SG FINSE₹VE

SG Finserve Limited

July 27, 2025

To
Secretary
Listing Department
BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Scrip Code: 539199

Sub: <u>Transcript of the Conference Call held on July 23, 2025.</u>

Dear Sir/ Madam,

With reference to our letter dated 17th July 2025 intimating you about the conference call with Analysts and Investors held on 23rd July 2025 (Wednesday), please find attached the transcript of the aforesaid conference call.

This above information is available on the website of the Company i.e. www.sgfinserve.com . We request you to kindly take the above information on your record.

Thanking you.

For SG Finserve Limited

RITU NAGPAL

Digitally signed by RITU NAGPAL
Date: 2025.07.27 14:13:41 +05'30'

Ritu Nagpal
Company Secretary and Compliance Officer
M. No. A38318
Encl.:- a/a

"SG Finserve Limited

Q1 FY26 Conference Call"

July 23, 2025

MANAGEMENT: MR. SORABH DHAWAN – CHIEF EXECUTIVE OFFICER – SG FINSERVE LIMITED
MR. SAHIL SIKKA – CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER – SG FINSERVE LIMITED
MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER – SG FINSERVE LIMITED

MODERATOR: MR. SHREEPAL DOSHI – EQUIRUS SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the SG Finserve Q1 FY26 Conference Call hosted by Equirus Securities. 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.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company, as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainty that are difficult to predict. I now hand over the conference to Mr. Shreepal Doshi from Equirus Securities. Thank you and over to you, sir.

Shreepal Doshi: Thank you, Pari. Good morning, everyone. I welcome you all to Q1 FY26 earnings call of SG Finserve. Today, we have with us the top management of the company, represented by Mr. Sorabh Dhawan, Chief Executive Director, Mr. Sahil Sikka, Chief Operating Officer and Chief Financial Officer, and Mr. Anubhav Gupta, Group Chief Strategy Officer. I would like to hand over the call to Mr. Sorabh for his opening remarks, post which we can open the forum for question and answer. Over to you, Mr. Sorabh.

Anubhav Gupta: Hi, Shreepal. This is Anubhav here. Thanks for hosting us and thanks to your firm, Equirus. I welcome all the participants who have joined on this call. I welcome everyone on our Q1 FY26 earnings call. Obviously, Sorabh and Sahil would take over the financials, what we have achieved in Q1. But just to start with, I would like to make a few points.

On behalf of APL Apollo Group, we are pleasured to tell you that in less than 36 months of commencement of this NBFC, we have been able to disburse almost INR50,000 crores worth of loans to our 1,000 plus MSME customers, based on which our Q1 performance, if you see, the loan book has grown by more than 10% on QoQ basis and we could achieve all-time high PAT of INR25 crores for the quarter 1. Of course, this includes some one-time notional expenses related to ESOPs. Otherwise, it would have been higher.

Now, in terms of business model, in last three years, it is fully established. If you look at our anchor clients, which are like top brands of the country, including Adani Group, JSW, Tata Group, Whirlpool, Kajaria, MG Hector, multiple brands from multiple sectors whose distributors are in panel with us and we have been able to offer this product of supply chain funding to them.

And at the same time, we are equally proud to be able to establish a full tech stack to achieve these milestones and run our business model because with a team of less than 100 people, we have been able to discount almost 400,000 invoices, which are related to multiple clients and their multiple distributors.

So, we are fully geared up to take the current loan book, which stands at INR2,600 crores to INR3,500 crores-INR4,000 crores by FY26 and INR6,000 crores in the following year. And in terms of capitalization, the current net worth is INR1,050 crores. Another INR340 crores is going to come in the next 7-8 months through preferential equity infusion, which is a residual amount of warrant conversion. And being able to achieve a AA rating from top credit agencies, we have a list of all the top national banks whose borrowings are with us.

So, we are confident that we should be able to achieve a INR6,000 crores loan book by end of FY27 with maintaining 15% to 18% ROE and 4.5% ROA.

So, that's all from me, Sorabh, over to you to take investors through quarter 1.

Sorabh Dhawan: Thank you, Anubhav. Thank you, Shreepal for hosting this call for us. Good afternoon, everyone. And thank you for joining us today. It gives me an immense pleasure to take you through the Q1 FY26 numbers of SG Finserve. I think we began the year on a strong footing and delighted to share that our performance this quarter truly reflects the momentum we built over the last 34 months.

Grounded in execution discipline, technology-led operations as we continue to keep sharp focus on MSME supply chain financing. So, performance for Q1 FY26, we closed AUM of INR2,630 crores as of 30th June. That's a 13% quarter-on-quarter increase and a 86% year-on-year increase. Gross disbursements during the quarter stood at INR5,284 crores. Operating income came in at INR67.59 crores, which is up by 25% quarter-on-quarter basis and 55% year-on-year basis.

Net interest income rose to INR42.79 crores, a 20% increase over Q4 FY25. Profit after tax stood at INR24.52 crores, a 3% growth quarter-on-quarter and 27% growth year-on-year basis. Gross NPAs remained at nil, showcasing the strength of our secured anchor-led book. Annualized ROA stood at 4.68% and ROE was 9.54% for the quarter. These numbers reaffirm our conviction in this high-velocity, low-risk model tailored for MSMEs through supply chain financing solutions.

