November 17, 2025

| National Stock Exchange of India Limited | BSE Limited |
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| Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 | Corporate Relationship Department Phiroze, Jeejeebhoy Towers, Dalal Street, Mumbai-400001 |
| **NSE Symbol: CSLFINANCE** | **BSE Scrip Code: 530067** |

Dear Sir / Ma'am,

**Sub: Transcript of the Conference Call held on November 14, 2025**

With reference to our letter dated November 10, 2025, intimating you about the conference call for Analysts and Investors held on November 14, 2025, please find attached the transcript of the aforesaid conference call.

The above information shall be made available on the website of the Company viz. www.cslfinance.in

We request you to kindly take the above information on your records.

Thanking you,

Yours Faithfully,

For **CSL Finance Limited**

ROHIT GUPTA Digitally signed by ROHIT GUPTA Date: 2025.11.17 12:59:05 +05'30'

Rohit Gupta
Managing Director
(DIN: 00045077)

**Encl**: a/a

# CSL Finance Limited
# Q2 and H1 FY’26 Earnings Conference Call
# November 14, 2025

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**Moderator:** Ladies and gentlemen, good day and welcome to the CSL Finance Limited Q2 and H1 FY’26 Earnings Conference Calls hosted by TIL Advisors Private Limited. 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 calls, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you, sir.

**Sayam Pokharna:** Thank you, Shruti. Good afternoon everyone and thank you for joining us today for the Q2 and H1 FY’26 Earnings Conference Call of CSL Finance Limited. The investor presentation has already been uploaded on the Stock Exchange and on the company website. In case you wish to add yourself to our mailing list, please feel free to write to us.

To take us through today's results, we have with us from the management team, Mr. Rohit Gupta, Managing Director, Mr. Naresh Chandra Varshney, Chief Financial Officer, Mr. Chandan Kumar, Head Strategy and Business, Ms. Rachita Gupta, Whole-time Director, Mr. Atul Agrawal, President Finance and Treasury, Mr. Chirag Gupta, Credit Head of Wholesale Segment.

We will begin with a brief overview of the quarter and of the half year from Ms. Rachita Gupta followed by a Q&A session. Please note that any forward-looking statement made during this call should be considered in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been outlined in our annual reports.

With that, I would now like to hand over the call to Ms. Gupta over to you.

**Rachita Gupta:** Thank you, Sayam. Good afternoon everyone and thank you for joining us today. I am pleased to share the highlights of CSL Finance's performance for the second quarter and first half of FY’25.

After a year of consolidation in FY’25, particularly in our SME retail business, we are happy to report visible progress in the first half of this year, with a stronger performance compared to Q1. At the same time, our wholesale vertical has continued to grow steadily even during the consolidation phase, demonstrating the resilience of our business model.

Now, let me begin with our AUM performance. Our AUM as of Q2 FY’26 stood at Rs. 1, 397 crores compared to Rs. 1, 157 crores at the start of the year. This represents a healthy 29% year-on-year growth and an 8% sequential increase over the previous quarter. More importantly, while our growth in Q1 was largely driven by our wholesale vertical, the momentum in Q2 was more balanced, supported by healthy contributions from both SME retail and wholesale segments. Disbursements during Q2 remained broadly in line with the previous quarter, showing a stable trend with no change in the year-on-year basis and a moderate 4% sequential decline. However, within disbursements, SME retail disbursements have shown a notable upturn, growing by 93% year-on-year and 61% sequentially, although on a relatively smaller base. This reflects early success from the corrective measures we have implemented over the past few quarters in the SME retail segment, particularly around refining our credit policies, optimizing our product portfolio, strengthening our underwriting processes and restructuring teams and FOPs. We view this performance as an early sign that our efforts towards growing the SME retail vertical are starting to yield tangible results. Having said that, while the improvement in Q2 has been encouraging, the broader industry still faces a lot of challenges, such as over-leveraged borrower profiles, muted income growth in the MSME ecosystem and cautious lending practices across the sector continue to persist. Hence, our approach remains cautiously optimistic. We aim to drive growth responsibly, ensuring that the expansion in our SME retail book does not come at the expense of asset quality. Notably, while our AUM mix last year had tilted meaningfully towards the wholesale side, Q2 has seen a marginal positive shift in favor of SME retail. We intend to build on this momentum in the second half, targeting an overall AUM in the range of Rs 1,500 to Rs 1,600 crore by year-end. We also expect the growing contribution from SME retail to support improvement in profitability measures such as return on equity.

