



SG Finserve Limited

Date: April 22, 2026

To,

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

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra – Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Scrip Code: 539199

NSE Symbol: SGFIN

Dear Sir/Madam,

Sub: Transcript of Conference held on 16.04.2026

This is with reference to our intimation dated 13th April 2026 regarding Conference Call with investors and analysts on 16th April, 2026. Please find attached the transcript of the aforesaid conference call.

The above information is also available on the website of company i.e. www.sgfinserve.com

Submitted for your kind reference & records.

Yours sincerely,

For **SG Finserve Limited**

Sanjay Rajput

Chief Financial Officer

SG Finserve Limited

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“SG Finserve Limited
Q4 FY26 Earnings Conference Call”
April 16, 2026



**MANAGEMENT: MR. VINAY GUPTA – CHIEF EXECUTIVE OFFICER
MR. SANJAY RAJPUT – CHIEF FINANCIAL OFFICER
MR. ANUBHAV GUPTA – GROUP CHIEF STRATEGY OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the SG Finserve Q4 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the 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 touchtone phone. Please note that this call is being recorded.

I now hand the conference over to the management. Thank you.

Vinay Gupta: Jai Hind everyone. My name is Vinay Gupta. I am CEO of your NBFC, SG Finserve Limited. With me, I have my senior colleagues, Mr. Deepak Goel, Chairperson; Mr. Anubhav Gupta, Group Chief Strategy Officer; Mr. Sanjay Rajput, CFO; and Mr. Lalit Gupta, Chief Business Officer.

I will just give a brief about the financial performance, which has been excellent for SG Finserve for the year ended March 31, 2026. We did operating income of INR 334 crores, year-on-year growth of 96%, achieved Loan Book of INR 3,936 crores, year-on-year growth of 75% and Profit after tax was INR 128 crores, year-on-year growth of 58%.

Similar performance was witnessed in Q4 also. In Q4, our PAT was INR 42 crores, sequential growth of 30% on quarter-on-quarter basis. Our closing Loan Book of INR 3,936 crores is at all-time high, which is backed by our core business - supply chain finance and commercialized of factoring business in the month of March.

Gross disbursements for the full year have crossed the benchmark of INR 25,000 crores, which shows our digital ability and invoice financing capabilities.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Abhi Jain with A.J. Capital. Please go ahead.

Abhi Jain: Hi, good afternoon. Am I audible?

Vinay Gupta: Yes, you are audible. Please go ahead.

Abhi Jain: Hi, Mr. Gupta. Mr. Gupta, my question is to understand the competitive advantage that your business model has because, obviously you have been maintaining nil NPAs. And I think even in your investor deck, you have guided that you plan to maintain your NPA at nil. So I just want to understand, or you can help the investors understand the business model a bit better. I mean, how are you able to forecast that, you know, going forward also your NPA will be nil? That is my first part of the question.

Vinay Gupta: Our core business is supply chain finance and the inherent strength of supply chain finance is that, it has a tripartite relationship between the anchor, borrower, and the financier. Across all the NBFCs and banks who are operating in the supply chain space, the matrix of credit cost remains the similar. For us, the advantage is this: our core business is supply chain, which is more than three-fourths of our business. So that adds to our advantage.

Abhi Jain:

Okay. So that part I understand, but I wanted to get more flavor around how even within the supply chain group, yours is such a pristine quality, fair quality business. I mean, what advantages do you have? What is the business model in terms of how do you ensure that your borrowers have very little room to default?

So just want to understand, is it the buffers around liquidity, is it the buffers around the loan-to-value? I understand that in most of it, you are also doing the invoice financing where basically you are dealing with Grade A end customers and they pay directly to you. So that I understand. But can you give more flavor because even within the supply chain cohort, maintaining nil NPA is unheard of. So if you could just help us understand that?

Vinay Gupta:

Couple of things - One, we are doing purchase financing, which is backed by invoice. So the end-use is monitored. Second, it is short-term in nature and not a lumpy, long term loan. Our average churn cycle is 45 days. If you look at our disbursement done in Q4 versus our book, we would have done a disbursement around INR 7,700 crores against our book of INR 3,900 crores, which signifies that we have churned the entire book in 45 days on an average basis.

So we are giving loans which are short-term in nature, with end-use monitored, invoice backed, and the beneficiary is also locked. So when the dealer is procuring from an anchor, we don't hand over the money in the pocket of the dealer. We directly pay to the anchor, which ensures the continuity of that supply.

The continuity of supply will remain only if they remain disciplined in our repayments, because they will procure further only when they pay us for the existing invoices. So it creates a churning and the stickiness between the anchor, dealer, and the financier. So that is the overall supply chain construct.

