Management: Credit sourcing during the quarter was compared to 1.1 lakh odd in the March quarter. Collection efficiency, which is an X bucket collection efficiency and a very important parameter, was at 99.5% as anticipated. Annualized credit cost at 2.1% was against 3.2% in the March quarter. We managed to collect 51 crores in the 90+ pool. The marginal cost of funding came down to 11.3% as against 12% last quarter. We managed to garner around 500 crores of sanctions under the Credit Guarantee Scheme. Sanctions are still coming and there are quite a few sanctions in the pipeline as well. Overall cost of borrowing came down to 12.8% as against 13.2%, with the bank share going up from 44% to 47%. The new share of portfolio, which is sourcing effective April 1, 2025, grew to 91%. Of course, the most important thing is that PAT was 12 crores as against 5 crores in the March 2026 quarter. Sufficient liquidity and capital adequacy are areas where we are holding good at this point in time.

On the qualitative front, we realize that the top five states contribute about 60% of our total share, which includes Madhya Pradesh, Bihar, Andhra Pradesh, Telangana, Odisha, and West Bengal. Two states we really want to grow in the coming quarters are Tamil Nadu, where our share currently is just about 15 crores out of an industry of 38,000 crores, and Maharashtra, where we are at about 288 crores as against an industry of 24,000 crores. With a 1.1% share, we want to at least double it to a 2% share.

The individual loan product is ready to be piloted in eight branches in Madhya Pradesh. We are putting about 8-10 people over the next 3 months to test it out because this is a completely different product, better underwritten with an ENACH facility. We want to check the initial acceptability. This is going to be for existing customers to begin with, but in the days to come, we will migrate to new Spandana customers as well, including anyone who has a track record elsewhere.

Like in any other business, you will always have many branches doing well and a few branches not doing well. We realize that we carved out 100 branches where there was scope for improvement, either on the business side, collections, or both. We are trying to put a separate team to revive these because mergers or closures in microfinance rarely lead to success. We decided that this time around we are going to revive these branches and we are quite hopeful. These 100 branches can turn out to be significant contributors in the times to come.

Regarding El Nino, which has been much spoken about, time alone will tell what will happen. Proactively, the credit and business teams have worked together on a strategy to deal with new customers who are not exposed to any form of credit, those staying in rented premises, and so on. We put a game plan for select districts and states that are likely to be impacted. It is a wait-and-watch approach with adequate controls.

The balance rights issue money of 200 crores—100 crores from the promoter and the balance 100 crores from others who participated—is expected this quarter, before the end of the quarter. We have a new Chief Business Officer for the South. That position was vacant for a couple of months, and he has recently joined us. He will take care of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, and Kerala. He comes with a lot of experience. With that, we have all the complements of the four Chief Business Officers for North, South, East, and West. State heads are in place, so the

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overall business is looking good. However, that should not lead to complacency. We are keeping our heads down to ensure we stay focused on the basics. The basic is how we are able to collect on the due date and how we are following up on the 1 to 90-day bucket. The 90+ pool is a large pool for us, so we are ensuring that we keep collecting as much as possible. This is the last year we are going to focus on this so-called 90+ book because, after that, we do not expect customers who are two years or more past due to be paying us. We are also focusing on productivity and disbursements. All in all, we seem to be moving in the right direction, keeping our fingers crossed for the coming quarters. At this point in time, we are happy with how the revised Spandana is shaping up. With that, I hand it over to Ashish, my colleague.

Management: Thanks, Venky. Good morning, everybody. Thank you for joining this call. I would like to cover some highlights on the financial side. Starting with the business drivers, AUM stood at 4,887 crores with 11% quarter-on-quarter growth. This was 12% last quarter, and this quarter it is 11%. We hope that the disbursement trend continues so we can sustain the growth rate for coming quarters as well. The new book, which we have originated under the new SRO guidelines and credit rules we have put up, stands at 91%. This is getting better with every passing quarter, and hopefully, it should move to 95% or so in the coming quarter.