Coming to asset quality, we are pleased to report a steady improvement. Write-offs have moderated from the elevated level seen in the previous quarter and recoveries have picked up. While some level of write-offs is expected to continue in the latter half of the year, we believe that by the end of FY’26, most of this cycle will be behind us. We are not witnessing any significant delinquencies in the fresh SME retail book disbursement over the past 12 months, which reinforces confidence in the underlying credit quality. As of Q2 FY’26, Gross NPS stood at 0.51% compared to 0.56% in Q1 FY’26 and 0.54% in Q2 FY’25, while Net NPS stood at 0.39% compared to 0.42% in Q1 FY’26 and 0.32% in Q2 FY’25.

Moving on to financial performance. Net Interest Income for Q2 FY’26 was Rs. 14.9 crore, up 10% year-on-year and 2% sequentially. PATs came in at Rs. 24.5 crore, resisting a robust 37% year-on-year and 15% quarter-on-quarter increase. It is important to note, however, that higher PAT growth is partly attributable to deferred tax adjustments. To that extent, PBT provides a clearer view of underlying performance, coming in at Rs. 28.85 crore, up 17% year-on-year and 5% sequentially for the quarter.

On the operational front, we have continued to strengthen our distribution and funding base. Two new branches were added during Q2 and several spoke locations were rolled out with active ground teams, many of which will transition into full-fledged branches in the coming quarters. This expansion follows our hub-and-spoke model, allowing us to scale efficiently, manage costs and ensure higher success rates for new branches as they mature. Our lender base expanded further with the onboarding of two new partners, Citi Union Bank and Paul Merchants, taking the total to 34 lenders. This includes a balanced mix of leading public sector banks, private banks, small finance banks and NBSEs, giving us a well-diverse and stable funding profile.

Our liquidity position remains strong with Rs. 111.5 crore of balance sheet liquidity and undrawn credit lines of around Rs. 35 crore. We have also started to see the benefits of recent rate cuts in our borrowing profile, with the cost of fresh borrowings reducing by approximately 60 to 70 basis points since the start of the year. This should gradually reflect in our weighted average cost of capital in the coming quarters as our borrowing is retraced.

On the human capital side, we have undertaken targeted hiring, particularly at mid-management level, to strengthen credit, operations and business teams. While this has led to some increase in employee expenses in the short run, it strengthens the foundation for sustained growth in the SME retail business. More importantly, on the attrition front, which was a key challenge for broader NBFC sector last year, has been brought under control now.

To conclude, we maintain a cautiously optimistic outlook for the remainder of FY'26. Our focus remains on driving disciplined growth, particularly through the SME retail segment, while maintaining a robust asset quality and liquidity, continuing to improve profitability. With the course correction over the past year starting to bear fruit, we believe we are all well-placed to achieve our AUM target of Rs.1500 crore to Rs. 1600 crore by year-end.

With that, we can now move on to the Q&A session. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Pankaj from Molecule Venture. Please proceed.

**Pankaj:** Thank you for the opportunity. Sir, my first question is I would like to take some guidance on the MSME disbursement growth side. Looks like we are back on the growth in disbursement side. So, can you just give me a clear idea how sustainable this is and can we improve the disbursement in MSME business going forward in H2 maybe? Or next year guidance?

**Chandan Kumar:** Yes, Pankaj. Hi. It is Chandan this side. Pankaj, as told in our transcript itself that we are very much looking after growing our SME book and the numbers have grown considerably and we are able to achieve per branch disbursement from like Rs. 25 lakh which was earlier Rs. 25 lakh to Rs. 35 lakh average disbursement per branch and we are targeting to increase up to Rs. 50

lakh per branch disbursement and with the number proposed that in the coming quarters we are going to increase our branch network also. That is currently at 45 we are planning to increase it to 50 in the coming quarters itself and by year end it could be around 60 odd numbers. So, you can expect a good growth into the MSME disbursement system.

**Pankaj:** Okay, sir. Can we expect the 1500 or 1600 kind of AUM by this year end?

**Chandan Kumar:** Yes, that has been already like included into our transcript itself that we would be targeting around closing our AUM box by this year end in between 1500 to 1600 kind of structure.

**Pankaj:** And, sir, my next question is toward the next year growth. We are currently 25% of the growth for the next year and what will be the part of the SME AUM for the whole 2027 or 2026 guidance?

**Management:** Yes, from roughly around 35%-36% we are targeting by end of FY'27 we should be able to do 45% of the SME at least.

**Pankaj:** Okay. And, sir, my last question is and what kind of benefit are we looking for from the rate cuts and impact on our cost of borrowing? Just would like to know the impact on NIMS and will be able to pass on, are we planning to pass on the benefits to the customer immediately or not?

