"Sammaan Capital Limited

Q1 FY27 Earnings Conference Call"

August 13, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to Sammaan Capital Limited Q1 and FY27 Earnings Conference Call hosted by MUFG Intime. 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 conference is being recorded.

I now hand the conference over to Mr. Aryan Sumra from MUFG Intime. Thank you, and over to you, sir.

Aryan Sumra: Thank you. Good evening, everyone. I welcome you all to the Q1 FY27 Earnings Conference Call for Sammaan Capital Limited. To discuss company's quarterly performance, we have with us Her Excellency, Dalia Khorshid, CEO, Avalora Holding; and Mr. Gagan Banga, MD and CEO; along with other senior members of the management team.

Before we proceed with the call, I would like to mention that some of the statements within today's call may be forward-looking and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website.

With that said, I would like to hand over the call to the management for the opening remarks. Thank you, and over to you.

Gagan Banga: Good day, everyone, and welcome to the quarter one fiscal '27 earnings call. This is the first quarter under the ownership of IHC that the company has executed on. The assets under management in line with our guidance have increased to INR56,239 crores. We've done disbursements of approximately INR3,875 crores. The capital adequacy is comfortable at 20.1%. Profits after tax, last quarter, we had done all the required adjustments, provisions, markdowns, etcetera.

From this quarter onwards, we start compounding journey, which should hopefully run across many, many years, so as the first building block of that, the quarter one profit after-tax is INR243 crores.

We had spoken about the fact that recoveries would continue to be an important earning support, so we had gross recoveries of INR424 crores. Net recoveries net of the provisions for the quarter of INR240 crores. And in normal course of business, the net NPA is now standard 0.15%.

The management has been focusing on four pillars. The most important pillar from a long-term perspective for effective execution is to have a very robust liability franchise for which credit ratings are the most important ingredient. The company saw domestic ratings upgrades from AA to AA+. International rating upgrades from B+ to BB-.

And through the second half of this year and financial year '28, we are fairly confident that we will move towards domestic AAA credit ratings and internationally, BB+ type of rating. Based on the support provided by IHC as a promoter as well as the strength of the balance sheet with the capital and the higher credit rating, the cost of funds are in the process of declining. We started at 10.5%, through the quarter, we have reached 10%, and we are hopeful -- which is stock cost of funds, and we are hopeful of going to 9.3% by the end of this year. By September, we are optimistic to get to 9.6%.

The incremental cost of fund is now down to about 9%. And we hope to make that further decline to by the end of the year at to 8.5%. And as the ratings continue to move up and eventually stabilize, we hope to hit the 7% range, 7%, 7.5%, 8% range over the course of the next 2 to 3 years.

Disbursals for the first half are planned at INR10,000 crores. First quarter was bang on target, and that will increase to INR20,000 crores in the second half. We've started widening the product segments that we operate in. We have been a monoline product company for many, many years. We've already started personal loans and loans against securities, we've also been working on building our credit platform with credit funds. So, on the NBFC, we've done the first transaction of that site.

I will talk about it in detail. And then we've also started buying portfolios to be able to do testing, which will help us then start executing directly on many other product segments.

In the second half of this year, with the app going live, the digital personal loans product will be live, with the branch expansion happening, we would also be in a position to start implementing our micro LAP loan strategy and the rural home loan strategy.

We would be building on the branch network to enable other products, which require a very robust physical presence on the ground, such as gold loans to start implementing that strategy by financial year '28.

The branch network at the end of the first half would be approximately 240 branches, which will increase to 270 branches. More importantly, we already cover 20 states with 23 master service centers. So, with the core already in play, large coverage across the country already in play. Now these master service centers have to compound the number of spokes that they have, which is a relatively easier task versus initiating a presence in certain states.

Manpower is increasing every day. New offers are being given. We started that process in April, May. So, by August-September, that would start touching a fairly robust number. In the meantime, not only are we focusing on increasing our feet on street and mid-management with the product segments increasing, we are also focused on the complexity management, which comes with many products, and the assurance functions which need to be beefed up for effective risk and compliance management.