Some of the strategic progressions achieved in the quarter include We've grown our MOU portfolio to INR6,400 crores, up by INR900 crores over the previous quarter. The anchor network has further grown. We have tie-ups with 48 leading corporates, up from 44 last time. This is spread across infra space, metals, auto, consumer durables, electronics, IT peripherals, etc. 80% of our book is secured, backed by inventory or receivables, with strong stop-supply arrangements in place.

The average book churn during Q1 remained at about 30 days, improved from 36 days last quarter, ensuring high velocity and quick cash cycles. Further, as we continue to build a digitally native NBFC, we are happy to say that we've launched our customer mobile app, enabling real-time access to loans, statements, and servicing for our borrowers.

Our AI-driven credit monitoring tool will also go live by September ‘25 to further strengthen our portfolio oversight. The proprietary credit rating model, the scoring engine, continues to enable precision lending and faster tax for us. As Anubhav also mentioned, capital is a key ingredient for raising debt. We continue to hold it strong at about INR1,050 crores standing today and another INR340 crores expected to come in by April 26.

We are actively working to expand our banking lines to INR4,500 crores targeted for FY27 from the current sanctioned limits of about INR1,800 crores. Our credit ratings of AA and A1 plus from both Crisil and ICRA continue to stand strong. So, the way forward for the company looks bright. We are well-positioned to achieve AUM of FY26 of about INR3,500 to INR4,000 crores.

This confidence stems from we strategically added 12 new locations considering anchor requirements, need for penetration of existing anchors, and at present 225 kilometers is the coverage radius which shall reduce to about 150 kilometers. Tier 2 penetration has started. So, we started to place manpower at Tier 1 business hubs and start penetrating the Tier 2.

So, deep anchor integration with existing MOUs of INR6,500 crore and increasing further on month-on-month basis. Strong risk and compliance systems, a scalable tech lending platform and capital adequacy. Considering all this, we remained committed to driving profitable growth, enabling MSMEs and becoming India's leading supply chain financing one-stop solution provider.

Thus, as a closing note, I want to sincerely thank each one of you, our shareholders, lenders, anchors, and employees for your trust in our journey. Your belief has powered us to move faster, think bigger, and deliver better. As always, we remain committed to transparency, discipline, and long-term value creation. Thank you so much and with that, we now open the floor for your questions, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rehan Saiyyed from Trinetra Asset Managers. Please go ahead.

Rehan Saiyyed: Good afternoon to our team and congratulations for your good start of the number. And thank you for giving me the opportunity. So, sir, I have a couple of questions. First of all, on the P&L side, like your net interest income rose by 20% quarter-on-quarter, yet PAT only grew by 3%. So, what were the key margin pressures preventing bottom-line expansion in this quarter? If you just can elaborate more on this.

Sorabh Dhawan: Thanks, Rehan, for your question. The P&L, so there is a one-time cost of ESOPs, which is about INR2.7 crores, which is taken in this quarter. And otherwise, the PAT would have increased and there would have been a similar growth to NII. So, there's a INR2.7 crores cost of ESOPs, which is taken Q1.

Rehan Saiyyed: So, this is the same as our operating expense also rose by 24% quarter-on-quarter. So, is it the same thing that you are mentioning here? Like, can you share a little break-up, especially on employee tax coverage over a pre-expansion cost driver regarding this?

Sorabh Dhawan: So, employee cost has only increased by 10% quarter-on-quarter basis. So, the salary was at 2.3 quarter, it has increased to 2.62 crores. There is an ESOP cost of 2.72 crores in Q1. And that is the reason the employee cost is on the higher side.

Rehan Saiyyed: Okay. Okay. My second question is around, like, could you please share the current product mix between the dealer finance, vendor finance and employee discounting, which segment is going faster?

Sorabh Dhawan: So, supply chain financing for us constitutes about 85% of our book, with major focus is on dealer financing. So, out of that, about 90% of our book would constitute dealer financing only. So, our main focus, forte, is conducting dealer financing portfolio only.

Rehan Saiyyed: Okay. Okay. And the last one, our question is regarding around, given that North India still forms 40% of your loan book, so could you share region-wide asset quality or yield differential insights, if any? You can just put it in here.

Sorabh Dhawan: Sorry, Rehan, can you come back again with your question? Your voice is not clear.

Rehan Saiyyed: Yes, sure. I'll repeat my question again. Given North India still forms 40% of your loan book, could you share region-wide asset quality or yield differential insights, if you can just put in some insight or some light on that?

Management: Okay. So, for the region-wide asset quality, if you see, South is our best performing portfolio, and we will continue to increase more locations there as well as elsewhere. Then, apart, then second comes the North. Then lastly, West. Our asset quality overall remains in line with what we have achieved so far in previous quarters and has not deteriorated any further. Our delinquencies in 0 to 30 and 30 to 60 are at similar levels as was there previously. 60 to 90 days, we do not have any delinquencies currently. Similarly, the NPAs across all the four zones are nil.