**Management:** Yes, if you see year-on-year in last 12 months roughly around 70 to 80 bids have been the benefit that we have seen and going forward another 25, 30 bids if provided more accurate cut happens. So, our effective cost which was 10.9% six to nine months back as a reset also happens from the existing borrowing. It may come down to around 10.3, 10 around that target only. So, with respect to retail there is no such demand to pass on. Yes, but we have reduced one product at little lower rate. Earlier we were targeting between 18% to 22% and now we have also started one product which is priced around 16%. So, overall our weighted average for retail will not come down and a certain portion of what we have may be passed on for our wholesale customers. So, on wholesale, on totality, our NIMS will improve on the basis as we see the reduction in our cost of borrowing.

**Pankaj:** And sir, last question if I may squeeze in. Can I ask last question?

**Management:** Yes, please.

**Pankaj:** So, other aspect just I wanted to understand on the SME retail front. So, we have some realignment our disbursement side or disbursement process. So, just if you could give me a break up like what were our previous disbursement, customer profile, ticket size or rates and what is the change that we are bringing to the table right now?

**Management:** Yes, I would take that question Pankaj. What earlier was, what we have found that the processes and the procedures were little hectic, a little bit jumbled. We have simplified the processes and made SOPs and made everything very much purpose driven. That is why this much growth has been very much evident into the numbers part itself. Apart from that, the range and the ticket size and the target size of our customer has been increased. Earlier, we were not, we are very much stringent to board only a kind of 18% or above that customers only, which are of very much marginal profile. But with this decrease in our getting benefit of our lowering of that 8.70 or 80 bids of ROI, we have got an opportunity to increase the target customer benchmark from 16% to kind of 22% ROI customers. So, we would be able to get good customers at lower ROI and we would be able to brace ourselves in competition to the other peer lenders also.

**Pankaj:** And sir, what would be the impact of the changes on the operating cost of our business?

**Management:** Operating cost, as we told in our transcript also, employee cost has gone up. That too, that we have strengthened our regional team. So, in all regions, and certain regions need to be split up. So, like the state of Gujarat, we have two regional regions. Earlier, South and West and the same goes with Rajasthan. Earlier, we used to have one regional team. So, that had added up our cost, but it has strengthened our team at the middle level, strengthened our processes. And as the disbursement picked up, these costs will get apportioned at a higher number. And so, this in one or two quarters, a little higher employee cost will be there. But in the next two quarters, our projections, our internal projections are reasonably good and it will get absorbed.

**Pankaj:** Okay sir, thank you for answering and that is it from me. All the best.

**Moderator:** Thank you. The next question is from the line of Swanil Desai from Turtle Capital. Please proceed.

**Swanil Desai:** Hi sir, good afternoon. So, my question is that, so you talked about increasing the branches to 50 and then 60 by year end. And next year, our SME mix can go to 45%. So, even if I assume 25%, 30% growth on overall AUM from let us say 1500, 1600, that means that our SME retail will end up somewhere around Rs. 800 odd crores. So, from current level to going there, what is the pathway in terms of number of branches, AUM per branch and how would such path scale up happen given in the past we have faced challenges on the SME side?

**Management:** Yes. So, as a company, we always remain cautious but now we have worked a lot on our processes and building our middle level team and the numbers have started picking up. Unless until something goes abnormally bad in the industry as a whole in the segment we are in, we are much more confident that this time we should be able to achieve the focus of the companies largely on now building a good quality SME portfolio. And with already 15 spoke locations, we have already opened in last three months. Those spoke locations are where we have few sales people and as we start doing business and we see the market in those newly opened branches, the full-fledged team and the branch gets in operation and that will happen in next five months. So, achieving this target of Rs. 800 crores, the way we have planned ourselves, we think that we should be able to do it with the mix of, we have added one product, a little lower IRR also. And now our focus is to, we are not targeting less than 10 lakh kind of a space to margin, which is, I would say, as little, the security comes only as a deterrent, and the borrowing is marginal and a lot of focus is there from every NBFC to go into that segment. And our target size is between 10 lakhs to 40 lakhs, 50 lakhs. And so we see that we will be able to generate good business. Now the SOPs have been made, the processes have been put into system, the attrition has come down, which was also a huge, I would say, negative for the industry as a whole. And then whenever the attrition is higher, your productivity and quality goes down. So, the attrition has drastically come down and I would say what has happened in MFI and unsecured portfolio, a little caution has also come in the industry as a whole, as a large. And our company being totally into secured segment, now our 100% portfolio, both in wholesale and retail is 100% secured. So, we stand better placed as compared to peers in our size in the geography we are in.