On top of that, we have a robust early warning where we monitor the churning cycle of all our dealers on a regular basis. And wherever we see there is any challenge, we don't wait for the account to go into a bad shape. We chip in through our relationship team. We do loop in our anchors also to make sure that the dealers remain disciplined in terms of their repayments.

Abhi Jain:

Can you give some more flavor around this early warning signal system that you have created? Can you give us more flavor around how data is, you know, how you are using data? Because in today's day and age, I am sure that data is helping you a lot and without data to get any competitive advantage is not sustainable. So can you just help us understand this early warning signal system that you have created?

Vinay Gupta:

It is not complicated. We follow a simple structure. We have funded a particular procurement. The procurement has to translate into a sale, the sale translates into receivable, the receivable translates into cash. That cash has to come back to us as a financier to repay our existing invoices so that the space gets created for the new procurement.

Wherever we see this space is getting elongated, the dealer or the borrower is not able to churn it in a better manner, then that creates an early warning for us. And then we try to understand whether the receivables are stuck or inventory is stuck or they don't need any further

procurements. So that kind of an ongoing process is there with us which we follow across all our dealers.

Abhi Jain: Right. My final question on this is that since you are dealing with, these Grade A anchors, it helps you and gives you the confidence to go ahead and disburse, and obviously because of which the NPA cycle is curtailed. Now as you are growing your book and eventually the speed at which you will grow your book?

Do you think that there is enough space available to keep ensuring that you only deal with Grade A anchors, where the delinquency will be very low? Or do you think that there is a saturation point after which you will have to move to probably a Grade A-minus kind of an anchor, Grade B-plus kind of an anchor? So just give us a flavor of that, probably?

Vinay Gupta: The scalability in this space is huge. Out of top 500 corporates, if we talk about, not even 100 are active in a supply chain space. So there is a huge space for the new anchors to follow the trend of the successful anchors to come and start doing supply chain, number one. Number two, the anchors who are already doing supply chain, their entire sales is not yet covered.

In my understanding, basis back of the hand calculation, only 25% to 30% of their sales is covered under organised supply chain programs. Still there is a lot of room left for those anchors to also deep dive and get their dealers onboarded under the organized supply chain programs. So the space is humongous. There is no saturation I see in my sight, at least for next 10-15 years.

Abhi Jain: Right. And finally, sir, the guidance that you have given in the deck, is it for a prolonged medium term, like three to four years, or is it just for FY '27?

Vinay Gupta: I think this is the kind of guidance we will maintain on an ongoing basis. If I were to break it down, probably for FY '27, our AUM growth may be not 25% to 30%, it will be more. But in a medium to long term, this will be the average of 25% to 30%. Our aspiration on the AUM for FY '27 is around 35%-40% growth.

Moderator: The next question comes from the line of Kushal Jajodia with Kushal Jajodia and Associates.

Kushal Jajodia: Yes, superb results. Just wanted to understand, having a clarity on two-three things on the financial aspect. In the financial results, I could see there has been a rise in the employee benefit expense from INR 2 crores to INR 6 crores. INR 3.5 crores plus if I add that INR 2.54 on account of ESOP, then cumulative it approximately reaches INR 6 crores. So of course, in the LinkedIn page, we have seen many employees have been added. So there has been a three-fold jump in the employee benefit cost. Can you explain any senior management or something have been employed or something like that?

Vinay Gupta: No, Kushal, the INR 2.5 crores which you referred was not related to this financial year, it was previous year. If you read, this INR 2.5 crores is mentioned as a footnote, is related to period ended March 31st 2025.

Kushal Jajodia: Okay, okay. So it is only INR 1.5 crores addition in the employee cost in this current quarter, right?