Moderator: The next question is from the line of Vaibhav Mishra from Finelites.

Vaibhav Mishra: Congratulations, sir, on the decent set of numbers. Sir, my question is regarding the growth that we had planned or anticipated for Q1. We were planning something around INR400 crores to INR500 crores of AUM growth and around INR10 crores to INR12 crores of PAT addition on the base of Q4 PAT. So, we have, I think, somewhat missed that. So, what could be the reason? And also, the disbursement growth, if you see, it is around 5% only on Q4. So, the reasons for that?

Sorabh Dhawan: Thanks, Vaibhav, for your question. A, we've never given guidance for Q1 separately. The guidance was given for FY '26 as a whole where we look at doing INR4,000 crores and we still stand by it. B, the sanctioned limits in Q1 was much higher, but some of the new models or new product launches of some of the anchors got delayed and have moved to the month of July.

So, that is about INR150 crores to INR175 crores, which got staggered. And on the PAT, we mentioned that there was a one-time ESOP cost of about INR2.7 crores. Otherwise, we were looking at doing about INR27 crores to INR27.5 crores for Q1.

Vaibhav Mishra: Okay. So, sir, are we still on track to achieve INR200 crores of PAT in '26?

Anubhav Gupta: No. So, Vaibhav, I mean, what we say is that on INR4,000 crores loan book, right, the average loan book for the full year will be somewhere around INR3,000 crores. We ended FY '25 at INR2,000 crores somewhere, right, and the exit loan book will be around INR4,000 crores, so average will be INR3,000 crores. Based on INR1,500 crores kind of average net worth and the balance from the debt, we should be near about INR150 crores, INR160 crores kind of PAT level, if you do the maths.

Sorabh Dhawan: See, Vaibhav, that is considering the net worth of INR1,500 crores. But as you know, we have not fallen for the warrant balance money. The same will come in only in April '26. So, in financial year '26, we will continue to have a net worth of about INR1,050 crores. And our yield, if you will see, is up about 12.9%.

So, about INR1,050 crores would be equity and balance INR2,000 crores of average debt, wherein we are keeping a spread of about 4% to 4.5%. So that is what the interest income would look like.

Moderator: The next question is from the line of Prateek Sen from Dexter Capital.

Prateek Sen: So, roughly 80% of our book is secured. Can you help me understand how this securitization actually works in this space? Like, if this loans are secured against inventory or receivable, how do we track the movement of inventory and receivable, especially for non-APL Apollo Group distributors, because they do not have direct access to data, right?

Sorabh Dhawan: Thanks, Prateek, for your question. Yes, 80% of our book is secured through inventory and receivables generated thereon. When we say that we have disbursed to close to about INR47,000 crores, the entire INR47,000 crores, whether it is APL, non-APL, Tata Group, Adani, every penny from our counter directly goes to the anchor, and the anchor supplies material to the dealers.

So, that is how the movement of inventory is ensured, because we are not giving even a single penny in the hands of the dealer. Every penny goes to the anchor, and anchor supplies us with the invoices and with proof of delivery that the material has been delivered to the dealer.

Prateek Sen: Okay. Will our opex need to scale at the same pace with the AUM growth? How should we think about the opex going forward?

Sorabh Dhawan: See, opex, if we look at the quarter 1, with an expense of about INR8-odd crores, we feel that even if we go to a book of about INR6,000 crores, the opex would -- so right now our opex cost is about 70 to 75 basis point. At INR6,000 crores, we feel that the opex cost would be down to about 50 basis points. With economies of scale, with increase of book, the overall opex cost would reduce.

Prateek Sen: Understood. And last question from my side. So, what exactly is the incentive for the anchor to agree to sign the stop of supply MOU? And have we ever exercised that clause?

Sorabh Dhawan: Stop supply, yes. Have we exercised? Answer is yes. And we've been able -- we've done it successfully. And it is a trigger which works in our favour because when the material is not supplied to the dealers, come what may, they start repaying us in case of any delay. Yes, it works.

And why do the anchors sign up? I think it is how the industry has evolved that majority of the lenders do not want to finance without this MOU being in place. And we being part of the same industry, we also kept it as a precondition before doing any, before going to the dealers. We do not go without the MOU being in place.

Moderator: The next question is from the line of Anil Sarin from K16 Advisors.

Anil Sarin: First of all, congratulations on very good results, especially in a period when other NBFCs and banks are showing a slowdown in advances growth, you have shown very good advances growth. So, it is to your credit.

My question was regarding how do you calculate the yield? Because when I try to calculate, I take the average of the loan book as it existed on 31st March and on 30th June, I take the average of that and I divide the interest income by that average. I get a figure of 10.5% annualized, whereas the correct figure is, as per you, it is 12.9%. So, if you could help me bridge this gap, it would be very useful for me?

Sorabh Dhawan: Sure. Thank you, Anilji. Your words are really motivating. The average yield, the ROA tree is calculated basis daily average book throughout the quarter. So 31st March, then the book might have lowered down, but the actual number is 12.9. 12.4 is plus processing fee yield on the processing fee, but that is calculated basis the daily average outstanding loan book on actual basis.

Anil Sarin: No, but why am I getting 10.5% and not 12.9%?

