

October 22, 2026

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

SYMBOL: FEDFINA

SCRIP CODE: 544027

Dear Sir/Madam,

Sub.: Transcript of Earnings Conference Call held on Thursday, October 15, 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the Earnings Conference Call which was held on Thursday, October 15, 2026.

The transcript of the Earnings Conference Call is also being uploaded on the website of the Company at <https://www.fedfina.com/> under the section 'Investor Relations'.

The above is submitted for your kind information and appropriate dissemination.

Thanking you,

Yours faithfully,

For **Fedbank Financial Services Limited**

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Company Secretary & Compliance Officer

Mem. No.: A21472

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“Fedbank Financial Services Limited
Q2 FY27 Earnings Conference Call”
October 15, 2026



MANAGEMENT: **MR. PARVEZ MULLA – MD & CEO**
MR. C.V. GANESH – CFO
MR. JAGADEESH RAO – CBO - GL & ST LAP
MR. SHARDUL KADAM – CHIEF TRANSFORMATION OFFICER
MR. K. SURESHKUMAR – CBO-MT LAP
MR. VIKRAM RATHI – CRO
MR. LOKESH PAREEK – HEAD OF INVESTOR RELATIONS

MODERATOR: **MR. SHREEPAL DOSHI – EQUITUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 Earnings Conference Call of Fedbank Financial Services hosted by Equirus Securities. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, sir.

Shreepal Doshi: Thank you, Aleric. Good evening, everyone. We welcome you all to the earnings conference call of Fedbank Financial Services to discuss the Q2 FY27 performance of the company. Today, we have the management of the company represented by Mr. Parvez Mulla, MD and CEO; Mr. C.V. Ganesh, CFO; along with other senior members of the management.

I would now like to hand over the call to Mr. Lokesh Pareek, Investor Relations Head at Fedbank Financial Services. Over to you, Lokesh. Thank you.

Lokesh Pareek: Thank you, Shreepal. Good evening, everyone. I would like to welcome all of you for joining our Q2 FY27 Results Earnings Call. Before we start, I would like to highlight that some of the statements made on this call may be forward-looking in nature, including those related to our financial performance, business strategy and growth plans. These statements reflect our views as of today and may evolve with changing business and market dynamics.

With this note, I now hand the call to our MD, Mr. Parvez Mulla, for his opening remarks. Thank you, and over to you, sir.

Parvez Mulla: Thank you, Shreepal. Thank you, Lokesh. Good afternoon, everyone. I would like to extend a warm welcome to all of you for joining the Q2 FY27 Post Results Earnings Call. I'm accompanied by Mr. C.V. Ganesh, Mr. Jagadeesh Rao, Mr. Shardul Kadam, Mr. Sureshkumar, Mr. Vikram Rath and Mr. Lokesh Pareek.

For the last 6 quarters, we have articulated the same set of priorities and they remain unchanged. We continue to allocate capital to businesses that earn a strong and consistent return to continue to grow a fully secured book, to scale our twin engines of gold loans and LAP, to grow our core income even as we consciously reduce our reliance on direct assignment, to transition to an efficient cost structure and to hold credit cost below 1%.

This consistency is the foundation on which we have built this business over the past 2 years. Against these priorities, the quarter has progressed well. Our total disbursements grew 28% Y-o-Y to INR6,676 crores, and our AUM grew 37% Y-o-Y to INR22,035 crores.

On the business front, our gold loan business continued its growth trajectory. Disbursements stood at INR5,822 crores, a growth of 31% Y-o-Y. And the gold AUM grew 77% Y-o-Y to

INR11,917 crores. Our doorstep gold loan offering maintained its momentum with AUM growing to INR1,851 crores. Our AUM per branch after the branch opening stood at INR16.9 crores and the gold tonnage grew 16% Y-o-Y. We continue to maintain a prudent risk profile with 68% LTV, well within the regulatory limits.

We have opened 74 branches this quarter, taking our total gold branch count to 831. We expect to continue expand our branch network in H2. This quarter also marks our entry into Eastern India, expanding our geographical footprint into newer and promising markets. The revised gold lending LTV framework continues to work its way through the system. Our gold GNPA at 0.5% reflects this transition, not a structural credit concern. Our mortgage business delivered steady progress this quarter with disbursements growing 12% Y-o-Y to INR855 crores and the AUM grew 13.5% Y-o-Y to INR9,982 crores. Our focus remains on disciplined underwriting and portfolio quality.

Within mortgage, our medium ticket LAP disbursed INR645 crores, reflecting 16% Y-o-Y increase while maintaining the yields at stable levels. Our small ticket LAP and housing business disbursed INR210 crores as our investment in credit policy leadership and BRE-driven underwriting engine begins to translate into lower credit cost. Our on-book portfolio remains fully secured with the unsecured loans constituting less than 1% of our on-book assets.

Turning to profitability and asset quality. Credit costs for the quarter came in at INR27 crores, approximately 0.6% of the average total assets as on an annualized basis, continuing to track well within our guided range of - below 1%. The quarter concluded with a profit after tax of INR130.8 crores, a Y-o-Y growth of 63% and ROA of 2.8% and an ROE of 17%.

On the asset quality, our GNPA stood at 1.8%, moving from 1.6% in Q1. The movement is primarily attributable to the ongoing transition in gold loan lending practices and the flattish as we did our direct assignment and co-lending business normalized in the quarter. NNPA stands at 1.2%, with a provision coverage ratio at 35.4%. On a Y-o-Y basis, both the GNPA and NNPA have improved, the capital adequacy stands at 21%, and book value per share stands at 84.4.

