January 28, 2026

The Manager, **Listing Department,** **BSE Limited ("BSE"),** **Phiroze Jeejeebhoy Towers,** **Dalal Street,** **Mumbai 400 001.** **BSE Scrip Code: 532636**	**The Manager,** **Listing Department,** **The National Stock Exchange of India Limited ("NSE"),** **Exchange Plaza, 5th Floor, Plot C/1, G Block,** **Bandra - Kurla Complex, Bandra (E),** **Mumbai 400 051.** **NSE Symbol: IIFL**

Sub: - Earnings conference call transcript

Dear Sir/Madam,

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation regarding the earnings conference call for the quarter ended December 31, 2025, please find annexed herewith transcript of the said earnings conference call which was held on January 22, 2026.

The same is also made available on the website of the Company i.e. https://www.iifl.com/iifl-finance/financial

Further, we hereby confirm that no unpublished price sensitive information was shared or discussed during the said earnings conference call.

Kindly take the same on record and oblige.

Thanking You,

For **IIFL Finance Limited**

Samrat Sanyal

Digitally signed by Samrat Sanyal
Date: 2026.01.28 12:35:11 +05'30'

Samrat Sanyal
Company Secretary & Compliance Officer
ACS – 13863
Email ID: csteam@iifl.com
Place: Mumbai

Encl: as above

CC:
India International Exchange (IFSC) Limited
The Signature, Building No. 13B, GIFT SEZ,
GIFT City, Gandhinagar, Gujarat - 382355

"IIFL Finance Limited
Q3 FY '26 Earnings Conference Call"

January 22, 2026

MANAGEMENT:	**MR. NIRMAL JAIN –MANAGING DIRECTOR, IIFL FINANCE LIMITED** **MR. R. VENKATARAMAN – JOINT MANAGING DIRECTOR, IIFL FINANCE LIMITED** **MR. GIRISH KOUSGI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, IIFL HOME FINANCE LIMITED** **MR. VENKATESH N – MANAGING DIRECTOR, IIFL SAMASTA FINANCE LIMITED** **MR. KAPISH JAIN – CHIEF FINANCIAL OFFICER, IIFL FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to IIFL Finance Limited Q3 FY '26 Earnings Conference Call.

As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*", then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to management. Thank you, and over to you, sir.

Kapish Jain: Thank you very much. My heartiest welcome to all who have joined the call, ladies and gentlemen.

On this call today, we are joined by Mr. Nirmal Jain – our Founder and Managing Director. We also have Mr. R. Venkataraman, who is our Co-Founder and Joint Managing Director. We also have Mr. Girish Kousgi, who is the Managing Director & CEO for our Housing Finance Company. We also have Mr. Venkatesh N, who is the Managing Director for Samasta Microfinance.

Through this call, we are going to run you through our performance for Quarter 3. And before we go into the details of our financial numbers, I hand over the call to Nirmal to give you a perspective on the entire macroeconomic situation and the company's strategy going forward.

Nirmal Jain: Good evening, everyone, and thank you for joining the call.

Before we get into our quarterly performance, I want to first address the income tax special audit under Section 142(2A), as this has clearly caused concern and anxiety in the market today. I understand that the term "special audit" can sound unsettling when taken out of context.

The direction under Section 142(2A) is a procedural step in our ongoing income tax assessment following a search conducted under Section 132 of the Income-tax Act. As per law, after a search, there is always a block assessment for six assessment years preceding the year of search, carried out together. This is not a finding, this is not an allegation, and this is not an adjudication. Such procedural audits are not uncommon for large, diversified financial companies with large transaction volumes, multi-year data and complex operating structures. This provision allows the income tax authorities to appoint an independent auditor to assist them with verification and reconciliation of data.

The audit report is an input to the assessment process. It is not a conclusion. There is no tax demand, no penalty, and no determination against the company pursuant to this direction. At this stage, there is no financial impact that can be ascertained. We will fully cooperate with the special auditor. There is no impact on our operations, our capital position, or our growth plans.

With this clarification, let me turn briefly to the macro backdrop. While markets have seen some near-term volatility, the underlying Indian macro environment remains supportive with stable growth, comfortable liquidity, and improving credit conditions, and particularly in our core businesses of gold loans and mortgages.

Now, against this backdrop, let me turn to what truly defines the quarter and our underlying trajectory:

Quarter 3 and nine months FY26 reflect consistent execution of our strategy with strong growth, improving asset quality, and a materially strengthened balance sheet. Loan assets grew 9.1% quarter-on-quarter, driven primarily by gold loans.

Asset quality has improved across the board with a significant reduction in GNPA from 2.14% to 1.6%, and NNPA falling below 1%. Stage-2 and Stage-3 assets are also trending down, indicating further improvement in asset quality going ahead. Our provision coverage stands at 92%, well above regulatory requirements.

Over the past few quarters, we have consistently reset the portfolio, exiting higher-risk segments such as digital unsecured MSME loans, Micro LAP under HFC, and select MFI geographies. This is now clearly visible in the numbers: a more resilient portfolio, lower volatility, and better risk-adjusted returns.

From a financial standpoint, we remain well placed. Our ROA is 2.1%. ROE has been moving up and stands at 11.3% for the nine-month period. Our consolidated capital adequacy is 27.7%. Liquidity stands at over INR 9,400 crores, and net gearing of just 3.6x. Our funding profile continues to diversify. Cost of borrowings is trending down, and our ALM position remains comfortable with surplus across all buckets.

Operationally, our AI-led risk governance and early warning systems combined with a physical network of about 4,800 branches servicing approximately 4.6 million customers continue to be our core strength. This strength is also reflected in S&P reaffirming our international credit rating and revising the outlook to positive. With this context, we believe that the fundamentals of the business remain strong, stable, and improving.

I will now hand over to our CFO – Kapish for granular details of our financial results. Thank you.

Kapish Jain: Thank you very much, Nirmal.

So, ladies and gentlemen, for the quarter, the consolidated profit after tax before non-controlling interest was INR 501 crore, which is up 20% quarter-on-quarter. We recorded pre-provision operating profit of INR 1,075 crores, which is up 101% Y-o-Y and 4% quarter-on-quarter.

For the quarter, the consolidated AUM grew by 38% YoY and 9% quarter-on-quarter at INR 98,336, being at the cusp of INR 100,000 crore, largely driven by gold loan, which crossed the pre-embargo level at INR 43,432 crores, supported by a healthy gross NPA of 0.36%.

If I further dissect the AUM, the leading core products of home loan, gold loan, MSME loan, and microfinance, they collectively grew by 46% YoY and up 11% quarter-on-quarter to INR 93,767 crores. Gold, in particular, grew by around 26% quarter-on-quarter and around 189% on a Y-o-Y basis.

