focus on strengthening the balance sheet and improving the quality of our loan book.

We continue to hold additional provision in the advances book in excess of the minimum levels prescribed by RBI. We remain focused on bringing down both growth and net NPA to more sustainable levels over the next few quarters. This will be driven by enhanced monitoring, proactive collection strategies and sharper risk management across all lending segments.

In parallel, we are taking decisive steps to improve internal efficiency, optimize resource allocation and reduce operating costs while maintaining the high quality and reliability for customer services. With the risk environment in the micro banking segment showing early signs of stabilization and with the strategic actions we have implemented in our asset sales, secured loan growth and portfolio diversification, we are now on a stronger and more resilient footing.

We expect to achieve positive ROA by the end of FY '26 as operating performance strengthens and provisions normalized. FY '26 will be a year of consolidation, one where we target moderate business growth while sharply improving operational metrics and building a robust financial foundation for next phase of expansion.

Our approach remains disciplined and forward-looking. We continue to maintain provisioning buffers above regulatory requirements to safeguard against potential stress in vulnerable segments. This reflects our commitment to long-term prudence and responsible banking, accelerating NPA recoveries remain a top priority in our asset quality road map.

At the same time, we are expanding our secured lending portfolio, including gold loans, mortgages, MSME and agri finance to rebalance the book towards more stable, profitable segments. We remain fully committed to building a healthy, diversified and future-ready loan portfolio, one that minimizes risk, serves customer responsibility and drive sustainable value creation for all stakeholders.

Thank you very much, and the floor is open for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivek Gupta from Star Investments.

Vivek Gupta: So my first question is, from micro loans, like they still contribute -- around 46% of the book, but unsecured has degrown, how do you expect microfinance origination to normalize or stay moderated? At what underwriting changes have been made for micro assets?

Hari Velloor: I'll take that question. So let me just clarify the question. First is having shrunk the micro portfolio, what are the steps we have taken to have more better underwriting. Is that the question that you've asked?

Vivek Gupta: Yes, yes.

Hari Velloor: Okay. So as you know, it's about more than a year now when our SROs, this is the self-regulatory organizations of the micro finance industry, they had introduced guardrails. And the bank has been fully compliant with these guardrails for more than a year now. The guardrails are basically 3 aspects. One is that we don't lend more than INR2 lakhs or the industry doesn't lend more than INR2 lakhs to the same individual.

Number two, they should not have more than 3 loans outstanding. Essentially, that also means they can't borrow from more than 3 institutions. So these were the 3 and nobody will lend to somebody who has a delinquency elsewhere. So these guardrails have been rigorously enforced.

And we are actually seeing the benefits of this. I'll split the portfolio that we have into 2 because last year, we took over the majority of the micro finance portfolio, and we have been running it directly by bank employees. As you know, we have a BC model also. When we look at the figures for the last 1 year and what we have disbursed in the last 1 year, we see that our collections in that portfolio is close to 98%, 99% or so.

So this shows that the credit quality of the credit underwriting has really worked and the portfolio is doing well. At the same time, the BC portfolio, there is a bit of a stress. What we have done is over the last 2 to 3 months, we have directly started managing or rather directly intervening where required to bring up the portfolio quality and we are able to see good results there.

The fact also is that Karnataka, which has been a bit of an issue for the last 1 year or so. We had -- our portfolio largely in Karnataka was run by BCs and that has shown a bit of a stress. So largely, I think this is what we have to say about the micro finance portfolio and underwriting aspect.

Vivek Gupta: So I have one more question. Like could you also break down recent disbursements by product and ticket size band, especially the share of small ticket gold versus the large secured loans. And if you could just provide more like how is pricing differentiated by ticket size?

Hari Velloor: In terms of gold loans?

K. Paul Thomas: Yes, gold and other loans.

George K. John: Were you asking specifically about gold loans?

Vivek Gupta: Yes. Ticket gold loans, small ticket gold loans versus the large secured loans?

Hari Velloor: Yes. Okay. Roughly, I think about 25% of our loans are small ticket gold loans. And when we say small tickets, it will be about INR1,00,000, INR1,25,000 or so. And if you are asking more from a segment point of view, whether we are lending the gold loans to the micro finance segment, then it is even less. It is more -- about 10% or so of the portfolio will be to the micro finance segment. If that is the question you wanted to know.

Vivek Gupta: That pretty much answers my question.

Moderator: The next question is from the line of Raj Patel from RK Securities.

Raj Patel: Just two quick questions from my side. So as we can see that the gross nonperforming assets moved to 7.5% and the net nonperforming assets moved to 3.8%. And the provision coverage ratio is 73.2%. So I just wanted to understand that what portion of recent slippage was related to this legacy vintage versus the new vintage? And which state of products are driving this incremental slippage?