Taken together, the quarter reflects a business that is growing well with improving asset quality, resilient core earnings, our highest ever ROE at 17%, the foundation we have built over the past 2 years, a fully secured book, a scaled gold loan franchise, a stabilized mortgage business and a strengthened collection organization is now in place, and we believe it positions us well for the quarters ahead.

I will now hand over to our CFO, Mr. C.V. Ganesh, to take you through the numbers in more detail

C.V. Ganesh:

Thank you, Parvez. Thanks, everyone, for your participation on the call. Before we begin with the financial highlights, I would like to extend my warmest Navaratri greetings to all of our equity and debt stakeholders as well as all the participants on this call. Wishing all of you a joyful and successful festive season ahead.

In spite of the turbulent headwinds over this quarter and lack of momentum in gold prices, we continue on our theme of building resilience across business cycles. Quarter 2 '27 has been our strongest quarter to date in terms of profitability and operating metrics.

Over the last 8 quarters, we have been on the journey of building a business model which results in consistent noncyclical and predictable earnings. The linear upward trajectory of **ROA and ROE** expansion over the last 8 to 9 quarters is the validation of the resilience in that model. We shared last quarter that we had crossed the interim ROE milestone of 15%.

I will reiterate four headline numbers that summarize our performance for quarter 2. The first one is on the ROA. The ROA expanded sequentially quarter-on-quarter by 24 bps to 2.8%. The last 9 quarters have seen ROA slowly but steadily inching up from 2.1% to 2.8%. The ROE expansion sequentially has been 153 bps quarter-on-quarter to 17% in Q2. This also represents a steady increase from 10.9% ROE to 17% ROE over the last 9 quarters. We remain optimistic on continuing on this trajectory. We started the fiscal with an AUM of a little over INR20,000 crores. We crossed the milestone of INR22,000 crores in September, representing a 9% increase in the first half of the year.

The **credit cost** shrunk by 18 bps from 0.78% to 0.6% of total assets, as the flows from the mortgage book have materially improved in aiding and lowering credit costs. Our growing ROE enhances our ability to fund the loan book expansion through internal accruals and puts us on an accelerating journey of book value compounding.

Let me now walk you through a little more detail on the numbers.

First, on the **P&L items**. Core NII grew 5.2% quarter-on-quarter to INR404.8 crores and 40.9% year-on-year. Pre-operating profit of INR205.1 crores is up 9.4% sequentially quarter-on-quarter and 47.5% year-on-year.

Our **credit costs** declined to INR27.1 crore in quarter 2, down 20.5% quarter-on-quarter from INR34.1 crore in quarter 1 due to improving collection efficiencies on the mortgage book. Consequently, the PAT came in at INR130.8 crores, up 14.3% quarter-on-quarter and approximately 63.1% year-on-year.

Now on **yields and the cost of borrowing**. Our overall yield on the core loan book remained constant in quarter 2 compared to quarter 1 at 16.40 levels. The optical increase in yield by 29 bps is because the last quarter had a higher DA unwinding impact of around the same magnitude.

On the cost of borrowing, in spite of headwinds, we were able to keep our weighted average cost of borrowing for quarter 2, flat at the same level as the previous 3 quarters at 7.80. This is represented in the funding profile slide in the deck. Our fixed rate borrowings form 33% of the book. This, coupled with the MCLR-linked loans, which constitute another 24% of our borrowing and have had a lesser magnitude of transmission historically, gives us some insulation against headwinds of increasing interest rates. We did direct assignments of approximately INR700 crores of the gold loan book to deleverage. This aided by higher co-lending in the gold portfolio, helped in bringing down the debt-equity ratio from 4.9% to 4.6% and improved capital adequacy to 21%, up from 20.7% in quarter 1.

Now on asset quality. Our mortgage delinquency numbers across stages are flat to better than the previous quarter. On the gold side, we had guided in quarter 1 that the shift to the periodic interest due model instead of the earlier bullet loan model was likely to result in technical delinquencies across stages going up as customer behaviour may take some more time to adjust. The increase in Stage II from 2.7% to 3.6% and in Stage III from 1.6% to 1.8% are entirely on account of this changed construct in gold loans. We are sufficiently collateralized and do not see these optical indicators as indicating any enhanced risk on the portfolio.

We have had a record low level of net slippages in the mortgage book. It has been our best quarter till date. The decrease in PCR from 38.4% to 35.5% is due to a higher proportion of gold loans in Stage III. These gold loans carry a much lesser provisioning coverage per ECL. Our mortgage PCR continues at similar levels.

Now on the **operating leverage**. Opex as a percentage of average total assets in the ROA tree stood at 4.9% in quarter 2 compared to 4.8% in quarter 1, reflecting the full quarter impact of the branch and headcount additions. This is materially down from 5.5% in FY26 and the structural reduction in cost intensity over the medium term remains intact. Our cost to income came in at 52.5% in quarter 2, marginally better than the 52.8% in quarter 1. For context, the annualized cost to income in FY26 was 57.2%. The step-up in operating expenses this quarter is primarily driven by the branch expansion program.

In **addition to the 74 branches** we added in quarter 2, we propose to add at least another 150 branches in the second half of the year. While this will add to the investment Opex, we are hopeful of containing any material increases in cost to income over current levels by focused effort on our BAU Opex.