So senior management personnel have been hired, mid-level hiring is happening, and the large number hiring is happening on feet on street for both sales, collections and credit processes. The third important area for the company is the entire tech landscape that we are covering, which largely focuses on building a digital- first strategy. The goal is to be able to service all of our individual and MSME customers via the app, irrespective of whether they do a complete journey, which can be done for a home loan very easily, versus using bits and parts of the journey through the app.

But what our endeavor will be that every product should be end-to-end deliverable on the app itself, and that's what we are focusing on. It should go live in the second half of this year. It would need to integrate a new CRM platform, which is being implemented via Salesforce and a new loan management system, as well as we need to manage a humongous amount of data. So, creating the necessary data lake and the data processing capabilities. All of that work is going on.

In order to be able to provide seamless service, seamless credit decisions, artificial intelligence is very important, and it is also very important for robust risk management. There are 53 use cases which are currently under implementation, of which about 60% of those would be implemented within the financial year itself.

Next half would be more about focusing on making the app more effective via customer service and then extending it to our DSAs. All in all, we are looking at our digital first and our AI adoption to help us do more cross-sell, to make sure that the loan life cycle management is done more effectively at a lower cost, and overall, make sure that risk management practices are institutionalized.

The fourth and the pillar which ensures that the profits that I spoke about and said that this is the first input into a multi-decade compounding journey, that entire compounding for it to be sustainable and continuous is based on governance. We are happy to welcome two IHC nominees, Mr. Alwyn Crasta, who is the Group CFO, and Her Excellency Dalia, who's also been kind enough to spare time to be on this call. They're both on the board.

The subject matter experts within the IHC group are also on our various board committees. There is a peer-to-peer exchange of information and guardrails being done across risk, tech, HR, marketing, finance, and all of those functions to continue to improve the assurance function.

The process of identifying a statutory auditor, next year, all of you are aware that the cycle of auditors would change. So, the process of identifying one of the big audit firms amongst the big five audit firms is well initiated and we hope to close that process proactively fairly quickly.

Similarly, in parallel, we are running with a process of finding a co-sourcing partner for strengthening our internal audit function. Again, amongst the top five audit firms in the country. That process we should be concluding within this quarter itself.

There is a lot of focus on assurance. Both the board members and the management are well aware of the benefit of sustainability that comes via appropriate assurance, and we are all working towards enabling the same.

Now, I'll elaborate on each of the four pillars that I spoke about. Starting with the liability franchise, as I said, that in our opinion is the most important pillar. What we are focusing on in the near term is rating upgrades and ensuring a decline in cost of funds. What we have achieved is one set of credit rating upgrades. What we are working on is by demonstrating our balance sheet strength, our enhanced operating scale, and ability to manage complexity, and supported by comfort from the IHC group, our journey towards AAA. I hope it's a short journey.

In order to give the right type of message to the market, we've already completed a $63 million buyback of our dollar bonds. Our dollar bonds are now trading at a premium to other comparable rated peers. I hope all of this put together will urge the rating agencies to support us by giving the necessary upgrades.

Numbers and this are probably the most important achievement of the quarter. At the time that IHC expressed its interest in becoming our promoter, the cost of funds were about 90 basis points higher to where they've landed up, in less than a year of the transaction first being announced, then receiving regulatory approvals and then getting funded.

That should, by the time we end this year, should have declined to 9.3%. As I mentioned earlier, there would be an annual decline of about 40 basis points to 90 basis points. Hopefully, we will get to below 8% over the course of the next three years.

For the quarter, the most important piece was we were able to negotiate with our lenders to reprice our existing borrowings, which affects the overall stock of borrowings, as well as on incremental borrowings get much lower spreads over the benchmark.

We've seen a return of the private and foreign banks, which had over the last few years not been supporting the company. They have been doing large underwritings for the company and large balance sheet exposures through quarter one. We've already become the third largest issuers amongst our AA+ peers, and hopefully we should come to the top of that list by the end of this year itself.

From a third-party point of view, which I don't need to view, all of you can look at the screen or various disclosures and come to the same conclusion yourself. The secondary yields have rerated both for domestic and international bonds, which then by themselves imply a lower incremental borrowing cost.

