Fino Payments Bank

Operator: Ladies and gentlemen, good day and welcome to Fino Payments Bank for the Q2 FY27 earnings conference call hosted by Go India Advisors. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sheetal Khanduja from Go India Advisors. Thank you, and over to you, ma'am.

Operator: Thank you, Huda. Good afternoon, everyone, and welcome to the Q2 FY27 earnings call of Fino Payments Bank. We have on the call Mr. Ketan Merchant, Interim Chief Executive Officer; Mr. Anup Agarwal, Interim Chief Financial Officer; and Mr. Tejas Maniar, 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 the management to take us through the financials and the business outlook, subsequent to which we will open the floor for Q&A. Thank you, and over to you, Ketan.

Ketan Merchant – Interim Chief Executive Officer: Thank you, Sheetal. Good afternoon, everyone, and thank you for joining us on Fino Payments Bank's earnings call for the second quarter and first half of FY27.

Let me begin with where we stand on our journey of becoming a Small Finance Bank. We are making steady and visible progress and remain on track to meet the RBI's stipulated conditions within the prescribed timelines.

On SFB preparedness, we made meaningful progress this quarter across technology, people, and processes. On the people front, we strengthened our leadership team with four senior executives who will drive branch banking, liabilities, credit risk, and MSME lending. Each of them brings a unique set of skills and expertise to the table, backed by more than two decades of experience in the banking industry.

On the technology front, we are building capabilities that complement our existing distribution ecosystem, enhancing our enterprise-wide technology architecture, and creating seamless customer journeys from sourcing to sanction and execution with minimum manual intervention.

On process, project management, and governance, PricewaterhouseCoopers continues to support our program and operational readiness. We are establishing a robust governance, risk, and compliance framework, along with the core policy suite that a Small Finance Bank requires. These are investments we are making ahead of growth; however, they are important from a long-term sustainability perspective.

Turning to our loan referral business, which serves as a foundation of our broader lending franchise, total disbursements in Q2 were 762 crores, up 286% year-on-year, while H1 '27 disbursements stood at INR 1,390 crores, already surpassing the full-year level of FY26, which stood at 1,285 crores. We have consciously kept this business centered on collateral-based lending, which aligns with our strategy for a secured portfolio once we enter the Small Finance Bank era.

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Beyond fee income today, the referral business deepens our organizational insights into customer credit, market demand, servicing experience, and stronger lending partnerships ahead of the launch of our own lending business. The growth currently being witnessed is a testimony to the scalability of our differentiated credit sourcing model through merchants.

Our capital position continues to remain comfortable, and we are above the regulatory requirement for the proposed Small Finance Bank. Our business plan through FY30 remains exactly the same as we had predicted earlier. We will continue to build a predominantly fee-based business and a strong liability franchise, complemented by a secured lending portfolio.

Coming to our liability franchise, this remains the cornerstone of our model and our biggest strategic differentiator. Our CASA base is inching towards the 2 crore mark, having reached 1.91 crore as of September 2026. This quarter saw 8.2 lakh new accounts opened, averaging roughly one new account being opened every 10 seconds. Average total deposits grew by 12% year-on-year to 2,794 crores, continuing their growth momentum.

To further strengthen the deposit base, we have launched a daily deposit plan product, wherein the merchant would get customers to deposit a fixed daily amount in the account, thereby encouraging customers to save and build disciplined savings habits, and providing convenience to small vendors through deposits into their bank account every evening after banking hours.

In addition, we are also planning to launch a value savings account in partnership with NBFCs and other institutions, which are our CMS business associates, to cater to customers obtaining loans from these financial institutions. This is a B2B2C customer acquisition strategy.

The CASA segment contributed 174 crores, or 52% of our revenue, including record renewal income of 74.6 crores, which we see as one of the biggest indicators of sustainable retail income.

Our cost of funds for Q2 '27 was 1.4%, giving Fino a structural cost advantage. Further, we expect our cost of funds to be around 4% even after SFB conversion, retaining an advantage of roughly 250-300 basis points over traditional SFBs.