To summarize, our expanding ROAs and ROEs and our focus on the productivity and operating leverage levers provide us with shock buffers to potential headwinds on the interest rates or any insurance distribution related changes. We remain deeply grateful for the continued support of our investors, both old and new, and all of you on this call who have been with us thus far on this journey.

With that, I now hand it over to the floor for Q&A.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question comes from the line of Shubhranshu Mishra with Phillip Capital.

Shubhranshu Mishra: One Question is about the gold loan growth. How do we manage the growth plus the yields? Because the competitive intensity, not just from peer NBFCs, but also from banks, including PSU and private both are increasing by the day. A couple of peer NBFCs are resorting to very low rates in multiple states. So that is point number one.

Point number 2 is do we have a product ready for income-generation loan and gold loans? And if yes, what is the product rollout time line and what are the various features of that particular product? Thanks.

Parvez Mulla:

Thank you, Shubhranshu, for your question. As far as the growth and yield is concerned, specifically because of the competitive intensity in the gold loan market, we've been conscious of this for the past 3 quarters. In fact, this quarter, the competitive intensity in the gold loan market has played out.

In Q1, the intensity was there, but Q2, the intensity was a heightened one. All the kinds of yield growth strategies, lending practices, everything was played out across geographies. So, you will see that most of the NBFCs would have operated with different strategies in this particular market. What we believe is we have given a growth considering all those competitive intensities, considering all the yield pressures, we've given a particular growth in this quarter. And we will continue with our guidance in Q3 and Q4 as well because we have dealt with this kind of competition.

We believe it is a healthy competition to play with. The market is big enough. Definitely, it shows in the first year and second year when the intensity is high. But we've done this over the past 10, 12 years. We have certain pockets where we go aggressive, certain pockets where we do the yield play.

If you notice, our quarter 1 and quarter 2, we might be one of the few companies which are in the gold loan business where our yield has dropped only by 10 basis points. Whereas if you compare many other companies, you can compare what is the strategy that they are playing. In spite of that, we've given a growth.

If you see the LTV, we are still operating at 68%. So our strategy has been to focus on our growth, our yields, our markets, our target segment, and we operate in certain markets where we believe the growth is still possible. We will continue to guide to a decent growth in Q3 and Q4.

Strategically also, our Q1, Q2 numbers, usually, we beat them in Q3 and Q4. Our seasonality is more in Q3 and Q4. So you will see that happening as we go forward. We already have an IGL product. We have been operating with it in Q2 also. So we had got it ready in April itself, and we are operating with it.

As far as banks are concerned, the competitive intensity is in the NBFC sector. The banks play in a different orbit with a different yield segment. Maybe the larger players feel the bank presence. We operate in segments and geographies where our competition essentially is with the NBFC segment. And I think we are doing decently well there.

Q2 is a good indication for you to see how each of these players have operated. Who's focused on growth? Who's focused on yield? And what are the practices each of the player has played in the gold loan market? And what the strategic focus each of the player has played? So Q2 is a good indication for you to see how Q3 and Q4 will play.

C.V. Ganesh:

I'll just add to what Parvez said, in addition to the new branches we added. Historically, the second half of the year is a much stronger period for us, which is giving us confidence that in spite of the headwinds you mentioned, we would be able to perform to our guidance, which we have been giving in the earlier quarters for this year on AUM growth.

Shubhranshu Mishra: So just to summarize this. We don't expect much of a spread compression despite the competitive intensity and the rate hikes. Is that a fair understanding? Second is that if you could explain what our income generation loan as what kind of LTVs we are offering, what kind of ticket size we're doing in the income generation loan?

Parvez Mulla: As far as the yield is concerned, - for Q3 and Q4, we will use all levers possible, whether it is yield, whether it is LTV and growth, it will be a combination. It will not be a single lever. The objective will be to maximize certain deliverables that we have.

As our guidance has continued, finally, it is the ROA number that we are guiding on. If there is some level of pressure on the yield, we'll figure out where we need to get it from. And we've done that over the past 8 quarters. You've seen our trajectory on how we've managed the ups and downs of yields. And we still have multiple levers to play to give you a good ROA trajectory.

So that's how we will play it. I don't want to specifically give you a guidance because it is a dynamic market. Q3 will be an intense market. It will be wrong of me to give you a guidance that we will play with a flattish yield. It will be played according to the market dynamics. Geographically, we will play it very, very differently in each of the geographies. So that's how we will continue. As far as the IGL product structure is concerned, I will request Jagadeesh to just elaborate. Jagadeesh, do you want to give a flavour how we're doing IGL?

Jagadeesh Rao: Yes. So, on the income-generating loans, we have multiple products. One is for Agri loans and for the MSMEs and priority sectors. And on the LTV side, we structure it based on the cash flows. We don't go with only the LTV, there is a capping of 85%. When I say 85%, the loans are structured at 75%, 78%, 80% and 85%. That's how the product structure is, yes, and purely based on cash flows.

Moderator: The next question comes from the line of Renish with ICICI Securities.

Renish: Congrats on a good set of numbers. Sir, just 2 things again, sorry, coming back to the same question on the Stage II Stage III increase in this quarter. So we understand that the bulk of this is being driven by the gold loans. So just wanted to understand, in a steady-state basis, Can one assume the current Stage III and Stage II in a gold loan business is a new normal?

Parvez Mulla: Hi, Renish, thank you for your question. So you understand this business, you understand that there has been changes which have happened in the month of April. You are also aware that we had guided. And in fact, we were one of the first few companies to guide that the Stage I, Stage II will be different for the year and we have continued to stick to that guidance.