- Vinay Gupta:** Right.
- Kushal Jajodia:** Right. Just one more question, regarding the AUM. Since approximately INR 350 crores we have received through warrants. So basically that will be employed only in the current business, right? Not in the AIF-related business. Just wanted to understand that?
- Vinay Gupta:** There is no segregation, Kushal, on the equity – we have equity pool. We are currently sitting with a INR 1,481 crores equity, added INR 21 crores incremental warrants got converted in the month of April. So it's a pool of equity. Currently we are leveraged at 1.9x on the standalone NBFC. As and when we enter into the new businesses, this same pool of equity will get used.
- Kushal Jajodia:** But for financial year '26-'27, we are not thinking to venture into new business, right? Or are we thinking of doing that?
- Vinay Gupta:** Kushal, lot of groundwork is going on, because these new businesses are subject to regulatory approvals. It has to also pass the muster of business plan. We also need to have right set of people to run these businesses. So it is subject to many things. So difficult for me to really visualize whether it will happen in FY27 or '28, because it's subject to many things.
- Kushal Jajodia:** Okay. And now the last question I have, it is not pertaining to only for financial year '26-'27. In general, I wanted to ask, in future, if we have a target to achieve future, basically to reach a higher AUM, so at that time, what we are basically -- will we be funding through additional capital like preferential allotment, or are we thinking to borrow money from the banks or NBFCs to fund the additional AUMs?
- Vinay Gupta:** We currently have enough bank lines available with us which are not even fully utilized. We have space available in the existing available limits itself to utilize further.
- Kushal Jajodia:** So can I know the limit, sir? What is the current limit of the banks you have? Approximate, sir, I am not telling you to give me the exact figure. Approximate, sir, bank limit?
- Vinay Gupta:** It is more than INR 3,000 crores.
- Kushal Jajodia:** INR 3,000 crores. Okay.
- Vinay Gupta:** Right. In fact, it is more than INR 3,000. It will be somewhere between INR 3,000 to INR 3,500 crores, number one. Number two, our leverage currently is 1.9x. If you were to compare us with any other NBFC, I think the leverage of 3x to 4x is acceptable leverage for the NBFC business. But we understand we are in the initial stage of our growth, so that's why we are going little conservative. But there is enough headroom left to leverage ourselves without being dependent on any fresh equity raise.
- Kushal Jajodia:** So basically, as per my understanding, with the bank limits you have of approximately 3,000, 3,500 and the capital we have of 1,500, so we are well, basically we can reach a AUM of INR 6,000 to INR 7,000 easily without asking for additional capital, right, sir, if I am not wrong?

Vinay Gupta: INR 10,000 crores is our internal target. INR 10,000 crores of AUM we can easily reach in three to four years without being dependent on any fresh equity, because we will accumulate profits also and there is a enough bank lines available and more bank lines will get added. So for INR 10,000 crores AUM with 3x leverage, we are not dependent on any fresh equity.

Kushal Jajodia: Okay. And sir, one last question. Sorry, I am asking again. In the previous participant's question, you have mentioned that in the current business, three-fourth of the business is coming through basically financing of supply chain. So what is that one-fourth additional component, where it is coming from?

Vinay Gupta: That is the cross-sell which we do in the ecosystem, we operate. So when we meet the anchors and the dealers, within that ecosystem there is a requirement which is beyond supply chain. I can give only few examples without divulging too much detail, like if a customer says, "Hey, you are financing my invoices, but I need some working capital beyond supply chain or business loan for expansion or financing for my other businesses."

So these kind of requirements come when we meet them, although our cost of acquisition for that kind of a cross-sell business is virtually zero, but we do that business which helps us also and helps our borrowers also.

Kushal Jajodia: Okay, great, sir. Sir, I think, sir, my personal opinion, your 35% growth target is low. You are a APL Apollo Group company - target for 100% growth this year. All the best, sir.

Vinay Gupta: Thank you, Kaushal.

Moderator: Thank you. The next question comes from the line of Parin Gala with SageOne. Please go ahead.

Parin Gala: Yes, hi, Vinay. Good afternoon. Vinay, 4.8% ROA you think is a peak that we have achieved or there is room to grow more? Second question is that what is the comfortable debt-to-equity that you or the organization has in mind and by when do you think that leverage can be achieved?

And the third question is little bit, can you explain little bit on your TReDS platform? I believe we have the RBI approval as well, and how do you intend to compete when three to four large platforms are already operational? So where does our right to win stay in that?

Vinay Gupta: Sure, I will answer one by one. On the ROA, I think 4.8% is a very healthy ROA. Anything more than this is not desirable, it can go up to 5%. But, ROA will range between 4.5% to 5% depending the leverage levels because if our leverage goes up, the ROA tends to go down, and the ROE tends to go up. So 4.5% to 5% range will be our ROA, that is the kind of number we have in our mind.

Number two, on the equity side, currently we are at around 2x leverage. As a management, we think we can go up to 3x. But that will happen over a period, in phase manner, maybe 2 years to 3 years. We will not try to leverage ourselves on immediate basis, we would remain conservative and grow very cautiously.

And the third on the factoring and TReDS. The license of factoring has two angles. One is the bilateral factoring which we have already commercialized, and we have executed the transactions. If you look at our results closely, INR 175 crores is the factoring book outstanding on 31st March.

On the TReDS, we have already onboarded two TReDS platforms, RXIL and M1xchange. We are evaluating the leads and soon we will go live in terms of booking TReDS factoring business.

