Arman Financial Serv

Operator: Good afternoon, everyone. A very warm welcome from Arihant Capital Markets Limited. This is the third day of Bharat Connect Conference 2024 September edition. I welcome you all to the call of Arman Financial Services Ltd. Today, from management, we have Mr. Alok Patel and Mr. Vivek Modi. Without delaying anything further, I will quickly explain the flow of the event. We will first begin with the company's outlook from management and then move to the Q&A round. We will first take up questions from the participants who have raised their hands and then take up questions from the participants who have posted their questions in the Q&A section. If time permits, at the end we will take up questions from the participants who were not able to join this call. Without delaying anything further, I will quickly hand over the call to management. Over to you, sir.

Alok Patel: Thank you very much. As she mentioned, my name is Alok Patel. I run a company called Arman Financial Services. We are primarily a rural-focused NBFC with three main product lines, the largest of which is microfinance. The other products include what we call micro-enterprise, which is slightly one step above microfinance, and then there is the secured MSME book, also known as microlap. Microfinance today comprises about 70% of our book. Excuse me, about 70% of the book, and the balance 30% is MSME, secured microlap, and two-wheeler loans.

The structure of Arman requires a little explanation. Arman is a listed parent. There is a wholly owned subsidiary called Namra Finance, which is essentially an SPV involved in microfinance. Arman has an NBFC license, and the specialized NBFC license, which is an NBFC-MFI license, is held by Namra. The reason for this structure is purely regulatory because microfinance is regulated slightly differently from many other NBFC categories.

All in all, we have a portfolio of about 2,700-2,800 crores as of today. We are located in about 11 states, with approximately 530-odd branches and about 5,300-5,400 employees across India. We have approximately 6.5-7 lakh customers. What else, Vivek, am I missing that you would like to cover? Vivek is also joining; he is the Executive Director and Group CFO. This is largely a question-and-answer session because I am sure many panelists have specific questions about the company or the industry. We will jump right into the Q&A. I do not know if somebody is moderating the Q&A or not, but please let me know how you would like me to proceed.

Operator: Thank you, sir. I think we can begin with the Q&A round. We have our first question from Divyansh Agarwal. Divyansh, you are unmuted and allowed to speak.

Divyansh Agarwal: Yes, hi, sir. Am I audible?

Alok Patel: Yes, Divyansh, hi. How are you?

Divyansh Agarwal: I am good, sir. Thank you so much. Sir, thank you so much for taking my question. I wanted to understand the FCNR aspect and whether you could describe the situation, including the potential rates and how Arman may benefit from it. I just wanted to understand this scenario. Could you please help us?

Alok Patel: I do not think FCNR affects us at all, Vivek. I mean—

Report is AI-generated and may contain inaccuracies.

Vivek Modi – Executive Director & Group CFO: Divyansh, on a very specific note, we do not have any ECBs outstanding at this point in time, so FCNR does not directly impact us. From a broader perspective, if you are referring to the recent deposits that many banks have been able to collect based on the RBI's favorable legislative measures over the last 4-5 months, we are yet to see aggressive lending based on that material pricing. However, if that were to begin at some point, I think we are reasonably geared to be in a position to take some advantage of it.

Alok Patel: Yes, the advantage might be indirect. If there is excess liquidity at banks, they might be more desperate to disburse it, in which case they might offer favorable rates. However, I do not believe anything material has come forth so far.

Divyansh Agarwal: Understood. Sir, just on the MFI aspect, how are you currently viewing the situation? I think many people are starting to report that MFI stress is more or less easing. How do you see it from an on-ground perspective?

Alok Patel: Microfinance has improved significantly, and at least the microfinance customers have deleveraged significantly. The underwriting measures taken by the industry in the form of guardrails, separate credit structures, and other measures have worked quite favorably to bring asset quality back to what it was before the crisis, around the March 2024 time frame.

Right now, asset quality is well under control. However, the question that is always asked is whether this is because the ground-level situation has improved or because we are selecting better customers. Obviously, it is some combination of both, but I would weight it heavily toward better selection rather than very favorable ground-level macroeconomic conditions. Real incomes are still quite flat. Inflation-adjusted increases in income are, in my view, still quite flat. There are constant disruptions in the market, including geopolitical issues, fuel costs, and many other indirect factors. Investments are slower, and imports and exports might be disrupted due to trade policies and other developments.