Our more than 20 lakh-strong, asset-light merchant network remains a key competitive strength. It helps us acquire customers at a relatively low cost and gives us a ready distribution platform for future banking and lending products. Digital engagement also continues to deepen, as digitally active customers in September '26 stood at 64.9 lakhs, while for the entire second quarter of FY27, the figure stood at 87.9 lakhs.

Turning to our traditional transaction business, we saw a sequential increase in throughput and revenue from remittance and Aadhaar-enabled payments [inaudible] system.

Ketan Merchant - Interim Chief Executive Officer: Overall, UPI continues to dominate the ecosystem and drive a behavioral shift from cash- or card-based small-ticket transactions to UPI.

To address this shift, we have launched cash at UPI, wherein a customer will be able to withdraw cash using UPI at a Fino merchant point. In times to come, this has the potential to increase and serve as a replacement for traditional ATMs.

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Further, NPCI, along with partner banks, including Fino, launched the third-party cash deposit product backed by AePS during the Global Fintech Festival 2024, wherein a customer can deposit cash into another person's beneficiary account by providing valid KYC and authentication. This will also provide some support to transaction business volumes.

Our B2B business CMS throughput grew 13% sequentially and 12% year-on-year to 20,511 crores. The uptick was a result of reaffirming the confidence of our business alliances, NBFCs, fintech companies, e-commerce companies, and others in our institution.

Competition in this segment continues to weigh on pricing. Hence, our focus remains on volume, network engagement, and reinstatement of our earlier B2B partners.

In Q1 FY25, our B2B and alliance business had reduced due to skepticism regarding an event that had happened. Now, in Q2 and beyond, we are indeed working towards regaining market share in this alliance and B2B space, as seen in the CMS and alliance numbers that I just stated earlier.

On the digital business front, we had indicated the relaunch of our UPI B2B P2M segment during the year, and I am happy to share that we are on track and shall be resuming these services or this product by Q4 FY25.

Overall, Q2 FY25 or H1 FY25 was a period of consolidation and execution against our strategic priorities of winning back our partners. We continue to strengthen our liability franchise, advance our SFB roadmap across technology, people, and governance, and rebuild our cash services for a UPI-first world, while absorbing the cost of that investment.

Our objective remains to build a differentiated, digital-led, AI-driven Small Finance Bank, anchored on three enduring strengths: a strong liability, or liability-first, franchise with a structural cost-of-funds advantage; a predominantly secured and asset-light lending model powered by our physical distribution network; and a technology-led operating platform built around Finacle and AI-enabled lending capabilities.

FY25 remains the transition year, and our priorities are unchanged. Sustainable long-term vision and growth, disciplined execution, and investment for growth are our key priorities for this year.

With that, let me hand it over to Anup to take you through the financial performance in more detail. Over to you, Anup.

Anup Agarwal - Interim Chief Financial Officer: Thank you, Ketan. Good evening, everyone. Let me start with the overall perspective. In Q1 FY25, our revenue recovered sequentially, supported by recovery in both the retail transaction business and our B2B alliances business. Our net revenue margin compressed sequentially but remained higher than last year due to a higher contribution from the high-margin CASA segment, and liabilities continued to strengthen and deepen our digital presence.

Revenue for the quarter stood at 333.6 crores, up 9% sequentially and down 17% year-on-year. For the first half of the fiscal, revenue was around 640 crores, down 25% year-on-year. The year-on-year decline was largely driven by the recalibration of our B2B P2M business.

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Our sequential growth across all revenue verticals during Q2 FY25 over Q1 demonstrates the confidence of our merchants, business alliances, and other associates in the institution. Throughput grew by 4% sequentially to 1.15 lakh crores, despite ecosystem challenges relating to the mule menace, enhanced daily inquiries, and tough competition in the B2B alliances business.

In terms of the mix, CASA contributed around 52% of total revenue. The traditional transaction business and B2B alliances regained some volumes during the quarter.

Net revenue was around 127.1 crores, down 14% year-on-year. However, sequentially, it grew by 3%. Our net revenue margin was around 38.1%, which is 100 basis points higher than last year's net revenue margin. However, it is lower by 450 basis points sequentially.

Similarly, for the first half, our net revenue margin was around 40.3% against 35.2% a year ago, an improvement of 500 basis points, which reflects a structural improvement in the quality of our revenue mix.

