Management Discussion & Analysis

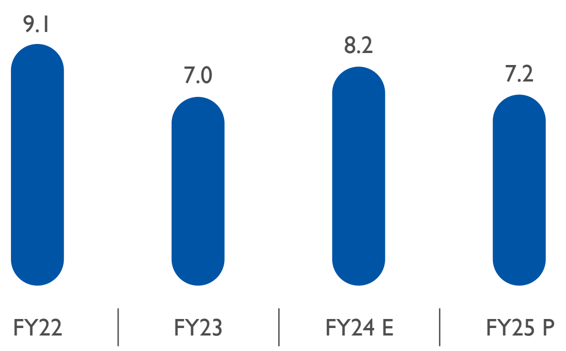
Macro Economy Overview

Global economic growth slowed down to 3.2% in 2023 from 3.5% in 2022, according to the International Monetary Fund report. The slowdown was led by restrictive monetary policy stance adopted by central banks globally to tame inflation, geopolitical tensions and sluggish recovery in China.

India maintained strong economic momentum despite a slowdown in global economic activity, with GDP growing at 8.2% in FY24, up from 7.0% the previous year, marking over 7% growth for three consecutive years. The high growth was driven by strong investment demand and increased government spending on infrastructure. The resilience and strength of the Indian economy, coupled with reforms implemented in recent years, have laid a strong foundation for sustaining a strong growth rate in the future. The Reserve Bank of India (RBI) expects Indian economy to grow by 7.2% in FY25.

Inflation moderated during FY24 from the combined impact of monetary tightening and easing of input cost pressures. CPI inflation declined to 5.4% during FY24 from 6.7% in the previous year, driven by the fall in core inflation (CPI excluding food and fuel) which declined to 4.3% from 6.1%. RBI projects inflation to decline to 4.5% in FY25. The Monetary Policy Committee maintained its stance on withdrawing accommodation by keeping the policy repo rate at 6.5% in FY24. This decision was aimed at bringing inflation down to the target level of 4%. With inflation on a downward trajectory and slowing growth, interest rates are expected to decline in FY25.

India's GDP Growth (%)



P: Projected, E: Estimated

Source: NSO estimates dated 31st May 2024

RBI (Reserve Bank of India) MPC (Monetary Policy Committee) report dated 7th June 2024

Industry Overview

Bank credit experienced robust growth in FY24, supported by a strong macroeconomic environment. Earning and asset quality improved for banks which helped them to maintain adequate capital buffers. Profitability ratios, return on assets (RoA) and return on equity (RoE) were close to decadal highs at 1.3% and 13.8%, respectively, while gross non-performing assets (GNPA) ratio and net non-performing assets (NNPA) ratios fell to multi-year lows of 2.8% and 0.6%, respectively. This helped banks maintain strong capital buffers. Capital to risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) ratio of banks stood at 16.8% and 13.9%, respectively, well above the regulatory minimum in March 2024.

Sectoral Distribution of Credit as of March 2024

Particulars	Credit Outstanding as of March 22, 2024 (In ₹ lakh crore)	Growth March 2024	Growth March 2023
I. Gross Bank Credit (II + III)	164.3	20.2%	15.0%
II. Non-Food Credit	164.1	20.2%	15.4%
III. Food Credit	0.2	16.0%	-63.8%
Priority Sector Lending			
Agriculture & Allied Activities 1	20.8	19.4%	15.1%
Micro and Small Enterprises 2	19.8	20.1%	15.1%
Medium Enterprises 3	4.9	15.8%	13.2%
Weaker Sections	16.5	16.7%	17.5%

Source: RBI

Notes:

1. Agriculture and Allied Activities under the priority sector also include priority sector lending certificates (PSLCs).
2. Micro and Small Enterprises under the priority sector include credit to micro and small enterprises in industry and services sectors and include PSLCs.
3. Medium Enterprises under the priority sector include credit to medium enterprises in industry and services sectors.

Gross bank credit offtake increased by 20.2% year-on-year (YoY) in FY24, up from 15.0% in FY23. Robust expansion in bank credit was led by services, agriculture, retail and MSME sectors.

The priority sectors of Agriculture and allied activities and Micro and Small Enterprises saw 19.4% and 20.1% growth respectively in FY24. Growth in bank credit to NBFCs slowed to 15.3% in FY24 after reporting strong 29.9% growth in FY23.