The core segment now collectively comprises of 95% of our total AUM. As Nirmal mentioned, our gross NPA stood at around 1.6%, and net NPA at around 0.8%, which is down 82 basis points and 26 basis points respectively from the same period last year.

The company does maintain a cautious stand on the unsecured and MFI segments and clearly focusing on recovery and collection, which has been showing good resilience and been performing well every single quarter as they progress over the last few months.

With the implementation of the ECL, the provision coverage ratio stands at 92%. With our strategy to partner with banks and down sell our pristine assets, our assigned loan book stands at around INR 21,373 crores, which is up 71% Y-o-Y and 15% on a quarter-on-quarter basis.

Besides this, the co-lending assets stand at around INR 13,176 crores, which is up 43% Y-o-Y and 11% quarter-on-quarter, taking the aggregate of books at around 35% of our AUM. On a quarterly average cost of borrowing, increased by around 13 basis points from a Y-o-Y basis and decreased 10% on a quarter-on-quarter basis to 9.28%.

We raised around INR 20,007 crore from term loan, bonds, commercial paper during the quarter, and around INR 7,774 crore of our assets were assigned to various banks. And our liquidity stands at around INR 9,433 crore, adequate enough to not just meet our near-term liabilities, but also adequate to support and fund our growth momentum, which stands quite positive.

ALM, as Nirmal mentioned, is positive across buckets, and our net gearing stands at around 3.6%. While the nine-month ROE is what Nirmal talked about at 11.3%, annualizing the last quarter ROE, our ROE stands at around 14.3%, and ROA was at 2.5% (Q3FY26 annualized).

Our basic earnings per share stands at around INR 10.9, and book value as of 31st of December is at around INR 306.85. Capital position remains to be healthy with the off-book strategy. The capital adequacy at a consolidated basis stands at around 27.7%. For individual companies, NBFC is around 18.9%, HFC is 47.7%, and Samasta stands at 30%.

We did touch upon the revision and outlook from stable to positive by S&P. We also declared an interim dividend of INR 4 per share, which was approved by the Board of Directors and will be paid in due course.

With this, I come to the end of the session and leave the floor open for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nischint from Kotak Institutional Equities. Please go ahead.

Nischint: So, just before the questions on the business, this tax audit, this will be for which financial year or how many years? And any sense in terms of how long this continues?

Nirmal Jain: So, this, if you are aware, you must be aware that last February, we had an income tax search under Section 132. So, after the search, there's always a block assessment of six assessment years. This tax audit, it is not a tax audit, it is a special audit based on their findings during the search, which will cover the block period of six years. This is supposed to get over in 60 days' time.

Nischint: And this is for, I mean, one financial year or what?

Nirmal Jain: No, this is on the certain areas what they want to verify is for 6 financial years for the block period. So, this is when the income tax search has happened. So, this is an ongoing process. This is the ongoing income tax assessment. So, this is always for a block period. Wherever searches have happened, the assessment happens for 6 years together. And it is for the block period that we have filed our income tax revised return, in which we have paid another INR 1.47 crore of tax or something.

Nischint: And any specific items that you wanted to call out because of which the tax liability went up?

Nirmal Jain: The amount is a very insignificant amount relating to recomputation over the block period. There is nothing material.

Nischint: Okay. Got it. Just on the business front, I was looking at your secured loans, the standalone business, which has a ticket size of somewhere closer to INR 2 crores and earns almost like a 14% IRR. So, any texture on who these customers are? Because as we understand, typically there is a linkage between risk profile, ticket size, and IRRs. And for such a large ticket, the IRR looks a little bit on the higher side. So, just curious, who are these customers and what are these properties? Some texture of the business would be helpful.

Nirmal Jain: So, these are SMEs, and these are priority sector lending from smaller towns. And in fact, this is a new business, so if you really remember, our historical portfolio had 18%-19% yield. So, we recalibrated our entire business portfolio.

So, these are typically between INR 50 lakh to INR 1 crore rupees, or maybe it can go up to INR 2 crores also. And because they are from smaller towns and segments that we cater to through our branches, average yield is around 13.6% to 14%. That is what we are getting on an ongoing basis. And till now, in this portfolio, we don't have any delinquency as such.

Nischint: And the secured MSME that's done from the housing company, what is the ticket size over there? Because I think that is sort of missing in the presentation.

Nirmal Jain: That secured MSME ticket size is INR 14.1 lakh. That is on slide #23.

Nischint: I know. It is just missing. Anyway, I got it. And just final two questions. Any status update on the SRs? Any timeline that you are looking at for cash receipts?

Nirmal Jain: Last quarter, if you see Slide #17, then they have gone down from ~3,500 to ~3,000. In next year, 2026 calendar year, we will see a significant drop. Maybe most of these SRs will get redeemed.

Nischint: And finally, any plans on capital issuance at this stage?

Nirmal Jain: No. At this stage, we haven't announced any capital raising plan. We are monitoring the situation very carefully. But whenever appropriate, we will raise capital.

Nischint: But there is any particular leverage level in mind? Any particular capital issuance? I mean, if one has to sort of model it, at what point of time we will think of?

Nirmal Jain: Our situation is such that we are very comfortable on the subsidiary companies because if you look at our capital adequacy, Housing Finance is almost at 47-48%. And even Microfinance is at 30%.

Now, as far as the standalone company is concerned, where Gold Loan has grown very rapidly, typically, if you see, our strategy has been more of a bank partnership where we do co-lending and direct assignment. Co-lending was on hold for the last few months because RBI's new guidelines of CLM 1 have come into force from January. People are doing the integration. Once that gathers momentum, then we will be very comfortable again with our capital adequacy, but we are monitoring it very carefully. We are open, but at this point in time, there is nothing the board has decided.

Nischint: But I mean, I am just curious if I have to model growth going forward at any particular ratio that you would kind of urge us to see, saying that beyond this, we will probably have to look at capital?

Nirmal Jain: It is fair. Our leverage, we will keep it around 4-4.5, and capital adequacy, we would like it to be closer to 20. Right now, it is slightly lower. So, we are monitoring it.

Nischint: This is very helpful.

Moderator: The next question is from the line of Digant from GreenEdge Wealth. Please go ahead.

Digant Haria: So, first question is on gold loans, that in the tonnage, have we reached the past peak tonnage? Have we crossed that tonnage? AUM, I understand we have comfortably crossed and moved beyond.

Nirmal Jain: Yes, Digant. Yes, so I will address this question. So, our tonnage has been growing up very quickly, very rapidly, much faster than the industry. But we are still a little short of what our tonnage was at the time of embargo. March end was around59.6, now we are at 59.4.

Digant Haria: That's good to know. And see, my second question is this, that now that the tonnage, we have got all the low-hanging fruits. Those clients who had gone away from us, we would have got them back. We would have given them LTVs in relation to the new gold prices. But going forward now, in terms of new branches, new customers, what is our strategy like? Because it is just that markets are getting a little competitive on the gold loan side.

Nirmal Jain: Markets are very strong because loan-to-value has gone up. The addressable market's capacity to borrow has gone up significantly because of gold prices, one. Two, there has been a clampdown on the unsecured MSME and personal loan, and many of these customers are also basically moving towards gold. The awareness has increased.

So, what I see at the ground is a strong momentum. The underlying factors, what I tell you are what I would think they are, but if you talk to the industry, then there is a very, very strong environment momentum in the business. The environment looks positive.

So, when we talk about competition, there are a number of players that come in, but the market is very large, and we have a network of close to 3,000 branches catering to gold alone. So, in our distribution catchment, we see significant potential to scale up. If you look at it this way, then our average loan per branch is around INR 15 crores, which is nearly half of the market leader.

Digant Haria: No. Perfect. Thank you for that. And then last question is just on numbers that I see that non-Samasta or non-microfinance provisions are steady at around INR 300 crores. They used to be around INR 100 crores in the past. But now they are close to INR 250-INR 300 crores a quarter. So, when does this particular part stop bleeding? I think it is because of the unsecured MSME that this portion is slightly elevated.

Nirmal Jain: Yes. So, see, our discontinued businesses portfolio in one quarter only has come down from roughly 4,000 to 3,000. And that is a short-term three-year loan that we had given through some digital partnership and as personal loan. Now, there is some flow from that, and that has caused the provisions or the losses other than microfinance.

But if you see, we are in line with our guidance because this quarter's loan losses provision annualized are around close to, 2.5%. And the last quarter, if you remember, we had given guidance for full year at 2.8% to 3%. Next year we will try to bring it to less than 2%. So, we are on track for that.

Digant Haria: No, no. Perfect. I was just wondering that gold...

Nirmal Jain: Yes, we are on the guided path, and then next year, we will see a significant improvement as this book really runs down to a much lower number.

Digant Haria: Perfect. Then just this quarter, the OPEX seems a little higher. Is it because we pay incentives on the gold loan originated at the start? Or because the whole AUM has grown wonderfully, but it is not translated into the pre-provisioning operating profit in an equally strong way? I just wanted your thoughts on that. That is the last from my side.

Nirmal Jain: No, your point is valid, but this is a one-time charge that we have taken for the new labor code. So, INR 22.5 crore additional cost has come for that revision in measurement of gratuity and leave. All companies are basically getting this, which is the new labor code has come in force, and the employee liability, particularly for gratuity and etc., has gone up. We have put that in the summary slide note also.

Digant Haria: Yes, correct. That number I saw, sir. Just wanted to know that. But even apart from that INR 23 crores, the OPEX was a little higher. So, that is.

Nirmal Jain: If we adjust that, then it is pretty much in line with, so OPEX has gone up by INR 50 crores, and that is maybe half of that is because of that, and then there is a normal inflationary growth.

Digant Haria: Thank you so much, Nirmalji, for the detailed answers.

Moderator: The next question is from the line of Abhijit from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Again, just kind of going back to that IT special audit which has been commissioned. So sir, thank you for the clarification. But just trying to understand, this does not have any business and regulatory risk, if I understand this right, right? Because if at all, after 60 days, whatever special audit happens, there could be a certain tax implication in which you can naturally contest. But beyond that, I don't think there is any other business or regulatory risk, right?

Nirmal Jain: Correct. This is purely an income-tax assessment process. There is no regulatory or operational impact..

Abhijit Tibrewal: And then, sir, the second thing I was trying to understand is on the housing business, you also put out one point in the notes to the accounts where you have said that, as advised by NHB, you have restated your March 25 NPAs and GNPAs, which is more in line with show the collections only after you realize. So, just trying to understand, until that point, right, which is March 25, when NHB said that, "Hey, both disbursements as well as collections should be done based on a realization basis," until then, the entire housing industry was working on the cash received basis, is it?

Nirmal Jain: So, I don't know about the entire industry. But what happens, supposing the cheques which come in the last one or two days or last few days, they don't realize till the end of the quarter or the month. And basically, this could have been the practice of the industry, which NHB has advised us that this is not correct. We have restated. We have done that.

But the important thing is that if you look at our December results, they are in line with the cheques on the realized money and not based on the cheques in receipt but not realized. So, we are now following NHB's guided practice. And in fact, with that only we have seen it significantly better.

Abhijit Tibrewal: This is useful. And then on the housing bit again, we are still seeing that book is largely flat or a minor decline. And Micro LAP, anyways, we have discontinued and put it in, I think, the discontinued AUM. Now, when is it that we think that, I mean, the cleanup is done and we can start accelerating even in our housing business?

Nirmal Jain: This quarter cleanup is done. So, from next quarter, we should see acceleration in the housing or the growth in the housing portfolio as well, with a very clear strategy on focusing on certain segments that we are comfortable with and from a long-term point of view.

Abhijit Tibrewal: And sir, have we done any PLR changes in our housing book? Basically, have we passed on any PLR?

Nirmal Jain: No, no. We did not do anything. No change.

Abhijit Tibrewal: So, sir, that is all from my side. Thank you so much for taking my questions.

Moderator: The next question is from the line of Nishita from Sapphire Capital. Please go ahead.

Nishita: So, I just had one question. Today only your Chief Information Security Officer, Sameer Gadve, resigned. Any reason for the sudden resignation? And what will be the impact of that?

Nirmal Jain: No, there is no sudden resignation. It is a normal sort of churn that happens. People find better opportunities. Some people go abroad. So, there is nothing. And then we have a very competent second line and a very competent set of people that take over. So, it is a very normal business.

Moderator: The next question is from the line of Vedant from Nirmal Bang Securities. Please go ahead.

Vedant Sarda: Congratulations on a great set of numbers, sir. We have seen a tremendous growth in our gold loan portfolio. So going forward, at the current gold prices, how we are seeing the growth in gold loan portfolio?

Nirmal Jain: If the prices remain at current level. Even if they don't go up from here but they consolidate, then we will see very strong growth in the gold loan portfolio.

Vedant Sarda:	25%, 26% growth on Q-o-Q basis?
Nirmal Jain:	Yes. That should be a very comfortable target.
Moderator:	The next question is from the line of Bhaskar from Jefferies. Please go ahead.
Bhaskar Basu:	Just one question regarding the ARC transaction during the quarter in the housing finance business. Could you give some texture on how much of that was Micro LAP and how much was pertaining to the affordable housing book, that INR 900 crore kind of ARC deal which you did this quarter?
Nirmal Jain:	So, Girish is here with me, our new CEO. Maybe I will just give a little bit of backdrop to this and then hand it over.Maybe Girish can add if he has something. So, with the new CEO and the board, based on the experience and whatever we have done in the past, we reviewed our entire portfolio of housing loan LAP. And obviously, there are certain segments that we had indicated last time also, which is like BLC or which are that beneficiary-linked construction, that is BLC, and then Micro LAP that we exited completely. So, all these segments, profiles of customers, or geographies or areas that we have discontinued, Girish took a view which board has agreed with him that we should basically dispose of that portfolio once to ARC, and there the collection can be joint effort, and then we can focus on our continuing businesses in a strategic way. So, almost INR 875 crore of total portfolio deal has happened. And that cleans the entire thing. And that is why if you see, our GNPA in housing has fallen from 2.2% to 0.9%. That is the level that we would like it to be. Maybe Girish, you want to add something?
Girish Kousgi:	Yes. So basically, what we have done is we have reviewed the entire portfolio, and we also have a vision for next three years as to which all segments we need to operate given the opportunity and in terms of what is the kind of risk that we can take given the needs. So, we have identified certain pools which we think is not fitting into our line of strategy when we think of building the book for next three to four years' time. So, we thought we should do one-time cleanup exercise so that we can focus on energies towards segments where we can try and build the book. And that is where we have done this ARC. Our focus, I think, going forward is going to be in terms of segments broadly on emerging and affordable. Affordable largely will be the priority for us, which can give us yield and emerging to asset mix, which can help us in terms of growth, which will be in line or maybe slightly better than the industry growth rate. So, this is one. And number two, in terms of products, I think predominantly we will be focusing on HL and LAP. So, this is our focus. So, we found that certain products, as Nirmal mentioned, and also in certain geographies, the product picks, for example, in certain locations where we need to focus on HL predominantly and less of LAP and stuff like that, I think that is what we had identified.

So, we thought we will just clean up so that the path will be clear for us to grow in the next three to four years' time. That was the exercise what we did.

Bhaskar Basu: So, just to clarify that BLC portfolio, I think which was about INR 400 crores-INR 500 crores, I think that has entirely moved out now.

Nirmal Jain: Yes. BLC, Micro LAP, that portfolio largely moved out.

Bhaskar Basu: And so now, the discontinued asset, which is there, primarily refers to unsecured Micro LAP, was the other area where you were kind of discontinuing. And I think whatever is there...

Nirmal Jain: Micro LAP also has more or less gone to the ARC in this HFC's portfolio. So, Micro LAP was part of HFC portfolio.

Bhaskar Basu: Right. So, the discontinued now refers to mostly the unsecured business.

Nirmal Jain: Unsecured business loan and personal loan portfolio, which is part of the parent company. Yes.

Bhaskar Basu: Thanks a lot. That is all from my side.

Moderator: The next question is from the line of Adarsh from ENAM Capital. Please go ahead.

Adarsh Parasrampuria: Sir, a follow-up question was on your this IT thing. Just wanted to clarify again that the block years that you mentioned, is it routine that after every raid you would tend to have a block, or it is specific to us that we have got a block of six, seven years of?

Nirmal Jain: No, no. It is a part of income tax law that after the search, there is always a block. Okay. It is very, very well defined that the search can pertain to up to past six assessment years. Once the search is done, then the assessment is block assessment always without exception.

Adarsh Parasrampuria: And just to clarify here, this would pertain to, in their view, tax evasion and nothing to do with the authenticity of the accounts. Is that like how would you answer that?

Nirmal Jain: So, when the search happens under 132, which happened in February last year, that happened with a suspicion that there is a tax evasion. But it is a suspicion. It is not a conclusion nor an adjudication. With that suspicion, they come in a surprised way, collect a lot of documents, evidence, statements of the people and everything.

Now, the way the income tax process is, the search department is supposed to collect facts and evidences, but they are not supposed to analyze or come to any conclusion on that. So then that goes basically to the assessment department. And then they are supposed to analyze and ask the company that, "Okay, these are our based on our findings, what do you want to do? We give you an opportunity to file a revised return." And that has to be for a block period. So, that is what we did. And when the data collected from search or whatever evidence, data document they have, it is something where they need some external help for reconciling, verifying. That is when they appoint special auditor.

Adarsh Parasrampuria: Which means, no, what I am trying to understand is this is not audit-specific or checking the authenticity of the accounts. It is more to do on tax evasion.

Nirmal Jain: No, no, no. Not at all. Special audit word to that extent may be a misnomer. It does not have anything to do with accounts. It is more to do with what they found in their search needs to be verified or reconciled. See, many times in the search, they can take certain documents. They may not get okay. Even if they get access to all the data and all the accounts, they can't analyze it in their five, six days that they are there.

Adarsh Parasrampuria: That's it from my side.

Nirmal Jain: Thank you, Adarsh.

Moderator: The next question is from the line of Renjith from SIB. Please go ahead.

Renjith: Good evening. And congratulations for your better results this time. One thing which I wanted to ask is, what is any scope is stipulated for the special audit? And the second thing is, any preliminary assessment has been done by the company with regard to the maximum possible impact on account of these tax issues?

Nirmal Jain: No. Sorry. First part of the question, can you repeat, please?

Renjith: Can you just brief about the scope of the audit? Any scope of this audit is being given by the tax department?

Nirmal Jain: No. The scope of audit will be restricted to the search findings. So the report also is not fully shared with us. When the income tax search happens, they collect certain documents and statements. But then the scope is always limited to that.

Renjith: One more thing with regard to that. Whether the special auditor has been already appointed or is it under the process of appointment?

Nirmal Jain: It has been appointed.

Renjith: The second point with regard to the preliminary assessment about the maximum possible impact on account of these tax issues. Anything the company has ascertained?

Nirmal Jain: No. There is no way to ascertain. But what we ascertain is based on that we file our revised return. So that we already done.

Renjith: Thanks for the clarification. Have a great quarter.

Nirmal Jain: Based on whatever findings and everything, we are supposed to file our revised return. That we have done for six years block assessment together. But there is nothing much in terms of that revised return that we have filed. So, that is the company's preliminary assessment. And now they have to verify it.

Moderator: The next question is from the line of Gao from Schonfeld. Please go ahead.

Gao Zhixuan: My question is on the credit costs. For this quarter, our credit costs have come down to 250 basis points odd. How should we think about the 4th quarter and also next year?

Nirmal Jain: Sorry, Gao. Your voice is not clear. Maybe can you pick up the receiver and speak?

Gao Zhixuan: Just on the credit costs, we have come down to 250 basis points this quarter. How should we think about 4th quarter credit costs and also next year credit costs?

Nirmal Jain: So, Credit cost has come down and we continue to keep it low. So, it is around 2.5%. For the full year, we had said that we will end at anywhere from 2.8% to 3% because first half credit cost was higher. But this last 1-1.5 months, our credit cost has been unusually higher because of the turbulence in microfinance industry as well as in the Micro LAP. But going forward, next year, we expect our credit cost to be even lower, maybe further 50-60 basis points decline. It should be less than 2% on a steady-state basis.

Gao Zhixuan: So, next year Credit Cost we are expecting less than 2%?

Nirmal Jain: So, another 50-60 basis points decline in the next financial year from the current.

Gao Zhixuan: 50.

Nirmal Jain: From this quarter level, yes. So, if this quarter annualizes around 250, we should go below 200.

Gao Zhixuan: Just a follow-up on the tax audit. Is this a normal standard SOP whenever there is a rate? We double-check it or probably assessment.

Moderator: Sorry to interrupt. Mr. Gao, we are not able to hear you properly.

Nirmal Jain: Yes. Please repeat it.

Gao Zhixuan: I just want to understand on the special audit. Is it a normal standard operating procedure after a kind of series and search? Is it part of the normal SOP for the tax department, or this is not typically done?

Nirmal Jain: So, when income tax search is done and the subject of the search is fairly large, complex, because our operations are really vast. We are almost more than 4 million customers. And if you look at six years, normally we have been larger. Then in such cases, that is a normal thing. But income tax search itself is not something that happens exceptionally. It is not that it happens on a regular basis in every company. But when that happens and the operations are large and complex, then this is normal.

Gao Zhixuan: I see. So, for large complex search, a special audit is typically a normal procedure.

Nirmal Jain: Yes. Again, if the searches or the documents and the accounts that they have are relatively simpler to understand, then they may not need a special audit. So, this is not something which is an automatic process. This is done only when needed. So, to that extent, it is by exception. It is not something which is automatic.

Moderator: The next question is from the line of Ansh from Capital One Partners. Please go ahead.

Ansh Khimavt: So, my first question is regarding the net gain on derecognition of financial instruments. So, as we have seen since FY '26, since the start of FY '26, there has been some movement in that line item. So, going ahead, how should we model that and what could be the strategy for this?

Nirmal Jain: So, this is something which is dependent on what assets we are able to sell to banks by way of direct assignment. And the way it happens is that you basically have certain yield on the assets, certain cost of funds or certain price at which you have sold to the bank. The difference basically you can take NPV and reduce it by operating cost or service cost and the probable early repayment. That is how it is. So, maybe the simpler way to look at it is that it may vary from quarter to quarter a little bit, but maybe it will be linked to the portfolio of off-book assets that you are assuming you have modeled.

Ansh Khimavt: And so the assumption is that it is calculated on an upfront basis. Had we amortized this value? Going ahead, what would be the…

Nirmal Jain: It automatically gets amortized because every quarter, the assets which have been repaid to that extent get amortized because the net amount which comes to the profit and loss account.

Ansh Khimavt: I am sorry, sir. It was a bit unclear. Can you just repeat it, sir?

Nirmal Jain: No, it keeps getting amortized as the loans are repaid. So, what you see is the new assignment minus amortization. That is what you will see in the profit and loss account.

Ansh Khimavt: So, this can be the steady-state number, right, going ahead?

Nirmal Jain: Yes.

Ansh Khimavt: So, my next question would be regarding the Home Finance GNPA. It has reduced considerably in this quarter. So, can you give us some color on that?

Nirmal Jain: No. It is primarily because certain NPAs, actually, as Girish also spoke about it, that certain categories of assets where we have significantly higher NPAs and delinquency are higher, that we have sold to ARC. So, that has gone off our books in HFC.

Ansh Khimavt: And sir, regarding gold loans, sir, our AUM has grown very strongly. But keeping in mind, the borrowings have not grown so strongly. So, when I try to model it on an average AUM basis, when I try to get total income on an average AUM basis, I am trying to understand as to how should we model this going ahead. If this growth continues and there is no movement in the borrowings, is there any other way of looking at it?

Nirmal Jain: No, it is a good question. So, whatever growth, we can fund either by borrowings or by selling assets to banks. In both cases, our income or our NIM will be similar, 6%-7%, or whatever which will come either by net interest income or as off-book income or income from assets which are off-book, DA or co-lending. So, what will happen? Whatever you assume, we assume 60-40, 70-30. So, that percentage of income will go above the net interest income line, and the remaining will come below the net interest line, broadly in a similar range.

Ansh Khimavt: And these gold loans, sir, at what average gold price we would have booked them?

Nirmal Jain: No. So, gold price gain or loss is not to our account. The customer will take the gold back, only pay us interest.

Ansh Khimavt: No. I understand that, sir. But I understand that. But this movement we have been seeing in gold since the past year now, which we are just trying to understand as to in this quarter, what price you would have booked that loan at?

Nirmal Jain: So, right now, our LTV is just about 61%. So, obviously, part of it is contributed by gold prices also going up, which reduces LTV. And so every day, the price varies. And generally, we keep it below the 75% price, just to be conservative. So, there is a weighted average of everything. So, maybe you can look at LTV, which is 61%, maybe a good indication of what prices they have been booked on average.

Ansh Khimavt: So, I think, sir, we can take this offline. I think there is a bit some unclarity. There is some unclarity on this. So, I guess we can take this offline.

Nirmal Jain: On LTV you are saying?

Ansh Khimavt: On the gold price, sir, there is some unclarity here.

Nirmal Jain: Okay. Maybe I will try to explain once again, Ansh. So, every day, we have a gold disbursement, and there are certain repayments. Every day, gold price comes based on what RBI has indicated where do you take gold prices from. So, then your maximum loan amount is 75% that we can give to the customer. Typically, we may end up giving a little lesser, say 70 or whatever.

And then on this gold, as the gold prices go up, our LTV will go down. So, at quarter end, LTV was only 61%. But because there are millions of transactions, so it is very difficult to say that if there is any particular loan booked at what price. Because they are booked at different point in time, partly repaid, repaid, renewed. So, there is a continuous process.

Moderator: The next question is from the line of Bhavin, an individual investor. Please go ahead.

Bhavin: Good evening to the management team of IIFL Finance. Post-merger by each passing quarter, I think the operating performance of the company has only been improving. My only request to the management is, if it is feasible, the management can issue a clarificatory note and file it with the exchange on this income tax because the special auditor word has spooked the nerves of many participants in the market. And that is the reason we have seen large correction in the stock price. So, while I do not have any question, but I have a request to the management, if a clarificatory note on this can be issued and filed with the exchanges.

Nirmal Jain: Sure. We will do that, Bhavin. But also, this analyst call transcript will also be put up on the website. So, in the beginning itself I have explained, but yes, your point is taken. We will do that.

Bhavin: Yes. It is my earnest request, sir, if separate filing can also be done because not many people go through the transcripts and all. But anybody would go through one pager or two pager related to this clarification. So, there is no downside to this, but it may protect the interest of many investors.

Nirmal Jain: Sure. Thank you.

Moderator: The next question is from the line of Shreya from Nomura. Please go ahead.

Shreya Shivani: My question is on the MFI, IIFL Samasta business. So, it is to do with the liability book. One can see that the bank, the term loans or probably the bank borrowings was declining till last quarter. Now that mix has sort of inched up. Though the cost of fund movement between the quarters has been volatile in a way, it was 9 point something, 9.7% last quarter. It's inched up this quarter.

There were certain media articles which mentioned that the NBFC MFI's equation with banks have not been at the best terms. And probably whatever new money that they are able to raise from banks are coming at an adverse cost of fund. So, I just want to understand, while it may not specifically be for that article, may not be for IIFL Samasta, but I just want to understand what is the ground reality for us and how are we viewing our liability mix on this book.

Nirmal Jain: So, if there is a slight decline in the total borrowings and the refinance, basically, the earlier loans get repaid, so they also get repaid. So, if you really look at it, it looks like 44% to 46%. But if you go back six months, it was 52% of our total portfolio. So, I would say it is more similar level. There is no significant change in that. And our cost of fund, if you see the Slide 31 again, has gone down for microfinance also by 10 basis points. So, I would say there is not any significant change there. They are similar.

But given our track record has been satisfactory for banks and also the parent, we have been getting new loans from banks also. The entire fear is more about standalone small microfinance companies which may or may not be able to survive the turmoil that happened last year. But otherwise, we find liquidity comfortable.

Shreya Shivani: So, for us, the lines and the limits continue to be available from these banking partners, right? I mean, there are no new challenges or okay. Fair. That is fair enough. If I can squeeze in one more question again on the NBFC MFI performance. So, in your two biggest states, I mean, second and third largest state, Karnataka and Tamil Nadu, can you help us understand if probably the 30-plus book or 30 to 90-day book, how is that performance versus pre-crisis, maybe versus June of '24? Has the trends reversed back or things have normalized? Or how has been your experience in these two states?

Nirmal Jain: Venkatesh will take this, who is our CEO of microfinance.

Venkatesh N: See, in the month of November and December, the strongest comebacks, I can say, was in these two states. Though the portfolio of Tamil Nadu overall for the industry also has dipped a little, but the collection efficiencies have considerably increased. And in both the states, considering that Karnataka came out of the ordinance, what was their last MFI act of last year, it is much better than the thing. So, we are back in both these states at around 99.5% plus.

Shreya Shivani: And the trend pretty much continues in January. Would that be a fair assumption?

Venkatesh N: Yes. The trend continues in January too.

Shreya Shivani: All right, sir. Those were my questions.

Moderator: The next question is from the line of Abhishek from HSBC. Please go ahead.

Abhishek M: So, one question on this gold loan growth. And now, if I correlate that with a Tier 1 of 12.8, how much can this growth continue with this kind of a Tier 1? Or does it need to necessarily now slow down, or you can find something else which allows you to grow fast in gold loans?

Nirmal Jain: Abhishek, see, now it more depends on our ability to do co-lending and DA. So, that is what probably will sustain growth. And if not, then we have to raise equity. So, that is a very simplistic answer to your question.

Abhishek M: So, is it urgent now to get equity, or can still go, say, two quarters or three quarters without raising anything?

Nirmal Jain: No. It depends. If I go to do co-lending and DA, then we can continue. We will be on the edge, but we will continue. And we have a strong capital investment in our subsidiary company. But for the time being, the co-lending engine has to start quickly and strongly.

Abhishek M: So, incremental…

Nirmal Jain: we can do at any point in time. But alternative strategy is to work with the co-lending and DA.

Abhishek M: I have one question for Venkatesh. So, what is the disbursements last quarter? I mean, especially if you can break it down into October, November, December.

Venkatesh N: In October, we would have done around 500-odd crores. In this November, we would have done around 700 and 600-odd. And in microfinance alone, we would have done 700-odd crores. Overall, we would have done 800 crores in December for all products put together.

Abhishek M: That is helpful. And then I have another question for Girish. So, you used the words affordable and emerging when you earlier made a comment. How do you define it here? Is it different from your previous form, or what do you classify as affordable? What is emerging for you here?

Girish Kousgi: So, I think if you look at the market, basically, there are four segments. One is super prime, second is prime, third is emerging, and fourth is affordable. So, when you talk about affordable, typically, this is the business where we would be focusing on starting from Tier 2, Tier 3, Tier 4 kind of cities and towns. So, this is where we have an opportunity for affordable. So, this segmentation is quite standardized across the industry. So, these segments are pretty much standard.

When we talk about affordable, these are basically on the salary side, income level of, let's say, INR 20,000 to INR 30,000-INR 35,000. And on the self-employed also, it will be on similar lines. The ticket size will be about INR 14 lakhs to INR 15 lakhs. And this also covers under PMAY interest subsidy scheme, where the loan is up to INR 25 lakhs and the property cost INR 35 lakhs. So, this is typically the affordable segment. If you talk about the segment within this, basically, this would be focusing on…

Abhishek M: So, the yield would be what? The yield would be what in this affordable?

Girish Kousgi: If I talk about most of the companies would be focusing on yield of 12.8%-13%. So, this is the affordable business. When we talk about emerging, this is a level up where the yield should be in the range of 11%-11.5%, both focusing on salaried and self-employed, both formal and informal. So, this is the differentiation between these two segments.

Abhishek M: Ticket size should be?

Girish Kousgi: Ticket size should be about INR 20-INR 21 lakhs. Affordable is INR 14-INR 15. Emerging is INR 20-INR 21. And the next is about prime, INR 26-INR 27 lakhs. And then we have super prime, which is INR 50 lakhs and above. So, in terms of geography, I would say top 10 probably could be super prime and prime. And the next 30 cities would be emerging market. And the next 200 would be affordable.

Abhishek M: So, when I look at the yields and the average ticket size for the home loans part that you told, that is actually the blended that are around 10.5%-10.6%. Whereas the incremental target that you have is anything 11.5% and say 13%, 11%-13%, let's say. So, should we expect that going forward, the portfolio yield or at least the disbursement yield should be higher? And then that should translate into portfolio yields going higher over a period of time.

Girish Kousgi: Yes, you are right. I think the plan is to ensure that in the next few quarters, the onboarding yield is going to go up because predominantly, our focus is going to be on affordable and emerging, which I spoke about in terms of customer segmentation, property type, and the expected yield. So, this would aid in the overall portfolio yield going up. But this will take some time, maybe another two to three quarters because we have started this already. Our focus would predominantly be on affordable and then emerging.

Abhishek M: And the INR 32,000-odd crore AUM that you have in affordable home loan, as you reported in IIFL, that is actually affordable and prime rather than or rather emerging and prime rather than emerging and affordable, as you described.

Girish Kousgi: So, basically, if you look at these segments, one city would give you an opportunity of doing or being in two or three segments. It is those pockets in a given city which are giving the opportunity. So, the exceptions are when you go to Tier 3 and Tier 4, predominantly 90% of business what you do is going to be from affordable. So, every city would give you a mix, let's say top 50 to 60 cities would have an opportunity of doing two or three segments within the given city.

So, our new strategy going forward would be in terms of trying to increase yield and therefore the overall yield on the portfolio goes up. So, our focus is going to be on different segments, different type of collateral, different kind of profile within the given city. We are today present in about we have about 315 branches. Our focus in this would be on emerging and affordable. I hope I have answered your question.

Abhishek M: Yes. That makes sense.

Girish Kousgi: For example, to make it very simple, suppose if you take, let's say, Chennai. Now, Chennai is the largest city we all know. So, in Chennai, there are three segments available, which is prime, emerging, and affordable. So, there are affordable companies in Chennai doing only affordable business, which is basically catering to outskirts areas where the property ticket size would be about, let's say, INR 30 lakhs-INR35 lakhs, and the loan could be about 18-20 lakhs.

Similarly, slightly away from city center would have an opportunity of emerging. And the core city center would have an opportunity of either prime or super prime. So, some of the largest cities would give you opportunity. The minute you go to small towns and all, I think predominantly it is affordable. This comes at a higher rate.

Abhishek M: No, what I was trying to understand, thank you for the explanation, is that from current portfolio which is about 32,000, average ticket is more or less in that affordable segment you described, but the yield is lower. So, was it just that underwriting was still aggressive focus on that? Or what is the difference between the why is the yield lower than typical affordable, which would be 12.5% and 13%?

Girish Kousgi: So, today, if you look at where we are present, we are present in top cities, which includes affordable, emerging, and also a little bit of prime. So, it is basically focused on certain segments and certain profiles. So, there has been a new strategy which is now laid out. So, I think your question is that we have a book where the yields are quite low, even though we are into affordable and emerging. I think that is the question.

Now, what we have done now in the revised strategy is that going forward in these locations, we are going to focus on the segments which we want to focus on. For example, predominantly, it is going to be affordable and then followed by emerging. So, there is a change in strategy to a certain extent. This does not require our focus in terms of geography because we are already present in many locations which can cater to these two segments. And within those geographies, within those cities, our segment focus will be a little different, which will get us a higher yield.

Moderator: The next question is from the line of Abhijit from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: While we are at housing, Girish sir, what is the housing growth that we are looking for from next year onwards?

Girish Kousgi: Housing?

Nirmal Jain: Growth.

Abhijit Tibrewal: Yes, housing book growth.

Girish Kousgi: So, on the book, we plan to grow by about 15%-16%. And on disbursement, it will be 24%-25%.

Abhijit Tibrewal: So, disbursement is 24% to 25%.

Girish Kousgi: Yes.

Abhijit Tibrewal: Then a few other clarifications that I had. Nirmal sir, just trying to understand, given that we received that special audit letter yesterday, and like you mentioned earlier, they have 60 days to complete the audit. So, suffice to say, right, that in the next 60 days, this audit will be done?

Nirmal Jain: Yes. They will do it and they will submit it to the Income Tax Department only. The report goes to the Assessment Department.

Abhijit Tibrewal: And then this audit is only with respect to certain points where the IT department might have a different opinion, right, versus what we would have filed earlier in our returns?

Nirmal Jain: So, this audit is only related to the findings of the search. So, search also was in certain specific areas where they had suspicion. So, they collected data, documents, and whatever information and statement that they wanted. And they compiled. And it is restricted to that.

See, this special audit has nothing to do with audit of accounts or whatever. Audit name in general can capture lots of things. But here, their purpose is to verify the things which are found in search or related to search findings.

Abhijit Tibrewal: And then this amount of INR 1.47 crore, right, that we have paid, right, based on our own assessment, the only thing is after this special audit is complete, maybe the IT department comes back with the final amount, right?

Nirmal Jain: Yes. And they can raise a demand and which you can dispute and appeal kind of thing.

Abhijit Tibrewal: And then lastly, sir, we said earlier that maybe from next year onwards, there could be a 50-60 basis points decline from current level of credit cost of about 2.5%. But suffice to say, given that, like you mentioned earlier, the cleanup in the housing business is complete. The gold loan business is doing well. And then MFI also, what we are hearing from others, there is no further deterioration at the margin, the collection trends, the par accretion trends are looking better. So, even next quarter, directionally, right, you should see credit costs coming down, right, to get to that less than 2% for next year that you guided for?

Nirmal Jain: Yes. So, the drive path has already started. So, you should see further improvement quarter after quarter.

Abhijit Tibrewal: This is useful. Thank you so much for patiently answering questions.

Moderator: The next question is from the line of Anusha from Dalal & Broacha. Please go ahead.

Anusha Raheja: So, on the gold loans, we have seen a very strong growth of around 26% on Q-on-Q basis. What has been tonnage-wise increase there in this quarter?

Nirmal Jain: Yes. There is about 7% increase tonnage-wise also.

Anusha Raheja: And also on this special audit, was it the case that the special audit was supposed to follow after the RBI embargo, which was there a few quarters back?

Nirmal Jain: Yes. So, there was special audit done by RBI also, very thorough and detailed special audit. And that was only related to gold loan and for three years. Now, although this name is similar, but this is very different. This is for certain areas of search documents where they want to do. And it is for a block period of six years.

Anusha Raheja: And sir, if you can just give us some color on the overall AUM growth. Like you said that for home loans, we are anticipating a growth of 15%-16% in FY '27. So, some color on how gold loans we are anticipating growth there in FY '27, even on the MFI side and on the business loans? So, how do we expect overall AUM to grow over the next 2 years' time?

And also on the MFI side, I believe that asset quality, isn't that should have been much more better relatively? Because if I just compare the GNPA numbers, the relative improvement for the peers have been much more sharper. So, what are thoughts on that?

Nirmal Jain: So, in the last two or three quarters, we have been shrinking our portfolio. We are very cautiously trying to completely realign our strategy. So, our denominator has not grown, has actually shrunk. So, that has exaggerated the impact of asset quality, and that also reduces our profitability. We will be cautious, but now, as the industry environment has become more sanguine, so we will see our portfolio also growing and things getting better.

Anusha Raheja: But otherwise, on ground, you are seeing improvement on the asset quality behavior on the MFI side?

Nirmal Jain: Yes. On ground, there is significant improvement in asset quality, credit culture, and even the leverage of customer has fallen, and the risk is much lesser. And if you see our slide on microfinance, which is Slide 32, you will see that the primary, the zero bucket, which is due today, how much you collect out of that. And that indicates the recovery stance, and that is at all-time peak. It is much better now at 99.56%.

Anusha Raheja: And how do we see overall AUM growth, say, for FY '27 across the segments?

Nirmal Jain: We have a little bit of diversified business model, not very widely diversified. And we have seen that sometimes some segments do much better than expected. Some segments do a little lower than expected. On the whole, you should see about 20%-25% AUM growth next year.

Anusha Raheja: And on any internal targets for ROA, ROE in the near term?

Nirmal Jain: So, our ROE was in the range of 18% to 20% in normal times. So, we would endeavor to reach towards that. So, that is our internal target in the next two to three years.

Moderator: The next question is from the line of Gaurav from HSBC. Please go ahead.

Gaurav Sharma: Sir, a couple of questions. First is on the gold loan Stage-3 provision. I have seen that we have declined our provision Q-o-Q from 42% to 19% in 3Q. So, I just wanted to know the reason for the same and going forward should we maintain at this level only?

And second, in response to one of the questions, you mentioned that you are comfortable with growing gold loan book at 24%-25% Q-o-Q. So, was that guidance for 4Q, FY '26, or beyond that also, we can maintain the same turn rates? These are my two questions, sir.

Nirmal Jain: So, basically, our pace has been significantly higher. Of course, quarter-over-quarter, probably the pace has slowed down over a period of time. Now, I can't say that what will happen this quarter, but longer-term, okay, in the recent past, we have seen that there are two factors that are working for us. One is gold prices have been moving up. And two, in our branches, we are getting back our old customers and getting our productivity level back. Whatever impact was caused by embargo, we are just trying to undo it. But it is very difficult to give any guidance on that going forward. Now, you said that the provision we have reduced. That is what you say? What did you say? Stage-3.

Gaurav Sharma: Stage-3.

Nirmal Jain: Stage-3 losses are always, again, dependent on gold prices as well as your historical. So, the way ECL is computed is based on empirical data. And what we have seen is that our losses have been negligible. And that is why this number probably was much higher than what it ought to be. This number could have gone up during the embargo period when the NPAs appeared higher because many customers could not roll over. And with three months, interest backlog, it becomes NPA. But on a steady-state basis, gold loan business typically will not have any losses. And also, the percentage that is there in Stage-3 is also very low. So, it doesn't make any much impact, actually.

Gaurav Sharma: These are only my two questions.

Moderator: The next question is from the line of Pranay from Carron Capital. Please go ahead.

Pranay: Sir, just a clarification on the previous participant's question where he was talking about the de-recognition, net gain de-recognition. So, firstly, what is the purpose we have started doing in FY '26 as opposed to FY '25?

And second, is it that a better way of raising your borrowing books as compared to a borrowing which we have a 9% cost of fund? So, is it a better way of, let's say, less cost-effective way of doing this?

Nirmal Jain: Yes. So, this is a better way because it reduces your capital. And secondly, we have always been doing this. Obviously, with the volume, it has gone up. And in the COVID crisis and after IL&FS crisis, when the liquidity became very tight, that was the time we started doing it more aggressively. And then we realized that maybe long-term strategy also makes a lot of sense because it can allow you to grow faster without really having to raise equity and dilute very frequently because you can get assets off the balance sheet along with the risk.

Pranay: So, what is the delta, sir? If you can say on a ballpark, what is the delta between our cost of borrowing versus this we are selling the book on the one-time cost? What is the delta we get on this?

Nirmal Jain: Typically, it varies from transaction to transaction. But it may be about 100 basis points more cost, but that is to our risk and capital and everything else. But again, it varies because again, there is a demand for PSL. There is a demand for retail assets by the banks. It is like a market where the prices fluctuate.

Pranay: So, sir, this should be purely on which segment? This should be purely on the gold loan book?

Nirmal Jain: Gold loan, both. Even microfinance for that matter.

Pranay: And so once you are saying it reduces our capital, so you had mentioned it is amortized, but once you are saying it is reducing the capital, so it is not on amortized. This is on one-shot basis, right?

Nirmal Jain: Yes. So, once you have sold the asset, they are off your book. So, basically, you will keep getting income on the difference of interest, whatever we agreed. Then you take NPV, provide for some cushion, and then take it as an upfront. Then what happens when the actual loans are redeemed, there is a time then you get the actual interest income, and then you amortize this against that.

So, actually, it will not be cash flow negative whenever over a period of amortization. So, supposing you have sold gold loan for two years, and there is a, say, 5% extra interest cost, so 10% is what you are taking upfront. Every quarter, it amortizes, so you are getting interest income, and you are reducing this that way.

Pranay: So, what percentage, just so we assume that in the current quarter, what percentage of that amortization would be there of the Q1, which is part of the Q3?

Nirmal Jain: No, so there are a number of assignments. And so everything keeps getting --. So, I won't be able to give you one data for that because over the last five years, two years, three years, tens of such transactions would have happened. And everything amortizes at a different pace. So, every transaction actually is monitored by the bank as well as by us. Every customer's data.

Pranay: Correct. So, the interesting thing to see on the home finance where we have significantly improvement in our asset quality, basically on the gross NPAs and NPAs. And so you recently mentioned that the future plan of growing the AUM book over there. So, at what level of NPAs do we expect we will be comfortable in this book?

Nirmal Jain: You are saying in home loan?

Pranay: Yes, in the home finance segment.

Nirmal Jain: The current level what we achieved in this quarter will be the comfortable levels.

Pranay: Even in the growth, which we will be expecting a 15% AUM growth and 25 basis points growth on that basis.

Nirmal Jain: Home loan, again, it is 15% to 18%. So, home loan is slightly slower, but these are long-term assets, so.

Pranay: That's it, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. And I now hand over the conference to management for closing comments. Thank you, and over to you, sir.

Nirmal Jain: Thank you so much. And if you have any more queries, you can always get back to me.

Kapish Jain: Yes, thanks very much for joining this call and for your patient hearing. For any further queries, you can reach out to our investor relations desk, and we will be more than happy to clarify any further questions that you might have. Have a wonderful evening.

Moderator: Thank you. On behalf of IIFL Finance Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.