

Fino Payments Bank

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to Fino Payments Bank Ltd. Q1 FY27 earnings conference call hosted by Go India Advisors LLP. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhar Arora from Go India Advisors LLP. Thank you, and over to you, sir.

Nikhar Arora – Go India Advisors LLP: Thank you, Palak. Good afternoon, everyone, and welcome to the Q1 FY27 earnings call of Fino Payments Bank Ltd. We have on the call Mr. Ketan Merchant, Interim Chief Executive Officer; Mr. Anup Agarwal, Interim Chief Financial Officer; and Mr. Tejas Maniyar, Chief Digital and Liabilities Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must therefore be viewed in conjunction with the risks that the company faces. May I now request management to take us through the financials and business outlook, subsequent to which we will open the floor for the Q&A session. Thank you, and over to you, sir.

Ketan Merchant – Interim CEO: Thank you, Nikhar. Good afternoon, everyone. Hi, this is Ketan here, Interim Chief Executive Officer of Fino Payments Bank Ltd. Good afternoon, everyone, and thank you for joining Fino Payments Bank Ltd.'s earnings call for the first quarter of FY27. It is fair for me to say that Q1 FY27 has been one of the toughest quarters in the history of the bank. Besides the February 26 event, one of our most profitable B2B businesses has been paused for recalibration, and it will take at least the next couple of quarters for the relaunch. However, amidst the challenges, there are silver linings in Q1 FY27. Our focus is on the retail segment, customer acquisition, and referral lending, and we are taking the right strides at a steady pace in each of these areas. This is a conscious strategy in light of our Small Finance Bank transition.

Let me now talk about our lending ecosystem. As you know, we consciously built our referral lending business as an important stepping stone towards our future lending franchise. Referral loan disbursements reached INR 1,285 crores in FY26, and the momentum accelerated further in Q1 FY27. During the quarter, referral loan disbursements increased to 628 crores, 50% of the total disbursement in FY26. In line with our long-term vision of building a predominantly secured lending portfolio, our referral lending business is also fully focused on gold loans, affordable housing, and loans against property. This allows us to develop customer relationships within the secured lending space, create customer credit insights, and build agile underwriting and servicing capabilities over the next couple of quarters and beyond.

Further, I am pleased to share that we are advancing well and remain on track to meet the RBI's stipulated conditions for transition to a Small Finance Bank. We continue to expect that all the required milestones will be completed within the prescribed 18-month timeline, and we remain on course to submit our readiness to the Reserve Bank of India by the end of Q4 FY26. We have appointed PricewaterhouseCoopers to support the implementation and overall operational readiness of the SFB. We have also onboarded technology partners for our loan origination system, loan management system, and other lending applications that will form the backbone of our lending platform. Alongside this, we continue to strengthen our governance framework by putting in place

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the required policies, operating procedures, and compliance processes to support the Small Finance Bank. On the leadership front, recruitment is progressing well. Individuals for key leadership positions have been identified, and we expect these senior executives to join us by the end of the calendar year. In parallel, the technology stack for the end-to-end customer loan journey is under development and is expected to be ready by February 27. Overall, implementation of the roadmap remains well aligned with our planned timelines.

As we prepare for the next phase of our journey, technology and AI-led automation will remain central to improving customer experience, enhancing risk management, and driving operational efficiency. Our USP is our existing fee-based income, which contributes over 75% of revenue. It stood at 234 crore in Q1 FY27 and remains our distinct advantage over other SFBs once we transition. Our cost of funds is currently 1.4%, and our plans to enhance it will enable us to have higher NIMs for secured assets. Our capital position continues to remain comfortably above the regulatory requirement for the proposed Small Finance Bank. At the same time, our business plan through FY30, which we have enunciated earlier, remains unchanged. We will continue to build a predominantly fee-based business complemented by a secured lending portfolio, allowing us to maintain a prudent balance between growth, profitability, and capital efficiency.