My piece of comfort to you is the mortgages Stage I and Stage II as well as Stage III is steady or in fact, declining for us. So, my slippages as C.V.G vehemently pointed out, the slippages have gone down. The buckets have been reducing, so we have a definite advantage on the mortgages side because of the investment that we have done on the collection infrastructure, and we are seeing those results there.

As far as the gold piece is concerned, this Stage II is technical in nature. You are aware, most of the gold loan product is a 3-month or 2.5-month behavioural tenor product. So this will not

translate into a credit cost. It's only technical in nature. Customer is going through a behavioural change. NBFCs, for the first time, are calling the customer and telling them that, look here, you've taken a quarterly product, why don't you pay EMI quarterly? The customer is saying, for the last 10 years, I've not paid quarterly. It's okay if I pay a fourth month?

And then there is definitely a different interest rate that the customer starts paying. So actually, it's not at all a piece which is worrying for us. The Stage II, we think, is in a managed range. This guidance that we have given is the credit cost that we will manage will be way below 1%. We've directionally also showed you how it is going to go. If you remember last year as well as the start of the year, I told you that the GNPA's will also be below 2%. So I'm giving you guidance on the GNPA, I'm giving you guidance on the credit cost. In between those stages, I think some of the levers, which companies will use to operate in a very, very highly competitive Q2 gold environment.

Each of the company will operate like this. We are one of the few first companies to give the results. So there will be some element of questions. But as you see more gold companies coming up, you will see similar kind of numbers and results. So I think it's just technical in nature. The summary is that the GNPA and mortgages and the stages and mortgages are doing well. And I mean, I'm pretty happy with the numbers.

Renish:

So Parvez, just a follow-up on that. I mean since this new regulation being implemented from April and now, we are in September. So, it is fair to assume that even the Q2 numbers fairly captures the change of customer behaviour. And if that is the case, then the Stage II and gross NPA ideally has picked out at current level and maybe in Q3, Q4, there will not be further deterioration?

Parvez Mulla:

I don't think like that, Renish. It won't be a deterioration; I won't call it a deterioration. It is just a behavioural pattern because see, what will happen, Renish, is the volume of business, which happens in Q2 is very different from the volume and business, which happens in Q1, plus the early part of Q3 also the business will pick up. So, there will be some numbers, which will happen on the Stage II side. So again, I'm telling you, directionally, I don't want to hold a number on the Stage II side because it will constrain the business. But it is not a number which one should worry about. It has nothing in the sense because -- see it's very easy for a gold loan company or any company which is doing gold loan business to easily get the recoverable through the auction process. We are fully geared for that.

Just optically showing you a better number is not in the entire business interest of most of the companies. So, we will look at optimizing what are the deliverables? The deliverables are clearly maximizing profit, maximizing customer interest, maximizing, ensuring that we are doing within the regulation. And we are going through a transition of customer behaviour. So, I think it may take 1 or 2 more quarters before customer behaviours change.

C.V. Ganesh:

I just add to what Parvez said, Renish, basically, these indicators, I would urge you to look at this in comparison to the peer gold loan companies. Because in absolute, if you try to make sense out of it, I would try to indicate that these would be optically mis indicators rather than indicators.

We have never had an auction loss on either principal or interest in the last 6 years. There is no intention to break that record. Management team is in control, and we are sure that we will not have any loss in terms of principal or interest. These are levers we will keep playing with. And I think to that extent, I would urge you not to hold us to a number that.

Renish:

No, no, I think you're absolutely right, sir. So, when we look at the credit cost and then when we look at the Stage II and Stage III, it clearly suggests that what Parvez sir is trying to highlight that it's just a change in customer behaviour and not necessarily it will result into a credit loss. So that is pretty much understood. I mean a good job on that thing.

Sir, my second question is on the small ticket LAP. So when we look at the ticket size trends, it clearly suggests that we are moving to high ticket size LAP within small ticket LAP segment. So the drop in yields is because of that? Or it is just because of interest rate cycle, the segmental yield is coming down in small ticket LAP? And also, are we also switching to a better customer segment and hence, ticket size is inching up?

Parvez Mulla:

Good thing to notice, Renish, thank you for that question. Small ticket business, on the ticket size. We're earlier a 5 lakh above ticket size company on the small ticket LAP. We moved it up towards the 7 lakhs and 8 lakhs. You remember that we guided you that has played out in the average ticket size slightly moving up because now we are not doing anything below 8 lakhs. So that has moved a little bit of the needle.

The yield drop is just a Q2 scenario in certain geographies. It is not related with the ticket size per se. It is coincidentally looking like that. Just that in Q2, my lower yield state has done better business than my higher-yield state. So I have different yield states. Say, for example, state A does at one particular yield state B does one particular yield till the time my other state picks up, this state did a better business.

But as far as indications are concerned, as we had guided you on the small ticket LAP business on the credit cost, it took us 3, 4 quarters to stabilize it. And today, we are proudly telling you that we are going on the bucket negatives on the credit cost on the small ticket LAP side. So similarly, on the growth side, on the small ticket LAP business, we've picked it up. The pickup has not been that great, but it will definitely pick up in Q3, and you will see further better yields as well as the ticket sizes the normalized range.

So the average ticket size could be in this range, but you will get a better yield and better disbursement in Q3 because now we've got the credit cost side normalized on the ST LAP, the pedal will be pressed on Q3 and Q4. I didn't tell you that in Q1 and Q2. But in Q3 and Q4, we will press the pedal. So you will see a different growth trajectory on ST LAP there.