The borrower base is now going beyond just domestic banks to include foreign banks. Within domestic banks, private banks have come back, and domestic institutions have come back to participate in our bond borrowing program. All in all, this is a unique tailwind that we have. Interest rates are flattish to slightly going up for most of our peers.

While on absolute value, we are still paying much higher rates. On a relative percentage basis, our cost of funds, are declining, which is a unique tailwind that we have, which will help us support our earning trajectory over the next few quarters.

Assets and the growth of assets is something, which is obviously the most important deliverable from a stakeholder perspective, while liabilities are a key input to that. To have a well-diversified, sustainable asset strategy which operates within relevant guardrails and yet produces a sustainable return on asset and net interest margins is something that determines whether an NBFC is successful or not.

To that end, we have disbursed approximately INR3,900 crores in quarter one across five different products to approximately 12,000 new customers. All of these disbursements are happening within defined risk guardrails. So, we have moved on from simply doing portfolio management, which we had been doing for the past many years, to finally getting on to driving growth.

Adding new products, new customers, truly benefiting from the flexibility of being able to pursue any and every asset class which our license as an NBFC ICC provides to us. We are not restricted or tied down to being just a mortgage lender. So, we move on from portfolio management to growth. This is the first quarter to do that, and I am very glad with what we have been able to achieve.

We are looking at this year, the first year of IHC as a promoter, as a year to stabilize, put together the building blocks for sustainable growth by just Sammaan Capital, and then we will start exploring various options, which will determine whether we build or buy. Inorganic growth will be on the table from next financial year.

Product expansion is something which is right up there. That is the strategy. How do we get from 5 to 10 to 15 products? The best-in-class NBFCs have as much as 20 products. So that is clearly a path that they are showing to us, which is sustainable, and we would like to pursue that. We are anchoring our expansion this financial year in mortgages because that is something that we know we have been doing.

But in terms of both testing and scaling up products, we would look at digital personal loans as an important asset class. Similarly, in the years to come, both micro LAP loans and rural home loans will become part of our mainstay in terms of would be amongst the assets which will be contributing about two-thirds to three-fourths of the disbursement.

By fiscal 2028, the network would also be ready to be able to physically deliver gold loans, digitally deliver two-wheeler loans, and also integrate with various e-commerce marketplaces to be able to do buy now, pay later type of facilities. So that is something, that by end of next year should be fully functional. And then cross-selling to our rural borrowers would begin between fiscal 2029 and 2030. So, all of these are areas which are work in progress, either digitally or physically or both. And month on month, we will continue to add to the product suite.

The digital-first or the app-first product is what is driving the overall strategy. We are working to ensure that each and every product of ours focused on the retail and MSME product goes live on the app, and digital fulfillment is something that we would want to make sure is done for every customer. The products that we cater to today, which is home loans and LAP, are already live on the app, but we have to make sure that every other product is also live on the app as and when we formally launch the product.

That said, it is a phased growth. This year is a year of investments in physical infrastructure, in people, and in determining the guardrails within which we want to operate. And the understanding within the management team is that we have to balance growth with yield and risk while staying in the near term, mortgage-focused, but spending a lot of our bandwidth in making sure that a large amount of our disbursements in due course of time is also coming from non-mortgage opportunities.

In this, a very unique strength that we have is the fact that we are already physically present in 20 states of the country, covering practically 100% of the lendable or scaled lendable opportunity within the country. We have 23 master service centers, which are reasonably sized offices with credit resources who have been around and understand risk and credit both and have seen cycles.

And both the personnel as well as the branch would act as the hub to make sure that the spoke that we create for a single product or multiproduct is effective very quickly and is able to scale up very quickly. It is a phygital model both for the customer as well as for our internal journey of approving the credit. And one is very confident to be able to deliver and get to an 800 type of branch network by end of next year.

People are obviously very important. As I spoke briefly earlier, there is an investment around increasing the capacity and the capability of the senior management personnel. So, a lot of investment of time and resources is going on in that. It's not a very quick process to end, especially at the SMP level, and you will start getting stock exchange intimations from us towards the end of the quarter, going into next quarter.