Coming to our liability franchise, this continues to be the cornerstone of our business model and remains our biggest strategic differentiator. The average CASA balance stood at 1,280 rupees, while average deposits increased 12% year-on-year to 2,772 crores, and renewal income grew 7% year-on-year to 67.5 crore during the quarter. Customer acquisition remained healthy, and we added 8.4 lakh new accounts during the quarter, taking our total account base to 1.83 crore. Our merchant network, which is close to around 20 lakh, continues to be one of our biggest competitive strengths. It gives us unmatched physical reach across the country while also supporting the growth of our digital ecosystem. This network not only helps us acquire customers at a relatively low cost today, but also provides a ready distribution platform for future banking and lending products.

Customer engagement across our digital ecosystem also continued to strengthen during the quarter. Digitally active customers increased 22% year-on-year to 64.6 lakh, while active FinoPay customers, which refers to our app customers, grew even faster at 38% to 8.4 lakh. This clearly reflects the growing adoption of our digital channel and validates our strategy of combining assisted banking with digital convenience. On the technology front, we successfully implemented the Finacle core banking platform in the previous quarter. During Q1, our primary focus shifted from implementation to platform stabilization, while simultaneously progressing Phase 2 capabilities that will support lending, new product development, and operational scalability.

Combined with our modular technology architecture and AI-enabled lending platforms, this provides a scalable technology backbone for our proposed Small Finance Bank. It will allow us to launch new products faster, improve customer experience, strengthen operational controls, and support business growth much more efficiently. We are preparing to relaunch our high-growth B2B UPI P2M segment. However, this would depend on ecosystem and other developments, which could result in the relaunch potentially taking place in Q4 FY27. Our objective remains to build a differentiated Small Finance Bank anchored on three enduring competitive strengths. The first is a strong liability franchise that gives us a structural advantage in terms of cost of funds. The second is a predominantly secured and asset-light lending model powered by a huge network covering more

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than 95% of India's pin codes, enabling efficient customer acquisition, disciplined underwriting, and scalable growth. The third is a technology-led operating platform built around Finacle, AI-enabled lending capabilities, and robust digital infrastructure that will support innovation, operational efficiency, and a superior customer experience.

Overall, this quarter has been a testimony to resilience, and I am glad that, in a relatively difficult phase, we have been able to excel on our strategic priorities of retail growth and customer acquisition. Our B2B business has been impacted due to the February 26 event, and we are working towards rebuilding it over the next couple of quarters. We remain confident that the combination of our three competitive strengths, which are our key pillars, will clearly differentiate Fino and position us to create sustainable long-term value as we move towards becoming a Small Finance Bank. With that, let me now hand it over to Anup, who will take us through the financial performance and analysis for the quarter in greater detail. Over to you, Anup.

Anup Agarwal – Interim CFO: Thank you, Ketan. Good afternoon, everyone. As Ketan mentioned, our focus has been on building a sustainable institution by leveraging our distribution network and technology for our next phase. Currently, the focus is on improving the quality of our revenue mix, expanding our net revenue margins, and continuing to invest in the capabilities needed for our proposed differentiated Small Finance Bank. One of the key highlights for the quarter was the continued improvement in our net revenue margin. Despite lower revenues, our net revenue margin expanded to its highest quarterly value of 42.8%, improving 275 basis points sequentially and 925 basis points year-on-year. This clearly reflects the increasing contribution from our ownership-led business and reinforces our strategy of improving the quality of earnings. With the retail focus strengthening, our margins are expected to be higher compared to last year, and with an increase in business momentum, this can lead to better earnings.

As expected, EBITDA declined to 43.1 crore from 56 crores in Q4 FY26. This was largely due to the pausing of our UPI P2M and B2B businesses, digital acceleration affecting our cash transaction business, and our continued investment in technology and risk management. We view these as investments that will strengthen our operating platform and support sustainable growth over the long term. Another favorable trend during the quarter was the continued improvement in our revenue mix on the back of a 1.83 crore customer base, of which around 8.4 lakh customers were added during the quarter. CASA increased its contribution to revenue from 45% in Q4 FY26 to 54% in the current quarter, reflecting the growing strength of our liability franchise. Our liability base continues to be one of the strongest pillars of our business and the biggest growth driver. Average total deposits in the current quarter grew 12% year-on-year to 2,772 crores, supported by the structurally low cost of deposits mentioned by Ketan.

