



Ref: SSFL/Stock Exchange/2025-26/011

April 29, 2025

To
BSE Limited,
Department of Corporate Services
P. J. Towers, 25th Floor,
Dalal Street,
Mumbai - 400001

To
National Stock Exchange of India Limited,
Listing Department
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (E)
Mumbai - 400051

Scrip Code: 542759

Symbol: SPANDANA

Dear Sir/Madam,

Subject: Transcript of conference call held on Wednesday, April 23, 2025.

Ref: Company letter ref no.: SSFL/Stock Exchange/2025-26/008

In furtherance to our above-mentioned letter, please find enclosed herewith a transcript of the conference call held on Wednesday, April 23, 2025.

The aforesaid information shall also be made available on the website of the Company at www.spandanasploority.com.

Kindly take the same on record.

Thanking you.

Yours sincerely,
For Spandana Sphoority Financial Limited

Vinay Prakash Tripathi
Company Secretary

Encl: As Above

Spandana Sphoority Financial Limited

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“Spandana Sphoorty Financial Limited
Update Conference Call”
April 23, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on April 23, 2025 will prevail.”



**MANAGEMENT: MR. SHALABH SAXENA – SPANDANA SPHOORTY
FINANCIAL LIMITED
MR. ASHISH DAMANI – INTERIM CEO, PRESIDENT
AND CHIEF FINANCIAL OFFICER – SPANDANA
SPHOORTY FINANCIAL LIMITED
SGA-STRATEGIC GROWTH ADVISORS – SPANDANA
SPHOORTY FINANCIAL LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to Spandana Sphoorty Financial Limited Update Conference Call. This conference call may contain forward looking statements about the company which are based on belief, opinion, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 the conference call, please signal an operator by pressing star then zero on a touch tone phone. I now hand the conference over to Mr. Shalabh Saxena, MD and CEO. Thank you and over to you sir.

Shalabh Saxena:

Thank you very much Yusuf. Good evening to all of you. Thank you for joining the call. This will be a relatively short call because the reasons are very well pertaining to the announcement that has been made today.

So let me get straight to the point before I just cover very, very briefly and at a high level what is happening in the industry and how are we, as Spandana, probably are in the right space and the right zone to kind of capitalize on the opportunity that always existed as far as the industry is concerned. Many of you have reached out to me personally, so I am just kind of answering all minus the names of who asked what and as always available to take calls after this in terms of any more explanation that needs to be done.

So firstly this was not sudden. it is a very personal call. I have been contemplating this for almost about six, seven months. At that point in time, I thought it was not appropriate to kind of move on at that stage. This was around August, September. So hence at that point I thought that maybe once the market is a bit stable, you can take a call and once you know that things are at a level where you can then depart with a reasonable confidence that the market is on the up and the industry is improving.

So that was the time I was waiting for. Finally around December, January, things started improving. March was very good and likewise April seems to be holding. So with the year over, obviously I was engaged with the stakeholders in terms of this decision of mine.

At a point in time around, closer to the date that we are in is when I thought, it is the right time because the year was over and as we step into the new year, with the industry and the market stabilizing to a large extent, I thought that, this is the time when I kind of, make my next move. So this was the reason, so not sudden, obviously thought through and, have been in discussion with stakeholders, and that is the answer to the first point.

On the industry, obviously we are very near to our results, so hence, covered under UPSI and hence I will be very thematic. Industry did see a very rough year for the last full year, give or take, somebody who was impacted more, other companies which were impacted less, but as an industry, obviously, it was a year which kind of taught us a lot of lessons in terms of group

behavior, in terms of employee behavior, in terms of, how to lend, what are the credit decisioning points, so on and so forth.

So good to see that, we at Spandana, we have kind of taken all the inputs of the learnings of the last 12-13 months and, we are proceeding towards credit decisioning model, which is apart from the JLG, obviously, JLG remains the core of our model, but this lending in MFI has to move the next level, which is more data driven, more customized at an individual level and not really, one size fits all. Having said which, the soul of the model will continue and should continue to be the JLG model.

So December, just repeating it the second time around, December was good, January held up, February was almost flat as January, March, was really good, it went up and April, May onwards, I think, we should see the trend continuing. So Spandana and industry, both, I think, are on the up as far as the trajectory is concerned.

Apart from that, we continue with our plans on the equity raise. We are on track, we got the shareholder approval on the 2nd of March and once we come up with the results, we will be on course to raising the INR500 crores to INR750 crores of fresh capital that we had planned. It is a confidence capital.