The mid-level and the ground level hiring is going on. It takes about between offer to joining, it takes about 90 to 120 days. We are about 60 to 90 days in that process. Over the course of the next 2 months, you would also visibly start seeing a big change in the number of people that we are. August being the first month, we are almost halfway through August, and I am extremely happy to see the joining which are happening on a daily basis.

The third, for future competitiveness. So, we spoke about sustained competitiveness coming from the liability franchise, growth being delivered from a focus on assets, and widening of assets, deepening of assets. Sustained competitiveness would certainly come from our smooth evolution of the digital footprint, as well as AI adoption, and focusing that our growth is all data driven.

To that end, a variety of initiatives to set up the foundations of any type of a digital platform starting from a CRM platform to just processing capability or storage capability is going on. We are also investing in data sciences and getting the right people, the smart people who understand this and have done this at scale in e-commerce companies as well as fintech companies to be supporting us.

And the process of integrating with market participants has also started. There is a large buy opportunity in this. At this time the bias is towards build, such that we can effectively also have the evaluation skill sets if in fiscal '28 there is a buy opportunity to present itself.

AI is a critical area of focus as well as success evaluation. To which end I believe that about 66% of the use cases identified right now are put in motion. Risk management since we are looking at sustained but fairly high growth is the most important and therefore half of the initiatives are just around risk and compliance.

Again, the assurance function is the fourth leg that I spoke about, to which not only is tech playing a key role, but integration with our promoter group is also happening. They have stepped into the board. The board would continue to evolve in the months to come.

But there is a functional oversight and a function-to-function integration which is happening across finance, information technology, and artificial intelligence, risk, human resources, data sciences and marketing.

There is a financial consolidation which is also happening for the past four months and every day we are learning about the unique strengths of our promoter and we feel that this is providing a very good base for us to continue to progress.

This quarter we disbursed almost INR3,900 crores. About INR664 crores was disbursed for home loans, about INR2,000 crores for loans against property. We did one deal with a large Asia-based credit fund in which we took 20% and they took 80% of this INR840 crores and we will continue to make a management fee on their portion also.

So that's something which has been put into motion and I'm very glad that it has happened quickly. We've started doing unsecured lending, both internally as well as portfolio buyouts, small numbers, but approximately INR100 crores.

And the loans against securities product which targets high net worth individuals continues to roll, works between listed and unlisted securities is again small at INR262 crores, but these are important initiatives which will allow us to understand these product categories and in due course of time these would become all multi INR1,000 crores products on a standalone basis.

But we will do it steadily within the guardrails and within the operating number targets that we have set for ourselves. 97% of the disbursements were around secured loans. And 97% of the AUM is also secured. So, for many years to come, that would continue to be a moat of the company that our balance sheet is largely backed by secured assets.

All in all, I would say that it has been a very satisfying quarter for me. We had many wins. That said, we are a AA+ company. We fully understand that there are 14 AAA companies that we are competing with in due course of time. There are about five, six other AA+ companies which are relevant.

We are in the pack of 20. But we are fairly confident that there is enough headroom out there, for us to be able to navigate ourselves to the top. Often it is very important to understand what your current position is and where you can go. We used to be the eighth largest. Currently we are the 15th largest, fairly confident that we will be in the top five in the next few years.

Capital has come, which reduces the distraction for the management team. We are uniquely placed with earning power of approximately INR53,000 crores of assets. But we are a young company, a new company, which is starting to disburse with a starting number of INR4,000 crores, in approximately INR4,000 crores in the first quarter of disbursements.

No startup can do that. We probably disbursed as much as many NBFCs have as assets under management. And this growth and earning power is backed by two very important tailwinds that we have. Both of which have come through and will continue to come through in every quarter. And I will continue to talk about it in a very underlined sort of manner.

One is a reducing cost of funds, which is being witnessed. It is also being witnessed on the P&L. And the other is recoveries. So, when we had done the balance sheet adjustments of last quarter there was a lot of skepticism. And this quarter I hope that that skepticism is put to end. We have returned a quarter of healthy recoveries.