Sorabh Dhawan: Because you are calculating it 31st March, you are calculating the EOP book. What we are doing is we are calculating book on average daily basis. So, what was the outstanding book on 1st April, 2nd April on daily basis, what is the average book, and that is the number that we are taking.

Anil Sarin: Okay. One more question is regarding the ESOP expenses, which have been charged in the first quarter. I'll request you to help me with the residual amount for the rest of the year and for the following year fiscal '27. What would be the total ESOP charge for the rest of the year and for the coming fiscal year, that is fiscal '27?

Sorabh Dhawan: So in the current financial year, the charge would be about INR9.9 crores to INR10 crores rupees. And in FY '27, the same will reduce down to less than INR1 crores. There is a bunching up of ESOPs, which are due in the current financial year. That is why the charged amount would be higher in the current financial year. But the same would reduce by about INR9-odd crores in the next financial year.

Anil Sarin: Okay. Fantastic. So, this is the year when we have to sort of cross the hump and next year onwards, the opex ratio would fall quite a bit and that will have its impact, beneficial impact on the return on asset?

Sorabh Dhawan: Absolutely.

Anil Sarin: Okay. Just one last thing. We have started very well, 13% Q-o-Q growth in loan book and AUM. And we hope to end at 4,000. So, the ask is -- it is even higher, the required growth rate for the rest of the year is even higher. So, I just had this question that fine, you are adding anchors, you are going deeper into the interland and you are also working with the anchors to increase the arrangement of MSME funding, which is all for the good. But in the light of the slowdown across the economy, how confident are you to take the Q-o-Q loan book growth rate even higher than what you have already achieved in the first quarter?

Sorabh Dhawan: We were looking at -- to be honest, we would have done a closing loan book much higher than this. I think a couple of anchors, their product launches got deferred to this quarter. And we missed about INR150 crores to INR175 crores due to that. I think the sectors that we are operating in, automobile and building materials, both are running quite active.

And another encouraging point is that our conversion days, which was at 36 days, has reduced to about 30 days. That is also one encouraging point that the cash cycle conversion is also down. So, we are confident and we want to do INR4,000 crores for this financial year.

Management: So, in addition to that, the total program size that we have signed is around INR6,400 crores. So, by achieving an AUM of around INR2,500 crores, INR2,600 crores, we are still not even 50% of that overall program size. Secondly, there are other anchors which are in pipelines from whom we expect a lot of transactions to happen. And thus we are confident of achieving that number for which we have given the guide.

Anil Sarin: So, the way I look at it, SG Finserve has two or three main advantages. But the biggest advantage is that you have a captive borrower base. Other NBFCs have to pay DSA charges, whereas you, due to the backing and due to your business model, are dealing direct. So you save on that.

And the second is that you are so digital. Your opex ratio is modest and it will remain modest. So, both these things coupled with the low cost of debt, I think the future is very bright for our company. So, congratulations on the same. I have no more questions.

Moderator: The next question is from the line of Akash from Mandeep Securities.

Akash: Sir, so I wanted to know this average yield if you are saying it was around 10.9% for this quarter. So that means that our average loan book, outstanding loan book, has been around INR2,000 crores for this quarter, which is even below than 31st March end of point. Hello?

Sorabh Dhawan: Yes. Hi, Akash.

Akash: Yes. So, sir, this end of point number is very misleading, because let's say at 31st March, you had outstanding loan book of INR2,300 crores. And out of this, INR400 crores, INR500 crores of loan book got closed immediately next week or after two weeks, because your average outstanding loan book seems to be around INR2,000 crores for Q1. So instead of this end of point number, can you report average loan book for the entire quarter? That will be a better, clearer picture for me.

Sorabh Dhawan: Sure. We will start circulating the average loan book numbers also. Yes, there was a dip. So average loan book is about INR2,100 crores to INR2,200 crores. And there were some investments also, which we had withdrawn after the quarter, because there was a requirement on the loan book side. But now the book is quite stable at Q1 ending.

Akash: But sir, this average yield you are telling 12.9%. Does it include processing fees?

Sorabh Dhawan: 12.9% also includes processing fees, which has also gone up in the current quarter.

Akash: Okay, then your average loan book was around INR2,100 crores, which is below end of point loan book of 31st March. So, there was no net addition this quarter. My point is this end of point loan book is very misleading. It does not reflect true picture. I would rather like to know average outstanding loan book for the quarter. That will be a true picture.

Sorabh Dhawan: So, we will start with that.

Akash: Yes, that's all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Arup Dey, an Individual Investor. Please go ahead.

Arup Dey: In the last quarter, you gave a guidance that when you reach INR4,000 crores AVM by the end of FY '26, monthly disbursement would reach around INR3,000 crores, which is like INR9,000 crores per quarter. And that implies INR1,000 crores quarter-on-quarter increase. But in Q1 FY '26, the disbursement is viewed by only INR200 crores. Okay. So, could you explain the gap between the guidance and the execution and any updated guidance you could share would be helpful.