On the expense side, our operating cost grew marginally by 5.8% year-on-year and 4.5% sequentially. For the first half, the operating cost was around 180 crores, up only 1.6% year-on-year. Our cost-to-income ratio improved to 27.6% in Q2 versus 28.7 in Q1. We are maintaining frugality while investing in technology and talent.

Moving to profitability, EBITDA was around 35.1 crores, with a margin of 10.5%, compared with 61.6 crores a year ago and 43.1 crores in Q1. In terms of cash profit, we continue to remain positive. We will continue to invest in people, processes, and technology, which might have an impact on short-term profitability; however, this is aimed at building a long-term robust, sustainable, and resilient institution.

Coming to our further operations, our liability franchise continues to be the strongest pillar of our business. Account-opening momentum was sustained, with 8.2 lakh new accounts opened. CASA renewal revenue was the highest ever during any quarter. Our deposits grew by around 12% to 2,794 crores during the quarter. The growth of CASA keeps improving the quality of our earnings today, as its contribution keeps rising and creates a solid funding base for the Small Finance Bank.

In the traditional transaction business, AePS and remittance recovered by 50% and 18% sequentially, driven by an increase in DBT activity during the quarter.

Coming to our B2B business, CMS segment throughput grew 12% year-on-year to 20,500 crores. As mentioned earlier, this was part of our strategy to regain business volume. Pricing competition still exists in this space, which has impacted take rates, but we believe sustained throughput will contribute to revenue and subsequently to profitability.

Our loan referral business, as mentioned by Ketan, which is a foundation or a starting point for our launch of the SFB, saw disbursements increase by 2.5 times year-on-year to 1,390 crores in H1 '25. The pipeline remains aligned with the secured segments we intend to focus on, namely gold loans, affordable housing, loans against property, and secured MSME lending.

In fund management and treasury, despite rate cuts during FY24, we have been able to deliver yields approximately 100 basis points higher than market yields, which has also contributed to our

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revenue.

On the regulatory front, our net worth and capital adequacy are well above the regulatory requirements, even from an SFB perspective.

Looking ahead, our strategic direction is unaltered. We will continue to strengthen our liability franchise, maintain disciplined cost management, and invest selectively in capabilities required for the transition.

Overall, we believe the foundation we are building, together with our structural funding advantage, disciplined execution, and focus on secured lending, positions us well to create sustainable long-term value for our stakeholders. With that, we are happy to take any questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone 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. A request to all participants: please restrict your questions to two questions per participant. For more questions, please rejoin the queue. Let us wait for a moment while the question queue assembles.

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

Ankit Kanodia – Zen Nivesh: Thank you for taking my question, and congratulations on the good run rate on the referral loans. Sir, my first question is regarding slide number 12, where we have mentioned the SFB timeline, and we say that submission of final readiness to the RBI and going live will happen in Q1 FY26. How confident are we that we will be able to achieve it? Do we see any delays that can happen, perhaps from the RBI's side, or are we very confident that we will be able to start by Q1 FY26? That is my first question, sir.

Ketan Merchant – Interim Chief Executive Officer: Hi, Ankit. Thanks. Ketan here. I think it is a very pertinent question. As I said earlier, we are working on the projects. We are a listed bank, and we are a scheduled bank. A lot of the liability franchise, et cetera, is already built in across the organization. As captured on slide 12, currently, as we speak, we are tracking that kind of schedule and timetable.

As regards how the RBI looks at it and what the timelines will be, that is something on which we cannot comment. But as we speak, I would just like to reiterate the point that we are tracking the SFB timelines as they are meant for us currently, as captured on slide 12.

Ankit Kanodia – Zen Nivesh: Great, sir. My next question is related to MDR. In the previous call, I asked this, and I think you mentioned that MDR would be a definite positive for us. Now that MDR has been pushed to January, how do we see that directionally? I am not asking for any guidance; directionally, how does that help us from Q3 onwards if it comes into effect? Is there any color you want to share on that?

Ketan Merchant – Interim Chief Executive Officer: I will get Tejas to answer that. He is best placed among all of us.