Therefore, this is not really a time to push the accelerator, even though the overall asset quality numbers we are seeing are quite favorable. I would say that the overall crisis does seem to be behind us, but that does not mean we do not have to continue being cautious. I do not know if that answers your question.

Divyansh Agarwal: Yes, sir. Also, just one last question from my end. Q2 is almost at the end, so regarding the disbursements that have happened so far, could you first comment on the momentum? Also, is there any stress in terms of the impact on zero-plus DPD, and are you currently seeing any visible stress in any pockets, or is it more or less business as usual?

Alok Patel: From the industry perspective, there are no immediate concerns of that nature. Of course, there are blips that come and go. I think Odisha has certain weather-related issues. Obviously, we have not seen anything in Maharashtra, but one of the questions was about the impact that Maharashtra's drought declaration will have. These kinds of developments keep coming up in our business. There is always too much rain or too little rain somewhere or another, and that is part of our business. Managing that continues to be part of our operations.

Report is AI-generated and may contain inaccuracies.

I do not foresee anything too serious happening as of today. In terms of overall demand, demand has certainly increased. Inquiries have increased, but certainly not to the level to which we are accustomed. Therefore, the Q1 and Q2 numbers will not be the very high-growth numbers that one would expect the industry to have, and that is actually a good thing; it is not a bad thing. Rejection rates continue to be very high because of the selection criteria, guardrails, and other measures implemented across the industry.

For every 100 inquiries we receive, we end up disbursing to between {? 20-24 ?} customers. That is still a very high rejection rate overall. With both of these factors combined, I do not want to paint a pessimistic picture, but this is certainly not like the post-COVID euphoria when money was simply flowing out of accounts through disbursements. That is not what we are seeing this time. That is perfectly acceptable and, in fact, encouraging. Things are not returning to the kind of excessive disbursements we saw earlier. It is a sign of an evolving and healthy industry.

Divyansh Agarwal: Perfect. Thank you very much, sir, for answering the questions. Thank you.

Operator: Thank you, Divyansh.

Operator: Please note that, as we have too many participants, we will limit questions to only two per participant. We will take our next question from Niril Parekh. Niril, you are unmuted.

Niril Parekh: Hi, hello. Am I audible?

Alok: Yes, yes. Hi. Please go ahead.

Niril Parekh: My question is a follow-up to the previous participant, but it is more specific to the current drought news. Whenever a drought-like situation occurs in a few states, what impact do you see on collection efficiency in the book, and how long does it take to normalize back to, say, collection efficiency of 99% or 99.5%?

Alok: First of all, there is honestly a very wide range. If certain customers are deeply impacted by droughts, obviously there are some problems that arise, and you can see a slight decline in zero DPD, even to levels of 94-95%. That is obviously something we need to monitor closely. What you do not want to happen is a cascading effect where even people who are not facing problems take advantage of the situation, causing the performance to fall off a cliff. Therefore, there is usually a very wide range when such situations occur.

Specifically speaking about Arman, we do not have a very large portfolio in Maharashtra. From the perspective of our overall book, Vivek, what is it, approximately {? 2-3% ?}, 3% or something like that?

Vivek: Under 3%.

Alok: Therefore, it is not a very large portfolio, and it will not impact us from a company perspective even in the worst-case scenario. In the best-case scenario, it will be a blip here and there. As far as the industry is concerned, of course, there are many companies that have significant exposure to Maharashtra. In that case, it will be a wait-and-watch situation.

Report is AI-generated and may contain inaccuracies.

Niril Parekh: Understood. Are you not anticipating such announcements from the government in the states where we have a significant presence, such as Gujarat, Uttar Pradesh, Bihar, and others?

Alok: Initially, we were expecting low rainfall because of El Niño and other factors, and in many areas the average rainfall has actually been lower. However, in certain other states such as Bihar, Odisha, and others, there has been excess rain. When you have a very broad geographic distribution, as I mentioned to the previous questioner, this is India. There is always too much rain or too little rain somewhere or another, or too much crop or too little crop. There is always something happening, and that is part of our business.

There is nothing unusual happening anywhere that would make me deeply concerned. However, as I said, you always have to avoid the cliff effect, where things go somewhat out of control, you are unable to manage them, and the situation falls off a cliff. That is always the worst-case scenario. In 8 out of 10 cases, that never happens.