The way portfolio quality has been shaping up, the current bucket collection efficiency sustains at 99.5% or above, which is what we were expecting. This has a positive bearing on all quality parameters. If you look at the 1 to 90-day bucket, it came down to 1.2% against 1.3% of the AUM last quarter. GNPA stood at 3.6%, which is an improvement from the 3.8% seen in the March quarter. Consolidated NNPA accordingly was at 0.68% against 0.73% for March. We continue to hold a reasonable and good amount of provisioning on the NPA, which stood at over 80%.

Improvement in the business has also led to improvement on the borrowing side. We have been able to raise 1,597 crores in the first quarter, and it has come at a favorable pricing of 11.3% compared to the last quarter. This is almost 70 basis points lower than what we saw in Q4. Even on the liquidity side, we continue to maintain strong liquidity at 1,316 crores as of June end.

Regarding financial performance highlights, the portfolio at 91% drives the net collection efficiency to 99.4% in the new book, which is very strong. The portfolio quality and AUM mix are helping us register improvement in the yield. Yield accordingly has moved to 24.6%, up from 22.8% in Q4. The marginal cost of borrowings saw a 120 bps decline. As Venky explained, we have received many sanctions in the Credit Guarantee Scheme (CGS), and we are likely to receive more, which should help us continue to see improvement in the marginal cost of borrowings.

With the improving trend in the yield and declining borrowing cost, our NIM improved to 12.5% compared to 9.9% in the previous quarter. PPOP was at 16 crores without recoveries; with recoveries, it was at 40 crores, and the improvement is clearly visible. Accordingly, PAT has also seen improvement at 12 crores compared to the 5 crores reported for Q4. I will stop here and open the floor for questions.

Operator: Thank you. 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. Ladies and gentlemen, we will wait for a moment while the question queue

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assembles. The first question comes from the line of Harshit Kadka with Robo Capital. Please go ahead.

Harshit Kadka – Robo Capital: Hi, thank you for the opportunity. Sir, earlier we had said that we are comfortable with a 2.5% to 3% credit cost. Are we still maintaining that target for FY 27?

Management: Very much. We are at 2.1% for Q1, and efforts are on to retain that.

Harshit Kadka – Robo Capital: Okay, sir, I understand. And what is our ROA target for FY 27 and FY 28?

Management: The ROA should be looked at in a business-as-usual (BAU) context. For FY 28, we expect it to return to BAU, and our stated position is that a 3.5% ROA is feasible in the kind of ROA tree we have. The current ROA is at 1%, which is expected to improve from here for FY 27.

Harshit Kadka – Robo Capital: Okay, sir, I understand. Thank you.

Operator: Thank you. A reminder to all participants, you may press star and one to ask a question. The next question comes from the line of Kartik Srinivas with Unifi Mutual Fund. Please go ahead.

Kartik Srinivas – Unifi Mutual Fund: Thank you, sir, and congratulations on a good set of numbers. I just wanted to understand the liquidity part. We have maintained about 1,300 crores, which is slightly above our BAU, if I can put it that way, because last year there was a bit of a slowdown and we had to maintain liquidity. I wanted to understand how this will be going forward. Will we reduce our liquidity and put it into more use for disbursements, or how are you seeing the quarters to come?

Management: Hi Kartik, thanks for the question. The way to look at the liquidity is that we are drawing to ensure that business disbursements are smooth. Some of it can always be related to timing; at quarter ends, there is a drawdown that happens, and accordingly, you may see slightly higher liquidity. But the point is well taken. As the situation and environment improve, we would like to optimize the overall liquidity we carry on the balance sheet. Having said that, we should always be cognizant that in microfinance, it is always better to stay liquid than to be gasping for it.

Kartik Srinivas – Unifi Mutual Fund: Got it. That is all from my side. Thank you and all the very best.

Management: Thank you.