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Tejas Maniar – Chief Digital and Liabilities Officer: Hi, Ankit. That is a fair question. Currently, we have prepared ourselves in any case from the relaunch point of view. Outside of that, we are speaking to our potential partners with respect to our current partnerships. But as we said, once the MDR comes in, we will be able to actually go ahead and give some amount of guidance. My guess is as good as yours as to when it will actually be implemented. So, to be very honest, there is no point right now in putting the horse before the cart or the cart before the horse.

Ankit Kanodia – Zen Nivesh: Fair enough, sir. My next question is about the new products that we launched, cash at UPI and the daily deposit plan. These are also fee-generating products. Will MDR impact them as well, or do we see them as being outside the purview of MDR?

Ketan Merchant – Interim Chief Executive Officer: No. Ankit, just to put this into perspective, and it is a good question, our daily deposit plan is not fee-generating. It is one of our initiatives to increase float balances. This is to inculcate a habit whereby a small-time account holder or a small-time vendor, every day after working hours, when the bank is closed and they have completed their daily business throughput, can deposit an amount at any point in the evening or night into our bank account. Instead of keeping cash, they can earn some interest on it. So, the daily deposit plan is something we are offering to enhance our liability franchise.

Cash on UPI and the other Aadhaar-enabled payment system—just to explain what cash on UPI is, let us keep it very simple, as I said earlier—it is an NPCI-approved product wherein, instead of using an Aadhaar-enabled payment system or a debit card for an ATM, a dynamic QR code is generated and a withdrawal can happen. That will be a fee-based product. It does not entail any kind of MDR.

The third product is the Aadhaar-enabled deposit payment, and that also [trails off]

Management: ...also is not linked to MDR in any manner.

Ankit Kanodia – Zen Nivesh: Thank you so much for the detailed answer. One last question, if I may, regarding the referral loans. As we are focused on a majority—or, in fact, probably everything—being secured, and especially in gold loans, what we are hearing from all the other players in gold loans is that some stress is being seen. Are we also seeing something similar in our cases, or is it different here?

Management: No. Just to clarify, currently our endeavor in this loan referral business, and our activity here, is purely referral. Underwriting is done essentially by a partner in our current scenario.

As regards the articles you are referring to about gold loans being under stress, I think we do not underwrite and we do not know, but whatever data points we are looking at, and the kind of growth we have seen in our portfolio or in our demographics, do not seem to suggest that there is any skepticism regarding further underwriting by the underwriters.

I think it is too premature to comment on whether gold loans will come under stress for us currently. However, our growth plans and the geographies and demographics in which we are growing are showing a good path of growth without skepticism on the underwriter side.

Ankit Kanodia – Zen Nivesh: Thank you so much, sir, for the detailed answer, and all the best for this.

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Management: Thank you.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touch-tone telephone. The next question is from the line of Manish Kumar Jain from Prudent Securities. Please proceed.

Manish Kumar Jain – Prudent Securities: Hello, sir. Can you hear me?

Management: Yes, very clearly.

Manish Kumar Jain – Prudent Securities: Okay. Sir, as we are currently transitioning towards becoming a Small Finance Bank, we had an 18-month window, and we have perhaps already crossed 10 months. Where do we currently stand? Have we started opening Small Finance Bank branches, or are we waiting for final approval?

Management: As you rightly said, we are already in the process of transitioning into a Small Finance Bank. We still have time to prepare the branches and everything else. We have already identified the locations, geographies, and districts and are in the process of finalizing the branch plan. It should be ready by Q4, before we apply to the RBI.

Manish Kumar Jain – Prudent Securities: Okay. So, currently, is all our business still coming from loan referrals and the old pattern that we had?

Management: Right. For your information, we currently also have around 125 branches and contact service points across India, apart from our merchant network. Those will also be converted into Small Finance Bank branches. In addition, we are planning to open approximately 40 branches, or thereabouts, as liability branches, and around 25-30 asset centers in the first year of operations.

Ketan Merchant – Interim Chief Executive Officer: Manish, Ketan speaking. Regarding your question, even after we become an SFB, our credit sourcing will not happen only through branches. We will leverage our merchant model. Our model will continue, even after becoming an SFB, to leverage the merchant model for both assets and liabilities.