Indian Non-Banking Financial Companies (NBFC) Sector Review

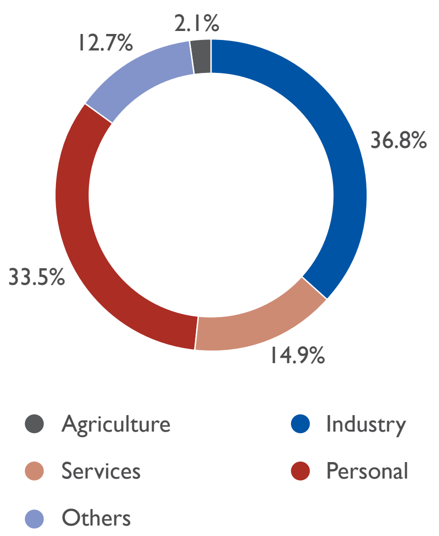
NBFCs play a pivotal role in financial inclusion by supporting the growth of numerous Micro Small and Medium Enterprises (MSMEs) and self-employed individuals. The NBFCs excel in catering to diverse borrower needs swiftly and efficiently, leveraging their extensive geographical reach, deep understanding of financial requirements, and rapid processing times.

The NBFC sector has witnessed significant growth, marked by the emergence of numerous players with varied business models. In recent years, there has been a transformative shift in India's financial services landscape, driven by increased adoption of neo-banking, digital authentication, the popularity of UPI, and widespread mobile phone usage coupled with mobile internet access. These factors have streamlined financial services, particularly in the realm of credit, making them more accessible and adaptable to diverse consumer needs.

NBFCs maintained robust credit growth in FY24, although it witnessed some moderation in the second half of the year. The pace of growth in advances by NBFCs moderated during the second half of the year due to regulatory requirements mandating higher risk weights on NBFC lending to certain categories of consumer credit and bank lending to NBFCs. Consequently, bank lending to NBFCs declined incrementally during this period, while the overall cost of funds for NBFCs increased.

NBFCs' gross advances in FY24 included 2.1% to Agriculture, 36.8% to Industry, 14.9% to Services, 33.5% to Personal Loans, and 12.7% to other sectors. The share of unsecured loans extended by the NBFC sector decreased significantly, dropping from 32.2% of total loans to 22.9% during FY24, according to RBI report. Growth of retail lending by NBFCs moderated during FY24 to 14.8% in March 2024 from 16.6% in March 2023.

Gross Advances by NBFC in FY24 (Sector-Wise)

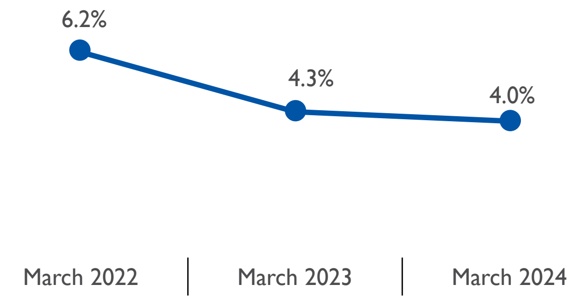


Source: RBI Financial Stability Report dated June 2024

Overall, the NBFC sector maintained strong capital buffers boosted by improving asset quality and robust earnings in FY24. CRAR at 26.6% remained well above the regulatory minimum of 15%. The profitability of the NBFC sector improved further in Q4 FY24, reporting a Return on Assets of 3.3%.

The Gross Non-Performing Assets (GNPA) ratio of NBFCs, including those under resolution, continued its downward trajectory in the post-pandemic period. It decreased from 6.2% in March 2022 to 4.3% in March 2023, and further to 4.0% in March 2024.

NBFC GNPA Ratio (%)



Source: RBI Financial Stability Report dated June 2024

Industry Outlook

The outlook for bank credit offtake has remained positive due to economic expansion, increased capital expenditure, growth in retail credit, and anticipated expansion in capex spending, particularly by the private sector. Growth is expected to be broad-based across all segments, with the personal loan segment likely to outperform the industry and service segments. According to CareEdge report, NBFC's credit growth has been expected to be in the range of 14%-14.5% during FY25. However, elevated interest rates and global uncertainties could adversely impact credit growth, and further declining inflation could reduce working capital demand.

The outlook for the NBFC industry, particularly for small-ticket-size MSME focussed NBFCs, is promising. With approximately 6.4 crore MSMEs in India, the total funding requirement for the sector is projected to reach ₹134.40 lakh crore in the near future. Of this, the total debt demand is estimated at ₹106.11 lakh crore, with ₹56.24 lakh crore, or 53%, anticipated to be the potential market size addressable through formal funding sources such as banks and NBFCs.

