

27th October 2026

To,

BSE Limited (Scrip Code: 532720)

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd. (Symbol: M&MFIN)

Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the second quarter and half year ended 30th September 2026, held on Wednesday, 21st October 2026.

Further to our letters dated 28th September 2026 and 13th October 2026 and in compliance with Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A (15)(b) and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed herewith the transcript of Earnings Conference Call for the second quarter and half year ended 30th September 2026, held on Wednesday, 21st October 2026, which concluded at 7:43 p.m. (IST).

This intimation along with the transcript is also being uploaded on the website of the Company at:
<https://www.mahindrafinance.com/investor-relations/financial-information#transcript-of-earnings-call>.

Kindly take the same on record.

Thanking you,

For **Mahindra & Mahindra Financial Services Limited**

BRIJBALA

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Brijbala Batwal

Company Secretary

FCS: 5220

Enclosure: As above

Digitally signed by BRIJBALA
MOHANLA BATWAL
Date: 2026.10.27 16:25:13 +05'30'



“Mahindra & Mahindra Financial Services Limited
Q2 FY27 Earnings Conference Call”

October 21, 2026

Management:

Mr. Raul Rebello:

Managing Director & CEO

Mr. Pradeep Agrawal:

Chief Financial Officer

Ms. Urmi Patel

Head – Investor Relations



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

I would like to inform participants that this call is for analysts only. Any participant joining from the media may disconnect the call now. I now hand the conference over to Ms. Urmi Patel, Head, Investor Relations from Mahindra Finance.

Urmi Patel: Thank you, Dorwin. Good evening, everyone. We welcome you all to the Quarter 2 Earnings Conference Call of Mahindra & Mahindra Financial Services Limited. Joining us on call today from management are Mr. Raul Rebello, Managing Director and CEO; Mr. Pradeep Agrawal, Chief Financial Officer, along with other members of our management team.

We'll begin today's session with opening remarks from Mr. Rebello, following which we will open the floor for Q&A. The audio recording of this call will be made available on our website shortly after the call ends.

Before we begin, I would like to remind you that certain statements made during the course of this call may be forward-looking statements. Such statements are based on expectations and involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

With that, I would now like to hand over the call to our Managing Director and CEO, Mr. Raul Rebello, for his opening remarks. Raul, over to you.

Raul Rebello: Thanks, Urmi. Good evening, everyone, and for those of you joining from other time zones, good morning, good afternoon. Very happy to share with you the quarter results, and I would, as usual, request you to keep the earnings call document, quarterly results document handy. I'll be referring to certain pages on the document, which will be useful for you to refer to as I lay out my commentary.

To start with, let me say that the entire management team is very encouraged with the way in which Quarter 2 results have panned out. I would say that Quarter 2 results are a reflection of the many quarters prior to that, the operating diligence that the team has been focused on and has resulted in what we call, a very steady results from a growth, margin, as well as risk standpoint.

If I were to just reflect on the growth standpoint, and now please refer to Page Number 5, you would see that our disbursement growth has grown in a steady clip of 22%. And this 22% growth has come in from clearly our core business which is the wheels business as well as growth coming from the diversification agenda that we called out, our SME and mortgage business.

Looking at asset quality, 8.1% GS2+GS3, this is pretty much all-time lows in terms of our GS2+GS3 numbers. And the credit cost has been within the zip codes that we've called out between 1.3 to 1.7. Our Q2 credit cost at 1.6%. With the strong growth in disbursements, AUM growth of 15% and asset quality being under check, as well as our other operating metrics in terms of opex, etc., being very stable, we have been able to deliver a sound PAT growth of 55% at INR 882 crores.

Moving to Page Number 6, I did talk about diversification in the franchise. And we are very proud of the core wheels business that we have built over many decades, but as an organization we were very keen to unlock new facets of growth. And I'm happy to report that the overall lending AUM, which is at INR 1,56,000 crores now you have a 20% coming in from the non-wheels and 80% from the wheels. Of course, the 20% non-wheels includes some amount of the quarterly disbursements or the book that we build through the trade advance. So, that's also added up to the non-wheels business. Overall, but in our growth plans, I did mention we would love to grow between the 16% to 18% zip codes. The core business grew 21% and the non-wheels business at 52% is a healthy sign in that direction.

Along with the wheels business as well as the non-wheels business, the lending business, we have subsidiaries which have been for many years now, I would say, not operating at their most potential manner. And we have been working very closely with the subsidiaries to turn them around. I have been talking about the last two quarters how the subs have been very, very steadily adding to the overall consol numbers. Happy to note that this quarter also is a step in that direction, MRHFL posted a healthy INR 35 crores PAT.

Apologies for that glitch. I'll just wind back a few, maybe a few seconds. I was on the page prior to this page. I was on the page of our holistic growth coming from various asset categories. Before that, I had just landed the point for those of you who might have missed, the diversification agenda is progressing well. We have a very strong growth in our core business at 21% and the other lending business at 52%, along with the subsidiaries having very steady growth.

I request you now move your panel to Page 8. On Page 8, you would see that growth is a very holistic, secular growth coming from all asset categories. We have, actually the wheels business firing on all cylinders, passenger vehicle at 28%, used business at 15%, CV/CE at 16%, tractor at 13%, three-wheeler at 32%, SME at 13%, and our other businesses at 71%. So, growth at 22% is coming from a very holistic, secular contribution from all categories.

Moving to asset quality on Page 9. Fair to say that we did have baked in a lot of seasonality in our earlier quarterly numbers. You would have seen between quarters spikes in terms of our GS3, GS2 numbers, as well as credit cost. I think fair to say that with our underwriting, risk guardrails, as well as the collection discipline, we've turned the corner in terms of the volatility in inter-quarter GS2, GS3 numbers. For your reference, on the top hand right of the page, you would see that even up till last year, we had a 9 bps increase in the GS3 numbers between Q1 and Q2. We, in fact, saw sequential fall in GS3 by 3 bps, as well as GS2 which was a 7 bps decrease. This year is as much as a 17 bps decrease. Right?

Which is leading to even let's say our credit cost, which historically saw a spike between Q1 and Q2. Last year was 23 bps, is now only a 5 bps increase. So, a big credit to the management team from the various functions of underwriting, risk and collections we have really turned the corner in terms of inter-quarter volatility, and our credit cost numbers are now very range-bound even within the quarter.