Operator: Participants, please press star and one to ask a question. The next question comes from the line of Sajal Raj with Zenflow Finance. Please go ahead.

Sajal Raj – Zenflow Finance: Good morning, sir. Am I audible?

Management: Yes.

Sajal Raj – Zenflow Finance: Good morning, sir. Congratulations on the improvement in the rating part. Could you share whether this has already translated into a lower cost of borrowing and, if so, by roughly how many basis points? Also, what is your expectation for the cost of borrowing for FY 27? Can you provide any guidance?

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Management: Hi Sajal. The incremental cost of borrowings has already seen improvement. We are at 11.3% against 12% last quarter. The rating definitely has a role to play, and any improvement there will translate into better pricing for the company. As we said, the borrowings under the CGS are also helping us keep the cost at the lower end of the spectrum. We hope that this number will sustain and we may see more improvement. In any case, since the incremental borrowing is going to replace higher-cost borrowing from the past, you have seen that translate into a benefit on the overall cost of funds, which was at 12.8% compared to 13.2%. This should see further improvement in the coming quarter.

Management: Just to add, performance and ratings are intertwined. As I said, our bank share has gone up from 44% to 47%, and efforts are on to increase it further. More importantly, as time passes, you will have PSU banks participating, which should also bring down the cost of acquisition.

Sajal Raj – Zenflow Finance: Thank you so much. All the best for the future.

Operator: The next question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal – Motilal Oswal: Good morning, sir. Thank you for taking my question. Just two things. One is on the liability side. Ashish, you mentioned that this quarter we are expecting more sanctions under CGS and that you expect the marginal cost of borrowings to trend lower. How are things on other borrowings? I am trying to understand if access to liabilities could impede our growth or business targets this year, especially while we wait for more PSU banking lines to open up.

Management: Hi Abhijit, good morning. Of the 1,597 crores we have drawn, the amount drawn under the CGS for the quarter was about 200-250 crores. The rest is yet to be drawn. This clearly depicts that borrowing is available outside CGS as well. Even in terms of the cost of borrowing, we have been able to secure this at a reasonably good pricing even outside CGS. That is how you see the 11.3% incremental cost of borrowing overall, despite CGS being only 200 crores out of the 1,597 crores.

Abhijit Tibrewal – Motilal Oswal: Got it. And sir, what is the target for business disbursements this year?

Management: We are looking at anywhere between 6,000 to 6,500 crores. To add to the liquidity part, even during trying times, institutions were quite supportive of Spandana for various reasons, including the promoter's caliber and credibility. Now, more players are coming into the fold. Some banking names that were not part of the funding thus far are also talking to us, so it is looking good.

Abhijit Tibrewal – Motilal Oswal: Got it, sir. Someone earlier asked about the target for credit costs this year, and you said it stays in the range of 2.5% to 3%. I am guessing this is gross credit costs. You also said this might be the last year we pursue recoveries. If we include recoveries, what could net credit costs be like this year?

Management: Closer to nil.

Abhijit Tibrewal – Motilal Oswal: Okay, great.

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Management: And please read my statement carefully; when I said this is the last year, there will always be a pool of 90+ days past due accounts. I meant that we will stop collecting on the much older 90+ day pool starting next year. The standard 90+ collections will always remain.

Abhijit Tibrewal – Motilal Oswal: That is well received. My last question is on the yield trajectory. We have seen yields improve over the last few quarters, possibly because reversals are lower now. At what point will these yields stabilize?

Management: Our ideal yield at which we disburse is around 25.25%. We are very close to that number, Abhijit. Yield going forward should see some improvement and then sustain from there.

Abhijit Tibrewal – Motilal Oswal: Got it. That is all I had. Thank you so much and I wish you and your team the very best.

Management: Thank you.

Operator: The next question comes from the line of Shripal Doshi with Equirus Capital. Please go ahead.