As a company, we are at 36%-37% CRAR, so it is not the balance sheet pressure which is driving this move. It is more a confidence capital for the larger ecosystem in which we operate. I just wanted to kind of give that information to all of you.

And lastly, as you would have seen, Ashish takes over from me as an interim CEO. Ashish has been an old hat in this, has been in microfinance since ages. He has been in probably 23 years is what I recollect, that he has been around in microfinance, has seen everything from, 2011 Andhra to demonetization to the various localized crisis that have come.

So, apart from that, I have been working with Ashish now for more than 7 years. I know him very well and I thought he is the best person suited to kind of take over this role. Although this is interim, but the next steps will follow soon. But at this point in time, in his interim role, the advantage with him is that he knows the people, he knows the company, he knows the industry, and both of us joined this company slightly over 3 years back.

So, we understand the nuts and bolts of how the leavers work here in the institution. So, the replacement couldn't have been better, even though it is interim at this point in time. But I'm just kind of clarifying that the next steps will follow. But we as a company feel that or at least I as an individual feel that, and hence going back this was the time that I thought, I'll make my next move.

I am here. I'll personally hand hold the entire hand over process in terms of people, in terms of processes, in terms of activities, in terms of distribution, in terms of P&L, in terms of quality, etc. And over the notice period, I do think that, we'll be able to have a very smooth transition across. So, this is where I have seen the names, who have joined the call.

Thank you for all the support that you've given to me individually and to the institution over the past 3 years. I look forward to your continued support and I'll definitely be in touch. So, that's the end of my narrative, -- we'll take a couple of questions, because this is very thematic call. We'll avoid all the specifics on the numbers, etc. Yusuf, if you can take over.

Moderator: Yes, sir. We will now begin the question and answer session. First question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Yes, hi. Thank you for the call. I don't know if you would want to answer this, but would you remain part of this industry only or would that be the plan?

Shalabh Saxena: Great question, Mahrukh. And you know the answer, right? Anything else you have to ask outside of this?

Mahrukh Adajania: No, this is the main. Of course, everyone would like to know on collection efficiency, but I guess that will be discussed during the results for April. But I guess you would want to wait for the results to discuss it.

Shalabh Saxena: Yes, but thematically, all I can say is, and I mentioned this twice in my narrative. Things are looking up and all the guardrails 2 also are very firmly implemented across the industry. Many companies implemented this much in advance. See for this, there are two factors which are very critical for this industry to thrive.

The first is there has to be a perceptible change in the customer behaviour. And correspondingly, it's a tail event, which is the employee behavior. So and we have seen customers returning back to the center meetings. We have seen a lot of change in their attitude because there is a change in the environment. So, I think my guess is a quarter, quarter, and a half, I think all of us, the entire industry should be in a good shape, Mahrukh.

Mahrukh Adajania: Got it. And it does look kind of sustainable right now, because...

Shalabh Saxena: Yes, because now, Mahrukh, we are back to pre-March '22 three lenders. And then it is the risk appetite of every company. But broadly speaking, I think the days of bravery, if I may use that word, one has to be very selective in which customer you choose and how much to lend and what is the tenure of the loan. These are the three critical factors which will go.

And as I mentioned, a lot will play out in terms of how you choose the customer. And her credit data, her transaction data, her banking data, and the behavioural aspects will have to combine to come up with a decision matrix. So that's my personal take on this whole industry. And I think every company, give or take here and there, is aligned to it. So that's the change in the system and it should remain sustainable.

Moderator: Next question is from the line of Abhijit Tibrewal from Motilal Oswal.



Abhijit Tibrewal:

Just two questions. Shalabh, so you said, I mean, guardrails 2.0 have been implemented. MFI industry is back to pre-March 2022. Within one to two quarters, the industry should start looking in a very good shape. Just trying to understand this implementation of guardrails 2.0, right, was also one event which was being watched very closely.

I know very early days, but are you seeing any impact of these guardrails today? Because as you'll also acknowledge, whatever we saw during the last 9 to 12 months, part of it was also because of the implementation of guardrails 1.0. So anything qualitatively to comment on?

Shalabh Saxena:

Yes, Abhijit. So, to the last part of your comment, my answer is yes and no. Because guardrail 1, when it was implemented, companies took their time to get the tech stack aligned to the requirement. So that took some time. Guardrail 2.0 was an improvisation on the stack one. So, while it was implemented in July, but companies once their technology was ready, it is only when it was implemented, which was maybe August, September, October.

So my theory is very counter intuitive and it is rather very different from what one would believe it should have happened, yes, people generally slowed down irrespective of guardrail 1 or 2. Disbursements were far and few. So the money in circulation was a problem. And hence, the issue started, not because of guardrail 1 or 2. That's number one.