Sorabh Dhawan: Thank you, Arun ji, for your question. Disbursement has not grown by much. However, the guidance for the upcoming quarters remains intact. But I believe that the major point of looking at our book would be end of period book and the average loan book, then the disbursements because the disbursement is a subset of how much repayments are received in the counter.

We are allowing about 90 days to each of our borrowers. And sometimes during the off-season times, they can avail good 60, 65, 70 days. And usually we see that they repay the book in 30 to 35 days. This is that we had given our guidance that the disbursement number would be higher.

But I would request that we focus more on the EOP and the average loan book, which is listed by one of the other callers before this call, we would start posting that as well. So, disbursement is based on how the cycles are performing. And that is where the number can be up and below sometimes.

Arup Dey: Okay, sir. Thank you.

Moderator: Thank you. The next question is from Gaurav Didwania, Qode Advisors LLP. Please go ahead.

Gaurav Didwania: Thank you for taking my question. My question is, I see, significant jump in the finance cost. I think roughly going up to 30%-35%. Now, on the last call, you had mentioned that the entire quarter for Q4, the promoter debt has gone down to almost zero and it was 100% market rate debt. So, just want to understand the reason for the increase in the finance cost.

Sorabh Dhawan: Thank you for your question. Right. The promoter debt is absolutely zero. The finance cost includes a major portion of processing fee, which we include in our P&L on actual basis. But however, a lot of these debts are taken for 1 year. However, the processing fee has been included in Q1 itself. And that is the reason for a higher financial cost.

But on overall basis, we can assure you that we have reduced, we have been able to reduce cost of funds by about 30 basis points from last quarter to end of this quarter. So, average is down by about 30 basis points.

Management: So, for the finance cost, as we leverage more, and as we increase the size of the debt on our books, the finance cost is ought to increase. But the more important point as Sorabh mentioned here is that the pricing at which we are, the cost of debt at which we are borrowing, which is gradually reducing. And that is where the progress has been made.

Gaurav Didwania: Got it. So, I think earlier you were also talking about sharing an average period for the loan book. Maybe if you have something on the loans as well, that would be helpful for us to compare, just to see if the amount has gone up significantly or that has not gone up.

Sorabh Dhawan: Okay, so I'll just share with you, the processing fee charged in Q1 is INR3 crores, right? So, INR3 crores of processing fee has been charged there. We'll start showing the borrowing as you mentioned.

Gaurav Didwania: Got it. And the INR3 crores, so is that going to be a recurring charge? Can we expect this kind of impact?

Sorabh Dhawan: No, no. It will not be recurring. It is only one time. It is the additional debt that has been sanctioned by banks, wherein we have paid one time processing fee. But these loans are going to continue 1 year. And so it is only one time fee, but we take it on an annual basis.

Gaurav Didwania: Got it. This is helpful. Thank you so much.

Moderator: Thank you. The next question is from Akhilesh Kumar, an Individual Investor. Please go ahead.

Akhilesh Kumar: Hello. I have first question on ESOP, what you mentioned that has impacted our bottom line this quarter, and you projected for this entire financial year, it will be something, a total INR9 point something crore. So, do you think it will be -- we will be able to see any growth in PAT itself, or it will be like, say, INR25 odd crores every quarter because of that impact of ESOP?

Management: So, for this financial year, yes, because the ESOPs have bunched up in this financial year, the cost or the provision on account of ESOPs will be higher than the previous, as well as the future financial years. However, the PAT and the interest income will be in line with the AUM growth. So, of course, the PAT is ought to increase in further quarters, but yes, and it will be a factor of only the AUM growth. However, there will be some suppression on account of the higher provision on account of the ESOPs.

Akhilesh Kumar: Okay. Would have been better, like it would have been a staggered over the next couple of years rather than pumping everything in 1 year?

Management: No, no, they are staggered over years. However, in this particular financial year, the bunching up is higher than the financial year side.

Akhilesh Kumar: Okay. And I would like to know one more thing. Like, we are claiming that we are APL Apollo Group Company, but I don't see any promoter of APL Apollo is a promoter here. So, what is their stake here? We are not seeing except the bank guarantees what APL Apollo has provided.

Sorabh Dhawan: Rohan Gupta is a director in the company and Rohan Gupta is son of Sanjay Gupta ji and Rohan and Rahul, the elder son put together, they hold about 48% stake in the company. Also to mention, there are no bank guarantees. The entire supply chain finance as it runs in the industry, whether for APL or for anybody else is a non-recourse program with stop supply arrangement in place.

Akhilesh Kumar: Okay. And thanks for clarifying about the family business relations. So, that brings up the ownership from APL Apollo indirectly. And what about Mr. Sahil Gupta? He is a non-promoter here, but he is a promoter in SG Mart. And I'm not sure like few of the family members are staggered as a non-promoter.

Sorabh Dhawan: Yes. So, Sahil Gupta is under the non-promoter. He is Sanjay's brother's son. So, he's classified as a non-promoter because the company is promoted by Sanjay ji sons only.

Akhilesh Kumar: Okay. Great. And this AUM growth, what you suggested that we will pick up in this quarter. So, would you be like, it will be kind of, you have any projection for a couple of quarters, so like it will be growth, like it will be towards H2 better than the second quarter like that?