The NBFCs are expected to maintain an upward growth trajectory, with a projected increase in Assets Under Management (AUM) of 35% in FY24 and a further 25% in FY25. Despite the inherent risks in the microloan sector, asset quality is expected to remain stable in the future. Operating leverage is expected to play a significant role, although a compression in Net Interest Margins (NIMs) and an increase in credit costs may result in moderated profitability. The rise in co-lending collaborations, along with the RBI's cautious approach to unsecured consumer and personal loans, creates a favourable environment for the expansion of priority sector lending and MSME

NBFCs possess the potential to significantly aid financial inclusion by serving the needs of underserved and unbanked segments, granting them access to credit and financial services.

lending. This supportive regulatory stance and the continued growth in co-lending arrangements are likely to promote the NBFC sector's growth prospects.

Source: RBI, CareEdge June and April 2024 reports

Major Regulatory Updates in the NBFC Sector

The RBI consistently updates prudential norms to align with evolving economic conditions, highlighting the pivotal role that NBFCs play in ensuring the stability of the financial system. The key regulatory changes in FY24 included the following:

- **The RBI released the Master Direction –** Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 on October 19, 2023, replacing the existing Master Directions for Systemically Important and Non-Systemically Important NBFCs. This consolidated directive incorporates provisions from Master Directions applicable to both categories of NBFCs, aspects of the Scale Based Regulatory Framework, and relevant RBI circulars. All NBFCs, excluding exempt entities, are subject to this unified directive. The Directions employs a tiered approach, assigning increasing obligations as NBFCs progress based on their asset size, scale of activity, and perceived riskiness. NBFCs are now classified into distinct layers, namely Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL), and Top Layer (NBFC-TL) based on size and function.

- In November 2023, the RBI increased the risk weights pertaining to consumer credit exposure for commercial banks. This includes outstanding personal loans but excludes housing loans, education loans, vehicle loans, and loans secured by gold and gold jewellery. The adjustment involves a 25-percentage-point increase, bringing the risk weights to 125%. The credit card receivables of NBFCs would be subjected to a risk weight of 125%, marking an increase from the previous 100%. Simultaneously, there has been a 25-percentage-point elevation in the risk weights for bank credit extended to NBFCs in instances where the prevailing risk weight, based on external ratings of NBFCs, falls below 100%. However, loans to NBFCs eligible for classification as priority sectors are exempt from this increase in risk weights. These regulations are anticipated to lead to elevated capital requirements for lenders for both banks and NBFCs, consequently prompting an upward adjustment in lending rates for borrowers. The increased lending rates from banks to non-banking entities may also extend to corporate bonds, leading to elevated yields and the widening of credit spreads for non-banking entities.

- **The RBI released Master Direction –** Reserve Bank of India (Filing of Supervisory Returns) Directions - 2024 on February 27, 2024, wherein all Supervised Entities are required to submit certain supervisory returns to the Reserve Bank as per various directions/circulars/notifications issued by RBI from time to time. In order to create a single reference for all Supervisory Returns and to harmonise the timelines for filing of returns, all the relevant instructions have been rationalised and consolidated into a single Master Direction.

Source: RBI

Opportunities and Threats

NBFCs have a more straightforward regulatory process that aids in quick decision-making and enhanced operational flexibility. Such streamlined regulations also aid NBFCs to expand quickly into newer geographical areas and sectors thereby leading to faster growth.

- **Huge unmet credit demand in small business loan segment:** There is a huge demand-supply credit gap for micro-enterprise borrowers, especially in rural areas. Traditional lenders are unable to serve these micro-enterprises due to problems in assessment of borrower's income and cash flow in the absence of business documents (tax returns, books of accounts, banking), lack of good quality collateral, minimal digital footprint, and inadequate credit history. There are very few focussed NBFCs operating in ₹1 to 10 lakh loan segment. Given the huge unmet credit demand of micro-enterprises estimated at around ₹22 trillion which as further growth since then, and supportive policy framework, micro-enterprises lending presents a huge opportunity.

- **Aiding Financial Inclusion:** NBFCs possess the potential to significantly aid financial inclusion by serving the needs of underserved and unbanked segments, granting them access to credit and financial services. Their collaborative efforts with various stakeholders, along with financial literacy initiatives, contribute to empowering individuals and businesses that were previously excluded from mainstream banking. In doing so, NBFCs contribute significantly to fostering economic development and bridging financial gaps in diverse communities.

- **Specialised Product Offerings:** NBFCs provide specialised and tailored financial products, such as microfinance, consumer loans, and vehicle financing, to address specific market demands. By focussing on specific market demands, NBFCs can provide flexible and innovative solutions that are often not available through traditional banking channels, catering to underserved and niche markets effectively.

- **Technology Adoption:** Many NBFCs have pioneered digital platforms enabling customers to apply for loans online, enhancing the speed and convenience of the process. This innovation has particularly resonated with a younger, tech-savvy customer base. Embracing digital technologies has empowered NBFCs to augment operational efficiency, reduce costs, and broaden their customer base through online platforms and digital lending.