From a capital adequacy standpoint, being a nearly fully secured underlying assets, at 18% capital adequacy with 16.2% Tier 1, we are very fairly decently capitalized for the next phase of growth. I did mention a couple of quarters ago that with some of the headwinds that we were seeing from the West Asia crisis, as well as the El Niño lurking, drought-related kind of risk elements, we thought it prudent to build up our liquidity buffers. So, our liquidity buffer is pretty much doubled from last year, if you see in rupee value terms. We have very clearly erred on the side of being extra cautious in terms of liquidity buffers. This does cause a drag in terms of our returns because we set aside this, we set aside this corpus which doesn't yield and causes a drag. But in the overall scheme of things, we have taken the view to be extra conservative and that's why the liquidity buffer is at these all-time high levels.

Moving to the next Page, which is Page Number 12. And we have circled certain, the final ROA. I did mention, our aspiration is to move as a franchise to a 2.2 to 2.5 ROA. I would say that, with the DuPont, there are various levers at our end, and from a 1.6 last year we have moved to a 2.2. Sequentially, we have fallen and you should see the fall is largely in terms of the loan income. I did allude to the fact that between the two quarters, the liquidity buffer creates a denominator effect, which creates a drag. We also are on the cusp of, or Q1 sees us between Q1 and Q2 sees us create a very heightened amount of trade advance. Trade advance is the grease for our festive business and that trade advance is at a very high level right now and that doesn't yield. So, these are the two factors which are not structural, but more seasonal in nature, which causes a compression. We do see ourselves going back in terms of the loan income from the Q2 levels, which, in my mind, are at the absolute base levels.

Moving to the next, just on the previous, you know just here on Panel Number 13. I've given a final consolidated P&L view for H1 because we are at the end of two quarters. As a franchise, our ROA is at a 2.3% and our PAT has grown 68%.

I'll take a couple of minutes more to wind up and then hand it over to question answers. Request you to move to Page Number 18. In our overall scheme of things, the operating model, the efficiencies in the operating model in BFSI clearly has to swap in the AI toolkits. I did share with you the plans of how we are swapping in the AI toolkits from a efficiency standpoint. All our AI investments are metered towards three fronts: Number 1 on revenue increase, 2 on operations, and three on collections. Glad to report that if you see the sequential swap-in benefits of the AI toolkits, it is adding material value to our disbursements, which are now 1,663 crores. On the operations front, 75% of our back office is now fully covered by enabled operation workflows. And on the collection front, our call centers have been pretty much aided by 12 regional AI vernacular bots, which is giving us both rupee value benefits as well as reduction in terms of error rates, and our call centers being enabled with AI calling resulting in better efficiencies.

Finally, moving to Page Number 20. Urmi, can you move to Page 20? Yeah, thanks. We have consistently called out our key priorities for the franchise as we move closer to our FY31 overall goals. We remain consistently focused on these five priorities, which is the core business, defending the core business and ensuring that we continue to be a very meaningful player by growing market share. And we're seeing that progress well. All our market share on various wheels businesses are moving in the right direction. Our diversification plans on mortgage, SME, leasing, and fee income are growing well. Our progress on margins has been decent. Risk has been, as I mentioned, very stable. And overall, we are swapping in a model, a resilient model which includes the new-age toolkits to make sure that our opex ratios are well under control. I also must point out our cost-to-income, which was earlier above 40%, has now slid to under 37%.

This gives us confidence that we're progressing in the right direction. Of course, I need to be balanced in my commentary. We are all aware that certain headwinds have been pertinent to the NBFC BFSI space. The recent one being in terms of the new consultation paper on insurance. While it's early days, it can have a material impact if it is implemented suo moto as is. But we have been representing, and we also know that there are certain representations underway. So, it's too early to quantify those results. But being a, being someone who recently took a corporate agency license as well as having a broking arm, the fee-based income was a big part of our, we talked about increasing from 1% to 1.6% fee-based income. In that, I'm not saying the entire 60 bps is insurance. There is a part which is of that 60 bps increase that just happened, which is being insurance. We will have to watch and wait and how the final regulation plays out. Having said that, I do believe that as a franchise, we will be able to, kind of use the various levers at our disposal to, to kind of swap in what need to be swapped in if and when these regulations come into being.

We are also very carefully watching how the drought-related scenarios in the 3 states and the 282 districts are playing out. Our tractor business is very closely tied to the local economy. We are a very distributed business, as you know, we have 25,000 employees. Many employees are in the collection function. Thankfully, all of them are extremely connected to the micro markets. And we have a very fair, decent connect with the local micro markets to influence collections as things pan out.

So, with that, I will pause here and open it up to question answers, which Pradeep and I will take.

Moderator:

Thank you very much. Our first question comes from the line of Shreya Shivani with Nomura. Please go ahead.

Shreya Shivani:

Yes, thank you for the opportunity. I have two questions. The first will be on the cost of funds movement. Now, on Slide 12, that is flat for you all in second quarter sequentially. But with the rate hike that has come through and like this liquidity that you're holding on to, what kind of trajectory should we expect for the full year FY27? Any guidance on that front would be useful, especially given that majority of your book is fixed asset, and the chances of passing on to end customer could be restricted to that level.

Second question that I have is on the asset quality trends that we've seen over here. I understand that you're watching out for the drought-like situation, the drought in the 3 states. But what measures did you take in second quarter itself? Are we continuing to take those measures for third quarter or have we recalibrated those measures in those states whether, whether monsoon was okayish? Any color around that would be useful. Thank you.

Raul Rebello:

Yes, thanks. So, you had two questions, one on COF, and second on asset quality. I'll take the COF first and then invite Pradeep also. See, you're right, as in among the various headwinds, we do recognize that we are in an environment wherein we've seen one rate hike and we have to brace for possibly more. We are at, I believe, one of the lowest levels right now. We have a very efficient treasury team. I must mention that besides being connected to the rate environment, what we also have as an extra equipment is priority sector lending. Right? And I must mention here that we are one of the biggest suppliers of priority sector agri, considering the amount of loans that we have in underlying PSL assets, which is tractor, as well as CV, etc. So, we're able to even today offload a lot of those assets through co-lending, sorry, through on-lending, through securitization, etc. So, we do have that. But we recognize that cost of funds are in a spot, where we need to be cognizant. You did point out that bulk of our loans are fixed. Yes, bulk of our loans are fixed. But now, as we have diversified, you know, now I mentioned 80% is wheels and 20% is non-wheels, the transmission for non-wheels is faster because that's not fixed. The SME business and the other businesses that we do are completely floating. But even for the wheels business, we'll clearly factor in that the environment has changed. So, at least the incremental assets that we book will come in at a higher rate. So, in this environment, we have to be responsible, pass on what we can, and as well as price in what we can, as well as offload our priority sector assets to give us that, still that benefit of a jaw in terms of arbitrage that exists and has been there. Pradeep, anything else on the CoF, or we move to the asset quality?