We will continue with that trend. I'm almost in the middle of quarter two and I can confirm to you that disbursements are bang on to achieve the INR10,000 crores of disbursements in the first half. Recoveries, we will exceed the projections that we have made internally, for the profit projections that we have made to all of you. This I can say with 100% of confidence.

Why I can say this for both disbursements and recoveries is because we have a trusted team. We have people who have been with us for a long time. We understand that talent needs to be continuously added. Times keep moving, whether it is assets or liabilities or tech or risk, everything is evolving on a daily basis.

And to that end we are happy to add talent. We are welcoming people into the company. We will soon start welcoming people into the senior management team. And I'm very glad that we will be having this addition of talent.

The branch network is again something that is not a mystery for us to solve, as to how do we go find the right branch or create the necessary infrastructure. We have people on the ground in 20 states who, for them, who are already operating in approximately 10 cities per state. Now, for them to make that 20 cities per state is relatively easy, and 20 becoming 30 is even more easier. So, this branch network and the hub-and-spoke that we already have is a key strength for us.

The tech stack, in that we don't have some sort of a legacy tech stack. There are several legacy issues which are relatively easier to solve. But ask any practitioner who runs a business at scale, a legacy tech stack is amongst the most difficult problems to solve. We are not burdened with that and we are continuing to work on not only refreshing our tech stack, but building a completely new tech stack because we were not doing a lot of things, like we did not have digital loans and so on.

The other unique power that we have is of security receipts. We did a large sale to ARCs last quarter. We've been doing large sales to ARCs since financial year 2023. Of what we sold in financial year 2023, today, we've already recovered 99%. Of what we sold in financial year 2024, we've recovered 95%.

We've come to realize that this is the most effective resolution mechanism, and this would continue to contribute to not only reduce the opening security receipts stock but also enhance our recovery process. So, this is, again, an initiative that we took. We outsourced a large part of our recovery process, and that is continuing to work well. We will continue over the quarters to come to use this thing.

Fortunately, we already have the buffers in place, we've already marked down assets and so on. So, don't worry, there is no P&L pain which is going to come, but all I'm saying is that the success in resolution, 99%, 95% in a couple of years. For the last four years, if I have to look at, we've already collected 61%, whereas the industry has done about 40%. So, it will be a tool that we will effectively use to reduce our burden as management, yet get the monies back for us.

The disbursement is something which is of high priority. Rating trajectory is something which is being supported by how we are disbursing, how the balance sheet is, and the comfort that IHC is by active participation with the management, actively participating in meetings with rating agencies and other stakeholders is supporting the company. I'm thankful to IHC for that.

And all-in-all, I think the opportunity is huge, the opportunity is sustainable, and we are fully focused on the opportunity. Someone very knowledgeable told me, "Gagan, you have been a good general in wartime. Now the test is, will you be a good general in peacetime?" That surely is a challenge for me, and I am all up for the challenge with my team.

Thank you, and we are now ready for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Hi. Thanks for the opportunity and congrats on the results, sir. Am I audible?

Management: Yes, Raghav. Thank you. You are audible.

Raghav Garg: Okay, super. I have my first question, please. I see that you are targeting separately rating by the second half and I think 2, 3 years out you are eventually targeting 7.5% to 8% cost of funds. Once you have this in the bag, the lower funding cost, are you looking to be more price competitive from a customer acquisition point of view or will you retain the highest spreads? I am just trying to understand how are you thinking about your scalability going forward, whether you want to play on the price and then acquire customers or how do you see it? That is my first question.

Management: Sure, Raghav. Thanks for the question. Our strategy will ride on two strengths. One is a reduced cost of funds and the other is the asset-light model that we have. Just if you look at the last year, we had originated and sold down approximately INR7,000 crores of loans. That is a huge strength that we have and we will continue to ride on that as well as the balance sheet borrowings reduce, borrowing costs reduce, we will do that.

On the asset side, the strategy and how these two, so to say, borrowing inputs play out is that the universe of assets will start as low as 8.5%, will go as high as 20%-odd. So we will straddle the whole universe. Very clearly, anything which is below 9.5% would be originated, but originated to be ultimately sold down in a direct assignment model.