Sorabh Dhawan: See, every quarter, if you're standing at AUM today, every quarter, we will be growing our AUM. And the PAT has to improve only from here. And we would see that every quarter, we've been performing in that manner. And similarly, we are extremely positive about the upcoming quarters. This is our ongoing discussions and the pipelines from the anchors. And we expect that we will continue to perform and add more.

Akhilesh Kumar: Okay. So, at end-user level, like say we are focused more towards construction industry, where we are financing more as our automobile has got better percentage. And it's, like say they have got some kind of cyclicality, like in monsoons, they have got impact and all. Can you guide on that?

Sorabh Dhawan: So, we are more focused on building material and autos as both the sectors for us continue to perform well. Cyclicality is there. But then there are upside seasons as well, which would include all the festivals and the quarter ends. So, that is the reason the quarter ends, the push sales by the anchor, the book also for us rises at the quarter ends.

But yes, there are cycles in place, monsoons do impact, but there is enough liquidity available. And the quality of our book continues to remain strong. The demand also, the demand from some region might go lower. But as we are so well spread across the country, the demand from the other region is able to cope up for the same.

Akhilesh Kumar: Okay. Percentage wise, can you help on that from the construction and the automobile?

Sorabh Dhawan: So, construction would be about 60% upwards and auto would be about 20%.

Akhilesh Kumar: Okay, that's good. One last thing. In auto, what kind of financing we are doing for dealers? I am not very clear.

Sorabh Dhawan: So, we finance the authorized dealers of the automobile companies to purchase vehicles, which would include commercial vehicles, passenger vehicles and electric vehicles for their showrooms and for onward sales to the retailers. So, we are funding the authorized dealers only.

Akhilesh Kumar: Okay, not the manufacturers or the auto enterprise companies, but the dealers

Sorabh Dhawan: We fund the brick and mortar dealers, which we see on the roadside.

Akhilesh Kumar: Got it. Thank you. Thanks a lot. That's it from me.

Moderator: Thank you. The next question is from Sweta Padhi from SBI Securities. Please go ahead.

Sweta Padhi: Just so thank you for the opportunity. I just want you to give a more view on the competitive landscape. Since for last few quarters, the growth has been very good. Do you see the finances, which are not growing so much, are coming into this dealer financing or how is the competitive landscape?

Management: So, when we do comparison with the peer, so we can compare -- so we can categorize them into two parts. One part, whom we compete, that is Tata Capital, Aditya Birla, Hero FinCorp. One is Tata Capital, Aditya Birla, Hero FinCorp, on which we are able to compete on the commercial part. However, since we are more focused on only the supply chain finance, we are sometimes able to win over some of the transactions when competing with them. However, on like to like basis on commercial, we are able to compete with them.

Secondly, there are other NBFCs, who would be more focused on supply chain finance with good technology platforms like us. However, they are in the higher risk-taking segment and going in for higher yields than probably at which we are lending. So, there are other NBFCs across the country, three, four other players who are there, who are probably lending at 16%, 17%, 18%. However, we are not in that range and we take lower risk.

So, for none of our borrowers, when we compete, and if there is a multiple banking arrangement, we come across those NBFCs, who have also lent to the borrowers to whom we have lent. So, when we compete, yes, on the technology side, there are other players with whom we compete, but on the commercial side, we win over them. With larger players, we are able to compete on the commercial side, but when it is technology, we probably have better technology in place than them.

Sorabh Dhawan: Ms. Sweta, I think the overall supply chain finance industry is so large that there is space for everybody and the transition that I think everybody is seeing that from the open-ended limits, which is cash credit, people are -- so the bankers are more interested in extending close-ended limits like SCF, wherein we can monitor the end-use of funds. I think the industry is too large for everybody to fulfill their needs.

Sweta Padhi: And all the loans that you are financing are of secured nature or any type of collateral you are monitoring before lending those loans?

Sorabh Dhawan: So, yes, some of our loans are backed by collateral, but as we mentioned, 80% of our book is secured by inventory and receivables generated, but when we take exposures more than INR5 crores for a borrower, 5, 7.5 crore plus, then we try and extract collateral. That is on case-to-case basis.

Moderator: The next question is from Aaryan Mehta from Mehta Investments.

Aaryan Mehta: Yes. Congratulations on the great quarter. Very impressed by the execution. I wanted to understand something around the mode. So, we have onboarded some very large companies as anchors. So, when you onboard the anchors, are you the sole supply chain financer for the anchor? I understand that the companies might have their own financing arms, but these financing agreements with the anchors, are they exclusive or no?

Management: So, whenever we enter into an anchor-lender relationship, we probably are not the sole players who are present in their channel financing arrangement. There are other financial institutions such as banks, larger NBFCs, and other financial institutions who are already present and competing with us on the same.

Aaryan Mehta: Okay. And so, for these banks and other institutions, do they also have ERP integration and all of those things?

Management: So, it depends on the kind of technology that these banks use. A particular anchor would not be having ERP integration with everybody, but only with players whom he thinks their system is more compatible with them.