Vivek: Just to add to that, Alok, when the Nepal floods occurred, I think the concern for the entire sector was suddenly about Bihar and Uttar Pradesh, particularly eastern Uttar Pradesh. Fortunately, things have been much more controlled and have been addressed much more effectively by the sector itself, as well as at the company level, so things have—

Alok: These are the kinds of situations where one more thing to add about Arman specifically, and perhaps not so much about the industry, is that we have tried to cover these kinds of shocks through CGTMSE. About 90% of our assets today are already covered. At least 70% up to 75%, or 72%, of the defaults are covered under CGTMSE. That will also reduce the shock if the worst happens. Again, this is not something about which I would be overly concerned.

Niril Parekh: Understood. That answers my question. Thank you.

Operator: Thank you, Niril. We will move to our next question, which is from Akhilesh. Akhilesh, you are allowed to speak and are unmuted. Please note that we have restricted questions to only two per participant.

Akhilesh: Yes, thank you. Thank you for the opportunity. Sir, I wanted some clarification on whether the new draft insurance regulations will have any impact on our income, credit life policies, or other policies that we may have been selling or providing alongside the loans. Will this have any impact on our top line or bottom line?

Alok: No, not for us. For us, insurance is almost entirely a pass-through. There are certain organizations that rely on commissions and other income, but ever since the overall pricing for MFIs was deregulated, I have preferred to keep things simple. If you must charge, charge interest, and keep things transparent. Therefore, for us, there is really no impact. In fact, it might be positive. It might reduce the overall rates for the end customer, thereby potentially helping demand or disbursements to some extent.

It is only a white paper at this point. I do not know how much of it will be implemented, frankly speaking. I have not completely read through it either; I have only read what has appeared in the news because, again, it does not impact us significantly. However, from what I understand, the

Report is AI-generated and may contain inaccuracies.

regulator is trying to tighten brokerage and commissions.

My only comment is that this may not work in the MFI segment. For us, we are the ones handling everything, so there are not many expenses that the insurance companies need to bear. It is essentially built in, in that sense. However, if you are talking about rural distribution, you are talking about commissions as low as {? 8 rupees, 10 rupees, or 12 rupees ?} to sell a policy, and obviously that is not sustainable. That is not going to work.

If insurance is part of the broader financial inclusion ecosystem, I am a strong supporter of being transparent with customers and ensuring that customers receive value for money and are not being overcharged. However, you also have to be realistic about these matters. It is expensive to distribute insurance at the rural ground level, especially at the ticket sizes being discussed. I am not sure how the regulator is going to balance that.

My guess is that, as far as insurance is concerned, the proposed regulation would be highly disruptive if introduced in its current form. However, we will see. It does not impact me, so I am not too concerned about it as far as we are concerned. As far as insurance companies are concerned, of course, it is a major concern.

Akhilesh: Thank you for addressing that, sir. You have already touched upon Maharashtra. I joined slightly late, but could you comment overall on how Q2 has been qualitatively in terms of disbursements and the performance of the book?

Alok: Overall, sir—

Akhilesh: You have already discussed Maharashtra; I did hear your answer.

Alok: I think I covered it. Q2 has been stable from an asset quality perspective. Despite my expectation that the macroeconomic issues, including the West Asia crisis, oil prices, trade-related issues, and other factors, would have some impact on asset quality, thankfully, touch wood, that has not happened. It could be a delayed reaction, or it could be gradual enough that it is not noticeable, or there could be many other contributing factors.

In addition, monsoons are always disruptive, as I mentioned to the previous questioner—if that is the correct term. I have nothing too serious to report on the asset quality front. Surprisingly, things are well under control. From a volume perspective, as I mentioned, things are slower than I would have expected, but that is acceptable and expected. It will take some time for demand to recover. Until the macroeconomic conditions improve, I think demand will also remain muted.

Akhilesh: Thank you, sir.

Operator: Thank you. We will take our next question from Rajat Sethia.

Rajat Sethia: Hi, am I audible?

Alok: Yes. Hi, Rajat. Go ahead.

Rajat Sethia: Thanks, Alok. On the insurance matter, I have one follow-up. When you say that we do not see an impact on us, does that mean we do not earn any commission income, or does it mean

Report is AI-generated and may contain inaccuracies.

we do not earn any other income?