- **Partnerships trends:** Collaborating with banks, fintech firms, and other financial institutions would provide NBFCs with opportunities to diversify their product range, extend their market reach, and leverage shared resources.

  (Source: CRISIL Research)

Challenges:

- **Policy & Regulatory Changes:** NBFCs are a highly regulated sector and changes in the policies and regulations may adversely impact their business models and operational flexibility. However, expanding financial inclusion and priority sector lending has long been a policy priority and the regulatory framework remains supportive for NBFCs such as Moneyboxx Finance (Moneyboxx) which play a pivotal role in the expanding financial inclusion along with banks through lending partnerships.

- **Threat of Competition:** Competition from traditional banks, new market entrants, and fintech disruptors may narrow margins, compelling NBFCs to continually innovate to sustain a competitive edge. Moneyboxx Finance caters to a segment of customers where entrepreneurs lack formal business documentation, creating high entry barriers. On-ground presence for effective sourcing and customer-connect and tech-driven approach are the key strengths of Moneyboxx Finance.

- **Market volatility, credit and liquidity risks:** Economic downturns, interest rate fluctuations, and market uncertainties could affect the financial stability of NBFCs, leading to heightened default risks and potential losses. Insufficient risk management practices may result in high credit costs and high reliance on short-term funding sources could expose NBFCs to liquidity crises, particularly during market uncertainties or financial shocks. The Company effectively manages credit, market and liquidity risks by following strong underwriting practices, maintaining a prudent capital structure and strong liquidity position.

Despite the challenges, the NBFC sector has demonstrated resilience with adequate capital buffers and successfully adapted their business models to changing market conditions. Given that NBFCs with an agile business model play an important role in expanding financial inclusion, policy measures have been supportive for NBFCs focussed on priority sector lending.

Company Overview

New-age NBFC driving financial inclusion with technology

Moneyboxx Finance Limited ("Company" or "Moneyboxx") is a Base Layer NBFC providing small business loans to micro-entrepreneurs in essential sectors with focus on rural India. With the aim of driving financial inclusion and providing tech-driven and transparent financing to underserved micro-enterprises in rural India, the Company started lending operations by opening its first branch in Rajasthan in February 2019. It has since then successfully scaled up presence to 100 branches across 8 states in the northern, western, and central parts of India as of March 2024: Rajasthan, Madhya Pradesh, Haryana, Punjab, Uttar Pradesh, Chhattisgarh, Bihar, and Gujarat.

Moneyboxx caters to the credit needs of micro-enterprises in important and essential segments: livestock (dairy farming), kirana (grocery stores), retail traders, and micro-manufacturers, by extending unsecured and secured business loans ranging from ₹1 to 10 lakh.

Mission: To deliver easy, cost-efficient, and technology-driven financing solutions to aspiring micro-enterprises

Vision: To be "The Lender of Choice" for deserving micro-enterprises in India

Target Market & Product Strategy:

Moneyboxx is addressing the credit needs of micro & small enterprises with focus on rural India.

- **Target Customer:** Micro and small enterprises, including those graduating from microfinance to individual loans. Focus on enterprises in essential sectors: livestock/dairy farming, kirana/grocery stores, retail traders and micro-manufactures

- **Target Geographies:** Focus on underserved Tier-III and beyond areas and establish pan-India presence. Established presence in the northern, central, and western states of India and plans to enter south India in FY25 targeting pan-India presence

The Company started lending operations by opening its first branch in Rajasthan in February 2019. It has since then successfully scaled up presence to 100 branches across 8 states in the northern, western, and central parts of India as of March 2024: Rajasthan, Madhya Pradesh, Haryana, Punjab, Uttar Pradesh, Chhattisgarh, Bihar, and Gujarat.

- **Product:** Unsecured business loans from ₹1 to 3 lakh for a tenure up to 36 months, and Secured business loans up to ₹10 lakh for a tenure up to 84 months. Plans to increase focus on secured lending and targets to increase it from 24% of AUM as of March 2024 to over 50% by March 2026

- **Origination:** Direct-to-customer approach, resulting in strong understanding of the customer and underwriting, long-term relationship, and high repeat business

Moneyboxx is driving financial inclusion by providing credit for income generation purposes to underserved borrowers in rural India. Since its inception, Moneyboxx has transformed the lives of more than 1,50,000 borrowers by disbursing over 74,600 loans totaling over ₹1,200 crore up to March 2024. Company is making a significant contribution to financial inclusion and gender equality. In terms of disbursement mix, 59% comprised women entrepreneurs and 35% new-to-credit customers.