**Swanil Desai:** Okay. So, how many branches we need to add next year to kind of get to this Rs. 800 crore, Rs. 850 crore number?

**Management:** Swapnil.

**Swanil Desai:** My name is Swanil.

**Management:** Swanil, look, if we go by simple math also. We are targeting to increase our per branch, targeting per branch disbursal to Rs. 50 lakh and we are targeting to increase our branch numbers to 60 odd numbers by this FY in itself. So, with this growth rate only, if we are targeting to open 10 to 15 branches in next financial year itself, I think that leaves a pathway to achieve that AUM that we are projecting or that we are commenting on, that is Rs.750 crores to Rs. 800 odd crores of SME kind of AUM. So, considering that, if we are able to achieve these numbers itself, the pathway will be very clear and we would be able to deliver that what we are projecting.

**Management:** And apart from this expansion that we are carrying out, so there are a lot of opportunities also coming in, organic opportunities also coming in the market and so that can be another way but we are more focused on organic growth rather than inorganic growth. And so, with the processes and the team in place, achieving that target should not be an issue as the numbers in last quarter were decently good and we have picked up and the momentum is back among the team to achieve those numbers.

**Swanil Desai:** Sir, second question. Is it a fair assumption to make that when we move the productivity of branch from 20 lakhs, 30 lakhs to 50 lakhs and even though we open new branches, there will be some kind of operating leverage going through the P&L? Is that how we should look at for FY'27?

**Management:** Look, Swanil, the thing is that there is a life cycle of each and every branch. So, this is an average of disbursals. The branches which have covered their three years or more life cycle, that is approximately 23 or 24 odd branches, have achieved dispersals targets of around 70 lakhs, 75 lakhs. Approximately 10, 15 branches, that is less than two years of life cycle, they have achieved around Rs. 30 lakh of business and the rest branches which are less than one year. They have completed a period of around six to seven months. What we believe is that at least 18 to 24 months are required for any branch to fulfil or to give its full potential that is a disbursal of around 50 lakhs in average. So, we are targeting that the way which we are projecting that 60 branches will be able to achieve their 50 lakh disbursal by first quarter of next financial year. So, we would be able to achieve those numbers very easily.

**Swanil Desai:** Okay, understood. And last question on the credit cost side. So, I think our write-offs have come down. You indicated that write-off cycle may get over by end of this year and this quarter our write-backs have been higher than the write-off. So, should we continue to see similar kind of situation for the rest of the year?

**Management:** If you see our history, what we have written off in 2021-2022, we have recovered 95% of that. What we have written off in 2022-2023, we have recovered 75% of that. And what we have written off in 2023-2024, we have recovered again more than 90%. So, our portfolio being secured, our recovery is good. But sometimes, because in SARFAESI cases, certain legal things that happens in one quarter, we can see a higher performance in certain quarter can be, but on an average, can we average out? Yes, our recoveries will be good and we do not foresee that any of our accounts will not get recovered. And that is why our focus is to do 10 lakh to 40 lakh, 50 lakh kind of a ticket size. We are the SARFAESI also because the segment which we are in, whatever the company may be, the NPAs will come and the chances of recovery, if your processes and credit and valuations of the property are right, the chances of recovery are far better through SARFAESI than any other mode. And so the category we are in, the secured business, the recovery do happen. Sometimes, it is that lag, time lag that only sometimes is unpredictable. In certain times, the courts are closed, they go for holidays in summers, that happens from May to June. So, in certain states, certain things happen. But on an average, our recovery historically from SARFAESI cases has been very strong. And we are very, very active on that collection and the legal recovery. And we are very proactive in settling those accounts. So, that will be there in future also.

**Moderator:** Thank you. The next question is on the line of Nirvana from Badrinath Holdings. Please proceed.

**Nirvana:** Hi, sir. Good morning. Thanks for the opportunity. Sir, this quarter, Y-O-Y your NIMs seem to be compressed? Your interest income has increased by 19%, but interest costs have increased much faster, about 34%. So, why did that happen?

**Management:** So, sometimes, I would say, one problem which we are facing, and to some extent, I would say, the whole mid-sized and small-sized companies, is that most of the disbursements happen in the last week of the quarter. And we have to carry a negative carry, when we get surplus liquidity, has to be parked, and we get a negative carry. That also takes about 0.25% to 0.4% of our overall earnings for that quarter. And that has been happening for the last two, three quarters. But we are now more proactive that the bunching of disbursements does not happen in the last month of the quarter. And as on this first month of the quarter, our sanctions and disbursements from our lenders have been far better. It has been an unusual month where we have seen that in the first month, we have been able to take reasonably good disbursements. So, the focus with our treasury team is to that we should not be working, we should be much more proactive that our disbursements are much more on the product during the whole quarter itself.