Pradeep Agrawal:

Yes. At least I think we have been disclosing our proportion of our floating book. And as you articulated, 25 basis points if it's implemented on the floating book, I think this leads to almost 10 basis points of existing stock getting repriced within, you can say, reset frequency within a quarter. So, that's the kind of nature of the rate hike. And, as well as, if you look at the market is anyways, factoring in more hikes going forward. So, with a lag, I think the refinancing also, besides the floating rate reset of the existing borrowing, your refinancing also comes with a higher cost. So, Yeah, I think the rate cycle increase will have a impact on the cost of funding going forward.

Shreya Shivani:

Right. And would you offload a little bit of excess liquidity if needed or you're planning to hold it at these levels only?

Pradeep Agrawal:

I think overall, liquidity buffer also will depend on what kind of repayment obligations which we have on the month-on-month and the quarterly basis. So, in the ballpark, there may be little bit, you can say, flexibility of reducing this liquidity buffer, but not to a very large extent.

Raul Rebello:

Yeah. So, just to add to that, the liquidity buffer is a dynamic situation. We watch the environment very keenly. If, if the overall triggers demand that we keep it up right now, as I said, we are erring on the side of being extra conservative. But if we see the clouds thin out,

we will clearly, we are sitting on a very high level and that can give us some gains if we don't see it increasing from here on for sure, the liquidity buffer, we do see possibly, optionalities of a reduction.

Coming to asset quality, again it's a dynamic situation. As I mentioned, there are 282 districts which have been classified as drought prone. What we have done proactively is collection, augmenting collection in these locations. So, we do have our own collection as well as we lean on some collection infrastructure as and when required. We beef up the organization if we need more teeth for collection. So, that's what we do on a constant basis. But I think we have mentioned in the past close to 9,000 of our franchise is only collection officers. So, we have a good amount of penetration in all the markets where we need to be. As you say, our collection philosophy is fair, but firm. So, we make sure that we're able to collect if the environment is conducive. But if underlying customers are in a situation of bother, we are accommodative, right? So, that's the position we usually take. Proactively again in Q2, we have reduced some of the funding in some of these locations which are stressed. That's what anyone would do. You'd be a little more conservative, keeping in mind the stress in those locations.

Shreya Shivani: Right. Okay, this is useful. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Renish with ICICI. Please go ahead.

Renish: Yes. Hi, Sir. Congrats on a good set of numbers. Sir, just two things. So, one, it's encouraging to see we are moving to a structurally more tighter and better operational regime with this disbursement now moving to AI-led tools. So, as on Q2, roughly about 10% of disbursements already being AI-led. So, just wanted to understand few things around this thing. So, let's say over one, next four to six quarters, what percentage of disbursement do you think will be AI-led? And also, if you can share some more data around, let's say the asset quality metric or profitability metric on AI-led disbursements? I can understand it's too early to build any trends, but if you're structurally moving to AI-led business model then I think this data would be more important going ahead.

Raul Rebello: Yes. So, Renish, I'll just kind of qualify, when we say AI-led, this is not, like we don't do straight-through loans, right? A lot of our wheels business now, the AI toolkits are being swapped into the loan journey. So, for example, qualification of customers, which were earlier only through dealer counters, now we do qualification in our refinance business, customers who take top-up loans. So, businesses which are AI-gear, I don't want you to think that we don't sit in dealerships anymore and we press two buttons and get a car loan out or something like that. So, these are not end-to-end AI. They are AI-enabled. That's why we've used the word AI-orchestrated in very carefully we've said AI-orchestrated business. It definitely comes in at a lower cost of acquisition. And it doesn't have the same cost of acquisition. It's a lower cost of acquisition. And you can connect some of these dots in terms of our opex to average assets, our cost-to-income ratios. So, we do see some of these structurally improving. But I just want to clear the air that this is not 100% digital or AI business.

Renish: Correct. And any numbers around, let's say, the asset quality data?

- Raul Rebello:** Sorry, what about asset quality? We have put out all the numbers, but what more are you looking for?
- Renish:** No. So, I'm saying, let's say this INR1,600-odd crores or maybe INR900-odd crores what we disbursed last year, I mean if someone wants to look at that customer cohort of how those customers are behaving post the disbursement on AI-enabled tool. So, just wanted to get some sense around it.
- Raul Rebello:** Yes. Very early days, I would say still, but there is no, at least we watch all 30 plus, 60 plus as well as X-bucket, etc. There is no, I would say there is no early insights for us to have any differentiated view on this.
- Renish:** Got it. And sir, just last thing on the growth, so again, last four quarters, we have seen a steady acceleration in AUM growth to almost 15% YoY now. So, now considering as you already mentioned that in some of the districts we are a little conservative and all this noise around maybe some sort of rural slowdown due to El Niño. How do you see growth spanning out over next four to six quarters, considering all these factors, sir?
- Raul Rebello:** I can give you a more broader view on this. See, we have always said our two businesses: one is the core business, which is the wheels business, we would want to grow it at a slightly higher pace than the industry growth, not at a very, we can't afford to be superbly aggressive over here, but clearly find beams of growth in the sector growth, right? What you're seeing where we will clearly have alpha is on the diversification. So, the 52% that I mentioned in the new businesses because of the base effect and because we are so early in the game, but we have made investments over the last couple of years, that's the alpha in the whole growth, right? So, I'm not changing our posture from a 16% to 18% medium to long-term AUM growth. That remains kind of pretty constant.
- Renish:** Got it. And basically, no derailment because of all this maybe near-term challenges.
- Raul Rebello:** We will be responsible. So, if we see tractor fall off, we will of course, not go against the tide. We will factor that in. As I said, the wheels business, which is still 80% of the lending business, will have to factor in macros. We will not chase any growth at the cost of either price or risk. So, it's always risk- and price-adjusted aspirations, not growth for growth.
- Renish:** Got it. Okay. This is very helpful, sir. Thank you and best of luck.
- Raul Rebello:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Kunal Shah with Citi. Please go ahead.
- Kunal Shah:** Yeah. Hi. So, firstly with respect to overall credit cost trajectory and the way we have panned out, in first half, we have hardly seen any seasonality and compared to that of Q4, GS2+GS3 it's broadly stable. And generally, second half for us is significantly better. But given that this time there is not much of an increase, the pullback could also be low. Are we quite confident in terms of the credit cost trajectory, maybe it should continue below 1.5-odd percent or you would be slightly worried in this kind of an environment of say, below-average monsoons and

overall macro and you could see some kind of an uptick in Q3 or you are reasonably confident? Because you have been generally guiding for 1.3 to 1.7. We are in a midpoint range in first half, which is generally elevated. So, does it give you confidence to be in 1.3 to 1.5 or you would still see some risk on the credit cost front?