Number two, my guess, and once again, purely you can hold me to it, but my guess is that guardrail 1, once it was implemented by everybody, that led to the improvement or the slightly upward movement on collection efficiencies in December and January. That's my theory. I don't know about the others.

So my take is that guardrail 2.0 will further improvise on the credit quality and not the other way around, because the money circulation or the paucity of money in circulation, etcetera, all of that is now behind us. Customers know that you can't go beyond three lenders, and then there are other criteria that are stipulated. So they understand this, the 10%, 15%, 17% customers who had gone on a borrowing spree, obviously, they are now sequencing.

And that is one more thing I would want to say, Abhijit. They are sequencing or prioritizing their payments, which is that if there are two companies they have a loan with, somewhere in one company, A, they have five installments pending for the entire loan to be completed. And the other company, they have a 10 or a 15, they would first want to dispose of the chhota wala loan, so that they are kind of at least one lender down on their books.

So all of these things are going to have a positive impact, because while you will see flows in companies, but then the recoveries have considerably improved, at least in our case, for sure. So, the customers know two things. One is you can't be more than three. And two is if I am beyond 60. Now, 60 is a guardrail criteria. Different companies have implemented much stricter criteria.

So if I am more than 60 anywhere, I will not get a fresh loan. If I have borrowed from more than three lenders, I'm not going to get it. So this is only going to rub off positively, Abhijit, in my



view. And that's the reason why we saw some uptick in December, January, February, continuing until March. This is my theory, we should see better times in the coming months.

Abhijit Tibrewal:

Got it, sir. This is useful. And, sir, just one last thing. I did join about three, four minutes late, so I couldn't really hear the reason why you're moving on while the press release says it is because of opportunities outside the company. So congratulations to you on that.

But just trying to understand in your opening remarks a couple of times, I mean, you referred to Ashish sir, and you said, he's been around for very long, you two have worked together, and twice you emphasized this is an interim CEO role.

Just trying to understand how is the Board thinking about this development? Are they going to be looking for a new CEO? Or is there also a chance that the interim CEO role will become a full-time CEO role?

Shalabh Saxena:

All of that is in the works, Abhijit. The Board is behind the company. Individuals in the larger scheme of things don't matter. The Board is behind the company and that is why the fresh equity of INR500 crores to INR750 crores. The Board is behind us because they respect the decisions that the employees take in the larger interest of both the organization as well as the individual.

So I think we could not have got a better supportive Board. Last year was not the greatest of times as far as the industry is concerned and Spandana. I think the good times are coming is how I believe it - quarter here and there. As far as the Board is concerned, it's been a pleasure working with them.

Moderator:

Thank you. Next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta:

Hi, good evening, Shalabh and Ashish. This question is from Spandana's perspective. Since your resignation was in discussion with the Board over the past five, six months, why couldn't we have a situation wherein your exit and the announcement of the new CEO would have got announced on the same day?

I mean, since the development was being discussed, I'm sure the Board would have started already actively looking out for a CEO. So are we in a very close proximity from a time-wise perspective of finalizing a new candidate or appointing a new candidate as a new MD and CEO? That's question number one.

And second is, while you -- post the notice period when you exit, is there any no poach contract or agreement for you that you cannot pull some of the senior employees of Spandana wherever you join in the same industry?

Shalabh Saxena:

Yes, so, see, there's non-poach, etcetera. I'm not sure. The answer is no. There is no non-poach. But then you have an unwritten rule man-to-man. So that is how it works. On your, first question of how could, from an announcement point of view, I will repeat what I spoke to Abhijit Rajiv,



which is -- this is still in the works and too premature to kind of, you know, come up with any answer. So, at this point in time, I'll leave it at that.

Moderator: Thank you. Next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Hi, team. Just one question. On the confidence capital part, has it been decided what format this phrase will happen, whether it will be a QIP or a PREF issue, rights issue?

Shalabh Saxena: Yes, so we are, closer to our results date we are still in evaluating the various options that are available. And we will come up with an approach once we have kind of stitched the entire, model. So, nothing concrete at this point in time, Ashlesh. All options are open.

Moderator: Next question is from the line of Pranav Gupta from Aionios Alpha Investment Managers.

Pranav Gupta: Hi Shalabh and team. Just you answered some of the questions, but just a little more color on some of those would be of great help. Obviously, this move sort of, at least for the outsider seems sort of surprising. So, I mean, would you sort of cite any particular issues that you sort of encountered? And if yes, what sort of, what is your comment on that?