Alok: We do not earn any commission income.

Rajat Sethia: Okay.

Alok: As I mentioned, there is no commission income in our P&L.

Rajat Sethia: Or any other kind of income from selling insurance? I mean, from a profit perspective?

Alok: For the life insurance product that we attach to mitigate the risk of death, we do not take any commission, and there is no pass-through income recorded in the company's P&L. I hope that is clear.

Rajat Sethia: Yes, that is clear. That was the only question I had. Thank you very much.

Operator: Thank you. We will take our next question from Dhruv.

Dhruv: Hello, am I audible?

Vivek: Dhruv, this is Vivek. Can you hear me? Dhruv, your voice is a bit muffled. Maybe you should move to a better location—

Dhruv: Hello, am I audible now?

Vivek: Yes, better.

Dhruv: Yes. I have one broader industry-related question. We are now seeing the MFI industry mature, with guardrails in place and rejection rates remaining high. We are also underwriting better because of the use of technology and AI. When the next bad cycle comes, do you think the entire industry will be less affected because of all these guardrails and the other measures I mentioned?

Alok: That is always the goal and the hope. However, that was also the hope in 2022 and 2024. Unfortunately, what you hope for does not always come to pass. Specifically regarding Arman, as you know, we have completely concentrated on and revamped our entire underwriting process for microfinance.

We have essentially stopped relying on JLG as a risk-mitigation tactic. We are underwriting customers using, as you said, better technology, better credit bureau information, and more feet on the street to underwrite these customers better. That is one aspect.

The second aspect is that, as I mentioned, CGTMSE coverage is also available in case something goes terribly wrong. Yes, receiving the claims remains a question mark, and I am sure somebody will ask me about that, so I may as well address it. We have not received a claim yet. The first claim will probably be filed at the end of this financial year. However, from what I hear in the market, as long as you cross your T's and dot your I's, the claims do come.

There is always hope that the mistakes made in the past have been corrected and that the next cycle, if and when it comes, will not be as bad. However, things are always in flux. Even your best

Report is AI-generated and may contain inaccuracies.

intentions are sometimes not enough. We will see. Honestly, my goal is that we should not see another cycle, but cycles eventually become inevitable. It is simply a matter of how damaging they become.

Dhruv: Understood. One more thing, sir. Do you see, from your cohort of customers, that income levels and cash flows are rising? Other microfinance companies are saying that customers have multiple sources of income, which is also helping collection efficiency and other aspects. Do you see that?

Management: Although the data indicates that this is true, all the data we receive from multiple sources, whether governmental or otherwise, shows that average incomes are increasing. However, my experience on the ground, and this is purely qualitative, is that real incomes are not honestly rising by that much, or are not rising enough. That is honestly one of the main reasons that caused this credit cycle in the first place.

On one side, there were easily available loans from multiple places and multiple agencies. This led to over-leveraging. Over-leveraging is always a problem, and when you are dealing with unsecured loans, it has always been a problem. It is not anything new. At any point, there will be a certain population of customers who are over-leveraged. You try your best to avoid it, but unfortunately, it is not always within your control.

Even if it is within your control at the time of disbursement, it is definitely not within your control during the life of the loan. A person could have perfectly healthy credit and healthy loans when I disburse the money, but nothing prevents that person from borrowing from 2 or 3 other places while my loan is outstanding and becoming over-leveraged. Many of these factors are obviously not within our control.

To answer your question, no, I respectfully disagree. I do not see a material change in the real income levels of at least the population I deal with, which is the rural population.

Operator: Thank you. We will take our next question from Manav Shah.

Manav Shah: Yes, hi, sir. Am I audible?

Management: Yes.

Manav Shah: Sir, as you said, demand is present in Q2, but acceleration will take slightly more time. How are you thinking about demand in the pre-festive season and going forward in H2?

Management: The expectation is obviously there. Even in H1, we expected demand to accelerate much faster than it did, but that was not the case. That said, I expect Q3 and Q4 to be much stronger in terms of volumes. That is my personal expectation. However, these things are notoriously difficult to predict, so we will have to wait and watch.

If there is demand and I can service it safely, I have the ability to do so. In terms of our ability to raise liquidity, we have the staff, the technology, and everything else in place to service that demand if and when it arrives in the short term. I do not know if that gives you some level of comfort. We are geared up for it. Our people are trained for it, and we have meetings about it.

Report is AI-generated and may contain inaccuracies.

However, based on our culture, there is only so much that you push disbursements. You push collections significantly, and you push quality significantly, but I am never a person who creates a pressure cooker for disbursements. For a finance company, disbursement is, as they say, nothing happens until somebody sells something. Everybody's compensation, incentives, bonuses, and many other things are already tied to disbursements, unfortunately. Therefore, it would not add much value for me to push that at my level, or at least to push it aggressively.

Manav Shah: Understood. And regarding your credit rating upgrade, I think in the Q1 call you had said that you were looking for a rating upgrade, which could help reduce the cost of borrowing by around 20-30 basis points. Is there any update on that?

Management: Yes, Vivek, would you like to cover that?

Vivek: To be honest, there is no update as of today. We are still engaging with the rating agencies, but our surveillance and related processes take place in October-November. Hopefully, we will have an update as we move forward.

Manav Shah: Understood. To conclude, H2 should be significantly better than H1 going forward, correct?

Management: Fingers crossed, yes. Yes, hopefully. Thank you.

Operator: Thank you. We will take our next question from Rudraksh Raheja. Rudraksh, you are unmuted.

Rudraksh Raheja: Thank you for the opportunity, sir. Am I audible?

Management: Yes, thank you, Rudraksh.

Rudraksh Raheja: Sir, I have one question regarding the timing of the premium for CGFMU. In which quarter will we see the impact in our numbers for the premium that we will pay, and from an accounting perspective, how would it be recorded in our P&L? Would it be included under impairment provisioning charges or other expenses?

Management: If the accounting aspect is involved, Vivek, sorry, I think this is yours.

Vivek: I will try to split the answer into 2 or 3 parts. First is when you start receiving the premium—sorry, when you start receiving the claims. We expect to be in a position to file a claim sometime in Q3 and, hopefully, as Alok said, look forward to some closures coming in during this financial year itself.

Also, CGFMU allows only 1 claim to be filed in each financial year. That is how it will work. No claims have been filed yet. We will have to wait and see how the first claim goes. Our expectation, based on whatever we have been able to gather from other peer groups and banks, is that it is not exceptionally difficult. However, there is a process, and hopefully things should fall into place.

Second, regarding the premium, it is accounted for in the financial year on a pro rata basis, quarter by quarter. The entire annual premium becomes payable at the beginning of the quarter, and the balance premium for the incremental amount during the year is recognized on a pro rata basis. It

Report is AI-generated and may contain inaccuracies.

impacts only the period for which the loan or the new loans will remain live in the current financial year. That is how the accounting or reporting takes place.

Regarding the claims, as I said, we have not filed a claim yet. Assuming the auditors concur with what I am saying, when we eventually file a claim, I think we will report it as a claim receivable under CGFMU. It will be nullified once the claim is received. If the claim is repudiated, the claim will be removed from the books and we will book a loss, in the sense that there was a repudiation of the claim.

Rudraksh Raheja: Understood, sir. One clarification: you said that we would pay the premium on a pro rata basis for each quarter. Is that correct?

Vivek: No, we pay the entire premium at one time for a financial year for whatever existed at the end of the previous financial year, and then recognize the expense on a quarterly basis. For example, if we paid the premium for financial year {? 25-26 ?}, and the premium was 10 crores, we would account for {? 2.5 crores ?} every quarter.

Rudraksh Raheja: Would that be included under other expenses or provisioning expenses?

Vivek: It would be included under other expenses.

Rudraksh Raheja: Understood, sir. Thank you very much.

Vivek: That is why you have seen a significant increase in other expenses over the last 2 financial years.

Rudraksh Raheja: Understood, sir. Thank you.

Operator: Thank you. We will take our next question from Dhruv Thakkar. Dhruv, you are unmuted. Hi, Dhruv, can you hear us? I think there is a network issue at his end. We will take our next question from Divyansh Agarwal. Divyansh, you may speak.

Divyansh Agarwal: I believe that, as the macroeconomic indicators also suggest, US bond yields are rising, and there is some expectation that rate hikes may also be announced in India. How do you foresee that situation, and what could be the impact on Arman from both the liability and asset perspectives? Could you please explain?