Manish Kumar Jain – Prudent Securities: No, our business that is currently running—the loan portion is running on referrals. If we convert into a Small Finance Bank, we will be able to lend directly. Otherwise, the business will continue as it is, but it will be enhanced, right?

Management: Absolutely.

Manish Kumar Jain – Prudent Securities: Okay, sir. Thank you.

Operator: Thank you. The next question is from the line of Harsh, an individual investor. Please go ahead.

Harsh – Individual Investor: Hello, am I audible?

Management: Yes, sir.

Operator: Yes, sir.

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Harsh – Individual Investor: Okay. I wanted to know—we are targeting the transition around the first quarter of next year. When we do that, we will have a deposit book of approximately 2,500 to 3,000 crores ready to be lent out. I am not asking for exact guidance, but could you provide a rough estimate of the kind of AUM we are targeting in the first year of operations?

Harsh – Individual Investor: Hello?

Management: [pause] Hi. We had earlier also presented that you are right: we will have an opening deposit balance, and most likely it will be much more than what you just said. However, we are looking at disbursements of around 2,000 crores across the portfolios, focused on the secured products we are considering.

As we grow closer to the launch date and test our preparations, as I just said, the enhancement in our loan referral business can cause the number to vary. It can be slightly more or less, depending on what we see over the next 3 quarters in terms of our loan referral business as well.

I think one point to note—and again, I am not differing from anything we have put earlier in our strategic map in terms of the year-by-year SFB plan—is that we want to focus on a secured portfolio and leverage our current merchant channel. These are the 2 most important things that will provide us with differentiation in the SFB space.

Harsh – Individual Investor: Okay. So, the 2,000 crore of assets is approximately for the first 12-15 months?

Management: Yes, please.

Harsh – Individual Investor: Okay. My second question is something I asked in the previous quarter as well. As an analyst, what worries me is that we are a payments bank and the deposits we are raising are more like a transactional float. I wanted to understand how we are planning to finance assets on a deposit book that comes and goes? It's [trails off]

Management: [pause] Let me take that question. Currently, if you look at our deposits, there is constant growth in our deposit balance. What we have also observed from that behavior is that 90% of our deposits remain as a core balance, which is very critical from a lending point of view. They are sticky and core for us. Ninety percent of our balance remains core.

Currently, a larger part—99%—of these balances are savings account balances. That itself gives us the confidence that this will remain core during the SFB transition as well.

Harsh – Individual Investor: Okay, that makes sense. As a payments bank, I think we cannot keep deposits above 2 lakh, right? How much deposits will accrue to us the moment we transition?

Management: [laughs] If I understand your question correctly, you are asking that once the 2 lakh restriction goes away, what impetus or increase can we see in deposit growth. Is that what you are alluding to?

Harsh – Individual Investor: Yes.

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Management: Again, as someone asked earlier, we are gradually changing our demographics. Currently, our average deposit balance is somewhere in the range of 1,500. We are gradually moving in this direction.

In our earlier presentation, we demonstrated, or rather depicted, that we would be opening some branches to cater to a different demographic as well. Those are the plans that we have separately published, not in terms of numbers but in terms of how we plan to cater to this segment.

As we speak, do we have a number for how much of the difference will come only on account of the 2 lakh limit? I do not think we are targeting it that way. However, in addition to 2 lakh, fixed deposits and recurring deposits will also be allowed. There are many other liability or deposit restrictions that currently exist in a payments bank that may not exist in a Small Finance Bank. That is how we are catering to overall deposit growth.

As we come closer to opening these branches and locations, we may see some impetus coming from that.

Harsh – Individual Investor: Certainly. Do we intend to continue our renewal and referral businesses? Will those line items continue?

Management: [hesitates] [laughs] Renewal will definitely continue. As I said earlier, of around 333 crores of revenue, 74 crores was renewal income. We are going to continue generating renewal income because that is something we have built over the last 6-7 years and it caters to a specific demographic.

As regards referrals, as we said, we are currently doing around 250 crores of loan referrals on a monthly basis. We will then take stock of how we want to proceed. The simplest and most measured approach is that, depending on the growth we see, we can underwrite most of it ourselves as well. So, renewal is definite; for referrals, we will take stock as we approach the beginning of the SFB.