C. P. Gireesh: See, primarily the slippages are mainly from the micro banking book, mainly from 2 states, Karnataka and Tamil Nadu contributed almost 50 percentage of the micro loan slippages. However, the positive thing is that the overall SMA levels are moderating substantially over the last quarters. And that is the comfort which we get or moving forward, the slippages will come down.

Raj Patel: And my last question was, so as we can see that the Kerala still holds a large share of the deposits and the advance. So what -- so what are the concentration risk? And how are you trying to derisk or diversify across the various geographies, which could be in the form of state diversification target or the new urban cities?

George K. John: Yes. So thank you, as for asking. If you review the data, it show that our increment growth happens outside Kerala, because especially the Kerala book is mainly in the NRIs because that's a large chunk of people are in South. So going forward, our focus and what we're doing at personally is that outside Kerala, bringing the internal growth. So that's the way we can now derisk the concentration. And as I mentioned, it is more on the NRI customer in the south.

K. Paul Thomas: But the asset concentration has significantly come down. It has come down to 35 percentage. But we are well diversified now. We are present in 25 states. We are expanding into newer geographies. So the asset building is happening. But on the liability side, the Kerala concentration will continue for some more time because of the NRI deposit base we have originally from Kerala.

Moderator: The next question is from the line of Varun Mishra from M&S Associates.

Varun Mishra: We have seen net interest income declined to like INR378 crores and the NIM has been falling to 6%. So could you tell us like what are the contributors to the margin compression and which levers like pricing mix, or is there a funding mix is just prioritizing to restore this margin?

C. P. Gireesh: Yes. The margin is steadily, it is decreasing over last couple of quarters, mainly because of 2-3 reasons. One is that the asset mix is undergoing a change from the unsecured book to the more secured book. So that is a strategic decision taken by the bank in the wake of the uncertainties and the delinquencies, which we have faced from the last year onwards.

Apart from that, we were continuously holding around INR3,000 crores of excess liquidity throughout last year, which has moderated to around INR2,000 crores as of today. So this will have an impact on net interest margin on the negative. And the recent it decrease by RBI on the rates by around 100 basis points, the immediate impact will be on the gold loan book, which is one of the major book as of today. And also the other secured books also mostly it is linked to the external benchmark-related rates.

But the fresh loans, we have already corrected the extending loan rates. However, it will take some more time to get the full benefit of it. And also, the interest rates -- on the liability book also, we have moderated after the rate cut by RBI. However, the repricing of deposits will be happening over a period of time. So the full impact will be received over a period of 1 to 1.5 years. We have already started getting the benefit on the liability book to some extent during the last quarter, but the major caution will be coming in the coming quarters.

Varun Mishra: All right, sir. And sir, given the strong secured disbursements growth in the Q1, especially in gold, so how do we see the investors think about growth versus margin trade-off for the rest of FY '26? Also we see that the micro lapse has been coming down. Like could you throw in some light on that as well?

C. P. Gireesh: Yes. On the margins, definitely, there will be an improvement going forward once the slippages comes down and also the fresh disbursements taking up at a moderated rates after the rate cuts, then definitely the NIMs will definitely improve. But how much it will improve, I'm not giving any guidance at this moment.

Varun Mishra: All right. So last question, sir, from my end, like you see the PCR has been a bit in the same ballpark of 70% to 80%. Also, our like GNPA and NNPA has been rising. So could you like throw in some light for this quarter?

C. P. Gireesh: Yes, we were aggressively providing over and above the RBI minimum requirement on the NPA front and maintaining the NPAs at 7 percentage and 3 percentage till last quarter. However, since the moderation of the SMA levels gives us comfort to reduce the excess provisioning. Still we have got excess provisioning, but we thought that we will allow the NPL levels to breach the levels which we were previously maintaining.

Moderator: The next question is from the line of Vrudhi Vora from SAS Capital.

Vrudhi Vora: So my question is that given the PCR moved from 61.9% in June '24 to 73.2% in June '25. So what is your comfortable PCR target for FY '26 and the expected provision cadence if slippage remains at Q1 run rate?

C. P. Gireesh: On the provision coverage ratio, we keep the 70 percentage, which is prescribed by RBI also as a benchmark to be maintained.

Vrudhi Vora: Then a further follow-up question was that CASA grew at INR5,628 crores, and CASA ratio is 24.8%. So what is specific initiatives that drove this increase?

Hari Velloor: Well, there's 2 or 3 things that have been happening. And let me also say, at the same time, we have been reducing the rate of interest that we pay on CASA deposits. What we've been doing is, as you know, we have increased our network of branches. And these branches are primarily in semi-urban and rural areas.

We've been very aggressive in acquisition. We have found that we are able to provide a service which is relatively cheaper and kind of benchmark to these areas because many other banks have been going in the other direction, maybe raising their minimum deposits, minimum required balance, etcetera, etcetera, or other fees and charges.

So what we've been able to do is provide a service, which is very reasonable in price. At the same time, the quality of the service and the technology is as good as any other bank. And customer acquisition has been going on at a very high rate. This is one part of it.