Moderator:

The next question comes from the line of Digant Haria with Green Edge Wealth.

Digant Haria:

Congratulations to all of you. It's good to see this trajectory of ROA just keeps improving. And then 2 questions from my side. In this gold loan, now, at the industry level and at Fedfina level, like what percentage of new loans probably happen at full LTVs, which we can say 75-80 or 85?

And then what percentage of loans happen in the bullet structure where you cannot give those full LTV, you have to give some discount to that LTV. If you can just highlight where the industry is moving, where we are moving? Because I think the Stage II, Stage III question is also related to this.

Jagadeesh Rao:

Digant, So gold, there is no differential LTV for an existing customer or a new acquisition. The customer demand, whether he is an existing and he comes for a repledge or a second loan or a new customer walk into the branch, this requirement is higher LTV. 90%, 95% of the customer's choice is to get maximum loan for his collateral. So there is no such discrimination.

The LTV is decided based on the exposure of the customer. The moment the exposure of a customer is capped at 75%, he opts for maximum LTV. Similarly, if it is 80%, he opts for maximum LTV. There is no differentiation between a new customer or an existing customer. 20% of disbursal, which is happening in income-generating loans. There, there is a choice for Fedfina to go into the cash flow assessment and based on cash flow assessment and purpose to decide on the differential LTV for a new customer. So that's there.

Digant Haria:

So, Jagadeesh, as you say, most people will opt for the highest available LTV. So then they will have to pay interest regularly or else this Stage II will go up at an industry level. That is the right understanding, right?

Jagadeesh Rao:

That's the right understanding.

Digant Haria:

So, it's just a technical thing which will like come up, but obviously, it has no implications economically or on our ROAs?

Parvez Mulla:

Yes. What happens, Digant, we are operating in the market, and when we are operating in the market, we are conscious of this. So, if I'm giving a quarterly product, even though there is no reason for me to but I'll minus a 2% and play with that LTV and see how much of a take is happening for that LTV there.

So the business growth happens and you try and push as many customers at that LTV. And that is why your portfolio is a mix of that 73%, 72%, 74% in that way. So it's not everybody at that highest one. So you will try and first pick up as many compositions as possible in each of these markets. So wherever you don't have heightened competition, you play with a 71% also.

Digant Haria:

Okay. Got it. That's very detailed. Second question is, Parvez, you mentioned that competition did play out. It was extreme this quarter. Like, if you can just give some more colour, you or Jagadeesh, is that this competition, is it playing unfair in terms of just don't value the jewellery correctly? Or is it just that they give higher LTVs than mandated?

Because just playing fair competition cannot really affect strong and entrenched players like us. So just wanted to know that is there an element of unfairness in the game, people are being very aggressive because most new entrants often make that mistake.

Parvez Mulla:

Yes, Digant, very, very tricky question. But what I will answer to you is most of the existing and old players who have been in this business for a long time and who's been in the gold loan

industry for 8 to 10 years and who've been operating will play fairly. And we'll do according to what is right as far as the regulation is concerned and the other things are concerned.

I can't talk about the others. But as far as the existing are because they've seen what happens when you do that. The industry has been there for some time. 5 years ago, 6 years ago, it went through a yield cycle. So there are consequences for that. So, the existing players know this, and they know these particular practices, what it leads to.

Digant Haria:

Yes. Thanks. And then last question is, we have done fantastic on the operating leverage front. It's been going down for each of the last 4 quarters, the cost to assets or cost to income. So just wanted to know if there is more juice left or like should we stop here and probably increase more branches to capture more areas of gold loans? Or how are we thinking on this?

Parvez Mulla:

So definitely, there is a double work happening. So we are not stopping our focus on expanding our gold loan branches. If you see we've done about 75 in the quarter, you will see us pushing for a 100 branch number. In the Q4, again, we'll push for more number.

So as far as branch is concerned, it is not constrained by the cost to Opex ratio. That is a number which we will continue to do because we believe that the gold loan business is a business which requires that distribution muscle, and we will do that through our branches.

Secondly, we are one of the few companies which believes that our ST LAP business and gold loan business go hand in hand. You also are aware that last quarter, Jagadeesh is handling both the ST LAP business and gold business. So he's pushing both these businesses through these branches. So that increases our distribution muscle. So we are bullish on the branches.

Our branches are not just announcements. We are not making announcement that we will be putting so many branches. We are making announcement that we have already put these many branches, and those are the branches which have started giving us business. So there will be no constraint on putting money behind branches.

As far as the Opex ratio is concerned, we will continue our trajectory of reducing Opex on the other side. Like, for example, if I'm telling you that Jagadeesh is going to head both the verticals, he will try and optimize both these verticals to see where the benefit is going to come. He's going to push for certain verticals where the gold loan business will aid our small ticket LAP business. And those are the synergies which will help us. In the past 2 years, we have shaved off a lot of costs which have given us the value add. Going forward, we will continue on that trajectory. And when we are trying to guide to a particular ROA, directionally, you know that we are targeting a 3% ROA. In spite of the yield pressure, we will try and leverage through the Opex ratio and the credit cost to reach that 3% ROA. So there is definitely within the company, a heightened focus on reducing the Opex, which is non-branch investment related and trying to use it as a lever to ensure that we get the money to put the branch Opex.

Digant Haria:

I can already see Navaratri and Diwali in our results. I hope it happens in our stock also. So thank you and all the best Parvez and the team.

Parvez Mulla:

Thank you, Digant sir. You understand this gold business. So thank you for your support.

- Moderator:** The next question comes from the line of Pavan Kumar with Edelweiss Public Alternatives.
- Pavan Kumar:** Thanks for the opportunity, Parvez and Ganesh, and congrats on the good numbers. a couple of questions on the yield front, right, particularly on the ST LAP, we have seen over the last 5, 6 quarters, the yields have gone down from 16.1% to 14.9%, the origination yields of ST LAP.
- So it's kind of matching with the rate cut cycle, but how much of it is rate cuts and how much of it is competition led? And as we are going into the rate hike cycle, how much we can expect the yields will go up? That's one question. Second question, there's a meaningful increase in the ST LAP disbursements you have kind of alluded in the earlier questions also. What are the kind of numbers we can think about in H2 for the ST LAP pickup? Yes, those two. Thank you.
- Parvez Mulla:** Thank you, Pavan. Definitely, you will see us putting a good set of numbers on the ST LAP side. I can't give you a definite guidance, but I can tell you so much that it will be amongst the last 8 or 9 quarters, it will be the best quarter compared to the last 8 or 9 quarters.
- Secondly, as far as the yields are concerned, on the small ticket LAP side, I agree with you, what you are pointing out, but you will see that trajectory also changing because it's not only about the ticket size. As I told you, we operate in about 6 states on a major basis and about 17 states otherwise. So, 6 states contribute majorly to the small ticket LAP business. And some states, we operate at different yields because these are markets which determine that. So 1 or 2 state compositions increase in a particular disbursement in a particular quarter, the yield has changed that way.
- The last 4 quarters, we were getting out of the woods in terms of the quality as well as we were putting guardrails and we were changing the manpower and all that. That is where the yield has gone. But you will definitely see a different yield trajectory in Q3. Definitely, it will be more than Q2 as well as the disbursements will be more. So, both you will see -- we will definitely live up to your expectations in Q3.
- Moderator:** The next question comes from the line of Meghna Luthra with Incred Equities.
- Meghna Luthra:** A few questions. One is on the borrowing piece. Can you please help with what proportion of our borrowing book is floating and fixed? And within bank borrowings, what is linked to repo and MCLR?
- C.V. Ganesh:** Thank you, Meghna, for that question. Our fixed rate borrowings are 33% of our total borrowings. Of the balance, 67%, 24% is MCLR linked. So, the residual is only EBLR linked, so that gives us, we believe, some insulation against the transmission. Also, what also helps us is that a majority of our book, about 58% of the loan book is very small tenor gold loans, which means that there is an opportunity to reprice them on maturity.
- So technically, they are fixed, but repriceable on maturity. So as I said, the whole attempt over the last 8, 9 quarters, what you see in terms of the ROA and ROE expansion is not by accident. It is by design. We have very painfully built a lot of resilience across each of the parameters. And even the mix in borrowings reflects a certain element of resilience there. Obviously, there will be headwinds. We will watch it. We have some levers. We will evaluate them.

- Meghna Luthra:** Got it. So is it fair to assume that any sort of compression on the cost of funds will be easily passed on and we should not see any NIM spread compression in the coming quarters?
- C.V. Ganesh:** So, I think the way I will rephrase that is after 8 quarters of ROA and ROE expansion, we wouldn't want to show you a different trajectory. So, allow us to play with our levers without holding on to any. We will play in the respective markets, as Parvez said, we would not want to be bound down by any particular line item in the ROE. If there is a NIM compression, we will handle it by enhancing some other operating lever.
- Meghna Luthra:** And on tonnage growth, how do you see that panning out in the second half?
- Parvez Mulla:** Yes, Meghna. If you see our pattern last year also between Q1 and Q2, we had depleted our tonnage. In fact, this year, our tonnage has slightly been on the positive side in H1. So we are happy about that. Last year, we had a depleted tonnage because Q1, Q2 is usually a tough quarter for us in tonnage. And Q3, Q4 is our tonnage quarter. So you will see a different trajectory in H2 for tonnage.
- Moderator:** The next question comes from the line of Devansh Dhruv with Equentis.
- Devansh Dhruv:** Congratulations on the great set of numbers. So, I think broadly my question was answered, but just to summarize or get the understanding right, so if there is a 50-basis point rate hike, how do you see our spreads going forward?
- Would we hike our yields and to set off our cost of funds hike? How do you see spreads panning out? You might kind of balance it out from other line items, but how do you see just the spreads panning out in the next H2?
- C.V. Ganesh:** There will be a limitation to how much we can pass it on. So, we would not want to maintain that all of what happens, we will be able to pass on. But the focus over the last 7, 8 quarters has been on building a model with a lot of shock absorbers. So we will absorb that shock, but still deliver a superior ROA and ROE to you.
- Devansh Dhruv:** Fair point. And the lever that you would assume that would offset this would be primarily Opex or our credit cost?
- C.V. Ganesh:** All of it. The whole shift to a fully secured lending construct about 6 quarters ago was to have a very benign and predictable credit cost. The whole theme has been resilience and predictability. And a minimal or a no surprise kind of quarterly earnings cycle. So, it would be a combination of all of what you said.
- Moderator:** The next question comes from the line of Yash with Dante Equity.
- Yash:** So congratulations on a great set of numbers. I just wanted to know since the branch addition that we've been doing is pretty aggressive, what is the time lines to scale up a particular new branch? How long does it take? Can you give us some operational understanding on how that happens? Because you said in H2, you'll be adding around 150 branches more. So I just want to know how much time does it take for a particular branch to reach optimum levels?

Parvez Mulla: Typically, a branch, if it reaches about INR6 crores to INR7 crores of AUM, it turns profitable for us. When the price is going on an upward trajectory or even the price that is there today, in 12 to 13 months, the branch starts touching that number. And in our past branches also, last year, we put about 150 branches. Most of them have showed that kind of trajectory. They've touched INR6 crores, INR7 crores. Some of them have crossed even more than that. On an average basis, we see INR6 crores, INR7 crores crossing in about 12 to 13 months.

Yash: Understood. And my next question is mostly regarding your ROE. Since your ROE is already at 17%, what is the kind of trajectory that we'd be seeing? And also on the AUM growth, I think you've guided for around 25%, if I'm not mistaken. Could you also give the guidance for H2, H2 in terms of AUM growth and H2 in terms of ROE?

Parvez Mulla: I have not revised the AUM guidance or the ROA, ROA guidance for the last time when I had spoken, we had given a ROA guidance that last year, we had an ROA of about 2.4. We said we will improve that ROA by 30 to 40 basis points. And that time itself, I had said that our AUM growth will be about 20% to 25%. This is what I had said in the month of March, then I continued saying that in the month of July. Q4 guidance was the same. Q1 also, I gave the same guidance. We will continue to give the same guidance in spite of the gold prices being almost flat. So we will give a AUM growth of about 20% to 25% for the year.

And the ROE, you might see because of the numbers that we have given in Q2 and Q1, there might be an upside to the guidance that we have already given. Our target ROA we are trying to reach is 3% and correspondingly try and touch an 18% ROE. That is the objective, and we want to keep it steady at that, being a franchise which is predictable and trying to get a 3% ROA and ROE has been what we had envisioned about 2 years ago. And that's where we are heading, and we seem to be going closer towards it.

Yash: Very conservative, don't you think? I mean, you're entering H2, which is generally 60% to 70% of your generated business in a particular financial year, and you're already at an AUM growth of 36%, if I'm not mistaken. Do you think your AUM guidance and your ROE guidance can be upgraded at this point of time?

Parvez Mulla: If you notice what we have guided in our last 8 quarters, you've seen we've been very, very consistent irrespective of the environment. And Yash, what happens is when you are trying to guide in a very, very volatile environment, you have to be conscious about everything because the guidance is not just about giving a number because you will only remember the number and not remember the environment.

If you remember, 2 quarters ago or 3 quarters ago, we could have not even visualized the kind of environment that has happened now. But irrespective of that, we had given a guidance of 20%, 25%. That time, it was a very, very surprising guidance. Today, I don't know how the entire environment will play out in Q3 and Q4.

If the gold prices pick up in Q3 and Q4, you will definitely get a better guidance, you will definitely get a better performance. I'm talking about a guidance where if the gold prices remain

flat, then in spite of gold prices remaining flat, we will still give you a 20% to 25%, if the gold prices move up, then obviously, we'll do better than that.

Moderator: The next question comes from the line of Rahul Kumar with Vaikarya Fund.

Rahul Kumar: Just a question on ST LAP. How is the competitive intensity actually evolved over here versus, let's say, last year? How has it evolved now, especially in the major 6 states where you have the presence?

Parvez Mulla: You are asking on the gold side?

Rahul Kumar: No, no, ST LAP.

Parvez Mulla: ST LAP, yes, the small ticket LAP business, the competitive intensity, the players' intensity has not increased in the sense the players are the same. But definitely, the requirement for business has, the appetite for business has been very, very aggressive. The same players are operating in a similar market. That is why the intensity has increased.

There is definitely a pressure on the yield. There is definitely a pressure on certain markets, which provide you a better geography, better delinquency number and better yield. So certain pockets, yes, the intensity has been very, very high. And the small finance banks are also into this particular business. The housing finance companies also look at this particular business. And then there are specific companies which are into a LAP business, which are looking at it. So in certain geographies, definitely, the competitive intensity has been higher. But this market operates at very, very different yields in very different geographies.

Like, for example, we operate in the 16% to 17% yield market, and there will be one set of competition. There is a different set of competition in the 20% to 22% segment, which is in a deeper geographical belt. So that is, again, a nuanced competitive intensity for that. So there will not be competition for us. So that's how it plays out.

Rahul Kumar: Okay. Understood. Understood. And so for the ST LAP business, how have our approval rates moved versus last, let's say, 2, 3 quarters?

Parvez Mulla: So approval rates for earlier when we were coming out of the woods had dropped down to about 30% levels. Now steadily, they have moved up to the mid-40% or the early 40% levels.

Rahul Kumar: Okay. Okay. And this is despite the competitive intensity, which you spoke about?

Parvez Mulla: Yes, because we have tightened our BRE engine over the last few quarters, plus the numbers that we have been doing. If you notice one of the questions which we were asked is that on the ST LAP picking up substantially more. We've just done about INR210 crores. For that, we are very happy with that approval rate. We think the disbursal numbers for us, once they pick up, we will be steady at that kind of an approval rate.

Rahul Kumar: Okay. Understood. Last question is on the MT LAP business, the large ticket LAP business. How do we think about that business going forward?

Parvez Mulla:

See, the medium ticket LAP business is a profitable business for us. We make a good ROA on it. It is one of the business, which is a steady business for us. We have been doing well over the quarters. We hold a yield of about 11.5% to 12.5% in that business. This business is a partner-driven business. But still, we've managed to operate it in about 15, 16 geographies that we are operating. And we have a steady growth engine going. We have a vintage team. It is led by Mr. Suresh, who's been a vintage LAP veteran, and he drives the business with a very, very good cost to income. That is why we make good money on it. And that business also has been a steady delinquency business for us. So it's a good balance sheet business for us. And going forward, we will continue on our growth trajectory with that business.