Raul Rebello:

Yeah. Hi, Kunal. So, you're right. Typically, the franchise would see a hockey stick in Q1, Q2 and then a fall-off in Q3, Q4. The fact that we have kept the GS2, GS3 numbers sanguine would definitely not have the similar kind of a complete drop-off in Q3 and Q4 because of the existing stock. At the same time, in rural and semi-urban, as you're aware, cash flows improve in Q3 and Q4. So, if things are at the macro level stable, we might still see stability in GS3 as well as credit cost being in the same zone. But right now, I just want to mention that we have given a zip code of 1.3 to 1.7 on credit cost. I do not see any near-term to long-term challenge to that front. I just also want to remind that, we had created in Q3 and Q4 some very specific buffers, right? Specifically in Q4, we created for El Niño and for West Asia crisis, some kind of a buffer. I think the total buffer is 852 crores?

Raul Rebello:

Overlay. Yes. So, we have an 852. It's not that we'll just use it to even out, but these were created keeping in mind that there could be disruptions, right? And if those disruptions become material, we might have to dip into them. But right now, I don't want to kind of change any guidance in terms of our zip codes of 1.3 to 1.7 credit cost.

Kunal Shah:

Sure. And if the things improve, you would not feel further need of creating the buffer. We are quite comfortable with this 852 which we have and we will continue. Maybe there might not be any further increase. Maybe if credit cost comes down structurally to 1.3, would you still build it up, the buffer?

Raul Rebello:

See, these are always the dynamic situations. We'll have to read the environment and accordingly plan. Right now just seeing the early vulnerabilities in Q4 of last year with all the here-and-now problems of the West Asia crisis just started and of course, there were all this El Niño which, which kind of compelled us to do that. And I think right now we are well-buffered with the overlays of 852. I don't see any need to create additional ones right now.

Kunal Shah:

Yes. And just a couple of data points on trade advances. So, when we look at it this entire others component, which is moving up from 5.3 to 8.2. So would that proportion largely almost like 2.9% odd primarily be trade advances because last time trade advances were 2.2, 2.3%-odd if I see what has been there in the maybe between the Q1 and Q2 of last year. So, is that there has, there is higher trade advances which have been provided during the quarter or there is other element in the others?

Raul Rebello:

Yes, Kunal, just to be accurate, if you could just tell me which page are you referring to so I can refer it to you.

Kunal Shah:

So, in in others, the AUM contribution. Yes, 8.2. So, when you look at June number, it was 5.3?

Raul Rebello:

Yes that was.

- Kunal Shah:** And similarly when you look at last year, June number was 5.2. 5.2 had gone up to 7.5. So it was like 2.3%-odd increase last year. This time it is 2.9. So just want to see in terms of whether like the growth which has been there, increase that's primarily trade advances?
- Raul Rebello:** Yeah your observation is right. Trade advance is the kind of additional number there. And I just want to quantify that this year our reading of the season requirements. We have, in fact, since we're looking at a higher growth, trade advance serves as a grease for getting higher growth in Quarter 3, specifically with the festivity. So your observation is right. The quantum of trade advance that we have deployed this year is clearly a clip above the normal.
- Kunal Shah:** So, that gives better visibility on growth?
- Raul Rebello:** Yes. And besides trade advance, PL also. We are doing PL in our existing customer base. So PL also is another factor. I wouldn't, it is not as significant as a constituent in that others, but it is also something which is building up.
- Kunal Shah:** Sure.
- Raul Rebello:** And what you will see also build up there, which I will carve out separately is our prime housing, which we started doing in August. It is very early days, but it won't be a big part of that 8.2.
- Kunal Shah:** Yes, it won't be a significant contribution in this in 8.2?
- Raul Rebello:** Yes, it won't be, but I will start calling it out in the quarters that, that unlock from here on because we have plans for that business.
- Kunal Shah:** Sure. Thanks. That's helpful. Yes, that answers all the questions. Yes, thank you.
- Raul Rebello:** Thanks, Kunal.
- Moderator:** Thank you. Our next question comes from the line of Kriti Tripathi with NVS Brokerage. Please go ahead.
- Kriti Tripathi:** Hello. Sir, firstly congratulations on a strong set of numbers. We have seen 75% Y-o-Y growth in the PAT in Q1 and 61% in Q2. And with this disbursements growing 22% and overall business asset growing 15% in Q2. So sir can we expect a similar growth trend to continue over the next two, three years? This is question one. Question two is, sir, what are the key factors driving this turnaround? And last question would be, sir, what is the differentiating factor compared to the peers? Thank you, sir.
- Raul Rebello:** Thanks. Quite a few questions packed in one. Let me just kind of clarify that the PAT growth is not, is not sustainable at the 70% levels. We clearly are a franchise, if you look at our AUM growth which we are saying 16% to 18%, typically it all flows down from there. We need to see that the franchise, the loan book typically guides for everything else. The current PAT growth, which is at a high level is also I would say in many ways because of the credit cost that we're seeing unfold. The GS2, GS3 numbers are almost hitting its all-time low. And I don't

think that there is more room for us to shave off besides that. So, the credit cost has been optimized.

We can optimize a little more from opex to some extent. But otherwise if the revenue growth, if the loan book is going to grow 16% to 18%, you can almost look at that as a proxy of the income growth. So we are a franchise that wants to grow in the high teens as we say. We think for a secured franchise, that's the right positioning. We have quarters like this, which throw up, I would say, very high levels of PAT, but those numbers have to be read in context with what credit cost has done to the equation. Your second question was, can you repeat what was your second question?

Kriti Tripathi: Yes. So sir, I would like to understand what are the key factors driving this kind of growth in the company?

Raul Rebello: Factors as in see this to grow at 16% to 18%, there's nothing very significant anyway. Any player who's been around for 20, 30 years has to be able to deliver that. The underlying commerce has to be strong. So if the underlying commerce is strong, that will reflect in disbursement and that will reflect in loan growth. I'm sure you would have heard us. I just want to make sure that we are audible because there's some noises.

Kriti Tripathi: Yes, sir.

Raul Rebello: Yes, I think we are a bunch of senior professionals. This franchise has a lot of very sound management from the past, as well as some of the new management which has come in. All of us are all wired towards one objective of having steady, structural, linear growth. Right? And that's the objective that we follow. And with the kind of path we have been on for the many quarters, we do see us, progressing that direction. Regarding your question on peers, I am not best positioned to answer for peers. I am sure their results speak for themselves.

Kriti Tripathi: Okay. Thank you, sir.

Moderator: Thank you. Our next question comes from the line of Avinash Singh with Emkay Global Financial Services Limited. Please go ahead.