- Parin Gala:** When do you expect to go live?
- Vinay Gupta:** I think this Q1 only.
- Parin Gala:** Okay. And sorry, I missed before that you said two platforms. I didn't get, you are going to go live on other platforms or have your own platform?
- Vinay Gupta:** No, no. We don't plan to have TReDS platform. We will only participate on existing TReDS regulated entities licensed by RBI.
- Parin Gala:** Understood. Okay. Thank you. Good luck.
- Moderator:** Thank you. The next question comes from the line of Mehul Panjwani with 40 Cents. Please go ahead.
- Mehul Panjwani:** Hello, sir. Thank you so much for the opportunity. Since we are doing so well now, what other NBFC areas do we have planned to expand into?
- Vinay Gupta:** Our core focus will remain supply chain, but supply chain has multiple colors. We are already doing Tier 1 dealer financing. We have started doing Tier 2 dealer financing also. We have started banking in deep tier - Tier 2 dealers of Tier 1 dealers.
- Naturally, we will continue to onboard new anchors, enter into new industries and continue to expand ourselves on the dealer financing.
- Third, factoring as I answered on my previous answer, the factoring has just begun. That will continue to grow.
- Beyond the traditional supply chain, other cross-sell businesses like LAP, working capital finance, etc. that is something we shall keep doing as opportunistic transactions.
- Mehul Panjuani:** Okay. Sir, my another question is around the geographical spreads. So are we across, I mean, are we pan-India or we are focused in certain geographies because I am new to the company?
- Vinay Gupta:** We are currently catering to 30 locations pan-India, but those 30 locations are like hubs. From a particular hub location, we cover around 100 kilometer radius. So, we are fairly present across the country. We have existing customer base on all these locations.
- Mehul Panjuani:** Right. And sir, some insight around the dealers. So are we specifically focusing for dealers into certain industry or are we, I mean, if you can throw some light around this?

- Vinay Gupta:** There is no specific industry criteria which we have in our mind. However, supply chain as a business works only in few typical industries. So we are big on auto, steel, construction, white goods, IT peripherals. These are the industry which suits the supply chain structure. However, there are few industries like FMCG which we will continue to evaluate as and when opportunity comes.
- Mehul Panjuani:** Okay. And sir, what is the concentration in terms of our clients? So if we may know, how many clients do we have for that AUM which you have mentioned in your opening remarks?
- Vinay Gupta:** Our average ticket size per a borrower would be around INR 5 crores in terms of our outstanding AUM. So the concentration is not much.
- Mehul Panjuani:** Right. Thank you so much, sir and wish you the best.
- Vinay Gupta:** Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Nikhil Chanak with Shanghvi Family Office. Please go ahead.
- Nikhil Chanak:** Yes, hi. Longer term do you also get into the retail side - like mass retail? I read somewhere you are trying to get into LAP as well. So I know you said there is lot of scope to grow in supply chain financing, but say in the next 2 years, 3 years, what other segments are you going to explore? Would you get into, for example, housing finance and LAP you mentioned, so what other segments?
- Vinay Gupta:** DNA of our NBFC is to only finance businesses. So we are not planning to enter in any retail consumer financing. As of today also we have nil consumer finance outstanding and we don't plan to enter into that business. When I said micro-LAP, that micro-LAP is also a form of giving term financing to a business person who is seeking money to expand the business.
- Nikhil Chanak:** Understood. And who do you see as competition, which are the players you are competing with in this segment?
- Vinay Gupta:** Honestly, again as a philosophy we don't believe in competition. We believe in co-existence. There is enough space available for everybody. There is set of banks, then large pedigree NBFCs, then there is a middle layer NBFCs like us. So I believe there is a space for everybody and we operate in our own space.
- Nikhil Chanak:** Okay. Thank you so much. Thank you.
- Moderator:** Thank you. The next question comes from the line of Amit Jain, an Individual Investor. Please go ahead.
- Amit Jain:** Hi, sir. Thanks for the opportunity. My question is more around PSB exchange. So right now on PSB exchange, we have SBI, Bank of Baroda and other PSU banks. My question is - in 3 years' time, what does supply chain finance market will look like and where does exactly NBFC like

SG Finserve fit in that structure? So this is more of a forward-looking question, but I just wanted to have a understanding about this from you?

Vinay Gupta: My personal opinion on this is like this - the more banks are joining and doing supply chain business now and it only enhances the confidence of overall industry. Today, the large part of financing is done through CC, OD, WCDL, Term financing and supply chain financing continues to be niche. If more banks and more players are coming with supply chain financing offering, the market itself will grow. And if the market grow, there will be enough space for everybody to grow.

Amit Jain: Yes, that's it. I had only one question. Thank you.

Moderator: Thank you. The next question comes from the line of Jhanvee Patel, an Individual Investor. Please go ahead.

Jhanvee Patel: Hello, sir. Congratulations on your best results so far. I just wanted to know the guidance for the next two years.