Renewal income for the quarter remained healthy at 67.5 crore, a growth of 7% year-on-year. We continue to view renewal income as one of our best indicators of customer ownership and engagement, as it reflects customers choosing to continue their relationship with the bank. We also witnessed an encouraging trend of newly acquired customers becoming UPI-active within the same quarter. The percentage of customers acquired who became UPI-active in the same quarter stood at 68% during the quarter. Higher UPI adoption is expected to deepen customer engagement and improve stickiness over time. This growing liability franchise is improving the quality of our earnings today while also creating a strong funding base for our proposed Small Finance Bank. Our cost of

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funds further strengthens our liability franchise, as we expect this to translate into an approximately 300-basis-point advantage compared to other small finance banks in the future. As we continue to build a liability-first bank, we believe the funding advantage will remain one of our biggest competitive strengths, apart from the distribution network.

Our loan referral business, which serves as a pilot for our future lending franchise, continued to see good momentum during the quarter. Referral loan disbursements surged 214% year-on-year to 628 crore, nearly 50% of the total disbursements in FY26, indicating growing demand for credit in our banking ecosystem and our target customer segment. The referral pipeline remains well aligned with the secured lending segments that we intend to focus on, including affordable housing, loans against property, gold loans, and secured MSME lending. This not only validates the strength of our asset-light distribution network, but also gives us confidence in our ability to create high-quality secured lending opportunities at scale. Our capital position also remains comfortably above regulatory requirements.

Management: Requirement for the proposed Small Finance Bank. As we have consistently maintained, our business plan through FY30 is built around a predominantly fee-based model, complemented by a secured lending portfolio. We continue to believe that our future franchise will be differentiated by three structural strengths: a low-cost liability franchise, an asset-light operating model, and a technology-led distribution platform. Subject to the necessary regulatory approvals, we remain on track with our implementation roadmap.

Coming to the operational performance for the quarter, on a year-on-year basis, total throughput declined 10%, largely due to the strategic recalibration of our UPI P2M and B2B business segments, and the traditional cash transaction business being affected by the industry's continued migration from cash to UPI, along with our conscious decision to focus on high-quality, more active merchants. However, throughput grew 3% sequentially, indicating the depth of our customer relationships and faith in Fino's model.

In the B2B CMS segment, throughput grew 26% sequentially to 18,000 crores as we further broadened our client base. This also resulted in 5% revenue growth in this segment compared to the previous quarter, as it is facing challenges on pricing. Our traditional transaction business, which forms part of remittances, Micro ATMs, and AEPS, saw a 13% sequential revenue decline as it continued to face industry headwinds due to growing digital adoption in India. However, due to this rise in digital adoption, we are witnessing encouraging trends in digital engagement as UPI—

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may please press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Ankit from Zen Nivesh. Please proceed with your question.

Ankit – Zen Nivesh: Thank you for taking my question, and congratulations on the steady growth in referral loans. My first question is related only to that. As you highlighted in your previous calls and as stated in the business updates, our cost of funds is very low and our loan referrals are

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progressing steadily. Can you provide some color on the rates at which we are offering these gold loans, LAP, and housing loans?

Management: Thank you, Ankit, for the question. In terms of what we are currently doing for referral loans, we are partnering with a lot of NBFCs in the market when offering these loans to our customers. When we enter the market with our own products after becoming an SFB, we are also looking at products such as housing loans, LAP, gold loans, and other products. We will be better than these NBFCs in the market in terms of the interest rates they are currently offering to our target segment. That is one point.

Second, what we are looking at is a 90% secured lending book for our SFB portfolio, with an average portfolio yield of around 14%. This will have a blended mix of gold loans, housing loans, LAP, and secured MSME lending. Considering all that, we are looking at a blended portfolio yield of 14%, which will be better than that of many competitive players in the market, who are largely NBFCs in our target segment.

Ankit – Zen Nivesh: Got it. My second question is related to the recent MDR-related provision being discussed at the government level. If that comes through, and since we have a large merchant network and good usage of UPI on our app, do we stand to benefit if that MDR is introduced? Or can you provide more color on that?