Sorabh Dhawan: And I think that has been added to our advantage that we have been able to penetrate because our integrations with their ERPs are more flexible and more user-friendly. So, I think that has also been an added advantage than running it at the basic brick-mortar level. And that is why you mentioned that we have discounted close to about 4 lakh invoices through our counter.

And if you look at SCF being done about 5 years back, each of these invoices was coming to the counter and then getting discounted and would not have been possible. So, I think the transition, the transformation that we have done, the ERP integrations being in place and all of these invoices getting discounted through the counter without any manual interventions, I think that has been one of the major USPs to penetrate these anchors.

Aaryan Mehta: Okay, that's great. And so, we have a very stringent criteria for selecting borrowers, right? They should have worked for the anchor for 3 to 5 years and should have majority business coming from them. So, isn't this like a disadvantage when you actually talk with anchors that they will only lend to a certain group of borrowers within you? But some other company might give access to a whole lot of borrowers with not such stringent criteria.

Sorabh Dhawan: Aaryan, see that is the basis of us doing business, which is protecting the bottom line. And these criteria are decided and are part of each and every MOU, right? So, it is after a lot of discussions and negotiations that this MOU is signed and it will mention the specific criteria. And we also mentioned that we are in the business of taking medium risk and the calculative risk and that we are taking, but we are not funding all the dealers. There are other financiers who are funding other dealers. We are being very selective, protecting the bottom line.

Aaryan Mehta: Okay, thank you. And just one last question. Our current anchor penetration is around 6-7%. So, in the next few years, what kind of number are we looking at?

Sorabh Dhawan: Anchor penetration 6%-7%. So, anchor penetration, see Aaryan, how anchor operates is that when these MOUs are signed, these numbers are decided after very careful consideration and scaling is targeted both by the anchor as well as the financier. That is the reason that we are also looking at adding…

Sorry, I think there is someone in the midst of this call. So, Arun, as I was mentioning, the number -- the numbers that which are taken in the MOU are taken after a lot of consideration both by the anchor and financier and they are a target to be achieved in 12-18 months. And we have seen that some of our anchor MOUs wherein we also had to increase our limits.

And the major steps that we are taking from our side is upgrading our tech. So, we launched our app also. Two is adding more manpower at different locations and increasing our -- reducing the availability from 225 km to about 150 km wherein we can target more dealers, more wholesalers of these anchors. And we look at penetrating -- increasing the penetration every day basis.

Moderator: The next question is from Manish Kela, an Individual Investor. Please go ahead.

Manish Kela: Yes. Thank you for taking up my question. So, I have a couple of questions for the management. One, it has been almost 3 years since we took over the existing company and we are into this lending business, right? So, what has been your experience in terms of A, that has surprised us on the positive side so far? Two, the ones wherein we had to trim down expectations probably because those did not go as per our plan. And my second question is, are we looking at lending across any other new segments outside of supply chain financing? So, these are my two questions.

Sorabh Dhawan: Thank you, Manishji. A, what has been our experience 3 years? In our last quarter presentation, we had given a specific slide on stating the movement of AUM because of the RBI thing that happened. I think a couple of learnings that we took from that, that the book has a lot of strength because bringing down a book from 1,900 crores to about 750 crores spoke about the strength. B, it was our Suo Moto step that we repaid all the banks without them asking for money and that showed and has strengthened our relationship with all our financiers.

And the same has been showcased that all of them as on date are back with us and a lot of them have taken larger exposures than what they had before. So, yes, there has been a trim down of, we had expected a different number for the last financial year. But because of that, the small incident that happened, because of that, we had to trim down our expectations. But I think we are not looking back.

We are looking forward and all the anchors are back. I think all of them have left the baggage behind. And we will continue to keep the same momentum and grow quarter-on-quarter basis. Sorry, can you repeat the second question? I think I've answered your first question. If you can help me with the second question once, please.

Manish Kela: Yes, so my second question was, are we looking at lending across any other new segments outside of supply chain financing?

Sorabh Dhawan: So, Manish ji, key focus is on supply chain finance. Yes, 15% to 20% outside supply chain finance. We continue to look at that and look at new products also, majorly on the cross-sell side, because now we were the large customer base and we look at what are the other products that are being availed by them and how we can probably do a collateral backed loan against property and look at other products which we can cross sell after there is a definite track record of the borrower with us.

Moderator: The next question is from the line of Aaryan Mehta from Mehta Investments.

Aaryan Mehta: Hello. Sorry, I just had one follow-up question. So, when we say that the anchors work with multiple banks and other lenders, what kind of number could we estimate? So, for example, maybe they work with three or four banks and a couple of other lenders. So, is there some number which I can estimate?

Sorabh Dhawan: So, Aaryan, it depends on anchor to anchor, how many financiers they want to deal with. The larger the anchor would be, the number of financiers would be more. For example, a Tata Motors would be dealing with about 20 plus financiers, whereas Oppo Mobile would have only four financiers. So, it would be dependent on the anchor to anchor.

But what we want to state is that the need is so much that even if I am the last entrant into Tata Motors, we've been able to add a1 book of about INR300 crores over the last 3 months. That means the need of such a large anchor having 20 plus financiers and a 21st person coming in has been able to add 300 crores only in the last 3 months. So, the need of supply chain finance is the demand for supply chain finance is extremely high in the industry.

