

Update on Loan Distribution Business

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Use of Operating Metrics

The operating metrics reported in this Presentation are calculated using internal Company data based on the activity of our merchants, consumers and other participants in our ecosystem. While these numbers are based on what we believe to be reasonable estimates of engagement, for the applicable period of measurement, there are inherent challenges in measuring usage across our large online, offline, in-store and mobile presence. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or may make adjustments to improve their accuracy, which can result in adjustments to previously disclosed metrics. In addition, our metrics will differ from estimates published by third parties due to differences in methodology.

We have converted financial amounts from ₹ millions into ₹ Cr and hence there could be some totaling anomalies in the numbers.

We have converted INR amounts to \$ amounts using an exchange Rate - \$1 = ₹ 83.33

Expanding Loan Distribution business by offering higher ticket loans



- Good demand seen in higher ticket (\$3,600-8,400) low risk Personal and Merchant Loans
- On back of recent macro development and regulatory guidance related to <\$600 loans, in consultation with our lending partners, we will reduce <\$600 loans and expand to higher ticket loans segment
- Merchant Loan is extended to MSME as a business loan and hence doesn't get impacted because of recent regulatory guidance
- Minimal or no impact on take rate for Personal Loan and Merchant Loan

Value of <\$600 loans as % of disbursements

	Postpaid	Personal Loan	Merchant Loan
Target Segment	Consumer	Consumer	Business
Q4 FY 2023	78% to 81%	7% to 9%	5% to 7%
Q1 FY 2024	75% to 78%	5% to 7%	3% to 5%
Q2 FY 2024	72% to 75%	3% to 5%	4% to 6%
Oct + Nov 2023	70% to 73%	3% to 5%	4% to 6%

Continue to build Loan Distribution business on the foundation of portfolio quality



Proactive risk calibration (since Q3 FY 2023) along with our lending partners, leading to better portfolio metrics

- Increased focus on cross-selling to existing loan users who have demonstrated good repayment behavior – this is now contributing more than 60% of new disbursements
- Sharpened cohort based strategy, especially in consumer loans
- Significant reduction of <\$600 Personal Loan since Q4 FY 2023, basis early insights
- Rationalised locations basis payment trends and broader industry portfolio performance with lenders
- Lenders risk models have increased risk weight for consumer leverage & number of loans
- Continuous bottom scraping of portfolio across all products

Indicative portfolio performance for our partners

	Postpaid	Personal Loan	Merchant Loan
Q3 FY 2023			
Bounce Rates	11% to 13%	11.5% to 12.5%	NA
Bucket 1 Resolution	81% to 83%	89% to 92%	84% to 87%
Recovery Rate Post 90+	25% to 27%	27% to 29%	31% to 33%
Expected credit loss (ECL)	1.1% to 1.3%	4.5% to 5.0%	5.0% to 5.5%
Q2 FY 2024			
Bounce Rates	9.5% to 10.75%	10.25% to 11.25%	NA
Bucket 1 Resolution	82% to 84%	88% to 92%	78% to 83%
Recovery Rate Post 90+	30% to 35%	27% to 29%	30% to 35%
Expected credit loss (ECL)	0.65% to 0.85%	4.5% to 5.0%	4.75% to 5.25%

Expanding Lending Partner base



- In Q3 FY2024, we launched high ticket Personal Loan and Merchant Loan in partnership with Banks and NBFCs with encouraging early trends
- Drive Merchant Loan growth as they are MSME loan contributors and has seen improved asset quality
- On back of recent macro development and regulatory guidance related to <\$600 loans, in consultation with our lending partners, we will reduce <\$600 loans
- Currently we have 7 NBFC partners for loan distribution and are in the process of integrating 1 large Bank and 2 large NBFCs, which would be completed during Q4 FY 2024 and Q1 FY 2025
- We now have 3 credit card partners and integration with one more bank is in process, with key focus on Rupay Credit cards



Summary



- Given the **strong portfolio performance** and widespread acceptance of loan distribution, we are **adding newer forms of loan offerings** with a focus on driving a healthy portfolio for lending partners
- Expanded offering to include **higher ticket** personal and merchant loans to **lower risk and high credit-worthy customers**
- On the back of **recent macro development and regulatory guidance**, in consultation with our lending partners, will **reduce less than \$600** loan distribution and **expand higher ticket** loan distribution
- **Expanding lending partner base**: in the process of integrating 1 large Bank and 2 large NBFCs, which would be completed in next two quarters