And above 9.5% we can slice and dice to see what we need to keep on our balance sheet and what we need to securitize. On a sustainable basis, at least if not more, 30% of what we originate, we will securitize. At least 60% to 70% of what we originate, we will keep as a backup that we can securitize it if we deem fit. It is not only that prime-prime assets of 8.5%, 9.5% get securitized. Loan against property assets of 11% to 12% also do.

Affordable loans of 12% to 13% also do. So, we will maintain a healthy mix of what we are securitizing, which is about 30%, what we can potentially securitize, which is another 30%. And via using our asset-light strategy, which will give us more origination and management fee for the low-yielding products and balance sheet spread for the slightly higher yielding products.

We hope that we will have a unique model where we are not just a prime-prime NBFC lender or a lender which is doing rural and micro products because they are pursuing a certain spread and a certain yield. We hope that with the people and the tech capacity that we have, this is a complex exercise, but we should have the capacity of being able to manage it.

Moderator: Thank you. Raghav, I'll request you to come back for a follow-up. Next question is from the line of Bhanu Chauhan from Barclays Group. Please go ahead.

Bhanu Chauhan: Thanks, Gagan, for the update. Given the expansion plans, how much upfront opex is this required and do we expect the cost to income to worsen before operating leverage kicks in? What would be the target cost to income at scale for the company going forward?

Management: So we have fairly ambitious expansion plans. opex as an absolute value will continue to increase. To offset that increase, we are looking at continuing to increase the fee income of the company. Maybe with a lag of a quarter or 2, but not more. Fee income which comes from these CRA type of assets in which we have a small participation, but we get big fee via a large amount of money being managed by someone else which we have -- sorry, being held on someone else's balance sheet which we have originated. That gives us big fee income.

I would think that by October or so, our direct assignment program, because there is a lag of six months, would also kick in, and that would give us a reasonable fee buffer. As the number of customers, that number expands, we will continue to see that additional income. I would imagine that this year we would be in the 50% type of cost-to-income range. From second half of next year, that will start declining. Hopefully by fiscal 2029, we will come to a 30% to 35% range.

Moderator: Thank you. Bhanu, I'll request you to come back for a follow-up. Next question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Yes. Hi, Gagan. Thank you for your presentation and congrats on going from strength to strength with the dispersals. I just had one question on the roughly INR3 billion that's targeted over the next 18 months. Do you see the breakup of these dispersals in a similar line to what we saw for the first quarter? Or what's your targeted breakup of the dispersals between the different asset classes that you have?

Management: No. It will not be the same. This year, about 75% of dispersals would still be mortgage-backed, 25% would be the new products, personal loans and other retail products, and the capital markets products that we will have. Of the 75%, two-thirds will be purely retail, one-third will be the wholesale AUM that we will create, of which we will keep about 20% on our balance sheet. So it would still be largely secured this year, about 90% secured, 10% unsecured, and by next year it will become 80% secured, 20% unsecured.

I would like that as we go forward from the current four, five boxes that we have defining our dispersals, that is one, two, three, four, five. This should, by the end of the year, increase to at least eight boxes explaining our dispersals. By the end of next year, expand to at least 15 boxes, even with small numbers explaining our dispersals.

Abhiram Iyer: Perfect. Thank you for the response. I'll get back in queue.

Management: Thank you Abhiram.

Moderator: Thank you. Next question is from the line of Vinit Agarwal from Bajaj Alternates. Please go ahead.

Vinit Agarwal: Yes. Thank you for the opportunity. Just one question. How active is IHC in product strategy, liability management, risk management, or underwriting processes? Will you be able to quantify any tangible benefits already realized from IHC's involvement, be in terms of business sourcing or technology partnership products? Thanks.

Management: Sure. I will start with that and, Her Excellency, if you believe you will have anything to add, please do, but I will just spend a minute to respond to that. IHC's support, if you ask me in terms of tangible benefits, we were AA rated, if we would have received amount of capital. If you guys may have noticed between calendar 2024 and early calendar 2025, we raised about the same amount of money that has come in rupees. We raised about INR5,500 crores then, and INR5,600 crores has come in.