Avinash Singh: Yes, hi. Good evening. Thanks for the opportunity. My question would be on your, the mortgage business strategy. In this business, I mean, now because you are folding your housing finance subsidiary into parent NBFC. Now, if I look at the two set of competitors, of course, on the one hand, banks will have the cost of fund advantage structural. And the other, that HFCs, typically they also will have some benefit from NHB refinance available. Now, in that kind of, the competitive dynamics, what is your plans in terms of the product segment or customer segment, or geography that you are trying to play to scale up this business? Because these two segments, these two set of competitors have this advantage in terms of cost of funds that on a relative basis will go against you. Thanks.

Raul Rebello: Yes. So, while I kind of lay out the rationale for the mortgage aspirations. While we are not a new participant as a franchise in mortgage, you would be aware for the last 17 years, we have

a rural housing finance company. While it had a very good solid start, but it's, in the last 3 to 4 years, it's had a bit of a challenge post-COVID.

Now, rationale for mortgage is we do believe that there are three or four revenue pools which are extremely compelling from a lending standpoint. Mobility is where we have our giant share. The second large pool is clearly mortgage and SME. So, for a franchise of our size and scale to be absent from such a meaningful growing category is not something that we thought we should be sitting out of that action. So, that's the mortgage participation rationale.

Now, what in mortgage is more wired to an NBFC, HFC, etcetera. I think those are very meaningful questions. And why not in the HFC? Why in the NBFC? I did spend time last time, but I will just quickly reiterate. We do believe that there is a merit in simplifying the distribution of mortgage businesses irrespective of the skin in which you are. So, the arbitrage of HFC versus NBFC in our reading is going away to a large extent. For the participation that we plan to do in mortgage. See, we plan to be in affordable housing. We plan to be in LAP. We plan to be in some segments of prime housing. With all these categorizations, we do believe that our overall returns, if I am looking at a 2.2 to 2.5 ROA in the medium term, is mortgage going to dilute that? Maybe in the first few years, it might create a bit of a drag, but in the long run, we are not here as a franchise to be around only for 3 to 5 years, right? We have been in existence for 30. We plan to be clearly in the next 30 and more. And mortgage is, in that parlance, a participation which is compelling. We will make sure that the initial drags which are there in a business like mortgage, you are right, it doesn't have the most attractive ROA profile. But a lot of our customers, we see a lot of our wheels customers today are requiring a mortgage loan in affordable, in kind of semi-urban, rural, and we are not able to render that product. So, there are merits. We have 400 branches in MRHFL. We have 1,400 in MMFSL. There's duplication happening. And our strategic view is that participation will be simplified, duplication of various functions will be reduced, and overall it's a category in the medium to long term, which is extremely attractive for us to participate in. Pradeep, you want to add anything?

Pradeep Agrawal:

No, I think you covered.

Raul Rebello:

Thanks. We can move on.

Avinash Singh:

Got it. Yes, just one more. I mean, I remember you had answered a couple of quarters back, but again, at one point in time, maybe going a couple of years back, that co-lending and all was kind of one part of your strategy to address, particularly the super-prime customers in the new vehicle segment that you can and you get, that can generate fee income. But whatever happened with the regulations and all, is that co-lending arrangement or co-lending now even part of your business plan or simply that has been shelved off?

Raul Rebello:

So, we actually had already gone down the path and we were doing co-lending on a monthly basis with some of the big lenders for certain businesses. But as you all know, between the CLM 1, CLM 2, the whole regulation which changed now pretty much requires both the senior and junior partner to be wired through the systems and the systems orchestrate seamlessly the loans, right?

And we have not been able to in the new regulation start again. While I do not have a change in mind in terms of participating in the prime business through co-lending, early in the day when I have a update for you on us going live, I would say it's in the kitchen right now. We are working with a couple of banks in integrating systems. When that is live, I will give you commentary, but it is very much part of our participation in the prime businesses, etcetera., where we definitely believe that we offer much more than balance sheet to the table. We offer distribution. And as distributors, we are being pursued by a lot of senior lenders to kind of make some inroads and bring in customers in a more efficient manner. So when we are live in the new CLM 1, I'll offer commentary.

Avinash Singh:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal:

Yes, good evening, everyone. Thank you for taking my question. Raul, sir, just kind of going back to the asset quality and you commented a fair bit on some of the states which have declared droughts. Just trying to understand, if you look at Maharashtra, it's a very big and important state for all the lenders. So, I am just trying to understand here, qualitatively speaking, how are collections panning out for the tractor portfolio in these 20 days of October?

And a related question here, in the past, when we have had droughts or let's say poor monsoons like this year, how many quarters does it conclusively take to see whether we are seeing any deterioration in asset quality because of weak monsoons? Or the other way to think about it could be we are comfortably past the hump and can look forward to the monsoons for the next year? That's my first question.

Raul Rebello:

Abhijit, why don't you finish your questions? I'll answer them together.

Abhijit Tibrewal:

Right. And the second question I had was for Pradeep sir. In this quarter, we have seen a few of the AAA-rated NBFCs report a decline in their weighted average cost of borrowings despite the rising incremental borrowing costs. So, what is our liability strategy here? Are we planning some liability-side interventions, which can limit the impact on the liability franchise for maybe the next one or two quarters in the rising rate environment? And the last one for you, Raul sir, you already have seen 10 days of Navratri. You also spoke about higher trade advances. So, how are rural cash flows? How was the start of the festive season?

Raul Rebello:

Yes, I'll take the first and third and hand it over to Pradeep. So, on the asset quality side, Abhijit, your observations are right. Maharashtra is a significant state in our participation. And if the question was contextualized to tractor because the stress is, possibly, you know, whatever we foresee with the drought situation and quite a few districts have been declared as drought, you know, drought-affected.

I would say still, Abhijit, it's early days for us to call. You know, our tractor portfolio typically in agrarian belts has a half-yearly installment. Right? And the half-yearly installments are scheduled when there is price discovery. So, it's usually towards the end of rabi and the end of kharif. And we're not in any of that right now. In a couple of months, we'll be coming to, you

know, the half-yearly collection. So, I do not have an ability to right now give you half-yearly updates on whether we're seeing early stress.

But I wouldn't be surprised. Typically in a drought year, you know, farmers will, priorities do change. But I've mentioned in the past, our collection philosophy is fair, but firm. We are not doing a one-size-fits-all. Our collection teams in Vidarbha, etcetera, are meeting customers, evaluating who is at what level of stress, and we do factor that into our collection playbook.

But being a responsible lender, we will both acknowledge situations. If there is immediate stress, we are accommodative. I'm sure you would have seen the franchise for a while now, Abhijit. delay and default are very different things. Delay is not equal to default, right? And if there is a delayed, might mean a GS2, GS3 increase. But tractor, for me, is cross-cycle one of the most attractive ROA products. And hence, we do not see a change in stance in our participation on tractor. There might be temporary delays, but that doesn't result in long-term defaults.

Going to your second question on Navratri, the first 10 days. I do want to kind of be, you know, the commerce is not as great as last year same time. We have seen some amount of departure from that. But one needs to understand last year the commerce also was extremely high because there was a lull before the storm, the GST storm, the festive storm. You know, the last year numbers have to be read in context of all the pent-up demand getting orchestrated in this 11 days. So, I will not give exact numbers, but I would say that it's a fall from last year, the underlying commerce as well as the underlying unit disbursements for the first 10 days. And it's not been secular. I would say that maybe tractor has seen a little more decline than last year. That's my early reading of the first 10 days of Navratri. Pradeep?

Pradeep Agrawal:

Yes. I think looking at the peer NBFC result, we understand that one of the NBFC has come out with the quarterly results with lower cost of funds. We at MMFSL had taken a lot of intervention last year itself, where we had optimized our borrowing mix in terms of instruments, as well as in terms of tenor. So, I think after optimizing our cost of borrowings last year, we don't see our cost of borrowing coming down quarter-on-quarter basis in the coming quarters. And the answer to one of the questions, I clearly articulated that how the 25 basis points of increase translates to our floating rate of borrowings, as well as incremental borrowing also gets refinanced at a higher cost. So, overall, I believe that the cost of funds for us will be towards an upward trajectory. That's what the guidance from our side.

Abhijit Tibrewal:

Got it, sir. I think this is useful and good for me. Thank you so much for taking my questions, and I wish you and your team the very best.

Raul Rebello:

Thank you.

Moderator:

Thank you. Our next question comes from the line of Piran Engineer with Citic International. Please go ahead.

Piran Engineer:

Yes. Hi, team. Congrats on the quarter, and thanks for taking my question. Just firstly, going back to that AI-orchestrated disbursement, INR1,600 crores. Sir, what exactly does that mean? What is different from these disbursements versus the other, if they're not 100% digital?

Raul Rebello: Yes. So, Piran, just to lay context, this business is largely, you know, if I were to kind of put which are the major businesses which are riding on this, the top-up loans, right? As if you know, we give refinance loans to our existing customers, where typically we don't have a cost, we don't have a, we have a very limited intermediation. It is our existing customers who end up taking either used vehicle loans or top-up on their existing loans, as well as a personal loan business. These are the two big businesses in this INR1,600 crores. Then you also have some of the dealer-led businesses, where post getting the leads from the dealer, there used to be a lot of physical interventions. And now part of the back office, which is our CPCs, are completely agentified, as in there is very little human intervention, there is triangulation of data in terms of once the in-principle sanction is made to disbursement, we can jump through a lot of the earlier loops in terms of physical intervention because of the agentified journey. So, these are the , this is a color of what we call as AI-orchestrated disbursements.

Piran Engineer: Got it. But then, Raul, earlier, how was the process in top-up loans? Because if it is for an existing customer...

Raul Rebello: Yes. So, earlier in a top-up loan, every customer used to, sorry getting into the nuts and bolts, every customer had to show up with their vehicle, get a valuation. The loan executive had to go and do a full re-KYC. A lot of the steps were pretty much a repeat. Today, part of the AI toolkits, you know, put some of these tools in the hands of the customers to value their assets. The number of clicks in the journey or the agentic toolkits are much higher in this used vehicle business, right? And I'm not saying that we have already reached gold standard. It's a, it's a, it's a phased manner part of these journeys have been agentified. And we see a lot of more scope, specifically the used vehicle business, the top-up business to make it as seamless as a personal loan.

Piran Engineer: Understood. And then secondly, after a long time, we've seen a meaningful increase for headcount. Now, is this just people moving from off-roll to on-roll or is this real capacity addition?

Raul Rebello: So, read it in context with we do have renewed growth plans in some of the wheels business. You'd see the PV business growing at a very healthy clip. We have only given manpower in locations which the dealerships were bereft of headcounts. As you know, the wheels business is still a person-driven business. You have to be at the counter. You have to orchestrate credit. And part of our headcount, which was off-roll, we have a program now that the consistent performing off-roll folks do migrate to on-roll. When we see that their productivity norms, etcetera. are all met. So, you're right. If you'd have seen for the last two years, our headcount has been static. With our renewed growth plans now, as you see, one of our core pillars are pivoting back to growth. Growth in the wheels business, growth in the SME business, growth in the mortgage business will require headcount. And while we still see that the jaw of operating income to operating expense can still be maintained, these will be essential headcount for our growth plans.

Piran Engineer: Got it. Okay, Yes, that's it from my end. Thanks and wish you all the best.

Raul Rebello: Thanks, Piran.

- Moderator:** Thank you. The next question comes from the line of Gautam Jain with GCJ Financial. Please go ahead.
- Gautam Jain:** Good evening. Congratulations for the great set of numbers, Raul and team. Just want to ask when we will going to merge our housing finance subsidiary? I mean, we are looking for approval or when we think we can get that approval?
- Raul Rebello:** Yes. So, for any merger, there are a couple of milestones to kind of unlock along the way. We are very much in the zone. We have got the lenders' approval. We have got various approvals which are in the trajectory of the final objective. There is, of course, NCLT, there are some regulators which still have to give approvals. But nothing, I would say, for me to have any change in overall plans. We are looking at a June, June of next fiscal as a possible end, end goal. But we will keep, keep stakeholders informed of, if any minor milestones in between come under any pressure.
- Pradeep Agrawal:** So, I think appointed date for this merger is 1st April 2027. And effective date, as Raul alluded, will be somewhere in the June and July. That's the target we are kind of chasing.
- Gautam Jain:** Okay. And are we seeing any synergy once it get merged?
- Raul Rebello:** That was the entire rationale for doing it, right? Otherwise, we wouldn't have gone down this path.
- Gautam Jain:** Okay, great. And a second -- can I ask the second question?
- Raul Rebello:** Yes, please. Quick...
- Gautam Jain:** Yes. Looking at higher base of disbursement last year in H2, how do we see disbursement growth in second half of this year?
- Raul Rebello:** Yes. No, thanks. That's a very rational question because last year was H2 it was a story of two Half's, H1 was flat. H2 was great. This year we're just hoping it's not a reverse of the last year. So, H2 we would like to see some growth coming back. But we're aware that the base is significant and hence, we will have to be mindful of how do we get growth in an environment which is constrained. But having said that, Gautam, we have a very solid team, execution team, and that's why we're in pretty much all the corners of the country to get growth from all the corners where growth will come from. And we will try to achieve a reasonable growth, keeping in mind the underlying commerce. But thanks a lot.
- Gautam Jain:** As of now, no risk to 16% to 18% growth in loan book?
- Raul Rebello:** 16% to 18%, Gautam, is my long-term. I mean, I'm not giving 16% to 18% for quarter-to-quarter. It is more our long-term trajectory.
- Gautam Jain:** No, for FY27?
- Raul Rebello:** Again, I don't give, we never give quarter or yearly commitments. We always give a slightly medium to long-term.