Manish Kela: Great. That is very helpful. Thank you.

Moderator: The next question is from Sumit Jain, an Individual Investor.

Sumit Jain: Good afternoon, everyone. Thanks for the opportunity. My question is regarding sales commission expense in March 24, which is approximately 3.18 crores. I wanted to understand to whom -- what is the nature of the sales commission and what is the amount of sales commission in financial year '24 and '25?

Sorabh Dhawan: Yes, just a minute. So, for the sales commission expense, some of the transactions we do jointly with other lenders as well in the industry. There are other players and if the same have been sourced by them, we probably have to pass on some of the income to them as their commission for the sourcing that they have done.

Sumit Jain: But you will see that has reduced. In this quarter, it is only 9.45 lakhs. It was in FY '24 that was on the higher side and FY '25 it is only INR78 lakhs and in the current quarter, it is only INR9.45 lakhs. So, that tie-up was there initially.

Sumit Jain: Okay. As I understood, this has been paid in March 24 for the sourcing of clients -- for the sourcing of customers from other banks or NBFCs.

Sorabh Dhawan: Yes, but that has reduced. Now, in March 25, it was down to about 78 lakhs and in the current quarter, it is only 9.45 lakhs.

Sumit Jain: Okay, thanks. No more questions.

Anubhav Gupta: Can we have a last question, please?

Moderator: The next question is from Tushar Verma from Big Shot Investment Private Limited.

Tushar Verma: My question is like we have guided for INR4,000 crores AUM for FY '26 and INR6,000 crores for FY '27, but we report yield based on every daily outstanding loan book. So, what is the expected every daily loan outstanding book expected for FY '26 and FY '27 and name based on that?

Management: So, average loan book for FY '26 is expected to be around INR2,900 crores to INR3,000 crores and average loan book for the next financial year that is expected to be around, is expected to be between INR4,800 crores to INR5,000 crores.

Tushar Verma: Okay, sir. And what was it for FY '25?

Management: So, average loan book for FY '25 book.

Tushar Verma: Last year, '25.

Sorabh Dhawan: So, Tushar, we will just take a couple of seconds.

Tushar Verma: Okay.

Sorabh Dhawan: It was about INR1,300 crores.

Tushar Verma: INR1,300 crores. Okay, sir. Just one remaining part. NIM based on this average loan book for FY '26 and FY '27? That is all from my side.

Sorabh Dhawan: So, we expect a yield of about 12.25% to 12.5% and our cost of borrowing would be about 8.25%. So, we will be making a spread of about 4% on the debt-laden book. The equity portion in INR3,000 crores of average book would be about INR1,000 crores of equity and when we do INR5,000 crores, the average equity position would be about INR1,500 crores.

Tushar Verma: Thank you so much, sir, for the clarity.

Sorabh Dhawan: Thank you so much.

Moderator: Thank you. The next question is from the line of Prerit Jain from Lucky Securities. Please go ahead.

Prerit Jain: Sir. I just wanted to know what are the other sectors other than automobile and construction that we're looking at maybe in terms of like industries that have a large dealer base that we can top, once we can saturate the automobile and construction market?

Management: We probably are diversifying across sectors. When you come to building material space, we have tied up with players across the industry such as APL Apollo was the initial one, then JSPL, Shyam Metalics, etc., Tata BlueScope. When it comes to automobile, there are players which are already displayed.

Apart from that, we are growing in IT and peripherals. Then we have tie up in the mobile segment. So for some of the sectors, we are a little cautious. For example, in the paint segment, that industry has become very competitive with new entrants. So we are very cautious in that. We deliberately didn't go ahead and tie up, although there were some options available with us.

Then in the cement space, that is also a little competitive and the landscape is a little different. We are a little jittery on that space as well. However, we are also expanding in the wires and cable segment with tie ups with Polycab, and we are doing with others as well.

Sorabh Dhawan: So I think consumer deliverables would be an additional space that we are looking at. We have tied up with Whirlpool in that. And very recently, we tied up with Saint-Gobain also, which is one of the largest glass manufacturers. We keep on increasing our foothold in different industries.

Prerit Jain: Anything that we are looking at, like in the near future, that any other new industry that we can see in the near future, in the next 2, 3, 4 quarters that can actually dominate, not dominate, but like take a good share from the automobile and construction sector building material?

Management: So the diversification will be across sectors. The building material space is initially heavy in our loan book, because we started with our captive space of APL Apollo group. However, percentage wise, it is gradually coming down.

Secondly, automobile space is a very active space with very large players in the industry with the quality of the dealers that are there who have been associated with those anchors. They have been there for decades with them and the quality of the borrowers is also good. That is why we chose to expand in that space.

When it comes to the other industries, yes, we are increasing our diversification and probably we do not have any plan to concentrate only in a particular sector and grow only in that sector.

Moderator: Thank you. As there are no further questions from the participants, I now hand over the conference to Mr. Shreepal Doshi for closing comments.

Shreepal Doshi: Thank you, Pari. And thanks to all participants for being there on the call. And thank you to the management of SG Finserve for giving us the opportunity to host the call. Thank you all and have a good day.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.