Shripal Doshi – Equirus Capital: Hi, sir. Good morning and thank you for the opportunity. My first question was on the asset side. Have you taken any rate increase in the last couple of quarters?

Management: The last increase we did was October 1, 2025. After that, there was no rate increase. It is largely the mix changing favorably which is improving the yield. As mentioned previously, the reversals from the 90+ bucket are not as high as in previous quarters, so the yield improves because of that as well.

Shripal Doshi – Equirus Capital: Got it.

Management: There are no further plans to increase the rates at this point in time.

Shripal Doshi – Equirus Capital: Understood. We were in a branch rationalization journey. When do we see that concluding and what is the number you have in mind to consolidate that?

Management: We have about 1,250 branches and it will remain at that level. There are no further plans to merge branches. While a few branches may underperform, I am putting up a task force to ensure they are revived rather than shut down. The count of 1,250 will remain, and it might actually go up if we expand in Tamil Nadu and Maharashtra.

Shripal Doshi – Equirus Capital: That leads to my next question. If you aspire to expand there, especially with a new business head, do we see branch expansion coming back?

Management: Surely. We will see some branches in Maharashtra and Tamil Nadu this year. For the five or six large states we are in—Madhya Pradesh, Bihar, Odisha, Karnataka, West Bengal, Andhra Pradesh, and Telangana—we will continue growing contiguously wherever there is potential. If there are gaps in certain districts, we can grow there, but we also need to ensure existing branches are optimized.

Shripal Doshi – Equirus Capital: My last question is on asset quality. We are in the last week of the month. How are you seeing the current month's collection efficiency? You highlighted uncertainties like the monsoon or El Nino, so are you seeing any of that playing out in July so far, or are things intact compared to the last quarter?

Management: Thus far, July is in line with what we have seen in previous months. As I said, we have taken proactive measures regarding how we source new customers in certain districts that are likely to be impacted. So far, there has been no adverse observation in collection efficiency.

Shripal Doshi – Equirus Capital: Got it, sir. I have more questions and will return to the queue. Thank you.

Operator: The next question comes from the line of Ashlesh Sonje with Kotak Securities. Please go ahead.

Ashlesh Sonje – Kotak Securities: Hi, team. Good morning. A few questions from my side. Firstly, can you clarify if you are seeing any early signs of elevated bounces or forward flows in your portfolio in the last few months due to the weak monsoon? If the asset quality is holding up fine, why do you think that is the case?

Management: As of now, we are not seeing any adversity in how the portfolio is behaving. The portfolio holds up based on how you source customers and the discipline you build into on-time repayments, meeting centers, and follow-ups at both the 1 to 90 and 90+ day levels. This is a simple business where you must do the same things day in and day out. There can be small blips, but large swings will not happen if your processes and controls are in place.

Ashlesh Sonje – Kotak Securities: Understood. Regarding recoveries, you indicated that the net credit cost will be negligible this year, which I assume implies a recovery of close to 150-200 crores. How does that compare with the total amount of slippages seen in this cycle, which I assume is over 2,000 crores?

Management: What happened in the past is why we have this large 90+ pool. That should not be the basis for how I look at this year or future years. That pool is large enough, and we are aiming to collect between 150-200 crores, perhaps even a bit more. Today we are averaging between 16-18 crores a month. Aiming for 20 crores looks tough, but we are putting in the effort. If your collection efficiency is at 99.5%, your flow is marginalized, and even if you collect 50% of that flow, you are in a good position.

Ashlesh Sonje – Kotak Securities: To ask differently, would you say the recovery from the pool that is currently in the written-off zone will be negligible?

Management: No, that is where we are collecting from. The 150-200 crores of collections envisioned for this year is coming from the existing 90+ pool, which is roughly 2,500 crores. We collected about 385 crores from that pool in the last 18 months. Currently, about 15-16 crores per month are coming from that pool.

Ashlesh Sonje – Kotak Securities: Understood. Regarding the CGS MFI scheme, you have raised about 500 crores and utilized 200 crores. What was the pricing on that?