Harsh – Individual Investor: Or perhaps we can lend on the secured side and refer on the unsecured side. Is that also a possibility?

Management: I do not think we have gone that far. Currently, our endeavor is to take the referral lending towards underwriting for ourselves. As Anup said earlier, or as we had stated in the investor deck, we are looking for a larger part of our portfolio to be secured. We will decide how to leverage referrals closer to the SFB launch.

Harsh – Individual Investor: Okay. Sure. Thank you. Best of luck.

Management: Thank you very much.

Operator: Thank you. A request to all participants: please restrict your questions to 3 questions per participant. For more questions, please rejoin the queue. The next question is from the line of Priti Agarwal from SK Associates. Please proceed.

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Priti Agarwal – SK Associates: Thank you very much for the opportunity. I wanted to understand how Fino is planning to manage credit risk and collection efficiency, along with asset quality, as you plan to move towards lending operations.

Management: Thank you for the question. In terms of credit risk, let me highlight that, currently, in terms of customers, we are targeting captive consumption of the loans during the initial 3 years. That means we are targeting our own customers and merchants, for whom we already have transaction behavior and cash flows, with 3–4 years of transaction history. Those are our first target customers for credit underwriting.

Secondly, in terms of collection efficiency, one of our business verticals is cash management services, where we currently collect more than 6,500 crores every month. Sixty percent of these collections are for NBFCs, banks, and MFIs in rural India, where EMI collections happen at our merchant points. We already have the infrastructure and distribution network, which we will utilize and leverage for our collection purposes as well.

Priti Agarwal – SK Associates: Understood. What is your medium-term guidance for revenue growth, EBITDA margins, and return on assets?

Management: Currently, I will refrain from giving any guidance for this financial year. As Ketan mentioned in his opening remarks, this is a year of transition. We are trying to regain our business volumes and focus on building up for the Small Finance Bank transition. We will continue to invest in technology and talent. Hence, this should be treated as a year of transition for us.

Priti Agarwal – SK Associates: Understood, sir. That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Arpan Gandhi from AG Capital. Please proceed.

Arpan Gandhi – AG Capital: Hello. Thanks for the opportunity. I had a couple of questions [cut off]

Arpan Gandhi – AG Capital: My first question is, with strong growth in CASA and loan referrals, what does management believe will be the biggest contributor to incremental revenue growth over the next 2 financial years?

Ketan Merchant – Interim Chief Executive Officer: If I understood your question correctly, you are asking what our biggest growth drivers will be when we become an SFB. I would mention 2 things.

One is our cost of funds. Currently, our cost of funds is 1.4%, with an average deposit of around 2,794 crores, or approximately 2,800 crores. Our endeavor is to grow that while maintaining at least a 250–300 basis point difference between our peer banks and us. CASA and the liability-first approach will definitely be the biggest game changer in terms of how we grow into our SFB.

Someone earlier asked about renewal income as well. Renewal income is broadly around 65–75 crores on average for each quarter that we are looking at for this year. That is something that will continue. CASA definitely becomes a very important factor for us. Currently, it contributes more than 50% of our total revenue.

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Loan referral, as I said, is a testimony to our model. In the same way that we are mobilizing deposits through the merchant model, we can mobilize assets as well. Loan referral is currently 250 crores. It is more about testing our demographics and our model as we become an SFB, and determining how that can become our sourcing platform along with our deposits. Both are equally important.

Anup mentioned this earlier as well: in addition to all of this, our payment-related and fee-based income, which is in the range of around 1,300 crores on an annualized basis, also intends to continue. That will also be a differentiating point for us when we become an asset-light SFB.

Arpan Gandhi – AG Capital: Understood, sir. My next question is: what are the key business and financial milestones investors should track over the next 2-3 quarters to assess whether the company is successfully transitioning into its next phase of growth?

Management {? Anup ?}: As mentioned earlier, we are not providing any guidance right now. We are focusing on building a strong liability franchise. Growth in CASA, which will be the cornerstone for our SFB launch, and our loan referral business, which is a testimony to the demand for credit in our target segment, will be the cornerstones of our future growth.

Along with that, sustained fee-based income from our transaction business and other B2B businesses will continue even in an SFB scenario.