Ketan: Ankit, I will get Tejas to answer that. He is our Chief Digital and Liabilities Officer and is closely working on it, based on what is currently available.

Tejas – Chief Digital and Liabilities Officer: Thank you, Ketan. Ankit, it is a fair question, and this is again being introduced as we speak. What we are currently doing is calculating or modeling the areas in which it will help us. It is very clear that the MDR will not be applicable to P2P, or would be eligible for transactions above 2,000, where the transaction value is more than 2,000. If that comes through, will we stand to benefit in some ways, and would it be beneficial for us? That is my broader question; I am not asking for definite guidance.

Tejas – Chief Digital and Liabilities Officer: In that case, my answer is a definite yes.

Ankit – Zen Nivesh: Okay. So the kind of business that we lost over the last 1 or 2 years stands to revive slowly if it gets implemented, right?

Tejas – Chief Digital and Liabilities Officer: That is a definite position you are putting to me. What I am saying is that, at a qualitative level, yes, Fino Payments Bank Ltd. will stand to benefit. As we move along, we will be in a better position to highlight the contours of this.

Ankit – Zen Nivesh: Great. Thank you so much. My third question is regarding the promoter shareholding. Fino Paytech has complete control over the shareholding of Fino Payments Bank Ltd. I looked at the annual report of Fino Paytech and found that BPCL is one of its largest shareholders. I am curious as to what would happen if BPCL were to liquidate its investment tomorrow, because for BPCL it would definitely be a non-core investment. How would we facilitate that? Since Fino Paytech is invested in Fino, are we trying to do something about it? Or can you throw some light on that?

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Ketan: Hi, Ankit. Let me understand your question. Your question pertains to the holding company investment, where BPCL holds a significant percentage. Technically, Fino Paytech and Fino Payments Bank Ltd. operate at complete arm's length. Fino Paytech is our holding company. However, Fino Payments Bank Ltd. is the primary driver for Fino Paytech and is a key business.

There is no indication that anyone should attempt to offload their investments. In any event, those conversations essentially take place separately. My understanding is that perhaps 7 or 8 years ago, BPCL invested in Fino given the strategic partnership that could be created. Whether it is core or non-core is something that BPCL can best reflect upon. However, from the perspective of our functioning, our growth, and our Small Finance Bank, nothing of this sort is being envisaged.

Just to reiterate, our capital position is also adequately set. Anup had said that we have a reasonable capital position even to move into the SFB and so on. Therefore, there is no bearing of any holding company investment activities on Fino Payments Bank Ltd.

Ankit – Zen Nivesh: Sure. That was very helpful. Thank you so much for the elaborate answer, and all the best for the future. If I have any more questions, I will return to the queue.

Operator: Thank you very much. Ladies and gentlemen, to ask a question, please press star and one now. Participants who wish to ask questions may please press star and one at this time. The next question is from the line of Yash Singh from AG Capital Investments. Please proceed with your question.

Yash Singh – AG Capital Investments: Hi, am I audible?

Operator: Yes, sir.

Management: Yes, Yash. Please go ahead.

Yash Singh – AG Capital Investments: My first question is: how much of the SFB technology investment is now behind the bank, and should investors expect technology costs to moderate after FY27 as the platform moves from implementation into steady state?

Management: To answer your question, in terms of the investment, we have already completed the last part of the investment by moving the core banking system from FIS Global to Finacle. We have to add a few more modules relating to our lending business, such as LOS, LMS, and other related technology modules. As you rightly said, after FY27, we should have completed the entire technology transition for the SFB as well, at least for the first 3 phases of our SFB.

Yash Singh – AG Capital Investments: Got it. I had one more question. I wanted to know the future guidance on ROEs after the development of our loan book, and what is the expected boost to our top-line growth as a result of transitioning to an SFB, speaking on a longer-term basis, such as FY30?

Management: I think it is too early to comment on that right now. Currently, we are in a consolidation phase. As we move along, we may get more clarity around this.