**Nirvana:** Okay, sir. Sir, what is your outlook on NIM going forward? And if you can break up fixed versus floating for our loans and borrowing?

**Management:** So, our SM is totally fixed. Because the segment which we are in, change of tenure or change of interest rates, will be very difficult to make them understand. And we are working on a total fixed interest rate. And in case of wholesale, where we are getting a reasonably good IRR, as compared to our median average rate, we are doing it fixed. And certain, I would say, not more than 15% to 20% of our total portfolio will be on floating. It will not be this much. So, you can say that mostly our portfolio is fixed IRR only.

**Nirvana:** Okay. And what about your borrowing, sir? How much of the borrowing is fixed versus floating?

**Management:** Borrowing is totally floating. I would say only 5% to 10%. One or two borrowers have given on a fixed rate. And sometimes those resets, in certain cases are linked with the T-bills, certain are linked with repo, certain are linked with their MCLR. And MCLR do take time to change. Repo has been the best, where the reset happens very fast. Sometimes which are linked with T-bills, the reset is after 6 months to 12 months. So, now our focus is to get the fresh borrowing linked with repo and the T-bills, rather than their MCLR. And where even I would say PSU banks, certain PSU banks have not changed their MCLR even after the 100 bips of repo rate cut. So, from the learnings that we have made from last two, three years, we have found that, yes, it works. Otherwise also, when the interest rates start rising, when the repo rate link starts get repricing faster as compared to the MCLR link.

**Nirvana:** Sir, got it. What percentage of your borrowings have been repriced and how much are yet to be repriced? Percentage wise?

**Management:** Almost more than 50% borrowings has been repriced.

**Management:** 50% has been repriced, 50% are still left.

**Nirvana:** Sir, then going forward, your NIMS should expand, right? Because on your lending side, you will hold rates, whereas your borrowing rates will come down, right? So, that is why I was surprised.

**Management:** Yes, we have introduced one little lower IRR product. We do not know that. We estimate that it will give only 10% to 15% of our SME portfolio will come from that product. And little bit on the wholesale, I would say the total NIM benefit, the reduction in cost of borrowing for the wholesale, I would say around 50% on an average may get passed to our wholesale customers.

**Nirvana:** Got it, sir. But this kind of NIM compression, what we have seen in this quarter, hopefully we will not see that, right? Going forward.

**Management:** I think the other element of NIM compression was the negative rate we were carrying and the focus will be to reduce that. And thirdly, I think NIMS also include PF and sometimes in the wholesale, it is lumpy in certain business, certain quarters, the cost is higher. So, more or less, our NIMS should be same or a little better going forward.

**Nirvana:** I will reach out to the team outside of the call also to understand better. Will you at least start publishing NIMS and cost of funds on a quarterly basis in the presentation?

**Management:** Yes, we will take note of that. Yes, we will.

**Management:** Cost of borrowing, sometimes we do not want that it should be broadly beyond the pressure and we have not seen that any of the company, small, mid-size, up to Rs. 3,000 crore, we have not seen that. So, it helps from not displaying publicly a cost of borrowing to even our borrowers on the wholesale side. So, definitely on the NIMS, we will start highlighting it.

**Nirvana:** Sir, I have two more questions on the branches. Sir, I was looking at your branch network in Q4 FY'24, which is about 18 months ago. In Rajasthan, you had eight branches. Now, you have gone up to 15. You have increased two this quarter. Gujarat was seven branches. You have increased to 10 this quarter. But if I look at the Rajasthan AUM, it is flat at Rs. 140 crore. Gujarat is also almost flat. So, whereas, Punjab, Haryana, at least AUMs have gone up a little bit. So, highest branch additions have happened in Rajasthan and Gujarat, but AUMs are flat and Gujarat, you have also shut down two branches recently. So, if you can just comment on this whole thing, like what is happening in these two geographies?

**Management:** Chandan will give you a proper reply, but one thing I would like to add are foreclosures and prepayments take 13% to 14% of our total run down has happened in this seven months itself. So, around Rs. 40 crores have been run down through foreclosures and sometimes a little higher ticket size cases particularly in these areas and these two locations got foreclosed and that is why you are seeing and one reason is the same and for new branches, as Chandan has explained, it takes time to get the required business. Yes, Chandan you can explain.