Arpan Gandhi – AG Capital: Understood. That is all from my side.

Management {? Anup ?}: Thank you.

Operator: Thank you. A request to all participants: please restrict your questions to 2 questions per participant. For more questions, please rejoin the queue. The next question is from the line of Anurag Jain, an individual investor. Please proceed.

Anurag Jain – Individual Investor: Good afternoon, sir. My first question is related to the corporate BC business. Where are we in terms of hiving off or selling this business? Are there any updates you could share?

Management {? Anup ?}: Thank you for the question. In terms of exiting the corporate BC business, it is part of our SFB transition plan and will be executed according to the plan before we apply to the Reserve Bank of India.

Anurag Jain – Individual Investor: Just to understand this process, could you theoretically retain this business once you transition to an SFB, with the RBI giving you a certain amount of time to hive off or exit this business, or is it a precondition that you have to exit it before conversion to an SFB?

Management {? Anup ?}: I will restrict my response to what I mentioned. It is part of our transition plan, and we will meet all the conditions stipulated by the RBI for transitioning into an SFB.

Anurag Jain – Individual Investor: Thank you, sir. I will move on to the next question. In the first 12 months of being an SFB, what kind of investment is envisaged for branches, technology backend, and manpower hiring, compared with the current approximately 3,000 employees?

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Management {? Anup ?}: In terms of capex, we had mentioned in our earlier quarterly presentations that we are anticipating capex largely on the technology front, in terms of augmenting the LOS, the lending operations system, the lending management system, and other peripheral systems required, including collateral management and enterprise NPA systems. Various technology systems are required.

We are anticipating anything between 120 to 150 crores of capex over a period of 1 year to 15 months from now for transitioning into an SFB and during the first year of SFB operations.

This also largely takes care of our branch infrastructure. As I mentioned earlier, the branch infrastructure cost is not significant. The spending will largely be on the technology front.

In terms of hiring people, we are definitely going to leverage the 3,000 people we already have. We will augment resources through hiring for our asset vertical, as per our business plan, once we get the final approval from the Reserve Bank of India.

Anurag Jain – Individual Investor: Thank you, sir.

Operator: Thank you. The next question is from the line of Ankit Kanodia from Zen Nivesh. Please proceed.

Ankit Kanodia – Zen Nivesh: Thank you for allowing the follow-up. I have just one follow-up. It is regarding your response to one of the earlier participants, where you mentioned that you are expecting approximately 2,000 crores of disbursements in FY28 when we transition into an SFB.

My general understanding, or rather my query, is this: when we are currently in referrals and have already disbursed 1,400 crores in 6 months, do you not think 2,000 crores is a very, very conservative number and that we should have a much bigger target? Perhaps I am missing something.

Management {? Anup ?}: You are absolutely right. As it will be the first year of operations, we want to test the guardrails and processes we have built when we go live. Hence, we have kept a very low target—or perhaps not a conservative target, but a realistic target—of 2,000 crores in the first 12 months of operations. As we grow, we will grow further, and as we mentioned earlier in our presentation, we are looking at a book of around 8,000–10,000 crores over a period of 3–4 years.

Ketan Merchant – Interim Chief Executive Officer: Ankit, Ketan here. Anup has answered this correctly. The answer also lies in what I said earlier. We have at least 3 more quarters of lending referrals ahead of us. That will also be a good point of determination in terms of becoming relatively more aggressive, not only in terms of numbers but also in terms of the guardrails and sourcing. Some of this will evolve as we approach the last quarter before the launch.

Ankit Kanodia – Zen Nivesh: Sure. Thank you so much for the answer, and all the best.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

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Ketan Merchant – Interim Chief Executive Officer: Thank you, everyone, for patiently listening to us regarding our Q2 performance and H1 performance. I will reiterate what we have discussed over the last 45-55 minutes.

Our strategic priorities are aligned. We have gone through a transition, or we are going through a transition. We have also gone through a period of consolidation. We will continue to invest for growth, and our priorities remain the SFB transition, a liabilities-first approach, and further leveraging our B2B and alliances business.

This is the perspective I wanted to share for the next couple of quarters. Thank you, everyone, for listening to us so patiently. Have a wonderful evening. Thank you.

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