Moneyboxx is committed to creating a sustainable social impact by bringing in transformational change in borrower's income levels. It is enabling a multi-fold increase in the disposable income of its borrowers. A borrower has the potential to double her monthly income within 3 years of availing a loan, this is especially true for cattle loan borrowers. The Company has been nominated by Dell Foundation for a 3-year impact study given its role in impact financing.

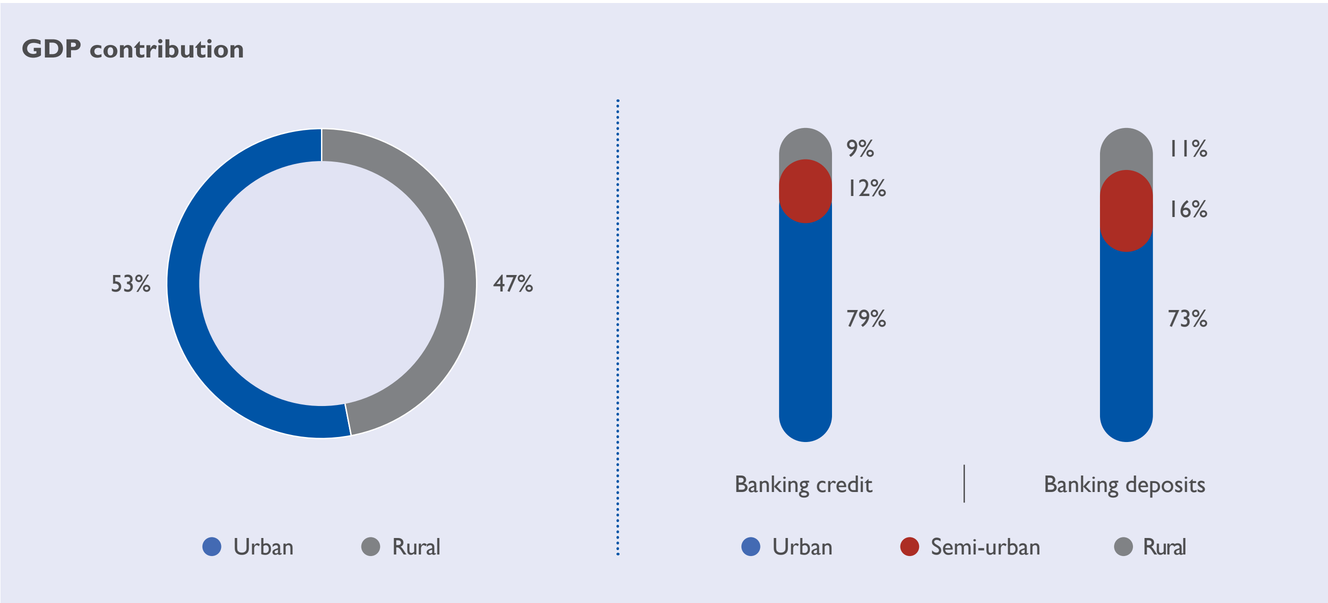
Improving despite low levels of financial inclusion in India

India has implemented various policy measures aimed at improving financial inclusion and there has been a commendable progress in the last decade. With targeted policy initiatives, access to banking and credit has improved, however, there is still a huge unmet credit gap and availability of credit is uneven, especially for rural India and lower income strata.

India is predominantly a rural country. Despite the rise of urbanisation, more than half of India's population is projected to be rural by 2050. Thus, growth and development of rural economy and population are a key to overall growth and inclusive development of the country.

According to Census 2011, there are about 6,40,000 villages in India, which are inhabited by about 89.3 crore people, comprising about 66% of the country's population as of March 31, 2021, and the rural economy contributed 47% to India's national income. However, rural areas had only about 9% share in banking credit and 11% in banking deposits as of March 31, 2021, highlighting the huge under penetration of credit in rural areas and presenting significant growth opportunities in rural areas.

Low share of banking credit and deposit indicates lower penetration in rural areas (as of March 2021)



Source: Central Statistical Organisation; Reserve Bank of India; CRISIL Research estimates (for GDP contribution as per 2017)

The Company's customer segment lacks adequate business documents and there are high barriers to entry. The Company has successfully designed its systems and processes to navigate the entire customer journey 'fully digitally'. This includes comprehensive income and credit assessment, facilitated by a profound industry understanding, analytics, and automation.

Lending activity of Moneyboxx qualifies for priority sector lending

RBI has set Priority Sector Lending (PSL) targets for banks in India with the aim of achieving inclusive development and fulfilling United Nations Sustainable Development Goals (SDGs). Currently, all banks including foreign banks need to deploy 40% of their adjusted net bank credit to specified priority sectors with these sub-targets: 18% for agriculture (of which 10% for small and marginal farmers), 7.5% for micro-enterprises, 12% for advances to weaker sections.