**Management:** Yes, the thing is that what Rohit has told that foreclosure rates are very important for any particular reason to stabilize the AUM or to decide the AUM of any branch or any zone itself. So, for the Rajasthan and Gujarat region we have seen that, you can even find that many of the smaller NBFCs are there who are into competition with us and they are targeting our business and that is why the foreclosure from these two particular regions are little higher vis-a-vis North 1 and North 2 portfolio. So, you see the stability in the portfolio or AUM of these two particular regions of Rajasthan and Gujarat and a growth in the portfolio of North 1 and North 2 itself. Apart from that, some branches were realigned not closed. The reason being, the business of those older branches has been mapped. The reason being, we are finding those branches less cost-efficient and that is why the business has been aligned to the nearest branch and we have gone to some other location for growing or in search of the new opportunities and the new business itself.

**Nirvana:** So, what steps are we taking to correct these foreclosures? I am assuming they are moving out because they are getting better yields from other lenders. So, what steps are we taking?

**Management:** They are getting a better yield and sometimes they do not go for a 100 bips, 200 bips sometimes when they are able to get at 12%, 13% from a 17%, 18% kind of an IRR then it becomes difficult to stop and sometimes they start asking for a top-up at a very early stage and which we from the credit point of view we are not comfortable and our policy does not allow to give a top-up within 9 months to 12 months and we do it very selectively. So, that are the two reasons which happens and it is a cross industry sometimes you cannot change it any regional head or a senior team has gone and they start targeting your old customers so that is a normal course in every normal part of this industry.

**Management:** And apart from that getting into the business you cannot evade the competition so we are very much prepared with that we are opening new territories we are targeting new geographies so that the new business can be chosen and we can easily grow the targeted numbers which we are targeting to achieve in the coming financial quarter or the financial year itself. So, the foreclosure rates that are very much inbuilt in our projections itself that this much of the foreclosure are very much into the industry itself and the ILR which we are maintaining currently.

**Nirvana:** Okay. And last question from my side sir you are saying from 45 you will go to 60 branches by FY'27. You are also saying that average disbursement will go up from 25 lakhs to 50 lakhs for all the existing branches so if you put all these together sir you are looking at SME vertical growing at 40%, 45% kind of CAGR for at least two years. So, sir are we really geared up as a team mentally and in terms of infrastructure to drive this kind of growth or do you think that you know branches growth will always be way ahead of even growth for SME. How do you see the next two years?

**Management:** Look in last four to five years we were always talking about the processes SOP's building infrastructure building systems. So, now from last eight to ten months we believe in ourselves that we are system ready, infrastructure wise we are ready, human resource wise we are very much ready and that is why we have started taking a leap to grow our book with that pace itself and giving you numbers of Rs. 800 crores or Rs. 750 crores of SME AUM itself. Prior to that we were never commenting on the AUM part or anything like that. As of now we believe that we are very much infrastructure ready we are very much in terms of people, pricing, products, portfolio and places even the branches that we are targeting to open up in coming quarters. We are very much infrastructure and people wise ready for those locations to present.

**Nirvana:** Okay. Thank you. I have more questions.

**Management:** The only thing we see that in certain location or certain branch the quality issues come otherwise as a company in terms of processes team and everything we are much more geared up to achieve those numbers and at the same time maintaining quality. We cannot overlook that part only just to achieve the numbers.

**Moderator:** Thank you. Next question is from the line of Ankit Gupta from Bamboo Capital. Please proceed.

**Ankit Gupta:** Thanks for the opportunity and congratulations on a good set of numbers. My first question was on the environment on the SME side so can you say that things have improved significantly and given we are also looking to push the pedal on the SME growth, the environment has improved significantly over the past quarter or two.

**Management:** Yes, I would say internally we are much in a better position in terms of team, infrastructure and SOP but cautiously I would still be cautious in terms of external environment yes. As compared to what has happened in last two, two and half years the peers are much more cautious in terms of everybody has tightened their policies a little bit in last nine months or twelve months and the attrition rates have come down. So, if we see those external from that point of view they are much better. Yes, little bit we have seen that due to aggressive lending both on MFI and unsecured portfolio and that spillover we have seen in the last four quarters and going forward those negative effects of those will take out and overall external environment will also improve.

**Ankit Gupta:** Sure. So given how things are currently and our systems processes in place

**Management:** Can you speak a little louder?

**Ankit Gupta:** Sure sir. So what I was saying is given how the environment is currently and how we have improved our processes and set up a good team can we look at crossing Rs. 2000 crore of AUM by March'27?

**Management:** Let us talk on March'26 and yes definitely we are here to grow ourselves and with all other parameters keeping in mind and yes I think we will be able to give a better picture after March'26.