Shalabh Saxena: So, Pranav, I do not know if you were there in the beginning of my commentary. I had said that I have been contemplating and in discussion with the various stakeholders for quite some time. So, it is not something that has happened overnight. So that is where we have to leave it. And once something concrete emerges we will definitely get in touch.

Pranav Gupta: Sure, absolutely. No, I missed that part. So, sorry for the repetition. The second question was, you know, in your earlier commentary, you sort of mentioned that borrowers are sort of prioritizing smaller loans, closing out loans. Obviously, the intention seems to be clear where they want to reduce the number of lenders exposure. But customers coming back, is this a function of a, obviously, credit sort of becoming more and more difficult for them to get?

Or is it more of just a mean reversion? how should one think of that? Is it just mainly driven by the tightening or something else?

Shalabh Saxena: So, very clearly, you are a microfinance environment respects discipline, both from the enterprise side and from the customer side. The discipline is in terms of how you operate the model and the discipline is in terms of the financial borrowing, which is both the extent to what you borrow and the way you repay. So, these are the triumvirates, which you have to kind of, ensure everything, all the parts move well for everybody, both the customer and the enterprise to be benefited.

Now, first of all, we have to understand that, this is a good option for her, because this is last mile delivery at her environment, near her house and with people who she can relate with. So, she need not go out, step out into a bank, branch or whatever. And these are reasonably priced loans.

So, for her, this is a good option. The other options are obviously the money lenders and the informal sector, which obviously is not the right choice. Given this, it is imperative that she kind of disciplines herself and at the same time, responsibility from an enterprise point of view is to ensure that you run a very organized and, very structured field force, which kind of caters to the operational demands of this model.

To your point, Pranav, it is not the extent of borrowing, the guardrails while it has the extent of borrowing, but the larger problem is the number of lenders. So, there are, if you do enough and more data analysis this has more to do with the -- so there is a very clear correlation between the number of lenders and the quality of the profile.

So, the moment you restrict at an industry level to not more than three lenders, that is a good step and then there are the household incomes and the overall indebtedness of a microfinance, also criteria is built into that. The tenure is something that is not built into it, that is the risk appetite of individual companies, but that is a key factor in my view, the shorter the tenure, the slight advantage because our loan runs so fast.

The longer the tenure, obviously you are vulnerable to what happens in the environment over a longer tenure. So, she is aware that this is a good opportunity and an option. So, a disciplined approach works well for her as well as the company. So, it is more sequential in terms of the number of lenders and the shorter tenure that I referred to was, if she has loans from two companies, if 5 installments are pending in one and 10 in the other, she will be better off finishing the 5, that is how she thinks.

And in case she is short on funds and has to square off the liability for only one, she would prefer to go for the shorter ones because that will reduce her lender count, that is what I meant. Sorry, long answer, but I hope I clarified.

Pranav Gupta:

No, sir, absolutely clear. So, just one last question in terms of the more medium term growth outlook. I mean, if you look at whatever norms have been implemented and obviously with the three lender cap now coming in, logically, obviously, I mean, not just you, but the ecosystem as a whole would sort of be focused on more of the growth coming from customer acquisition than maybe a ticket size increase or obviously number of lenders increasing.

Do we then settle down at a number which is, I mean, at an industry level, which is probably lower or probably significantly lower than where we sort of were before, not just this crisis, but probably even the COVID crisis sort of hit?

Shalabh Saxena:

Yes. So I don't know what is a lower and what is a significant lower, but I would say that growth trajectory should build up in H2 run up, number one. Number two is, yes, the 30%, 40% days might not come soon. I am not getting into whether it is right or wrong, but I am saying might not come soon. Industry has shrunk, but otherwise until about a couple of quarters back, it was 4 trillion more than 4.2 trillion industry.



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Even if you take a 5%, 6% of inflation plus another 15%, 17%, at 20%, 15% to 20% growth rate, if this industry gets for the next two, three years on the base that we are talking about, it would be a reasonable number for everybody, for the customers to have met their demands and for the companies to have met their AOP plans. So, that is my take on this.

Pranav Gupta: Understood, sir. Thank you so much and good luck for the future.

Shalabh Saxena: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Shalabh Saxena: Thanks to all of you for joining this call and for all those who could not reach out, welcome to kind of speak one-on-one. You can reach out to me or Ashish to kind of have a chat on any issue that you would want to know of the industry or related to the industry. Thank you for all the support and looking forward to speaking and talking and meeting you. Thank you very much.

Moderator: Thank you. On behalf of Spandana Sphoorty Financial Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.