Moderator:

The next question comes from the line of Aditya with Securities Investment Management.

Aditya:

Congrats on a good set of results. Sir, my question was on ROAs and these are more on a longer-term basis. So one of the reasons for our ROA improvement is also because our share of gold loans have increased. So by the end of the year, I believe they would be around 55% to 60% of our overall loan book and gold loan being a higher ROA product, our company level ROAs have also improved.

But going forward from next year onwards, how do you see ROAs panning out when the growth in our mortgage business increases? So, if the share of mortgage increase in our overall loan book, would that have an impact on the overall ROAs of the company?

Parvez Mulla:

Two things. One is, we've taken about 4, 5 quarters to update on our small ticket LAP business and our medium ticket LAP business. Our medium ticket LAP business does a very, very decent ROA. And our small ticket LAP business will pick up its ROA.

As the growth trajectory comes in, the productivity kicks in, the ROA metrics for our small ticket LAP business will definitely be different in Q3 and Q4. And the composition for it to change will take some time. And by that time, we believe that the ROA of that small ticket LAP business will start touching the gold business ROA.

So, the way I see it is we will go through another cycle A where the small ticket LAP business will start picking up. It will move its ROA up, but the composition of gold business will not drop during that cycle A.

When cycle B happens, when the small ticket LAP business is doing a decent ROA, that is when the composition of gold loan, the mix will go differently. So you will still continue to see at an entity level, the trajectory on the ROA in a similar range as we are targeting.

Aditya:

Understood. Understood. And the ROAs on the gold product, so last 1, 1.5 years was pretty good for the gold loan industry in general, considering the kind of loan growth which we have witnessed and which would have benefited our Opex ratios and the kind of yields which we got.

Going forward, now most of our growth would have to come from gold tonnage growth and with increasing competitive intensity as well, do you think the gold loan ROAs, which we have enjoyed in the last year or so, would that take a negative going forward?

Parvez Mulla:

There are 2 ways to look at it. When we guided in this particular year, we had assumed that there won't be a price growth on the gold business. And we have been a company over the past 5 years, giving a tonnage growth. We have given a tonnage growth of about 10% to 12% every year. We will continue that. So you will see a tonnage expansion happening and because of that, a particular growth happening.

So on a yearly basis, between tonnage, even if the price doesn't increase, we will still give you a 20% to 25% growth on the AUM, which is what we were guiding. In fact, the previous call, Yash asked me why that guidance is less. This is precisely why I was guiding on the 20% to 25% because we are assuming a benign environment where the price of gold might not move, and we are operating on a tonnage growth and the competitive intensity, which will happen.

As far as the ROA is concerned, we still believe the ROA will be maintained there because now with the AUM coming in, our cost to income also will start going down on the gold side. If you see my trajectory on the AUM per gold branch, it has moved from INR8 crores per branch to INR16 crores per branch. If as it moves, it becomes double, the cost to income halves. So that starts playing in. So, we are operating at a healthy ROA in gold branch, and that will continue to do so because I will get that lever from the Opex side as the AUM expands. So even with a 20%, 25% expansion in AUM and with a flat price, we will continue to get the same ROA. We are not talking about expanding the gold ROA. We are talking about maintaining the ROA in a very tough environment. So that will continue there.

Aditya:

Understood. Okay. And lastly, sir, what was the contribution of insurance income for us in FY26?

C.V. Ganesh:

It was a nominal sum. So we don't do insurance on our gold loans. The insurance is sold to our ST LAP and medium ticket LAP customers. So, from an ROA tree perspective, I would put the number at about 0.1% in the ROA tree from an income perspective, a little over 0.1%. So, for us, whenever that happens, we are confident that we should be able to substitute whatever is the reduction in that through some other income streams.

Aditya:

Understood. Got it. And sir, just lastly, on this co-location of branches. So now going forward, the gold loan branches we are opening, are they also selling the ST LAP business as well?

Parvez Mulla:

Aditya, it will depend on the market. Some branches, as I told you, Jagadeesh looks at the small ticket LAP business and the gold business. The primary focus is on expanding the gold branch footprint. And if he evaluates that in this particular market, we feel that the ST LAP business also needs to coexist, then we do that.

We don't do it compulsory in every branch, but we are doing it steadily as we expand, looking at the market potential there for that particular business and looking at the delinquency patterns in that particular market. So we will expand it in that manner. But definitely, the gold branch expansion will lead to the footprint expansion for the ST LAP business also.

Moderator:

Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Parvez Mulla:

Thank you so much, the entire investor and analyst community. Happy Navratri to all of you. We have been promising a particular deliverable over the last 8 or 9 quarters, and we have stuck to that. In spite of the vagaries of the environment, we have guided you with certain numbers, and we have stuck to that. We had a very, very tough competitive quarter in Q2. In spite of that, the gold business has done well, and we continue to see that in Q3 and Q4. Competition is real, and we will continue to play the way our strategic focus is. Our small ticket LAP business should pick up in Q3 and Q4, and you will see a different trajectory.

We are committed to the guidance that we have given to you on our credit cost as well as AUM growth. And the main guidance remains that we are targeting a ROA of 3, and we should see it sooner than we had promised you earlier. Thank you so much.

Moderator:

Thank you, sir. Ladies and gentlemen, on behalf of Equirus Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.