**Ankit Gupta:** Sure sir. My third question was on expenses side our employee and other expenses over the past two, three years, this has kept in line with our AUM growth and we have not got operating leverage on that front and given how we are looking to expand going forward also. Should we expect expenses to grow in line with our AUM growth or do you think there is some room for squeezing in some operating leverage here?

**Management:** More or less our middle team is quite geared up even after we open more new branches. So, the cost will only come from the branch level. And some one or two senior level team members may join in next three to nine months. So, marginally yes as we achieve those numbers our OPEX should come down. And it should be in line with the AUM growth currently what we are having and we may be able to little bit squeeze in.

**Management:** We are not commenting on AUM targets sir but you even understand that operating leverage starts playing a role when a particular level of AUM has been achieved. So, we are targeting a particular level of AUM and I am not commenting on what the exact AUM is. Definitely post that we will be able to squeeze in as operating leverage has started to play in. and we would be able to reduce our operating cost as well.

**Ankit Gupta:** Okay. Sure sir and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Tejas from Prudent Equity. Please proceed.

**Tejas:** Hi sir. Good afternoon. First of all congratulations for a great set of numbers. So, I have couple of questions and my first question was on the disbursement side. So, if we look at disbursement for this quarter. So, there were down both quarter-on-quarter and year-on-year basis. So, what investment can we see going forward for H2 FY'26 then next financial year FY'27?

**Management:** So, if you see the disbursement number. Our disbursement in SME is higher by 63% quarter-on-quarter and 93% year-on-year and wholesale is always a lumpy business. Wholesale receives a lot of pre-payment and when collections are higher our disbursements also increase. It is not that our portfolio goes down, the total AUM goes down. Sometimes we have seen that in wholesale, account which we have boarded for three to four years have run down with 18 months itself So, there was a little lumpiness and the collections were marginally lower. It is not that there is a stress in the wholesale. It is the prepayment in the last quarter was a little lesser and with Diwali and all kicking in otherwise our disbursement in the retail was far better, year-on-year and quarter-on-quarter.

**Tejas:** So, per quarterly disbursement, overall disbursement can we look at for next financial year?

**Management:** Certain two, three rounds, Rs. 4 crores of wholesale in the last week of September. We did a reasonably very good business in October. So, wholesale it is better, not quarter-on-quarter or year-on-year but our total AUM does not go down. It can momentarily drop for fifteen days or a month.

**Tejas:** Okay. And second question was on this active accounts of SME. There was a sudden jump in the SME active accounts for this quarter. So, what measures do you take disbursing to SME and how do you see SME sector as a sector?

**Management:** As we saw that we have seen a good disbursement in the last quarter, so because of high disbursement we can see a net increase in accounts because this was one of the quarters in the last couple of quarters that we have actually seen a good increase in disbursement.

**Management:** We have moved to totally RTGS method now, cancellations are not happening which used to be 25% to 30% kind of a scenario in last year. So we have improved our processes and due to that we are seeing higher active accounts.

**Tejas:** Okay, and what AUM target are we looking at for FY'27?

**Management:** I think we have spoken earlier, we have given a target for this year and next year we are able to do that and with the quality and everything. I think we should be striving for a better growth but we will give those targets at the end of this financial year.

**Tejas:** Okay, understood. Thank you sir. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Sanjay from Bastion Research. Please proceed.

**Sanjay:** Hi sir. Thank you for the opportunity. So just wanted to know that we are focusing on SME side and we are raising the ticket size as well and as you already spoken about that this segment which we are catering is purely a secured segment. And what I see and understand from the industry players, everybody is focusing on secured segment aggressively now because of the MFI stress and all that. So banks, NBFCs all are focusing on and because your ticket sizes keep on increasing. How do you see this competition kicking up because previously we were in the lower ticket size segment. So the competition is comparatively lower. So if you can share those insights from your end, how do you see that aspect?

**Management:** You are absolutely right. Competition was always there. It is not that it has increased too much. Of late MFI who have been traditionally into MFI business for last five tot en years have suddenly shifted themselves to doing a micro lab, less than a 10 lakh ticket kind of. Most of the MFI have started focusing on secured zero lakh to 10 lakh kind of a bracket. And I have told in my earlier conversations also that zero lakh to 10 lakh kind of a bracket with the kind of security coming in and most of the lenders do not have a SARFAESI tool with that even if they have a

SARFAESI tool, the cost of that does not make it too high. So we have already said that our focus is between 10 lakh to 15 lakh kind of a bracket segment. And the learning that we have made in last four, five years with those players which were totally into GLG loans for last five, ten years. So it takes little time for those companies to learn and make those processes, build that team. And I think that it is a time where we are little better placed as a company as compared to the new competitors which are coming in, which are mostly from the unsecured and MFI segment. And most of them are focusing to build on their own book and doing most of the BC business, so business correspondent for other NBFCs. And so yes, right now the ticket segment is different. They are just starting up and building up. So, immediately we do not see any kind of competition and the existing players are still there. And we have to live with, geographical penetration is still too low. We can expand ourselves and there is a lot of scope to grow ourselves. And as a company, we want to remain focused in few products. And with those learnings and knowledge, that can be a little USP that we can have as compared to the new entrants which are coming into this segment.

**Sanjay:** Sir, why I am asking is because our NIM stands at around roughly 7%, 8% and we give the yield on advances on side is from 18% to 20%, which you are now saying that it is moving down near to 16%. So what I am trying to understand

**Management:** No. We are saying our weighted IR will remain at 18%, 18.25%. It is only that we have introduced one product which will not be more than 15% to 20% of that. And that will have a weighted IR of around 16%. But certain, we do even in 22% to 24% also. So our weighted IR will remain. It is only that our product

**Management:** We are increasing our interest rate basket only so that we would be able to cater more and more customer and we can increase our target segment from 16% to 22% kind of bracket itself. So it will not be tough. It would just open new doors or new avenues for us to do more business in coming quarters and coming financial year itself. Apart from that, one point, the point which you have asked about the competition itself, we have already mentioned that in any business, you cannot evade from the competition or you cannot rule out the competition. So we are very much prepared for whatever the competition is. The key in the segment, in the retail segment, what we have learned from last three, four, five years of our experience is the service delivery that how much faster you are processing your files, how much SOPs or how much strong processes which you have built. So we are very much now focused on the task. We are very much focused on the service delivery. We are targeting to reduce our disbursement time so that we would be able to board more and more customers. As Rohit has told earlier also that our competitors, which we are doing micro-lab kind of business or doing into a kind of BC model, the average stat is much more that it comes around 25 to 30 days. So we are targeting that we would be disbursing any files, like log-in to disbursal for a ticket size of around Rs. 20 lakh or Rs. 25 lakh files in 7 to 15 days itself. So if we are able to achieve that kind of PAT and all that thing, definitely we would be able to do the business which we are targeting for.

**Sanjay:** Thank you so much for answering. Sir, my second question would be on, sorry if I heard it wrong, but you mentioned that our cost of borrowing from 10.9% to closer to coming to 10.3%. But what I understand is some of the PSUs have not given you the benefit. So for another year and next year, do we see 50 to 100 basis point benefit accruing in the cost of borrowing side? And is my understanding correct or you can share on that side?

**Management:** I think unless and until repo rate goes down, 100 bips will be little difficult. Yes, we can target to go down to another 0.25 bips if everything remains same. But what has happened now, the liquidity is there with the banks, even they want to deploy funds and now they are being little cautious on the MFI and unsecured NBFCs. They are focusing on the better rating and so that is also the one benefit we are getting in last two, three quarters. But seeing a 100% bips with everything remaining same as on the repo rate, there is no change. So that will be little difficult and that can only be achieved when we see one rating upgrade.

**Sanjay:** Sir, even that you still not see that. Understood sir. Sir, you also mentioned some of the inorganic growth. While you have mentioned that, that is not the focus area for you, but in my opinion that you might be seeing something interesting worth taking a bet or in the evaluation process. So can you share more detail on that?

**Management:** Now opportunities are coming because those companies with less than Rs. 100 AUM, Rs.150 crore AUM, their cost of borrowings and their OPEX cost are not able to justify and they have also realized that maintaining quality and maintaining other operational metrics. So they are looking to merge themselves and all those things. So those kind of opportunities are coming. But as a company, we have to see whether it makes sense to us. And if it does, then we will definitely do it. But right now, one or two opportunities have only been evaluated. But nothing has been confirmed as on date. And still our focus is to grow organically. But if some good opportunity comes with limited risk and exposure, it can be seen.

**Sanjay:** Thank you so much sir for answering my question. Thank you.

**Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. Rohit Gupta for the closing comments. Over to you sir.

**Rohit Gupta:** So first of all, I would like to thank your team and Sayam for this conference call. I would like to thank all the participants and hope to see everyone in the next year at the end of the new financial year with better numbers and what we have given. And we have achieved those numbers. Thank you all. Thank you very much.

**Moderator:** Thank you. On behalf of TIL Advisor Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.