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Ketan: Hi, Yash, Ketan here. Although we have not provided guidance around this, let me tell you some facts that Anup reiterated earlier. Currently, our liability book is broadly in the range of 2,800 to 3,000 crores. Our cost of funds is 1.4%. Currently, we deploy funds or our yields are anywhere in the range of around 6% to 6.5%, based on our current business.

When we start the SFB, on day zero itself, we will have an advantage. In one of the earlier questions, Anup mentioned that the expected yield is anywhere in the range of 14%. Therefore, there is significant upside that can come through. Typically, when an SFB or any other bank starts, the biggest challenge it essentially has is liability generation, specifically if it is low-cost.

Our model, as I also mentioned in my note, is that our fee-based income will continue to grow. We have a distinct advantage and an opening deposit balance coming through. Regarding technology costs, Anup has already answered that as well. From an SFB perspective, with the kind of asset products we are looking at, we expect our NIMs—and that may not fully answer your ROE question—to be among the highest in the industry, at anywhere in the range of 8% to 9%.

Yash Singh – AG Capital Investments: Can I assume that the earlier guidance of ROEs of more than 20% will still hold until further updates?

Ketan: Yes, absolutely.

Yash Singh – AG Capital Investments: Thank you so much, sir. Thank you for answering my question.

Operator: Thank you, sir. Ladies and gentlemen, to ask a question, please press star and one now. Participants who wish to ask questions may please press star and one at this time. The next question is from the line of Gurvinder Juneja from Fortuna Asset Managers LLP. Please proceed with your question.

Gurvinder Juneja – Fortuna Asset Managers: Thank you, sir, for giving me the opportunity. I have two questions. First, on a step-by-step basis from here until the Small Finance Bank becomes operational, would you kindly lay out the exact steps and explain how you have planned those timelines? Second, regarding the referral business that you are conducting today and assuming you continue doing so for the next few quarters, is there any non-compete provision when you actually become a small finance bank yourself, under which you can or cannot pursue those customers on your balance sheet?

Management: Thank you, Gurvinder, for asking these questions. In terms of the SFB operational plan, we have included a slide in our investor presentation outlining the broad contours of our entire plan. It is slide number 10 in our presentation. To give you an overview of the slide, in terms of people, the senior management required under the proposed organizational structure is in the process of being hired, and all of them are likely to join between September and October. That is one point. In terms of middle management and lateral—

Anup: Hiring will be based on our rollout plan for the SFB because the business plan for our asset book growth is aligned with that, and this will happen over a period of time. That is one point.

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Second, in terms of technology for LOS, LMS, and other key systems, we are already engaged with our technology partners and are working with them. Based on that, we are also preparing our asset product journeys and everything else. There are also GRC, governance, risk, and compliance-related requirements. Everything is a work in progress.

We aim to roll out everything by the end of Q4 and provide operational readiness to the RBI to obtain further approval to move ahead as an SFB. As of now, we are working according to that plan and timeline. The RBI gave us 18 months on December 15, 2023, which ends on June 15, 2025. Before that, we need to submit an application to the RBI showing that we are operationally ready to launch the SFB. That is the plan, and we are on plan for it.

Now, in terms of the loan referral business and whether we have a non-compete clause when we move to SFB lending, the answer is no. Currently, the referral lending is to our own customers. These customers belong to the bank and not to the NBFCs whose loans we are referring. Therefore, there is no non-compete clause or implication in that regard. I hope I have answered those two questions, Gurvinder.

Gurvinder Juneja – Fortuna Asset Managers: Yes, thank you, sir.

Management: Thank you.

Operator: Thank you, sir. Ladies and gentlemen, to ask a question, please press star and one now. Participants who wish to ask questions may please press star and one at this time. The next question is from the line of Divyansh Gupta from Latent PMF. Please proceed with your question. Divyansh, the line has been unmuted. Please proceed with your question. As there is no response, we will move to the next question.

The next question is from the line of Parimal Mithani from Credential Asset Management Private Limited. Please proceed with your question.

Parimal Mithani – Credential Asset Management Private Limited: Good evening, and thank you for the opportunity. Can you hear me?

Management: Yes, sir.