The balance will come, or INR3,200 crores will come over the next year and a half. Nothing happened. Here, by IHC coming in, from a week to the first quarter, every rating that the company has moved up one to two notches, which is already saving the company 90 basis points on a borrowing program, which is roughly INR50,000 crores. So, we are already saving on an annualized basis about INR450 crores.

There can't be more tangible benefit. With another 70 basis points, nothing else is moving to happen between now and the rest of the year. 160 basis points on INR60,000 crores of borrowings by the end of the year, we are saving annually INR1,000 crores. That's $120 million, $130 million of annualized saving, which has already come in, and is getting played out on a daily basis.

The other very big benefit is the peer-to-peer integration, which is happening across functions. The kind of values that we are being able to get for the software deals that we are now ordering is roughly 30% to 50% of the costs that were coming to us earlier without the IHC group, because it is the IHC group, which is talking to the vendor, versus us as a standalone company talking to the vendor.

So, these are some of the very tangible benefits that I can say. The intangible benefits is this business is about people. The quality of people that I am being able to attract today at the very top, and you will see six to seven very interesting additions happening in the senior management team over the course of the next three to four months. Those guys would not have joined us had we been Sammaan Capital, a professionally managed company.

I mentioned in my remarks about being a peacetime general or a wartime general. The war would have continued had we not been a IHC group company. A lot of our adversaries have backed off because they know that we now have a very strong promoter who is supporting us, backing us and will back us to the hilt.

What is IHC? IHC has resources. It has the entire reach. It has all the capabilities that are required to build a big business. And we are benefiting from all of this. So very desirable, quantifiable, tangible and much larger intangible benefits which are coming through in the first 90 days to 120 days itself. Thank you.

Moderator: Thank you. Next question is from the line of Sanket from DAM Capital Advisors. Please go ahead.

Sanket: Yeah. So just wanted to check with Dalia ma'am that beyond lending, what's the larger India dream here? Do we want to start other lines of businesses within, say, financial ecosystem, maybe say two, three, four years hence? So apart from just the lending if we see your career ma'am, pretty illustrious career with great achievements also on the investment side, just wanted to know what's the larger dream for IHC, when it comes to Indian financial ecosystem?

Management: Yeah, Dalia unfortunately just dropped off. I will park this question. As soon as we know that she's come back in, we'll take this question and reprioritize the line. In case she is unable to join for any technical reason, I will answer that. Can we just for the moment park this and move to the next question, knowing fully well that we have to still answer it.

Moderator: Thank you, Next question is from the line of Niharika from CapGrow Capital. Please go ahead.

Niharika: Yeah. So, was just going through the guidance which has been given by the management over the next five years. Say, for example, ROE moving up from 6.8% to 18.7%. ROA from 1.8% to 8.1%. NIM from 3.5% to 8%. So, I believe that the targets are too ambitious. How confident are we on achieving this and what are the on ground things currently being done apart from the product launches that you mentioned?

Management: Yeah, so we're obviously confident which is why we mustered the courage to put it on in public domain and hold ourselves accountable to that. So we put it on 20th of May and you're asking us about it on 13th of August. Probably next year sometime in August someone will still ask us. So, we're confident.

Product launches is something which is one important part of this, but it hinges on the liability franchise I've spoken at length about broadening the base of lenders, new lender participation happening. I have spoken about, ratings upgrades. AA+ has already happened, next year AAA. Lowering cost of funds which will allow us to compete, continuing with our strength of asset light which will allow us to straddle from as low as 8.5% product to as high as a 20% product, choosing which one to keep on our balance sheet and which one to securitize.

The other key building block is tech. How do we make sure that our individual and MSME customer can both do the entire loan journey digitally as well as get serviced digitally. So ultimately we can get to our goal of a 30% to 35% cost to income while managing a few million customers. And all of this will happen only if we have a very focused governance model, which leans into a very stable assurance model, which sets the necessary guardrails, gives the flexibility to management but also keeps compliance and risk management right at the heart of the company.

So these are the other broad areas. If you go through the presentation of this quarter, each area has been elaborated and it has been fleshed out in terms of what exactly are we going to do through this financial year, which is the important one which will set the base and then all the targets will automatically start happening.