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Management: Pricing is either at 10% or just slightly over 10%. Some are sub-10% and some are marginally over 10%.

Ashlesh Sonje – Kotak Securities: Perfect, sir. Thank you very much.

Operator: Thank you. The next question comes from the line of Meghla Luthra with Incred Equities. Please go ahead.

Meghla Luthra – Incred Equities: Thank you for the opportunity, sir. Congratulations on a good quarter. I have two questions. One, there is slight seasoning in the new book. What is the normalized level we see there? Secondly, how do we see OpEx moving this year and next year?

Management: Regarding delinquency, we are aiming for a 99.5% collection efficiency. If you look at the top six states, Andhra Pradesh and Telangana were at 99.2%, Bihar at 99.4%, and Madhya Pradesh, Odisha, and West Bengal were upwards of 99.4% to 99.5%. By and large, we are holding at 99.5% this month as well.

On OpEx, we have seen a good quarter and hope to stay in the same range for absolute numbers. Against a full OpEx of about 760 crores last year, we should be around 675 crores for the full year this year. Next year should see about a 10% increase on that.

That said, we are looking at investments in Tamil Nadu and Maharashtra, as well as automation to reduce manual entry. We are ensuring that the savings we generate are plowed back to help the company in the future.

Meghla Luthra – Incred Equities: Got it. Thank you.

Operator: The next question comes from the line of Rajiv Mehta with Yes Securities. Please go ahead.

Rajiv Mehta – Yes Securities: Hi, good morning. Good numbers. Just a clarification: when you say 90+ recoveries were 51 crores in the quarter, this includes both NPLs and the written-off pool, right?

Management: That is right.

Rajiv Mehta – Yes Securities: Out of that, 24 crores was from the written-off pool and the remaining was NPL recovery. You are targeting around 150-200 crores for the whole year.

Management: Yes.

Rajiv Mehta – Yes Securities: Understood. On credit costs, while the flows have come down and the current bucket is at 99.5%, coverage on Stage 1 is only 40 basis points, whereas peers are at 1% or higher. Is there a thought that you might want to raise that to industry levels next year?

Management: Very much so. It is a valid observation and we are working on it. Unlike many other players, our frontline officers also focus on the 90+ pool because of its sheer size. There is only so much a frontline officer can do between disbursements, current buckets, and the 90+ pool. However, the focus is on raising the bar to at least 50% in the 1 to 30-day segment.

Rajiv Mehta – Yes Securities: Have you shared AUM targets for the end of March 2027 and March 2028?

Management: This year we are aiming for a March exit slightly above 6,000 crores. March 2028 cannot be provided as formal guidance yet, but we will plan that as we get into August or September. Broadly, we are looking at approximately 10,000 crores by March 2028.

Rajiv Mehta – Yes Securities: Regarding OpEx and loan officer productivity, what is the plan to raise the number of customers per loan officer to help leverage OpEx?

Management: There are two aspects. One is the acquisition of new members, which was 55% last quarter and is very important for our growth. The second is the retention of good customers. We are trying to ensure we do not lose good customers to the competition.

Rajiv Mehta – Yes Securities: Thanks so much and best of luck.

Operator: A reminder to all participants, please press star and one to ask a question. The next question comes from the line of Amit Chadda with Banyan Capital. Please go ahead.

Amit Chadda – Banyan Capital: Thanks for the opportunity. Just a clarification: the ROA of 3.5% was for FY 28, right?

Management: That is right.

Amit Chadda – Banyan Capital: And what would that number be for this year?

Management: We are currently at 2.5% and should see more improvement in this number for the current year.

Amit Chadda – Banyan Capital: Okay, thank you so much.

Operator: Thank you. The next question comes from the line of Sukrit Patil with I-Sight Fin Trade. Please go ahead.