Moneyboxx plays a pivotal role along with banks and lending partners in extending financial inclusion. 100% of loans granted by Moneyboxx are eligible for priority sector lending status. Livestock/dairy farming customers of Moneyboxx qualify under 'agriculture and allied activities' and with respect to the non-cattle borrowers, 84% of them had UDYAM registration (a unique registration mechanism for micro, small and medium enterprises) making them eligible for priority sector lending.

Operational Overview

Operations & Business	FY21	FY22	FY23	FY24
Branches	22	30	61	100
States	4	5	6	8
Gross Disbursements (₹ crore)	55	112	341	665
Cumulative Disbursements (₹ crore)	90	202	543	1,207
AUM (before Ind-AS effects) (₹ crore)	63	121	344	730
% Secured loan book	-	-	5%	24%

Moneyboxx Finance has a proven, scalable, and tech-driven branch model to capitalise on the growth opportunities in the underserved small business loan segment (₹1 to 10 lakh) in rural India. The Company reported strong growth in business with AUM growing over 6 times from ₹121 crore as of Mar'22 to ₹730 crore as of Mar'24 led by branch expansion, higher branch productivity with vintage, and growth in lending partnerships.

Geographic diversification improved during the last two financial years with entry into Chhattisgarh in FY23 and Gujarat and Bihar in FY24. Also, the Company has successfully pivoted to secured lending, with secured loans forming 24% of AUM as of Mar'24 compared to 5% last year and the Company is targeting over 50% secured loan book by Mar'26.

The Company's AUM is strategically spread across diverse geographical regions, with a specific focus on essential sectors. The Company's adoption of this approach has improved the stability and quality of its loan portfolio.

AUM by States*	Mar-23	Mar-24	Mar-23	Mar-24
	(₹ crore)		(% Share)	
Rajasthan	95	176	28%	24%
Madhya Pradesh	92	218	27%	30%
Haryana	70	122	20%	17%
Uttar Pradesh	18	92	5%	13%
Punjab	61	90	18%	12%
Chhattisgarh	8	26	2%	3%
Bihar		5		1%
Gujarat		1		0%
Total AUM	**344**	**730**	**100%**	**100%**

* AUM before Ind-AS effects

Key Competitive Strengths and Strategies

1. **Differentiated 'PHYGITAL MODEL':** The Company's customer segment lacks adequate business documents and there are high barriers to entry. The Company has successfully designed its systems and processes to navigate the entire customer journey 'fully digitally'. This includes comprehensive income and credit assessment, facilitated by a profound industry understanding, analytics, and automation. Overcoming specific challenges in lending to this segment, Moneyboxx has a proven scalable and sustainable business model based on a differentiated 'phygital' model with feet-on-street and fully digital approach. The Company has established a strong franchise and achieved strong AUM growth while maintaining best-in-segment asset quality metrics.

2. **Customer-centric Approach:**

Direct-to-customer	Digital Approach	Strong underwriting
Strong understanding of customers through direct sourcing without any third-party reliance ---------------------- Focus on a relationship-based business instead of product-based	Entirely digital processes, spanning from onboarding and credit assessment to approval, disbursement, collection, reporting, and analysis ---------------------- Leveraging Information Technology for effective and efficient credit delivery	Robust credit underwriting supported by non-traditional and non-financial alternative data sources ---------------------- Comprehensive analysis of target customers' enterprises with tailored underwriting methodologies for a diverse set of micro-entrepreneurs

3. **Balanced and diversified business model:** Strong geographic diversification and focus on borrowers in essential sectors make business model resilient and the strategy has helped Company build a strong loan book. The Company successfully pivoted to secured lending which formed 24% of AUM as of Mar'24 compared to 5% last year and is targeting over 50% by Mar'26. Company's AUM is well-diversified across geographies, and it plans to further diversify its presence by entering south India in FY25 and building a pan-India presence

4. **Huge market potential:** Business loan segment of ₹1-10 lakh is highly underserved, and it offers a huge growth opportunity. Moneyboxx is well poised to grow its AUM and expand its presence having proven the operating model and underwriting capabilities

5. **Enhancing Financial Inclusion:** The Company provides credit for income-generating opportunities, and its efforts have positively influenced over 1,50,000 borrowers (including co-borrowers) with cumulative disbursements of over ₹1,200 crore by March 2024. Moneyboxx is driving financial inclusion with 59% of its unique borrowers being women, and 35% new-to-credit