Gautam Jain: Okay. Thank you. Thank you so much.

Raul Rebello: Thanks.

Moderator: Thank you. Our next question comes from the line of Viral Shah with IIFL Capital. Please go ahead.

Viral Shah: Yes. Hi. Thanks for the opportunity, and congrats on a good set of numbers, Raul. Raul, basically I had, I would say, three questions, but two of them are basically a follow-up. One is, you articulated the impact of insurance commission, especially on the stand-alone business. How should we think about, say, the impact of, of course, all of this is dependent on the current draft remaining what it is. But say from MIBL perspective. So, that's one.

Second is, Raul, you articulated on the yield front that on incremental basis in the wheels business, you would have some leeway to pass on in a rising rate environment. Have you already done that or you would be doing this, say, post the festive season?

And the third, basically a follow-up is, I know you have guided, even Pradeep, you also guided basically with regards to cost of fund trajectory. But are you able to quantify, say, if we are talking of a 75 bps rate hike cumulatively, where we could land at, given the dynamics of PSL-linked bank borrowings that we would have also?

Raul Rebello: Thanks, Viral. I'll take the first two and hand it over to Pradeep for the last one. So, on insurance, see, I want to reiterate, I mean, I'm just kind of mindful that while it is a, the draft consultation paper is quite a, it's a departure from normal, right, for a from a distributor and we are significant distributors both from MIBL as well as corporate agency. So, if it comes as is, there will be a shave-off in our fee income. But I'm hopeful that there will, there is a decent amount of engagement which is going on from various stakeholders. So, let's, let's wait for the final thing to, for us to give you a quantification. But in that same breath, I must mention that a franchise like us, we were starting to get benefits from corporate agency only for the last, let me say, four to five quarters. So, our coverage, and you might, Viral, as you'd seen some of our new distribution of branches, etcetera, we were never selling retail insurance from branches or it's not just bundled insurance. Bundled insurance, yes, that benefit has come in. But we're still early in the day from a scale perspective. So, maybe some of the income which can get shaved off from the current playbook, as I said, we're still early in terms of milking the franchise from an overall distribution. Hopefully that will augment and swap in some more revenue from, when the final regulation comes in, the swap-in from limited coverage now to a growing coverage that we have unlocked through our branch and other holistic insurance distribution.

MIBL, yes, it's a very meaningful player. Motor insurance, the kind of initial suggestions for, for third party, as well as own damage, it's quite a, quite a shave-off. So, we'll have to see how best we participate in the, whenever the new, the new regime kicks in. So, it's wait and watch, but yes, there is a fee income kind of a shift in the overall earlier playbook and possibly the new playbook.

On, on the rate front, passing on rates, it's very early days, and we must be mindful it is the peak of the festive season. So, there is commerce and there is commerce for us to competitively garner. But the commerce, let me mention here, is the rates have really shaved off from the salaried segment, which we anyway do not participate, right? I mean, the competitive environment is extreme there. The competitive environment is, I would say, not so intense in the self-employed agri segments. We still have some kind of an arbitrage to price. Not that we've immediately started passing on immediately after the repo rate, but we do see abilities to price in to overall protect our NIM requirements.

Viral Shah: Got it.

Pradeep Agrawal: Yes. So, overall, quantification will be a bit difficult in terms of hit to the P&L or where do we see ourselves maybe after 75 basis points of hike. Basically, I just explained the reasons also. The capital markets generally takes these cues much ahead of the real rate hikes. So, from that perspective, your floating rates can kind of gets reset with the increase in the repos, which are linked to the repos, and the treasury bills kind of borrowings. MCLR kind of linked borrowings comes with the lag. And capital market, basis the geopolitical situations and what kind of forecast we have in terms of inflation, that market behaves in a bit ahead of the market. So, in my view, a little bit of steepness in the curve has already been built in by the market in anticipation of the of further rate hikes. So, overall, I see that upward trajectory, but as of now, I will restrain myself to quantify the exact impact on where do we see maybe after 75 basis points of hikes going forward.

Viral Shah: Got it. And thanks a lot. All the very best.

Raul Rebello: Thanks, Viral. Just a request...

Moderator: Thank you.

Raul Rebello: We're running short of time and we want to take all questions. So, one or two questions max will be better. We can always keep engaged even post this.

Moderator: Thank you. Our next question is from the line of Punit with Dolat Capital. Please go ahead.

Punit: Hi, sir. So, two questions. So, one is, what is the book durations on the asset side, if you could say both for the vehicle book and the housing book, the MRHFL book? And secondly, our bank borrowing is 51%. What is, how much of that is linked to MCLR and what would be the proportion linked to EBLR, if you could answer that?

Raul Rebello: Yes. Just to be, Punit, fair on terms of our disclosures, I don't think we have given our overall door-to-door maturity of wheels and non-wheels. We'll see whether we need to bake that into our investor deck going forward. But right now, I don't want to be selective in this disclosure. On the 51% bank loans, any, I think we might have that. How much is MCLR-linked?

Pradeep Agrawal: Generally, we don't give this breakup. But if you look at the floating rate which we have disclosed at around 45% to 48%, I would say, largely it's linked to the repo and the treasury bills, and MCLR-linked borrowings are lesser.