Thank you. I'll take one last question and then come back to the question of DAM. Sorry, her Excellency, are you logged in?

Moderator: Yes sir, we have ma'am's connection reconnected with us.

Management: Yes. I am.

Management: So from DAM Capital the question was that aside of the NBFC business, for IHC what are the other lines of businesses that you have especially given the fact that you have a very illustrious background of managing diverse type of investments. How would you personally as well as at an IHC level look to take advantage of the opportunities that India had aside of the lending business ? That was the question. If you can answer? Thank you.

Management: Okay. Thank you for the question. Honored to be here with all of you today on this investor call. First of all, we started managing so much with respect to different regions – lending and investment. Personally, I started off my career in the lending space as a corporate banker with Citi for almost like 13 years. So just after it I spent another 12 years with a large former with investments across Africa across EA, Europe as well APAC so we can -- at that time, I was the risk for matching all bets across industries in construction as well as fertilizers, cement and chemicals. After that, I became the Minister of Investments for Egypt. This was the time we were doing the economic reform, *[0:56:58: Due to technical issues, the audio was unclear at this point and could not be accurately transcribed]*

So, I was minister of Investment and for a time when we done the economic reform program with the investment policy as well as the privatization as well as the IPO program as well as setting up the sovereign wealth fund So this was a time where I managed all the investments.

Now we have as part of IHC, we've done a lot of investments that are related and not related to financial services. And all of them, they are in the fintech space and the private equity start-ups as well as large corporates, and they are across Africa, across Central and Eastern Europe as well as Southeast Asia.

So, there is a lot of opportunities that are open in front of us, and we are open for so much growth, both India, the big market and in the deep market and the IHC Group has so many wealth with respect to the industries that they have experience in from mining, from construction, from agriculture, SMB, data AI financial services.

So as far as we are concerned, the entire group is there behind us, and there is so much that we are open for and ready. And our investment in financial services to Sammaan is just a start and definitely with the digitalization as well as the AI and the tech transformation that we're working on that is going to be so much opportunities that are available that are all going to be explored within the target market as well as the risk acceptance create of the group. And accordingly, we'll be able to consider and get our growth from there.

Management: Dalia, their question was also about aside of lending, other financial services that you may expect or plan in due course of time for Sammaan to look at.

Management: Yeah, other than lending there is so many available as I said. I don't know if you've heard that. There is a lot of different forms. We are exploring the different forms of all the digital, the AI space, the fintech space, which all complements the lending and gets it all sold on a bundled base.

Management: Yes. So, to just continue with what Her Excellency said, this year is a year of stabilization of NBFC, of putting the building blocks together. From next year onwards, whether it is on the digital lending opportunity or any sort of cross-sell opportunity or to acquire a large number of customers as well as fee income is a very key part.

So, whatever are the other drivers of fee income, asset management, providing services to high net worth individuals, and all of that, everything is on the table. We will wait a little bit, we will focus on getting this right, on scaling this up and then all the opportunities would be evaluated under the group's variety of criteria of risk and returns and accordingly the decision would be taken.

Thank you, Dalia, for the response. Thank you so much.

Management: I just wanted to make a comment that Sammaan for us is a platform. And it's a growth platform. And there are huge plans for it to be able to operate and work as a platform. So, it's going to be a build up from there.

Management: Yes. Thank you, Dalia, I think we answered their question.

Mr. Moderator, we can take one last question.

Moderator: Thank you. Next question is from the line of Nilesh Sharma, from Monomer Capital. Please go ahead.

Nilesh Sharma: Thank you so much for the opportunity. Sir my simple question is what is the disbursement target for current and next financial year?

Management: So this year it is INR30,000 crores. And for next year is INR40,000 to INR50,000 crores. For the first half it is INR10,000 crores, second half it is INR20,000 crores, and somewhere between INR40,000 to INR50,000 crores for next financial year.

Thank you. Thank you everyone for sparing time and as always if there are any follow-on queries we are available to answer and look forward to speaking with you again next quarter. Thank you.

Moderator: Thank you very much. On behalf of MUFG Intime, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.