Management: Controlling the cost of borrowing is obviously a continuous effort, and many factors come into play, including our ability to negotiate, our ratings, overall market rates, and many other factors.

All I can say is that our sources of borrowing remain very diverse. We have relationships with PSU banks and private banks. Although we do not have any ECBs on our books at present, we have undertaken ECBs in the past. We also have various securitization transactions such as PTCs, and we have undertaken many DAs. Retail NCDs and listed NCDs are also other avenues.

Wherever we can find money at a lower cost, that is the direction in which we go. If we are unable to do that, and if the overall weighted average cost of borrowing increases meaningfully, rather than marginally, then it is obvious that, unless something has gone drastically wrong at the Arman level,

Report is AI-generated and may contain inaccuracies.

the industry, including Arman, will have to try to pass on some or all of those costs to customers by increasing customer rates.

I hope I am making it sound much simpler than it is, but I do not know if that makes sense. If the market allows and market rates increase, we will try to pass those costs on to customers.

Divyansh Agarwal: On the liability side, what would currently be the percentage of fixed-rate versus floating-rate borrowings?

Vivek: Divyansh, almost all bank borrowings, which would constitute approximately 50-55% of the entire liability book, would be floating-rate. A substantial portion of NBFC borrowings, which would be another approximately 20-25%, would also be floating-rate. Only the NCDs, including retail NCDs, are fixed in nature.

Divyansh Agarwal: Understood. Thank you very much, sir. Thank you for answering.

Operator: Thank you. We can take a few questions from the Q&A section. We have one question from Varun Balachandran: "Could you share your vision for the business over the next 5 to 10 years? How should we think about growth and economics for the main segments, namely MFI group loans, MFI ILs, and MSME loans? What are the main strategic priorities or changes required to meet these goals?"

Management: This is a complicated question. A period of 5 to 10 years is a very long period. I do not even know what I want for dinner tonight. I can answer vision-related questions in a very convincing way, but the fact is that things, as I said, are always in flux. I do not know.

Arman has been around for 34 years now. I have been there for about 16 of those years; before that, I was not personally there. It is very difficult to envision what things will look like 5 or 10 years from now. Suppose I set some ambitious figure and said that we would reach 50,000 crores. What happens after that? The question remains.

The fact is that 5 or 10 years—

Alok Patel: Ten years is very difficult to envision. People like me work best by setting targets over the next 2 to 3 years. Today, that target is to reach 5,000 crores, and we are well on our way to achieving it. After that, we will see.

It is not as though you will be satisfied at 5,000 crores and say, "The job is done." Even if you reach 50,000 crores, there will always be a next step. That is how I like to think about it. I know that is probably not the answer Mr. Varun was looking for, but I do not think I have a better answer than that. Ten years is a long way away.

As far as MFI rural loans and related products are concerned, I can speak a little more confidently. My answer is simply that, as long as there is a market requiring companies like ours to exist in niche markets serving rural customers, I do not think that demand will disappear anytime soon. Of course, the market will adapt and evolve, cultures will change, and the type of customers will naturally evolve. The company will have to evolve with them.

Report is AI-generated and may contain inaccuracies.

The business of lending money is obviously as old as time itself. Even before there was currency, people were lending money, and that runs in our blood. I do not think that demand will disappear anytime soon.

As for strategic priorities, there are many. The first is getting the right talent, retaining the right talent, developing that talent, and giving people the authority and responsibility to see things through. The second is technology, and the third is culture. All of these areas constantly need to be worked on. I do not know if you have anything to add, Vivek. As I said, it is a complicated, open-ended question.

Vivek Patel: To take it forward from what Alok was saying, we are largely trying to take the customer on a journey, starting from microfinance and then giving them larger-ticket MSME loans as they expand toward a more secured model. In that way, we can retain those customers with larger tickets in a secured format. To that extent, you will see some growth in the secured book as we move forward. Broadly, things should remain as Alok expressed.

Juhi Manwani – Operator: Thank you. We have one more question in the Q&A section from Raj Shah:

"Hi Alok, I wanted to understand what happened yesterday. It was quite surprising to see the stock correct by around 10-11%. I can understand that the SAIF investors were looking to exit. Could you please help us understand who was selling so aggressively yesterday and whether it was largely driven by their exit? Also, considering current valuations and with both the business and the industry seemingly on a recovery path, does management intend to purchase shares from the open market today or tomorrow, given that the trading window closure period begins from October 1?"

Alok Patel: Before I answer this question, the disclaimer is that I typically do not know what happens in the market. I am a debt person. Even though I am part of a listed company, I understand debt; I do not understand equities that well.

Nothing happened yesterday. I was also surprised, and believe me, you are not the first person to ask me, "What happened?" I have no answer. I have no idea what happened. There is nothing going on.

Obviously, people suspect whether it was Maharashtra. I said no. Even if Maharashtra were completely affected, my portfolio concentration in Maharashtra is not very high. Was it insurance? Not really. I am not dependent on insurance commissions for my P&L. I never got into that. I simply believed that I would rather charge the customer more interest than earn side income in that way. That was my personal preference, and I have nothing against people who do so.

I do not know what happened yesterday. I have no idea. As far as who is buying or selling is concerned, it is definitely not Elevation or SAIF, as you mentioned earlier. SAIF was formerly known as Elevation. That was obviously the primary suspicion among people, but it is definitely not Elevation exiting in the market. Even if they were, they are not the type of people who would simply put the shares up at a fire-sale price, as though they were ready to sell at any cost.

Report is AI-generated and may contain inaccuracies.

I am not exactly sure what happened. I do not even have a suspicion about what happened. In fact, if anybody here knows what happened, I would love to hear from them. I do not know how else to answer that.

As far as valuations are concerned, that is your job. I have no idea; I can barely spell “valuation.” As far as my purchasing shares is concerned, it does not make sense for me to buy shares in the open market. It does not serve a meaningful purpose. Many people have told me that it would lend confidence to the market, but it is honestly not my job to buy shares merely as a marketing effort to influence the price.

I am sorry, but I do not do things like that because there is no end to it. When you are a shareholder, you purchase shares and hold them for a limited time, whether that is a long time or a short time, and eventually you exit, move on, and realize your investment. Of course, we have many investors who have been invested for a very long time, but that is not the case for me.

More than 90% to 95% of my family's wealth is tied to Arman. It is not as though my last name is—I do not want to make that joke in public—but it is not as though I am a Birla with significant wealth tied up in different places and the ability to move things around. That is not the case. We are simply a Gujarati entrepreneur family.

Therefore, it does not make sense for me to start buying shares and try to do something because, once I buy, for all practical purposes I can never sell. There is no liquidity as far as I am concerned. I am being very honest with you, so I suppose that is my answer.

Vivek Patel: Alok, I think you also answered that in a way.

Alok Patel: Yes, please, Vivek, go ahead.

Vivek Patel: There was one more question that was probably addressed directly to you: whether there is any intention on the part of the promoters to sell the business or sell their shares. I think you have answered that already.

Alok Patel: It is becoming more like a fireside chat. The expectation is always that when you ask a promoter such a question, they will say, “Blasphemy,” or, “No, never.” My answer is very simple: no, I have absolutely no intention of selling.

That said, if you are ready to make an offer that I cannot refuse, I may consider it. I am a capitalist at the end of the day. However, am I out in the market looking for somebody to buy? Absolutely not.

If an offer landed on my table that was absolutely extraordinary—which is never going to happen—I might consider it. Who knows? But plainly and simply, no, I am not looking to sell.

Juhi Manwani – Operator: Thank you very much, sir. As we are short of time and our next call slot is at 2:00, I think we should end the meeting. Is there any closing remark you would like to make?

Alok Patel: No, I think that is about it. If anybody has any pressing business-related questions or anything else, please feel free to get in touch with the company. SGA handles investor relations, and you can ask them any questions you want. If they do not know how to answer, they will direct the

Report is AI-generated and may contain inaccuracies.

questions to somebody from the team.

Thank you, everyone, for joining. I hope I added some value, at least to the industry or the company as a whole.

Juhi Manwani – Operator: Thank you, Alok sir, Vivek sir, and {? Krunali ?} for joining this call. It was a pleasure hosting the call. I am Juhi Manwani, and I will sign off. Have a nice day, everyone. If any of you have further questions, you can stay in touch with the team at Arihant Capital. I look forward to more such calls and conversations. Have a great afternoon and evening, everyone. Goodbye.

Alok Patel: Goodbye. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.