- Punit:** Got it. And sir, if you can disclose, so if not the segment-wise maturity, what would be the total maturity of the book?
- Raul Rebello:** Do we give that, Pradeep? No, Punit, we don't. But we can connect offline and we can see how to share that information...
- Punit:** Sure. Thanks. Sure, sir. Thank you.
- Pradeep Agrawal:** I think we have given the ALM chart in our deck. I think from that, you can refer what is the kind of maturity we have the books in terms of asset, as well as liabilities.
- Punit:** Got it. Okay. Yes.
- Moderator:** Thank you. Our next question comes from the line of Nidhesh Jain with Investec. Please go ahead.
- Nidhesh Jain:** Thanks for the opportunity. How do you see the NIM trajectory going for us over next few quarters and next year? And how do we plan our asset profile so that during rising rate environment and we are able to protect our NIMs from a medium-term perspective?
- Raul Rebello:** Yes. So, the variables we have at play to influence NIM clearly on the loan income and fee side. Since, as you know, most of our book is fixed rate, so what is in the bag is in the bag. We can influence, for the vehicle side, we continue to be fixed-rate lenders. We will try to price in as much as required for the pain that we have on incremental borrowing costs. So, that's the lever we have on loan income.
- On fee income, we have climbed a fair distance through various fronts and there are levers which we do believe we still have headroom for increment in terms of some of the historic collections we had on processing fee, on late payment fees, etcetera. There is some headroom for us to influence that. But overall, it's not going to be, I would say, an extremely easy environment to get NIM expansion. As Pradeep alluded to, cost of funds, we're in an environment where CoF is going up and the levers that we have to pass that on are not extremely one-to-one. We will have to find mechanisms to grow the revenue pie while the CoF clearly sees a incremental trend.
- But overall, I think for the 2.2 to 2.5 ROA, we did call out that we clearly have to be above 7%, right? And from a NIM standpoint, we're right now at the lower end of that. But I do believe the loan income number is not rightly reflective for the quarter. Maybe the half-yearly number is more reflective of where we are. And we will find ways in which we protect the overall ROA of being in that 2.2 territory.
- Nidhesh Jain:** Sir, in the near term, it is reasonable to expect that NIMs will fall below 7, right, in coming quarters, as cost of funds will get repriced upwards?
- Raul Rebello:** See, it will be challenging, but it will not because I did mention that we have currently a denominator effect in Q2. From Q1, you would see that one is the excess liquidity buffer, as well as the, you know, trade advance, which is only typical of Q1 between Q1 to Q2. That will

go off very quickly as it fructifies into commerce. So, the non-earning asset that we have on the trade advance will become earning asset and to that extent, the loan income will go up. CoF will have its challenges.

Nidhesh Jain: And trade advances roughly 3% of AUM, right? 2% to 3% of AUM as of...

Raul Rebello: You can back-calculate that number. We don't give it, so I don't want to specifically call that number out.

Nidhesh Jain: Sure, sure. Thank you, sir. That's it from my side.

Raul Rebello: Thanks.

Moderator: Thank you. Our next question comes from the line of Rajiv Mehta with YES Securities. Please go ahead.

Rajiv Mehta: Yes. Hi, good evening. I think most questions are answered, but just one thing on end losses. So, end losses as a percentage has been hovering at 1.2% to 1.3%. See, we have seen improvement in flows, and which is why the bucket movements have been...

Raul Rebello: Rajiv, can you repeat that? There was some disturbance. Can you repeat that?

Rajiv Mehta: Now can you hear me? Yes, Yes, Yes.

Raul Rebello: Yes.

Rajiv Mehta: So, my only observation is on end loss percentage, end losses that has been stable at about 1.2% - 1.3% for now many quarters. While we have seen more stabilization of flows, very limited bucket movements even in, you know, seasonally weak periods. But the end losses continue to be 1.2% to 1.3%. So, should we also see some improvement with some lag in end losses if the underwriting has improved, you know, has got tightened and the flows are improving? Then the end losses or the resolution recoveries should become better or would it take time or is it a function of product mix because we grew tractors in the last two years and hence the resolution recovery in tractors is generally, you know, slightly lesser? How should we look at end losses, you know, going forward?

Raul Rebello: Yes. So Rajiv, there are two components to credit cost, right? There's end losses and there's provisions. I think we have done our, our kind of simulation on the mix between these two, but I do want to hold the 1.3 to 1.7 credit cost in terms of the overall credit cost. End losses, whether it can go down, we would like that number to go down, but the matter of fact is that, you know, as vehicle prices, you know the whole GST thing, price discovery, when you sell an asset now, some of them would have had a certain residual value because asset prices go down sometimes and you don't get that same asset value. So, we do believe that to operate in the 1.3 to 1.7, the current end losses of 1.2 is reasonable. It's not something which is perverse to operate within. We can clearly find more efficiencies and we will see, how that number can even slide down further. But right now, for the business model, we still have a significant amount of self-employed, agriculturists, etc., where these kind of losses are part and course of the DuPont.

- Rajiv Mehta:** Yes. And just one thing on , your comment on festive, you said that, it's not exactly comparable because last year Navratri also had pent-up demand of GST cut. But if were adjusted for it, would you say it's slightly softer? And if there is any softness, can you make a distinction between is it more on the rural, semi-urban side and less on the urban side? Some color if possible?
- Raul Rebello:** No, if you, I mean, you can see the VAHAN data, which gives you pincode-wise as well as rural, semi-urban. For the full first half, actually rural growth in all categories was stronger than urban, right...
- Pradeep Agrawal:** Rural higher, Yes.
- Raul Rebello:** Hello?
- Rajiv Mehta:** Yes, Yes, I can hear you.
- Raul Rebello:** Yes, Yes. No, so I was saying that the registration data of vehicles points out that there is, at least till first half, till September end, both rural and semi-urban are actually growing at a marginally higher clip than urban and metro. So, while the clouds above us in terms of El Nino, etc., are there, but I don't think that has flown through right now a demand sentiment in these locations. Yes, some categories like tractor, etc. will see, we have seen in the past when there's a drought, when there's, scarcity, etc., it does the sentiment does get impacted. So, we will see some of that play out. But at a macro level, I do not think that we are discounting rural sentiment as a whole right now.
- Rajiv Mehta:** Got that. Thank you. Best of luck.
- Raul Rebello:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Raul Rebello, Managing Director and CEO, for closing comments.
- Raul Rebello:** Yes, thank you, everyone. I'm sorry we may, we have gone about 10 minutes over our time. I just want to say that, as I started, it's been an encouraging quarter. And more importantly, the quarter's being reflective of a lot of work done in the past in trend of various outcome metrics, whether it's on the growth side, being growing our core business, as well as diversification, whether it's on the margin side and the risk side, the quarter has been extremely encouraging. And more importantly, the trajectory of what we've seen for the last 3 quarters gives us a lot of confidence that we are progressing very well to our FY31 commitments, that is to grow between 16% to 18%, to keep credit cost between 1.3% to 1.7%, and to get the ROA profile up from earlier levels to operate between a 2.2% to 2.5%.
- So, the trajectory is moving well and we are aware of the headwinds also. And we're happy to have a very seasoned management team from the old guard, as well as some of the new folks who have joined in to make sure that, as I said, we are confident to navigate some of these headwinds in a manner which keeps our long-term interests in mind.

Again, thank you everyone for joining us from different times zones and happy to stay connected and answer questions that we could not answer in the course of this discussion. Thank you.

Moderator:

Thank you. On behalf of Mahindra and Mahindra Financial Services Limited, that concludes this conference. Thank you all for joining us, you may now disconnect your lines.