Vinay Gupta: Well, thank you so much for your well wishes, ma'am. First of all, for next two years, we just want to do what we have done this year. Simply repeat. The excellent results we have posted in Q4 and FY26, we just want to follow that same path in FY27. The way we look at our current capital structure, the numbers looks more promising because we have raised more capital to support our growth engine. Maybe the numbers will be even better in FY27.

Jhanvee Patel: Okay. Thank you, sir. All the best.

Vinay Gupta: Thank you.

Moderator: Thank you. The next question comes from the line of Raghav Bhugodia with Lindsay Securities. Please go ahead.

Raghav Bhugodia: Hello, sir. Am I audible?

Vinay Gupta: Yes, sir. Audible. Please go ahead.

Raghav Bhugodia: Sir, what will be our share of loans given to group company entities?

Vinay Gupta: All related party transactions are reported to the Board and declared in results. Our related party exposure would be, what, lesser than INR 100 crores currently, Sanjay?

Sanjay Rajput: Yes, less than INR 100 crores.

Raghav Bhugodia: And what would be the loans to the channel financing for the group company? What would be the share amongst the overall?

Vinay Gupta: Around 30%.

- Raghav Bhugodia:** Sir, is my understanding right that the recent increase in steel prices have really helped your AUM?
- Vinay Gupta:** If you look at our average AUM, our average AUM for the full financial year has grown even higher than our end-of-period AUM. We closed our average AUM for FY26 at INR 2,640 crores against our average AUM for FY25 at INR 1,282 crores. The growth is 106%. We have doubled our average AUM. So one-off instance like increase steel prices is not the reason for closing AUM on 31st March.
- Raghav Bhugodia:** No, obviously, we have also done a lot of volume, but just trying to understand if it helped a lot.
- Vinay Gupta:** No, it did not. I was just trying to give you detailed answer that our overall numbers have gone up, profitability has gone up, so one-off steel price rise is not a reason.
- Raghav Bhugodia:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question comes from the line of Manish, an Individual Investor. Please go ahead.
- Manish:** Good afternoon, sir. So first of all, congratulations on the outstanding performance this quarter. Sir, I have one question. Do you think we have been conservative in our guidance, at least during the calls which happened during the last two quarters? And especially considering the superb performance that the company has shown this quarter, have we in any way kind of under-committed but believe that we will overachieve our guidance in the upcoming year?
- Vinay Gupta:** Yes, you are right on your observation. We were conservative last quarter because there was a reason. There was a change in management and we wanted to go a little slow, we wanted to consolidate ourselves and see in which direction we want to grow. But under-committing, over-delivering is something which suits us best. Today also when we are giving a guidance of 25%-30% AUM growth going forward, that again is a conservative guidance.
- Manish:** Yes, so it was the reverse under the previous management. So I thought this quarter was an outstanding performance, especially in light of the guidance or maybe the gloomy picture which was being portrayed during the last two quarters. So considering that, I think it has been a phenomenal performance. So thank you and wishing that the company does much more better in the days to come. Thank you.
- Vinay Gupta:** Thank you so much, Manish. But two clarification. Number one, it was not the previous management who gave this guidance. I have given lower guidance in previous quarter earning call because we wanted to be conservative in our guidance.
- Number two, we have not portrayed any gloomy picture. We were very clear in our communication that we are giving a conservative guidance because of change in management.
- Manish:** Yes, I used the word gloomy because of the fact that the guidance given, was not for one particular quarter, but it was across various quarters. So there were things which were being told

that we will achieve some X amount of AUM, profitability and so on, and later on there were clarifications being given in terms of exit run rate and so on.

So I understand, I mean, I only hope that we will not be over conservative in terms of giving guidance going forward. But net-net, yes, I don't want to kind of take away the good performance that has been shown this quarter. So thank you.

Vinay Gupta: Sure. Thank you.

Moderator: Thank you. The next question comes from the line of Praveen Kumar with Pune e Stock Broking Limited. Please go ahead.

Praveen Kumar: Hello, am I audible?

Vinay Gupta: Yes, you are. Please go ahead.

Praveen Kumar: Sir, my first question is, like what are we doing best, how are we operating with nil NPAs? So what I mean, what we are doing different that we have one of the best NPAs in the industry? So I wanted to understand the process.

Vinay Gupta: We are not complicating anything. We are keeping it very simple. If we have given a loan, we need our money back along with interest on time. And that is the message we give to our people and our customers time and again. Whenever a situation arises, that a borrower is in genuine difficulty, their receivables are stuck, their inventory is not moving, we work with them along with the anchor.

There is not only one person, the lender, who need to knock at the door of the borrower. There are two people – lender and anchor. And it does not only impact us in terms of bad loan book, it does impact the anchor also because in that particular territory, please understand, the dealer will not get the fresh goods to sell.

If dealer does not get fresh goods, it impacts the dealer, it also impacts the anchor because anchor is virtually not able to generate sales from that particular territory where the dealer was operating. So it is in the best interest of all the three entities: the lender, the dealer, and the anchor to come together and find a solution.

Praveen Kumar: Okay, okay.

Praveen Kumar: Sir, also I wanted, I mean like differentiation like what percentage is in export or something like in domestic? Is there any number? Like because recently there has been this war impact and so I wanted to understand like basically things are improving now, but if anything goes wrong?

Vinay Gupta: I understand your concern. So two things. Number one, our business is 100% domestic so there is no direct impact on our business. We are not doing any import-export financing. However, we are vigilant. We did prognosis of our portfolio in light of the ongoing geopolitical situation and there is no indirect impact also.

- Praveen Kumar:** Okay, okay. Thank you, sir. Thank you, sir, and all the best.
- Vinay Gupta:** Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Varun Gajaria with Omkara Capital. Please go ahead.
- Varun Gajaria:** Hi, sir, and thank you for taking my question. Am I audible?
- Vinay Gupta:** Yes, sir. Audible. Please go ahead.
- Varun Gajaria:** Sir, until I think second quarter, we used to we used to draw the ROA tree for us, but we stopped doing that since the third quarter. If you could just draw an ROA tree for so for especially this quarter?
- Vinay Gupta:** We can do that - our NII is around 7% of average AUM and total income, including fees, would be around 7.5%. With Cost to Income of below 15% and then taxes, our return on asset is 4.8%. So that broadly is breakdown of our ROA.
- Varun Gajaria:** Okay. So I think the last year, our ROA had kind of shrunk by around 100 bps or a little more. So if you could just shed some light on that as to why that happened?
- Vinay Gupta:** Our leverage was virtually zero for six months in last financial year, which is why the ROA appears very high. But on absolute terms, if you look at the profitability, the net interest income, the PBT, everything has gone up. Our absolute interest cost was low last year because our borrowing was zero for few months and we were doing business purely basis equity. So although the ROA may appear last year as you were referring to, but our return on equity was also very low in that period because the leverage was virtually zero.
- Varun Gajaria:** Okay. And what would be our leverage level as of now and what would be our comfortable range?
- Vinay Gupta:** Currently our leverage is 1.9, broadly let's say 2x. And our comfortable range is 2x - 3x with aspiration to achieve 3x over the next two to three years.
- Varun Gajaria:** Okay. And our forward targets remain in line, right, as we had stated?
- Vinay Gupta:** Yes, 25% to 30% CAGR remain our guidance for the AUM growth.
- Varun Gajaria:** Okay. And just alluding back to question that one of the earlier participants had asked, what would be the size for one of the bigger players in this space and who would be your like prime competitors? What would be the AUM size for the biggest players in this space, for the bigger players? Considering that you said that this is kind of an untapped space, we are still we are still getting into it, it's still a developing story, right?
- Vinay Gupta:** Broadly five-six Private Banks and a couple of NBFCs are operating in this space, each one dealing with AUM of INR 10,000 crores to INR 15,000 crores range in a dealer finance space.

So this is my market insight. But the overall market, if I were to add PSU banks, I think the market size would be somewhere upward of INR 1 lakh crore.

- Varun Gajaria:** Okay. Okay. Thank you and all the best.
- Moderator:** Thank you. The next question comes from the line of Rajat with Yashwi Securities. Please go ahead.
- Rajat:** Thank you for the opportunity. Sir, what will be our average AUM for the quarter?
- Vinay Gupta:** Sorry, I didn't get that.
- Rajat:** Sir, what will be our average AUM for the quarter?
- Vinay Gupta:** Average AUM for Q4 was INR 3,265 crore.
- Rajat:** Okay, sir. And sir, we are seeing a huge jump in fee income. So what is the reason for that?
- Vinay Gupta:** It's just because of our focus on the fee income.
- Rajat:** Sir, but INR6 crores fee income, sir, the average run rate was around INR1-INR1.5 crores and we are seeing INR6 crores in this quarter?
- Vinay Gupta:** Honestly accepting the fact that we could have generated better fees income in Q3 given the potential we have which we have course corrected in Q4. So 6 crores fee in Q4 is not an exception. I believe, it will become a norm.
- Rajat:** No, sir, I am asking the reason for the delta which we are getting here. Sir, in Q3 it was INR1.5 crores, in Q4 last year it was INR1.89 crores, this quarter it is INR6.23 crores. So what is the reason for such a huge big increase?
- Vinay Gupta:** In Q3, we could have generated more than we had. As a business strategy, we have started focusing on fee income, and if there is a potential to generate fee, we will not leave it on table? We ask customers to pay fee. Customer will negotiate and in the negotiation, we still end up earning something.
- Rajat:** Sir, what kind of fees are we getting on our disbursements?
- Vinay Gupta:** It ranges. It ranges from 10 paisa, to 50 paisa. Few cases even 1% also.
- Rajat:** Okay, sir. Thank you, sir.
- Vinay Gupta:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Abhi Jain with A.J. Capital. Please go ahead.
- Abhi Jain:** Hello. Am I audible?

- Vinay Gupta:** Yes, you are audible, please go ahead.
- Abhi Jain:** Sorry, just one more question. Since, you have taken over, obviously, you have done a good job of being conservative and that is much appreciated, especially when you are in the financial space. I mean, I do understand management are optimistic in financial and NBFC space especially. So kudos to you on being conservative and if you overachieve it, that's fine.
- I just want to understand, all part of your guidance's are conservative except for the provisioning and the credit cost side. So any reason I mean would it help you to have some kind of buffer built in there in your forward guidance? I mean, obviously, if you are targeting nil NPA and you are hawkish on that, you might end up achieving it, but it wouldn't hurt, right, that you build in some buffer there because you yourself are conservative, you are running the show, so you know it better, right?
- Vinay Gupta:** No, Abhi, we have accumulated a provision of around INR 18 crores in our balance sheet, if you look at our capital structure. Because we follow the Indian Accounting Standard, and we cannot deviate from that from Expected Credit Loss theory. If there is nil NPA, we can only provide expected credit loss as per the Indian Accounting Standard.
- Further, we also need to go by RBI guidelines. So there are well-defined two regulations we need to follow. So even if we want to make conservative provisioning, we are not allowed to create that buffer.
- Abhi Jain:** No, I understand on the provisioning side, I understand. I just wanted to understand in terms of the guidance of the NPAs. I mean, because you are conservative on all the other parameters, wouldn't it help if there was some sort of buffer built in, in terms of the guidance on NPA also going forward? I understand, I mean, the ambition is and you have been able to achieve nil NPA, but just thinking from my view.
- Vinay Gupta:** It is all about the right message. You know, we are 78 people as SG Finserve. This presentation, this guidance is read by our people also. So our philosophy and theory is very simple: we don't want to lose even INR1 in the market. So I don't want to give any message that I am okay, tolerable to lose some money. By design, by target, we are not going to lose money. So that's why our guidance is NIL NPA.
- Abhi Jain:** No, appreciate that, and I think you are embarking on something which has not happened in the Indian financial industry space. So if you are able to achieve it in the middle and the long term also, that would be fantastic. Thank you.
- Vinay Gupta:** Abhi, I am not living in that myth our overconfidence. I know, we are in lending business and in lending business, we take risks. We can lose money, and I know, we will lose money, but I am not targeting to lose money.
- Abhi Jain:** No, appreciate that. Thank you, sir.
- Vinay Gupta:** Thank you.

- Moderator:** Thank you. The next question comes from the line of Mehul Panjuani with 40 Cents. Please go ahead.
- Mehul Panjuani:** Hello, Sorry, I was on mute. Sir, thank you so much for the follow-up. Sir, I had a question about our business model while you were explaining to earlier responses. You were saying that, there is an anchor and the anchor doesn't want to lose the market, the sales kind of. So, can you just please elaborate because I am new to the company, so with an example like, anchor is like the person the company's products with the dealer is selling? Is that what you are alluding to?
- Vinay Gupta:** I will give you an example. That will make it better to understand. Let's say - Tata Motors is the OEM, manufacturing vehicles and they are selling their vehicles through their dealers present across the country. Consumers like you and I, will go to that dealer and buy the vehicle.
- Now, there is a particular location where the dealer is present. For the OEM like Tata, it is extremely important - that vehicle dealer remain open, is well funding, so that Tata can continue to sell their vehicles through that dealer.
- If tomorrow if the dealer were to go shut, or by virtue of our agreement, Tata is not allowed to sell more vehicles to the dealer, then what will happen? Tata will lose the business in that particular territory, the dealer will also lose the business, we will also lose the business. So it becomes a tripartite relationship between the OEM, the dealer, and the financier.
- So what we do, we give financing to the dealer saying, "hey, take this money, pay it to Tata to buy vehicles. Whenever you sell this vehicle in the market, get the money and pay it back to us. Once you pay it back to us, our limits will be made available to you again. Use that money and keep on doing that in cycles again and again, again and again."
- Tomorrow if dealer don't pay us, then we have agreement with OEM to stop supplying more vehicle to the dealer till our overdues are cleared. So this is the strength, supply chain business model has. I hope, I was able to explain it in simple terms?
- Mehul Panjwani:** Yes, that was very well explained. Sir, one follow-up question on this. So whenever we are in the agreement with our dealers or our clients, so always the anchor is included in that contract or how does it work, I mean?
- Vinay Gupta:** Yes, documents are executed. For the borrower, end-use is clearly defined that you can use funding, only to pay to supplier for buying goods. For the Anchor, the stop supply instances are defined.
- Mehul Panjwani:** Right. So sir, are you saying that each of our borrower, every borrower to whom we are lending money, we are having this kind of agreement where the OEM is involved, OEM or the anchor is involved?
- Vinay Gupta:** Not every borrower. Wherever we are doing supply chain – the typical dealer financing. There are different structures. Like factoring may have different structure. Vendor finance may have different structure. Purchase invoice financing may have completely different structure.