Sukrit Patil – I-Sight Fin Trade: Good morning, team. I have two questions. Mr. Venkatesh, beyond the regular outlook, what are your top two or three execution priorities for the next few quarters? Alongside that, what do you see as the biggest risk in borrower demand or competitive pressures, and how are you preparing to manage them?

Management: As I mentioned, priorities include the individual loan product we are piloting in eight branches in Madhya Pradesh. We want to make it a success and roll it out pan-India and for our group company, Criss Financial, as well. It is a better-underwritten offering. Secondly, we have 65% of our business in six states, and I want to grow in Tamil Nadu and Maharashtra to make them as big as Bihar or Madhya Pradesh. Third, we are working on attrition to ensure we retain people, as productivity and reliability improve over time. Fourth, we are working on a new LOS platform from JAM, the Perfinza platform. This is a big initiative involving 150 branches. It includes built-in credit and collection platforms which will provide insights into how we approach customers, record observations, and use skip tracing for mobile numbers. These are the priorities for now, and we may take on more as we go.

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Sukrit Patil – I-Sight Fin Trade: My second question is for Mr. Dhwani. From a financial perspective, what key risks or challenges do you anticipate and what measures are being taken to manage margins, cash flow, and balance sheet strength regarding credit risk and regulatory compliance?

Management: Credit cost is top of mind. We have strengthened our underwriting substantially over the last 15 months and it has yielded good results. We hope to sustain that. We have controlled operating costs and the growth we are getting comes with limited additional investment on the cost side. Our borrowing costs were elevated during the stress period, so the focus is on bringing that cost down to protect NIMs. We have had reasonable success so far.

Sukrit Patil – I-Sight Fin Trade: Thank you, and best wishes.

Operator: The next question comes from the line of Prabal Gandhi with Incred AMC. Please go ahead.

Prabal Gandhi – Incred AMC: Hi, thank you for the opportunity. Since 2013, we have seen two or three times that in an upcycle we scale to 8,000 or 10,000 crores of AUM and then consolidate more heavily than peers in a downcycle. How are you ensuring that we will be able to sustain our AUM and numbers beyond the near term if the cycle turns?

Management: There is no problem with growth, but it has to be sustainable with adequate controls. There are only three things to take care of in this industry: processes and controls, discipline, and calibrated growth. Falling happens when systems do not support growth. We are ensuring reasonable growth supported by controls and a focus on recoveries so that we stay in sync with the market during any downturn.

Prabal Gandhi – Incred AMC: Can you highlight any examples of discipline or practices that give you confidence that underwriting will be more prudent this time?

Management: SROs are playing a big role in industry confidence. Today, our Spandana plus three exposure is only about 3.7%, which used to be much higher. 98% of the customers we added were regular and we were the only lender at that time. The market realizes credit parameters must be adhered to. We have taken cognizance of El Nino and how to handle customers who are new to credit or living in rented houses. We are using tele-calling and generated 30 lakh rupees from delinquent customers through QR codes. We are also using bot calling to increase our reach. We have re-evaluated ticket sizes and how to retain long-term customers. These initiatives, coupled with SRO work, help us run a predictable franchise.

Prabal Gandhi – Incred AMC: How is Kedara looking at the performance of the senior management? Is the focus on scaling business or profitability?

Management: Kedara has been very supportive and I see them staying for at least another two to three years. Regardless of their status, we need to perform. They provide monthly reviews with no interference, offering help in areas like AI where they have expertise.

Prabal Gandhi – Incred AMC: To clarify, are they prioritizing AUM growth, profitability, or asset quality in your evaluations?

Management: We decide that. Kedara does not dictate which markets to grow or how to automate; that is all handled by management.

Prabal Gandhi – Incred AMC: Understood. Thank you, sir. All the best.

Operator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Management: Thanks once again for joining the Q1 FY 27 call. I am sure we are all relatively happy with the performance. Efforts are on to ensure we replicate this, keep our heads down, and do the basics right. No heroics. That is all from my side.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Spandana Sphoorty Financial Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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