6. **Beyond-lending Impact Initiatives:** Apart from direct impact financing, Moneyboxx has taken various beyond-lending initiatives. The Company employs full-time veterinarians in the branches offering free guidance to livestock borrowers on matters such as cattle health, nutrition, and breed improvement, ultimately enhancing milk yield. Moneyboxx is committed to promoting sustainable farming practices. These efforts include distribution and maintenance of fruit-bearing trees at no cost to borrowers with agricultural land, facilitated through CSR (Corporate Social Responsibility) tie-ups and internal contributions. The Company has planted more than 12,000 fruit-bearing trees, provided free veterinary consultations to over 36,000 livestock customers, and diagnosed the health of more than 3,40,000 cattle up until March 2024. The outcomes of these initiatives are expected to be substantial and enduring, leading to improvements in borrowers' income, environmental protection through soil conservation and enhanced air quality, and the sustainable production of food sources.

FY24 Financial Performance Review

Moneyboxx Finance Limited	FY23	FY24	%YoY
Branches	61	100	64%
Active Customers	27,579	52,178	89%
Employees	735	1,300	77%
Business (₹ crore)			
Disbursements during the year	341	665	95%
AUM as of March 31	344	730	112%
Income & Profitability (₹ crore)			
Total Income	50.44	127.96	154%
Profit (Loss) Before Taxes	-9.94	10.56	206%
Profit (Loss) After Taxes	-6.80	9.14	234%
Fund Raise (₹ crore)			
Equity Capital raised during the year	48.39	85.13	76%
Debt raised during the year	235.17	375.74	59%
Debt repaid during the year	-96.59	-170.62	76.64%
Capital Position (₹ crore)			
Equity as of March 31	76.40	168.85	121%
Debt as of March 31	231.37	437.28	89%
Subordinated Debt as of March 31	6.63	6.63	0.0%

Robust Growth in Branches, Disbursements & AUM

The Company saw a remarkable 112% growth in assets under management (AUM), reaching ₹730 crore as of March 31, 2024. This growth was driven by branch expansion, increased productivity, and growth in lending partnerships. The Company expanded its operations to 100 branches across 8 states as of March 2024, compared to 61 branches in 6 states the previous year. Geographic and product diversification further improved during the financial year with the Company's entry into the states of Gujarat and Bihar. Additionally, the share of secured lending increased significantly, growing from 5% of AUM at the end of FY23 to 24% at the end of FY24. The Company reported disbursements of ₹665 crore during FY24, representing a 95% growth over the previous year.

Profitability Achieved in FY24 with Expanding Scale & Enhanced Productivity

Total income grew by 154%, reaching ₹127.96 crore in FY24 compared to ₹50.44 crore in FY23, in line with the robust growth in business and AUM. The Company achieved strong profitability in FY24, reporting a net profit of ₹9.14 crore, a significant turnaround from a net loss of ₹6.80 crore in FY23. With strong unit economics, improving operating efficiency with scale and proven underwriting capabilities resulting in low credit costs, the Company displayed a strong financial performance.

Strong Enhancement in Operational Efficiency

Operational efficiency has been consistently improving with the growing AUM. Operating expenses as a percentage of average AUM improved significantly, despite increase in operating expenses during the year on account of expansion. This ratio decreased from 15.4% in FY23 to 12.7% in FY24. The Opex for FY24 stood at ₹67.5 crore as compared to Opex of ₹35.31 crore in FY23.

Improving Operating Efficiency	**Annual**		
(₹ crore)	**FY22**	**FY23**	**FY24**
Operating Expenses	17.94	35.31	67.5
Closing AUM	121	344	730
Average AUM	92	232	537
Operating expenses % of Average AUM	**19.8%**	**15.4%**	**12.7%**

Strong Underwriting Capabilities

Moneyboxx has strong asset quality metrics with low GNPA and credit costs owing to its strong underwriting standards, and focus on essential sectors and is increasing focus on secured lending. While asset quality moderated during FY24 as the rural economy was affected by uneven rains in some of its operating states, the Company has one of the lowest NPAs and credit costs in the segment.

Gross NPA increased to 1.54% of AUM as of 31.03.2024 compared to 0.59% as of 31.03.2023 and Net NPA increased to 1.04% as of 31.03.2024 compared to 0.30% as of 31.03.2023. However, the Company has one of the lowest NPAs in the segment and credit costs remained contained at 1.34% in FY24 and 1.48% in FY23.