The second part of it is, of course, that we are providing most of the services that other banks do, including cards, we actually add the credit card, etcetera. So what we are finding is in these specific areas of interest for us, we are able to provide a very competitive product at a very reasonable price, and this will help us to grow the CASA.

Vrudhi Vora: Okay. And how -- and my further question is, like, how they are sustainable, the broad pricing, the channel and the customer cohorts?

George K. John: Sustainable in terms of what pricing? The interest rate?

Vrudhi Vora: The initiatives that you are driving for the CASA?

George K. John: Yes. It is very much sustainable because if you see the kind of pricing or the services that are provided by these banks, we provide the same at a much lesser cost, so -- or price, let me say, not cost -- price. So it's very much sustainable from our point of view. The other thing is in most of these areas, there are still so many parts of the community, which are underserved in terms of financial services. So definitely, there is a huge market opportunity for us, the kind of services we give.

K. Paul Thomas: Otherwise, we will have to depend on bulk deposits, which are normally costlier than this.

Moderator: The next question is from the line of Preeti Agarwal from SK Associates.

Preeti Agarwal: I would like to know that with the capital adequacy ratio that stands at 22.7% and for Tier 1, it is 18.4%. Do you feel that you will be needing fresh equity or you will have the need to raise long-term debt to support growth or to shore up buffer, if spillages persist?

C. P. Gireesh: Yes. Because always banks are capital hungry because we are a growing bank. And for the last 1 year only, the business growth was only muted. But going forward, we have got aggressive plans for increasing the asset book and which requires capital. And we have certain plans, but no concrete decisions have been taken so far.

Preeti Agarwal: And I observed that our company has made provisions of INR234 crores in Q1. So how much is specific in micro finance versus other products? And what is the underlining stress bucket that prompted this incremental provisioning?

C. P. Gireesh: The provisioning broadly ramps into NPA bucket, SMA bucket and the standard assets. The NPA bucket we have provided in excess of -- in all these buckets, we have provided in excess of the minimum requirement because this will give strength to the balance sheet, which is a practice, which we follow for the last several quarters. So substantially, the provisioning is on the unsecured book.

Moderator: The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: First few questions on the gold loan products. Can you share what proportion of your branches today offer this product? And what investments would you have done for the business in terms of, say, in terms of sourcing valuers or having safekeeping...?

Hari Velloor: Right. So to start with, 662 branches of ours are offering the gold loan product. So that would be roughly 80-odd percent of the network. This is one part of it. Second, we have engaged appraises or valuers across the system. So the process that we have is, first, it is appraised by the external valuer. And then internally, also, we run a check by our own employees before a gold loan is disbursed or approved, let me put it that way.

Third, what we have is wherever physically we have the space, we have a strong room, the Reserve Bank of India specified strong rooms. Otherwise, what we have are what is called FBR safes provided by these leading manufacturers, let's say, Steelage or Godrej, etcetera. which are equally -- I mean these are industry standard equipment, which are used for storage.

Management: And also as a process step, any loans above INR5 lakhs, we'll have a confirmed there. And any new-to-bank customers, there is an additional checkoff visiting the customer house and verification will be happened. So those second ones are undertaken for the gold loan.

Ashlesh Sonje: Understood, sir. And sir, on the product, can you share what is the -- what are the tenures that you offer? And what is the effective tenure because I understand there might be a lot of prepayments in this product?

George K. John: There can be. However, if you see our portfolio in terms, generally, the large part of the 80% or so is for a 1-year tenure. We do have offerings for 2 months, 3 months, 4 months, etcetera. But largely, they are taken for 1 year. In terms of premature closures, I would say, about 15% to 20% of our loans tend to get close prematurely. Otherwise, they don't. So roughly, this would be the kind of proportion.

Ashlesh Sonje: Sir, just a couple of questions on MFI. Out of your total slippages of INR468 crores in this quarter, how much was from MFI? And the sale which you have done to ARC, was that entirely from MFI?

C. P. Gireesh: The sale comprises of MFI as well as non-MFI and the proportion of MFI slippage -- one second. I'll come back. But majority of the slippages are from the micro finance, as also on the ARC also majorities is from the microfinance book only.

Ashlesh Sonje: Okay. If you can come back with....

George K. John: We'll share the exact percentage.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day. And I now hand the conference over to Ms. Nidhi Vijaywargia, for closing comments.

Nidhi Vijaywargia: Thank you. I would like to thank the management for taking the time out for this conference call today and also thanks to all the participants. If you have any inquiries, please feel free to connect us. We are MUFG Intime India Private Limited to ESAF Small Finance Bank Limited. Thank you so much.

George K. John: Thank you.

C. P. Gireesh: Thank you.

K. Paul Thomas: Thank you.

Moderator: Thank you. On behalf of ESAF Small Finance Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.