Parimal Mithani – Credential Asset Management Private Limited: This is regarding the {? referral ?} business... {? [unclear] ?}

Management: Sorry, Parimal, your line is not clear, so we could not hear you.

Operator: Parimal, sir, can you please use your handset? I think he has dropped. Can we move to the next question?

Management: Yes, please.

Operator: The next question is from the line of Divyansh Gupta from Latent PMF. Please proceed with your question.

Divyansh Gupta – Latent PMF: Hi, am I audible?

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Operator: Yes, sir.

Divyansh Gupta – Latent PMF: I have a couple of questions. You mentioned that the people for the leadership roles have been identified and that they are joining in October. Is this leadership for the CEO and at least the CEO-level designate that you want to hire, or are we talking about one level below the CEO?

Ketan: Hi, Ketan here. The hiring we were referring to was the hiring we are doing for the Small Finance Bank, specifically the credit vertical that we are building. That is where, as Anup explained in his note, the hiring timelines are being set out.

Divyansh Gupta – Latent PMF: Got it. With respect to the CEO for the bank, have we finalized the candidate, and have we submitted the name to the RBI? What is the visibility on the plan around that?

Ketan: That is a good question. This is being worked out by the board and the relevant stakeholders in conjunction with the Reserve Bank of India. As we speak, all of us are holding our positions, and as and when developments occur, we will keep the stakeholders updated. This is being handled very carefully by the board and the investors, as required.

Divyansh Gupta – Latent PMF: Understood. Regarding the hiring we are undertaking for the credit function, while the bank has not yet been launched and the entire SFB process is continuing, how much of an OPEX burn should we expect to incur as we move towards SFB commercialization, or the launch of the SFB? This is independent of the B2B business, which is expected to take a couple of quarters.

Anup: Divyansh, Anup here. Let me take this question. In terms of the burden on OPEX this year, we are anticipating approximately 10 crore on this year's P&L in terms of SFB OPEX.

Divyansh Gupta – Latent PMF: Got it.

Anup: This includes hiring and all other related OPEX for the bank.

Ketan: Yes, Divyansh. Just to put what Anup was saying into perspective, from October onwards, the leadership team or the vertical heads are expected to join. Anup had also mentioned in his note that the operational personnel are expected to join in the subsequent quarter or thereafter. Having said that, I think your assessment is correct: there will always be a lag of approximately 1 or 2 quarters between these infrastructure elements being set up and SFB operations commencing.

Divyansh Gupta – Latent PMF: Understood. My last question is this: while we would have given the RBI an application to conduct secured lending and continue on that path, there is a situation where the new CEO may have different product or strategy preferences. How should we think about the transition from the time he joins, in terms of what we are developing from a technology perspective, what is eventually launched, and the direction he may want the bank to take? How should we think about that risk?

Ketan: That is a question to consider. I will answer it this way: there is no single individual who has been contemplating a business move. Fino, in its own right, and the way we are approaching the

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Small Finance Bank, was never built by a single individual, and it will not be run by a single individual in the future.

We have our distinct strengths. Anup again highlighted them: an asset-light model, financial inclusion, secured loans, and leveraging the BC network. From an overall perspective, the business model and plans have been built institutionally, and as we speak, we do not see a major change in the organization's philosophy.

We have our set of strengths, and we will leverage those strengths irrespective of the individual running the organization. Otherwise, we would lose our first-mover advantage and the way in which we have institutionalized and formalized our business model.

Having said that, there will always be some amount of tweaking to the plan, irrespective of whether the people are new or existing. That kind of agility and ability to modify is always built into our agile systems. However, by and large, as we look at it, our Fino model—and either I or Anup may also have mentioned this in our notes—is aligned with our FY30 plans as we had envisaged them and articulated them in our earlier calls.

This is a well-thought-out strategy that has been developed over the past couple of years, as we anticipated becoming a Small Finance Bank, discussed it with the RBI, and obtained the board's approval. Therefore, we do not see a sudden or substantial change in terms of any individual or any such changes here.