Asset Quality	**31-Mar-23**	**31-Mar-24**
Gross NPA (90+ PAR % of AUM)	0.59%	1.54%
Net NPA (% of AUM)	0.30%	1.04%
Credit costs (₹ crore)	3.39	7.11
Credit costs (as % of average AUM)	1.48%	1.34%

Strong Capitalisation and Diversification in Funding Sources

Capital Position	**31-Mar-23**	**31-Mar-24**
Equity (₹ crore)	76.40	168.85
Debt (₹ crore)	231.37	437.28
Subordinated Debt (₹ crore)	6.63	6.63
Leverage Ratio (Total Outside Liabilities / Owned Funds)	3.67	3.54

Moneyboxx strengthened its capital base by raising ₹85.13 crore in equity during FY24. Leverage ratio (TOL/Owned Funds) improved to 3.54 as of March 31, 2024, compared to 3.67 as of March 31, 2023. The Company's net worth more than doubled, reaching ₹168.85 crore as of March 31, 2024, compared to ₹76.40 crore as of March 31, 2023. Over the past five years, the Company has successfully raised equity capital to support its expansion initiatives and uphold a prudent capital structure.

On the debt funding side, the Company continued to improve its funding profile, with an increasing share of low-cost funding from banks and diversification of funding sources by raising money through issue of NCDs and securitisation. The Company was supported by 32 active lenders as of March 31, 2024, including 10 banks, compared to 23 lenders as of March 31, 2023.

Secured Debt (₹ crore)	**31-Mar-23**	**31-Mar-24**
Banks	57.69	134.22
NBFCs/Funds/FIs	155.47	175.38
PTC Securitisation	-	49.04
NCD	20	78.69
Total Secured Debt	**233.16**	**437.33**

Effective Liquidity and Asset-Liability Management

The Company actively manages liquidity with a prudent approach, ensuring a comfortable liquidity position. On asset-liability position, the Company maintained positive cumulative mismatch across time buckets as on March 31, 2024. The Company borrows funds at both fixed and floating rates while offering loans at fixed rates and consistently reviews its lending rates, considering market interest rate trends, the cost of funds, and competitive factors.

Human Resources (HR)

Moneyboxx acknowledges the vital importance of its human capital, viewing employees as key stakeholders essential to the Company's success. Moneyboxx has implemented an array of employee-centric initiatives to enhance employee retention and promote the

The Company's net worth more than doubled, reaching ₹168.85 crore as of March 31, 2024, compared to ₹76.40 crore as of March 31, 2023. Over the past five years, the Company has successfully raised equity capital to support its expansion initiatives and uphold a prudent capital structure.

development of human capital. These include internal publications and circulars, performance updates, feedback mechanisms through surveys, learning and development programmes, employee-engaging initiatives, career development opportunities, responsive grievance handling processes, regular skill development trainings, an emphasis on work-life balance, flexible work-from-home and leave policies. The Company's headcount experienced substantial growth, increasing from 735 employees in March 2023 to 1,300 employees in March 2024.

At the core of the Company's approach lies the principle of 'One Team, One Dream', underlining the importance of valuing everyone, irrespective of their job title or position within the team, for their contributions, actions, and opinions. Moneyboxx celebrates diversity of people by appreciating their variety of perspectives, ideas, and experiences, recognising that these differences contribute to the Company's strength.

Internal Controls and its adequacy

Moneyboxx maintains robust internal controls and standardised operating processes designed to safeguard assets and enhance business efficiency. The Company has implemented comprehensive internal control procedures that are well-suited to its size, operations, and the broader domain of its lending business.

The Company's management actively tests controls across various processes and takes corrective actions to address any deviations in business operations. The Internal Audit function ensures reasonable assurance regarding the effectiveness of operations, reliability of financial records and reports, and adherence to applicable laws and regulations. The Audit Committee thoroughly assesses the internal control system, considering feedback from both external and internal auditors.

Risk Management

The Company employs a robust risk management framework to systematically identify and address the various risks associated with its operations. Moneyboxx emphasises on actively managing credit risk through a comprehensive approach that extends from the initial loan application stage to disbursement and subsequent collection. The key components of the risk management framework include:

Strong Credit Underwriting: Utilisation of non-traditional and non-financial alternative data sources, coupled with sector-specific inputs, to enhance the credit underwriting process.

Healthy Risk and Compliance Culture: The Company is dedicated to promoting a culture that supports growth plans while maintaining a strong emphasis on risk management and compliance.

Strategic Diversification: Strategic efforts are made to diversify business activities and portfolio holdings across various sectors and geographical regions. This approach has been implemented to mitigate concentration risks effectively.

The Company's comprehensive Risk Management Policy encompasses the identification, assessment, control of various risk elements and managing these risks proactively and efficiently. Additionally, in alignment with the new scale-based regulations, Moneyboxx has established a Risk Management Committee, which is tasked with developing, implementing, and monitoring the Company's risk management plan at regular intervals.

Cautionary Statement

This document contains some statements about expected future events, financial and operating results of Moneyboxx Finance Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements.