

Date: July 26, 2025

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The Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
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Mumbai -400 051

Scrip Code: Equity- 532900
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SCRIP SYMBOL: PAISALO

Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the SEBI (LODR) Regulations) r/w Clause 15 of Part A Para A of Schedule III to the SEBI Listing Regulations

Subject : Transcript of Conference Call held in respect of the Financial Results for the quarter ended June 30, 2025

Dear Sir/Madam,

In furtherance of our letter dated July 22, 2025, the transcript of Q1 FY2026 investors conference call has been uploaded on the website of the Company at https://www.paisalo.in/pdf/pdf/Transcript_of_Q1_FY2026.pdf

Also, enclosed is the transcript (pdf) as attachment for ease of reference.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For Paisalo Digital Limited



(MANENDRA SINGH)
Company Secretary

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अर्थ: समाजस्य न्यासः



“Paisalo Digital Limited

Q1 FY '26 Earnings Conference Call”

July 22, 2025



MANAGEMENT: MR. SANTANU AGARWAL – DEPUTY MANAGING DIRECTOR

MR. HARISH SINGH – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

MR. GAURAV CHAUBEY – CHIEF RISK OFFICER

MODERATOR: MS. SHWETA DAPTARDAR – ELARA SECURITIES PVT. LTD.

Moderator: Ladies and gentlemen, good day and welcome to Paisalo Digital Limited Q1 FY26 Earnings Conference Call hosted by Elara Securities Pvt. Ltd. Let me draw your attention to the fact that on this call discussion will include certain forward-looking statements which are predictions, projections or other estimates about the future events. This estimate reflects management's current expectation about the future performance of the company. Please note that this estimate involves several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied.

As a reminder, all participants' lines will be in 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 over the conference to Ms. Shweta Daptardar from Elara Securities Pvt. Ltd. Thank you and over to you ma'am.

Shweta Daptardar: Thank you Pari. Good evening, everyone. On behalf of Elara Securities, we welcome you all to Q1 FY26 Earnings Conference Call of Paisalo Digital Limited. From the esteemed management, we have with us today, Mr. Santanu Agarwal, Deputy Managing Director, Mr. Harish Singh, Executive Director and Chief Financial Officer, Mr. Gaurav Chaubey, Chief Risk Officer. We express our gratitude towards the esteemed management of Paisalo Digital to provide us the opportunity to host this conference call.

Without further ado, I now hand over the call to Mr. Santanu Agarwal, Deputy Managing Director, for his opening remarks, post which we can open the floor for Q&A. Thank you and over to you sir.

Santanu Agarwal: Good afternoon and a very warm welcome to Paisalo Digital Earnings Conference Call for the quarter-ended June 30, 2025. Joining me today are Mr. Harish Singh, Executive Director and CFO, and Mr. Gaurav Chaubey, Chief Risk Officer. Our earnings presentation has been uploaded to the Stock Exchange and is also available on our website. We hope you have had a chance to review it.

It's a pleasure to connect with our investors, analysts and stakeholders as we begin the new fiscal year with good momentum and renewed commitment to inclusive financial growth. Let me begin with a brief overview of Paisalo Digital Limited and our model. Paisalo Digital is a specialized digitally enabled NBFC with over three decades of operating experience in lending underserved and financially excluded segments as well as emerging MSME and SME businesses.

Our core mission is to bridge the credit gap by connecting unbanked populations to the formal financial ecosystem. We operate through a high-tech, high-touch model, which is one of our core strategic pillars, integrating deep on-ground presence with scalable technology platform.

This hybrid model allows us to offer accessible and tailored credit products, including income generation loans for new-to-credit consumers in rural and semi-urban areas, entrepreneurial loans for small business owners and SME-MSME loans focused on productivity, working capital

and growth enablement. This quarter's performance is a strong validation of our model's scalability and relevance.

Our assets under management grew by 14% year-on-year, reaching INR 52,302 million supported by a 16% year-on-year increase in disbursement to INR 7,581 million, signaling robust lending traction and sustained demand from grassroots borrowers. Notably, this quarter we have achieved an important milestone of 11 million customer franchise, adding approximately 1.5 million customers in Q1 itself, highlighting the growing relevance of our inclusive last-mile credit and BaaS model.

While the microfinance industry has faced sustained challenges over the past few years ranging from asset quality deterioration, regulatory tightening to regional stress events, Paisalo has remained largely insulated from these headwinds. This is primarily due to our structurally different lending model, which is not centered around unsecured group lending and consumption loans, but rather on individual income-generating loans extended to self-employed borrowers, micro-entrepreneurs and small business owners.

Our MSME and SME-focused loan book, which forms the majority of our portfolio, is designed to finance real productivity in economic activity. These loans are typically underwritten with a strong understanding of local business ecosystem, customer cash flows and asset-backed lending where applicable. As a result, our book reflects superior credit behavior, lower volatility and better asset quality outcomes.

This measured exposure, combined with our deep-rooted presence in rural and central urban areas has enabled us to achieve consistent growth while maintaining disciplined risk mitigation. It also positions us well to capitalise on the credit demand from the MSME and SME sector, which we believe will be a long-term structural growth opportunity. We continue to deepen our institutional partnerships for our asset-light expansion strategy through the co-lending program with SBI and other banks.

In Q1, we have tied up with SBI for co-lending to MSME and SME, operational rollout of which is expected by Q4 of FY26. We believe this collaboration will significantly scale our MSME and SME loan offerings by blending SBI's nationwide banking infrastructure and low-cost of funds with Paisalo's agile digital credit platform. We recorded our highest-ever total income of INR 2,187 million, reflecting a 17% year-on-year growth, driven by continued expansion across customer segments and geographies.

Our net interest income rose by 28% year-on-year to INR 1,244 million, underpinned by prudent asset liability management and a healthy loan mix. One of the greatest pillars for our growth momentum to sustain is our pan-India distribution network, with about 3,997 touchpoints spread across 22 states and union territories. This includes 401 branches, 2,214 distribution points, and 1,382 business correspondents.

This extensive on-ground presence is central to Paisalo's mission of enabling last-mile credit access, especially in Tier 2, Tier 3 towns in rural India, where formal financial services are still limited.

During the quarter, we continued to strengthen our physical distribution network with the net addition of a record 50 new branches. Our approach to the branch expansion is deliberate, data-driven, and strategically aligned with a long-term growth objective. Each new location is selected through a systematic evaluation of factors such as competitive intensity, local economic activity, and historical credit performance trend through our geo-spatial mapping. We follow a cluster-based model where we first deepen penetration within selected high-potential districts, building operational density and brand familiarity before gradually expanding into adjoining geographies. This ensures operational efficiency, better resource utilization, and a strong risk oversight at the local level.

Importantly, our team's familiarity with regional demographics, language, and socio-cultural context plays a vital role in enhancing customer evaluation, engagement, and servicing, ultimately resulting in improved credit outcomes and a stronger borrower relationship.

Our business correspondent channel forms the backbone of Paisalo's scalable and inclusive distribution strategy, enabling us to deliver essential financial services from other trusted financial institutions to customers in rural and semi-urban India. By partnering with State Bank of India and Bank of India, we leverage their brand equity, regulatory infrastructure, and long-standing local presence to build trust within communities.

These partnerships allow us to offer banking-as-a-service, or BaaS, in an efficient, compliant, and cost-effective manner, bringing products like deposits, remittances, and credit access directly at the doorstep of our target customers.

This model significantly strengthens our ability to embed ourselves within the local ecosystem as BCs are often from the same geography and act as trusted financial intermediaries. Their deep understanding of local languages, cultures, and social dynamics enhance customer onboarding, improve risk assessment, and support ongoing engagement.

As a result, the BC network is not just a distribution channel but a powerful engine for brand building, first-time customer activation, and generating a ready pipeline for future credit demand for Paisalo. Importantly, this partnership-driven approach gives Paisalo the ability to scale rapidly without the fixed-cost burdens of traditional branches while still maintaining strong customer connect and service quality.

Over time, the BC model is expected to unlock greater customer lifetime value by enabling cross-sell and up-sell opportunities as customers move forward on their financial journey. Looking ahead, branch-led expansion will remain a key pillar of our growth strategy.

Historically, our business was concentrated in select northern states with key states of Delhi, UP, and Maharashtra contributing about 20% each and Rajasthan and Haryana contributing 15% each and balance from other states, where we built deep expertise, robust operational systems,

and strong customer relationships. However, as our model matured and demonstrated consistent outcomes, we felt the need to scale this success across newer geographies.

We plan to add branches in newer geographies that align with our target customer segments particularly in regions with low formal credit penetration and growing economic activity. This will allow us to tap into the untapped demand, diversify our portfolio geographically, and further scale our presence. In parallel, we will continue to integrate our branch-led strategy with our business correspondence and digital platforms, ensuring that our growth remains scalable and capital efficient.

Through this hybrid distribution model, Paisalo is building a differentiated and scalable platform for rural and semi-urban financial services. This geographical diversification serves multiple strategic objectives. First, it helps mitigate concentration risks both in terms of customer segments and regional economic cycles by spreading the exposure across a more diversified credit landscape. Second, it opens access to a larger untapped customer base in states where formal credit penetration remains low, particularly in rural and semi-urban areas that align well with our product offering and operating model.

To conclude, Q1 FY '26 reflects not just strong numbers but also strategic execution aligned with our mission to enable equitable credit access and support India's growth story from the grassroots up. We remain confident in our ability to scale responsibly while maintaining superior risk management, governance, and customer-centric innovation.

I look forward to connecting with all of you and sharing more of our journey in upcoming quarters. With this, I'll now hand over to Mr. Harish Singh, our Executive Director and CFO, to take you through the financial performance and further details. Thank you.

Harish Singh:

Good afternoon and thank you. I am pleased to walk you through our financial performance for Q1 FY '26.

We closed the quarter with assets under management of INR 52,302 million, representing a 14% year-on-year growth driven by sustained momentum across our core lending segments. Disbursements for the quarter stood at INR 7,581 million, a 16% increase on a year-on-year basis, signaling healthy on-ground collection and robust demand for our income-generating loan products.

As highlighted by Santanu Ji, we surpassed our significant milestone by crossing that 11 million customer mark, adding 1.5 million new customers to our franchise during the quarter. Our growing adjacency to a large and diverse customer base is offering us critical behavioral insights. When coupled with our internal data analytics engine and early warning systems framework, it significantly enhances our ability to understand customer intent, what they want, when they want it, and how they prefer to engage. These insights are now deeply embedded in our decision-making process, enabling more precise credit appraisal, improving customer lifecycle management, and helping extend our assessment of creditworthiness, character, and credentials.

We posted our highest-ever total income at INR 2,187 million, registering a 17% year-on-year growth, underscoring the strength of our operating engine. In line with our consistent focus on protecting and enhancing margins, our net interest income saw a strong 20% increase, rising to INR 1,244 million from INR 1,035 million in Q1 FY '25.

Moving to profitability, we delivered our profit before tax of INR 636 million, up 14% over the previous year, and a profit after tax of INR 472 million, translating to a 14% year-on-year growth. This consistent profitability trajectory reflects our operational rigor, prudential risk management, and a sharp focus on cost efficiency. We delivered a return on equity of 11.9% and a return on assets of 3.7%, maintaining healthy profitability ratios while continuing to invest in growth. Importantly, asset quality metrics continued to improve, reinforcing the strength of our credit appraisal and collections framework.

As of Q1 FY'26, our Gross NPA and Net NPA stood at 0.85% and 0.68%, respectively. On the collection front, our collection efficiency remained strong at 99.8%, improving from 99.2% in the same quarter last year, yet another indicator of portfolio resilience and customer discipline.

Our balance sheet remains healthy and well-capitalized. Total borrowing stood at INR 34,786 million, with a cost of borrowing at 10.7%. Our debt-to-equity ratio was at a comfortable 2.15x, giving us adequate headroom to pursue growth without compromising balance sheet strength. Further, our capital adequacy stood at a robust 39.5%, reinforcing our ability to absorb shocks while continuing to expand our lending base.

Overall, Q1 FY'26 reflects the strength of our operating model, the scalability of our distribution strategy, and the resilience of our portfolio. We remain committed to driving sustainable growth while maintaining focus on asset quality, margin protection, and capital adequacy. Thank you. And with that, let me hand over the call to the moderator.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sandy Mehta from Evaluate Research.

Sandy Mehta:

Santanu and Harish, congratulations on a very strong set of results all around. And also, I must point out that your 48-page presentation is much more detailed than before and that is also helpful, very helpful. I would urge all investors to look at that. My first question is you talked about expanding your co-lending partnership with the State Bank of India and expect that to be fully operational at a higher level from the fourth quarter of this year.

So, how do you see your lending loan growth perhaps accelerating with that? How do you see that impacting your loan growth going forward, please?

Santanu Agarwal:

Thanks, Mr. Mehta, for logging on to the call. And I appreciate the comment about the investor presentation. It gives us immense confidence when our stakeholders, analysts, and shareholders compliment our disclosures. So, thank you for that.

So, we have been very proudly associated with State Bank of India since 2019. We were initially onboarded by them in April of 2019 as a co-origination partner which later got converted into

co-lending. And we were one of the first NBFCs to be onboarded by State Bank of India in small income generation priority sector loans as a co-lending partner.

So, as rightly pointed out and as told also, in Q1, we signed up and expanded this partnership to the MSME and SME segment. As you may know, we are not allowed to make a forward-looking statement. However, based on the past performance of the AUM with a CAGR of about 25% in the last three years and 20% in the last five years, we are confident on the growth trajectory over the time period.

And our recent collaboration should also allow us to help stably scale the AUM at the desired level. While the existing AUM split is available in the presentation, the AUM split between the small income generation loan and MSME-SME is roughly about 23% and 77%. Since our co-lending tie-ups, as of now, are currently more focused towards the small IGL segment, the 23% comprises majorly of the off-book segment which is part of the co-lending policy.

With the new co-lending tie-up in the MSME and SME segment, we are now expecting that the balance MSME and SME segment should also contribute in helping us expedite the co-lending growth in the portfolio.

Sandy Mehta: Okay. And one follow-up question. You did very well with high net interest margins and also your NPAs were down year-over-year. Can you talk a little bit about your outlook on these two metrics, your margins and the NPAs and the sustainability of these metrics going forward?

Santanu Agarwal: So, our long-term outlook for NPAs is we have been talking about, so we are an NBFC which gives, the only forward-looking statement that we give is our long-term outlook on NPAs which is less than 2% including write-offs. So, we are hoping to maintain our NPA levels in the same level that we are there.

In terms of our margins, the margins for the quarter have gained by about 31 basis points on a year-on-year basis to about 6.5%. We are confident of maintaining our historical performance on the same. I hope that answers your question.

Sandy Mehta: Yes. Thank you so much.

Moderator: The next question is from Kaustav Bubna from company BMSPL. Please go ahead.

Kaustav Bubna: Yes. Hi. Thanks for taking my question. You have done a great job in growing your book, but I am trying to understand, how does management look at return on equity because even after scaling, if we see your credit cost for this quarter and we extrapolate numbers, you are still at this 12% -- 12.5%, 13% ROEs. What is the management's plan to get to 15% plus ROE? How do you plan to achieve that? Or is that a plan at all? Basically, what are the sustainable levels of ROE you can see over the next 2-3 years and how do you get there?

Santanu Agarwal: Yes. Hi, Kaustav. Thank you for logging on the call. So, we close the quarter 1 with a ROE of about 11.9%. So, ROE is generally as a factor related to the leverage on the balance sheet. And since we are an underleveraged NBFC in comparison to our peers with having about a 4x or a

5x leverage, so we feel that we are going to be maintaining at our ROE level at a similar level, but if you see on a year-on-year performance of our ROE level, they have gone from roughly about 7%-8% on a year-on-year basis to about 12% sustainably over the last 2 financial years. So, we are targeting a similar sort of a level based on our past performance. I hope that answers your question. Thank you.

Kaustav Bubna: So, you are saying even after scaling your work, which is going to happen over the next 2-3 years, you plan to, I mean, because you are relatively less leveraged versus your peers, you do not expect to increase your ROE by 200-300 bps, you plan to stay around this? Do you think the business model will make you stay around this level? Or do you think you can move towards 15%?

Santanu Agarwal: No, the ROE will definitely expand. With the expansion of our asset-light co-lending model, we are definitely expecting an increase in the ROE, but since we are not allowed to make a forward-looking statement, the exact guidance cannot be provided.

Kaustav Bubna: That is fine. That is fine. I understand. Thank you.

Moderator: The next question is from Darshil from Finterest Capital. Please go ahead.

Darshil: I was asking on the co-lending partnership side, and how do you think about this business?

Santanu Agarwal: So, currently, Darshil, the company has five co-lending arrangements.

Darshil: Correct.

Santanu Agarwal: We have -- primarily all five of them are under the small income generation loan segment. These five arrangements are with State Bank of India, Punjab National Bank, Bank of Baroda, Karnataka Bank, and UCO Bank. The company has just, in this quarter one, signed up another co-lending arrangement with State Bank of India for the MSME and SME segment. So, we are expecting to have the MSME and SME portfolio also being now transferred to the co-lending segment.

The co-lending segment for the company gives us a couple of benefits, which are that as a co-lender, for Paisalo, we have higher ROA and ROE on account of better leverage and higher spread. It also reduces our capital dependency by down selling of the portfolio. Co-lending in general also helps us take care of the three biggest risks that are present in any NBFC lending model, which is the liquidity risk, ALM risk, and credit cost risk. And it also strengthens our credibility and regulatory leverage. Does that answer your question?

Darshil: Yes, it does. And my second question would be on the kind of customers that we have today, 1.5 million some-odd customers. So, I would like to know your insights on this customer retention and growth strategies. What do we, how do we plan this? How are we placed?

Santanu Agarwal: Absolutely. So, if you take our customer base, in terms of our borrowers, they're primarily split between two segments, which is the small income generation loan and SME-MSME loan. They

constitute about 23% and 77% of the AUM mix. Wherein the small income generation loan, a typical consumer will start with our Vikas loan, which is our first time borrower or new to credit customer. And we will help them with financial literacy. We will help them guide. We will explain them in the process and everything. And we will take them all the way to Pragati loan, which is where he becomes like a customer as a, like a micro business loan for us.

Secondly, if a customer is getting onboarded on the SME and MSME cycle, they typically have three kinds of loans available broadly, which is they can come in as an asset-backed loan, wherein they can take vehicles for small loans or equipments or something on a similar level. Or they can be onboarded on the Udaan scheme or the primary SME-MSME loan, wherein that's a small business loan, which is working capital, which is expansion term loans, and they have a tenure of up to about 84 months.

So in terms of all of that, typically a customer which comes in a small income generation loan does about two to three cycles with us. Under anybody which comes in the SME-MSME loan, we typically have some asset financing plus a small business loan with us. So, in terms of our retention of the customers that have already been financed, we have a strong retention in place.

Secondly, since we have access to the BC network, every single small income generation customer has also access to the banking-as-a-service services that we provide through our business correspondent network, which eases their entire financial life cycle by providing them cross-sell and up-sell opportunities, all the way from domestic transfer, remittances, withdrawals, and social security schemes, on which the company earn the small commission, which is widely spread out across 22 states. So, this also gives us an additional point of retaining the customers, giving us an overall CPC on these kind of customer base of two.

Darshil: Okay.

Santanu Agarwal: Does that answer your question? I hope so.

Darshil: Yes, completely. And one final question would be on, there is two parts on this. One is on the competition that we see today. How are we having an edge over this? And the second question is on, precisely I met some NBFC companies a few days ago. So, they monitor the customers what we can say, their behavior towards how they are making payments and how they avoid for being defaulted or something.

So, are we having some similar system or something that we use so that we don't see any issues from the customers who are lending from us?

Santanu Agarwal: Okay. So, in terms of the competition, let me give you some broad numbers. So, in India, we have a population of roughly 1.4 billion people. Out of these 1.4 billion people, we have income tax PAN holders of about 572 million people and we have a unique credit history database of about 150 million people.

So, the discrepancy between the number of PAN card holders, unique credit database holders gives us a difference of about 393 million people. These 393 million people are estimated to

have a ticket size of roughly about INR 25,000 which may be getting serviced on a basic average level until INR 25,000 which may be getting serviced informally or even if they are getting serviced formally, they may be getting serviced in not the right way.

This gives us an estimated annual market size of about INR 9,82,000 crores. So, to service that INR 9,82,000 crores, even if we are targeting, let's say, a 1% or a 2% would require a lot of competitors and a lot of people to come into the market to having service the entire base. So, the competition is not such a big concern because we are not only better in terms of credit underwriting, We are better in terms of NPA, we are better in terms of geospatial mapping and we have a large market base to address wherein we have the right to select cherry-pick the right customers which fall into the credit parameters and the risk portfolios that we require to ensure maximum repayment for us. So that's point number one. Can you repeat your question number two?

Darshil: So, the second point was precisely on the customer behavior. Are we tracking the customer behavior where we see that there might be some chances of default happening? So how are we trying to avoid this or come over this? Just wanted to understand from your side?

Santanu Agarwal: So, I'll just hand over the point to Mr. Gaurav Chaubey. He is the Chief Risk Officer. He will answer this question better for you. Over to you, Gaurav.

Gaurav Chaubey: See, we have our own proprietary CCC model that is the Character, Credit Evaluation and Credibility model which we use for the underwriting of the borrowers. So, we typically do analyze the character of the borrower. We use geospatial mapping to analyze the character.

Then this is followed up with the field investigation wherein we gauge the moral integrity of the borrower along with this the discipline towards the repayment. Further, we use the AI/ML models to analyze the digital footprints of the borrower, also understanding the behavioral pattern of the borrower.

Further, we have pre-mapped income to the business activities and which is supported by the account aggregator and KPIs that do various analysis coming out with a set of meaningful outputs. Further, we have multiple rule-based business rule engine which is in-house to us which allows us to rate the customer on multiple parameters and multiple rules allowing us to arrive at an internal rating of the borrower.

Further, we use alternate data and repayment history to arrive at the indebtedness of the borrower. Then the loan end-use verification also allows us to understand how the loan is going to be used, whether it has been used for the purpose that we have taken or not.

And then mapping it with the local, with the EWS parameters that we have, it allows us to better gauge the credibility and the character and the credit evaluation of the borrower. Further, if you want me to, I would go on to the credibility as well. So, we see how the borrower performs on Paisalo plus the other borrower's behavior that they have taken.

We have applied automatic business triggers based on our early warning signal system that we have developed which is in-house. Further, we do a reference check and a reputation check and a certain level of AI and ML-based document authenticity for the underwriting model. This allows us to gauge the borrower's propensity to default. Further, our EWS also flags localized steps early on, allowing us to take preventive measures. So, I hope that answers the question.

Darshil: It does, sir. Thank you. Thank you so much for this detailed answer and I wish you all the best for the next coming quarters. Thank you so much.

Moderator: Thank you. The next question is from Vikas Kasturi from Focus Capital. Please go ahead.

Vikas Kasturi: Yes. Good evening, sir. And like the first speaker mentioned, so congratulations on a fantastic presentation, sir. It details out a lot about the company. Sir, I had a couple of questions regarding the co-lending model that you have. So, you have given a split in one of the slides where you have mentioned that 23%, which is the small income generation, I think that is where the co-lending is happening.

And whereas in the SME and SMEs is where you are trying to get co-lending in there. So, my first question is sir suppose you give out 100 different loans, what proportion of that would come under co-lending or is it all 100% under co-lending? That is question one. And the second question is you would be incurring some costs for originating that loan, for doing the collection, underwriting, etcetera. So, do you bear the cost or is the cost also split in the 20-80 proportion?

Moderator: Ladies and gentlemen, thank you for being on hold. The line for the management is now reconnected. Thank you and over to you, sir.

Vikas Kasturi: Good evening, sir. I am not sure how much of my questions you heard, so I will just repeat it. So, my first question was you mentioned about that small income generation where the co-lending is happening. So, my question was of those small income generation loans, do all loans that you write here, do all 100% of them go under co-lending or is it a proportion of that which goes under co-lending? That is the first question.

And the second question was you would be incurring some costs related to origination, underwriting, collection, etcetera. So, who bears the cost for this? Is this cost also split in the 20-80 proportion? So, these are my questions.

Santanu Agarwal: Thanks for logging in, Vikas. So, I will answer your first question first. So, you are absolutely correct in saying that currently all of the co-lending is happening in the small income generation sector. And we have just recently in quarter 1 tied up for SME and MSME sector. If you look at the investor presentation, I don't remember the slide number, I think it was 16 or 17, the small income generation sector is broadly classified under 4 or 5 products known as Vikas loan, Umeed loan, Pragati loan, Do Ka Dum loan and Gati loan.