Divyansh Gupta – Latent PMF: Got it. My last question is regarding Fino PayTech. I understand that there would be some slump sale and then a change in the overall cost structure. Will Fino PayTech, meaning the current legal structure, remain as it is?

Ketan: This has come up in the past as well. Ankit's question was slightly different; he was more focused on BPCL's stake. To answer your question, as things are being calibrated and envisaged, our current structure vis-à-vis the holding company and the listed OpCo remains unchanged for the time being.

Divyansh Gupta – Latent PMF: Got it. Understood. That is all. Thank you, and all the best.

Ketan: Thank you.

Operator: Thank you, sir. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question is from the line of Nitin, an individual investor. Please proceed with your question.

Nitin – Individual Investor: Hi, Ketan. I wanted to understand whether the sale of the BC business and the reverse merger are requirements laid down by the RBI to obtain final approval, or whether these can be done even after we are converted into an SFB.

Ketan: Regarding this, there are prescribed conditions, and under the regulations, a Small Finance Bank cannot carry out BC activities for other banks. That is one of the prescribed stipulations under the Small Finance Bank license.

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Nitin – Individual Investor: So, basically, does that mean that by the end of Q4, we would have sold our BC business because we have agreed to complete all the RBI requirements? Would that be one of the things we would finish by the end of March?

Ketan: There are a couple of points here. The RBI definitely has its own conditions. As I said, one of the conditions, or one of the regulations, essentially says that. I would not want to put forward a definitive action plan at this stage. Yes, we have to address the BC business differently in some form or another. There are various avenues to consider, including some form of restructuring. We are working on that, and we may come up with a very concrete plan over the next quarter or so.

Nitin – Individual Investor: And the reverse merger is not something stipulated in the RBI's requirements? It was never prescribed by the RBI?

Ketan: No. I think this is similar to the previous question. Our holding company and OpCo structure, or the ListCo structure, essentially remains the same as it currently is.

Nitin – Individual Investor: Okay. One last thing. So you are saying that you are going to—

Operator: Sorry to interrupt, Nitin. May we request that you return to the question queue for a follow-up?

Nitin – Individual Investor: Okay.

Operator: Thank you, sir. The next question is from the line of Harsh, an individual investor. Please proceed with your question.

Harsh – Individual Investor: Hello, am I audible?

Operator: Yes, sir.

Harsh – Individual Investor: My question is again about our strategy. We have a very granular and very short-term liability book, and we plan to lend primarily in the secured segment, which usually involves longer-tenure loans. How do you view asset-liability management, given that you are using a short-term liability base that is also very granular and therefore may not necessarily be sticky?

Ketan: Thank you. Let me provide some statistics around this. If I conduct a behavioral study of our book, more than 90% of it is stable. Most of our book is SA, with a very small component of CA. Contrary to your understanding, our stable book, or our core book as we refer to it in asset-liability management, is in excess of 90%.

Therefore, there is no challenge, and it actually suits us in terms of having a medium-term to long-term scenario. These statistics are based on behavioral studies over the last 4–5 years, and that is the demographic profile of our current liabilities.

Harsh – Individual Investor: As a follow-up, did the liability book behave in the same manner during periods of stress, such as COVID or the recent microfinance crisis?

Management: I will give you one more significant black swan event that we went through in March. With the event that occurred in March, we were not only able to maintain our liability book, but in

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such a scenario, the most important aspect was managing liquidity.

In March, we reached one of our highest liability book balances, and thereafter, on an average basis, our liability book in March perhaps increased by around 9%. From the perspective of the liability franchise that we are running and building, apart from the cost-of-funds advantage, we are also reasonably insulated—and I am using the words “reasonably insulated”—from such events, whether internal or external.

The core nature and stability of the book remain intact. In our earlier calls, we had provided our liability book-building plans, including how much would come from the expansion of our current BC business and how much would come from branches. Therefore, in terms of the asset-liability mismatch, the stability of liabilities, and the cost of funds, all three provide us with reasonable advantages.

Harsh – Individual Investor: I understood. My second question along similar lines is this: we are catering to the lower end of the pyramid in terms of liabilities. How do you view term-deposit accretion in that segment of society?

Anup: Hi, Anup here. Let me answer that question. Currently, as per our business plan, we are looking at 2 main ratios. The first is the credit-deposit ratio, which we are targeting at around 70%. We are not looking at an aggressive lending book right now, as per the plan for the first 3 years. That is one point.

Second, as Ketan mentioned, our core book is stable, with 90% of our current CASA constituting the core book. We are therefore looking at a CASA ratio of around 65%. This itself shows that we are less dependent on term deposits. Term deposits will be offered only from the perspective of customer stickiness, and not for aggressively sourcing liabilities to build our asset book.

Harsh – Individual Investor: My question was more about customer penetration. I am asking because I assume that term-deposit accretion in rural and lower-income segments may be lower than in middle- and higher-income segments. How do you view that?

Management: On that particular point, as outlined in our earlier SFB plans, and as we will perhaps explain further over the next couple of quarters, we are enhancing our strategy. While BCs and merchants will remain our primary channels, there are new products, new target segments, and new geographical locations that are also being introduced.

We intend to open 40 new branches in Year 1, and that is part of our plan. This will address the location and demographic aspects of the economic viability of term deposits. What Anup essentially said is that our primary source will continue to be low-cost CASA. The CASA ratio that we mentioned earlier will be supplemented and enhanced through term deposits and a differentiated product, location, and geography strategy for term deposits.

There is a plan, which, if I am not mistaken, we have outlined in the past as well, and we intend to present it as we move closer to the next couple of quarters.

Harsh – Individual Investor: Okay, thank you for the explanation.

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Operator: Thank you, sir. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference call, please limit your question to 1 per participant. The next question is from the line of Sachi from Indorient Financial Services Limited. Please proceed with your question.

Sachi – Indorient Financial Services Limited: Hello?

Operator: Yes, ma'am. Please proceed.

Sachi – Indorient Financial Services Limited: My question has been partially answered. It was regarding the current status of the sale of the BC business and the expected timeline for completion. I also wanted to know whether there is any M&A news that we should expect.

Management: Sorry, what was your second question? I think the first question has already been answered by what I just said. I did not get your second question.

Sachi – Indorient Financial Services Limited: It was regarding the reverse merger, but you answered that the reverse merger is not an RBI condition. Can you elaborate on the reverse merger? Also, since we are transitioning into an SFB, are you looking at any acquisitions or strategic investments to accelerate your lending and digital capabilities?

Management: You now have three questions. The first one, regarding the BC business, has already been answered—

Anup: [overlap] We answered the first one, yes.

Management: Yes, two questions. Regarding the M&A news, you wanted to know about a reverse merger. As I said, our thought process and the way we are operating is that over the next couple of years, the Holdco and OpCo structure will essentially remain the same. That is how we are proceeding.

Regarding inorganic opportunities, in terms of acquisitions and so on, with our kind of liability franchise, we will keep our eyes and ears open. If anything interesting comes up, we will look at it when it arises, if and when it comes through.

At the current stage, our FY30 plan is an organic plan. If something comes up that can accelerate the building of the book, we will consider it when it arises or when we decide to evaluate it. Our current focus remains on organically building the institution, our technology, and our franchise based on the advantages we currently have.

Sachi – Indorient Financial Services Limited: Okay.

Operator: Thank you, ma'am. Ladies and gentlemen, in the interest of time, that was the last question for today. I would now like to hand the conference over to management for closing comments. Thank you, and over to you, sir.

Management: Thank you. As I said earlier, this has been one of the toughest quarters. The resilience shown by the team, the focus and priorities to which we have remained committed, and the rebuilding of some of our B2B businesses are areas we are working through.

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Our priorities also remain focused on SFB execution and on bringing back some of the businesses that we have lost due to ecosystem-related or other factors. We can assure you that management in its current state is fully geared to move forward. The worst seems to be behind us, and we are now moving towards accelerated growth and a return to better days. Thank you, everyone, for joining the call.

Operator: Thank you, sir. On behalf of Go India Advisors LLP, that concludes this conference call. Thank you for joining us, and you may now disconnect your line. Thank you.

Management: 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.

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