Similarly, so every product has different nuances. I was only explaining you the core strength of a typical supply chain dealer finance.

- Mehul Panjwani:** Right, right, right. Okay, sir. Thank you so much. This was amazing. Yes. Thank you.
- Vinay Gupta:** Thank you.
- Moderator:** The next question comes from the line of Manish, an individual investor. Please go ahead.
- Manish:** Yes, thanks for the opportunity again. Sir, I was looking at your PPT page number 17 and, profit guidance that you have given for subsequent year is 30-35%. Now is that on the entire year's profitability or is that on the exit run rate?
- Vinay Gupta:** You are talking about the return on asset and return on equity?
- Manish:** No, no, no. I am talking about the PAT guidance on your PPT. Yes, it says 30%-35% CAGR, that is the PAT guidance.
- Vinay Gupta:** Future PAT guidance is on the PAT of previous financial year and not on exit run rate of Q4.
- Manish:** I understood. So I just wanted to kind of clarify, is it on the PAT of the previous financial year or is it on the exit run rate? Reason being the Q4 numbers were much better. So if this guidance is on the Q4 numbers, then obviously the PAT number would be much higher next year.
- Vinay Gupta:** Full financial year.
- Manish:** Yes, yes, understood. Yes. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Akhilesh Kumar, an Individual Investor. Please go ahead.
- Akhilesh Kumar:** Okay. I wanted to know, like, earlier quarter you gave me the breakup of top sectors where you are active right now, and how in this quarter you are expecting them to perform, which is the like earlier I think construction was the top most. Can you elaborate little bit on that?
- Vinay Gupta:** So today also the construction industry continues to be our number one in terms of the industry breakup. Number two, probably would be automotive.
- Akhilesh Kumar:** And in mobile, I think you started, how they are in percentage wise?
- Vinay Gupta:** Mobile would be maybe around 2% of our AUM today.
- Akhilesh Kumar:** Okay. But in percentage wise, still the construction sector is the highest one, and maybe 30 you said last quarter?
- Vinay Gupta:** Around 35% you can say.
- Akhilesh Kumar:** Okay. You are not seeing any stress in any of the top sectors where you are active right now in this quarter because of these so many events happening?

- Vinay Gupta:** No, we are not seeing any stress as of today, but we are not ignoring the fact that there can be a potential stress due to ongoing geopolitical issue and we are engaging our borrowers, our anchors and we are vigilant.
- Akhilesh Kumar:** Okay. Because we were seeing reports about like say industries getting slowed down because of the availability of those fuel and gases and because maybe we are in steel as well, right?
- Vinay Gupta:** You are right, but if I may have a liberty to ask you a counter question. If imports of steel goes down, I think the domestic manufacturers tend to gain. So we are yet to see the impact on the domestic businesses, domestic manufacturers, domestic distributors. The impact will be positive, negative, neutral, we don't know. Things are evolving.
- Akhilesh Kumar:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you. There are no further questions at this time. I would now like to hand the conference over to the management for closing comments.
- Vinay Gupta:** Thank you so much. First of all, thank you Emkay team for organizing this conference. Really happy to have our investors on the earning call. As SG Finserve, as your NBFC, we continue to remain a conservative lender and that is our philosophy. That is why our guidance on NPAs continues to be nil. We would want to operate, keeping fingers crossed, without incurring any delinquency.
- However, on the business momentum, we will continue to grow. The incremental equity we raised in Q4, going to benefit us to maintain this momentum in Q1 and in subsequent quarters. On a medium to long term, our AUM growth guidance is 25% to 30%. But if I were to dissect it between FY'27 and years further, I think 35% to 40% is the guidance which we are aspiring to achieve as a growth in FY'27.
- On Profitability, we shall operate with return on asset of 4.5% to 5% kind of a range, with return on equity of 14% to 16% kind of a range, and cost to income between 13% to 17%.
- Thank you everyone. We look forward to interacting with you again in the Q1 result conference.
- Jai Hind.
- Moderator:** Thank you, sir. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.