The majority of the co-lending in the small income generation sector is happening under Vikas loan, Umeed loan, Pragati loan and partially under Gati loan. So, the small income generation

sector is contributing about 23% of our AUM. Of that 23%, about 90% is being pushed under co-lending, vis-a-vis the remaining 10% is being booked on books.

And you are also absolutely correct in saying that once we operationalize the MSME, SME co-lending in quarter 4, we'll also see the same numbers of performance for the MSME and SME segment. In terms of your origination cost getting reimbursed, so we are getting a servicing fee and a processing fee on the co-lending portfolio, which fairly covers our servicing cost well. I hope that answers your question.

Vikas Kasturi: Got it, sir. Yes, sir. It does answer my question. Sir, and could I just request that what would be the average ticket size of these products, sir? I know that would vary, but is there something that you can give me, something on how much is it for Vikas loan, Umeed loan, etcetera?

Santanu Agarwal: So, the average ticket size of the entire AUM is about INR 2.62 lakhs. In terms of the small income generation, on a product-wise level, maybe I will have the IR team get back to you on that. But on the AUM level, the average ticket size is INR 2.62 lakhs.

Vikas Kasturi: Okay. And, sir, here I see some of these are like Do Ka Dum is for 2-wheelers and there is some Gati loan for auto rickshaws. So, I understand that these would be, you can call it a secured loan. So, is it to be understood that the other loans are all unsecured?

Santanu Agarwal: So, when it comes to Vikas, Umeed or Pragati, these loans are secured by a deed of hypothecation, giving us a primary charge on the stock of the shop or stock of the vendor or the stall that is there. So, there is a deed of hypothecation in place, but there is no immovable collateral or a movable equipment, like a 2-wheeler or a medical equipment or a solar available in these cases. So, I believe it's up to you how you want to look at it.

Vikas Kasturi: Okay. Got it, sir. Thank you, sir. Thank you for your answers. I will come back in the queue.

Moderator: Thank you. The next question is from Shweta Upadhyay from Elara Securities. Please go ahead.

Shweta Upadhyay: Hi, sir. Thanks for taking my question. I have two questions. Firstly, how are we placed on the liability side in this falling interest rate cycle that we are currently in? And secondly, on the MSME side, are there any geographical or regional specific challenges that we are facing? Just these two questions.

Santanu Agarwal: Yes. Thank you, Shweta, for logging in. So, if you look at borrowing cost for the quarter, it's at about roughly 10.7%. And if you look at the historical performance of our borrowing cost, it has come down over the last 5 years from about 13% to the current 10.7%. I think the same is mentioned in the presentation also, along with the split of the liabilities. The liabilities of the company are from banks and FIs at about 68%, NCDs about 18%.

We raised our first foreign currency convertible bonds, USD denominated, last financial year. That's contributing about 12%, and commercial paper contributing about 2%. So, that's on the liability side. And I missed out on your second question. If you can please repeat it for me once again.

- Shweta Upadhyay:** Yes. My second question is, are there any geographical or regional specific challenges, especially in the MSME business segment?
- Santanu Agarwal:** No. So, there aren't any geographical or regional specific challenges in the MSME segment. Because if you look at it from a data point of view, we have been present in the northern states mostly, and we have expanded our branch to the highest ever branch addition of 50 branches, led by our key pillars.
- Historically, our business was concentrated in the northern states, with key states being Delhi, UP and Maharashtra, contributing about 20% each, Rajasthan and Haryana contributing 15% each, and the balance state contributing about 7% to 8% each.
- Our model has matured and demonstrated consistent outcomes, and we are now scaling the same model to other geographies, where we have planned to add more branches. So, over the next couple of quarters, we should see that expansion coming into place. And just to summarize, there are no operational, regional or zonal challenges in the segment. I hope that answers your question.
- Shweta Upadhyay:** Thank you, sir. Yes, it does. It helps.
- Santanu Agarwal:** Thank you.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to management for closing comments.
- Santanu Agarwal:** Thank you for logging in, our analysts, investors and stakeholders. We have begun this new fiscal year with a good momentum, and we remain committed to our inclusive financial growth. Thank you.
- Moderator:** On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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