

SEC/FILING/BSE-NSE/26-27/68A-B**October 27, 2026****BSE Limited**

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Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited

Listing Department
Exchange Plaza, 5th Floor, Plot no. C/1, G- Block,
Bandra-Kurla Complex, Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the second quarter ended September 30, 2026.

Further to our letter dated 23 October 2026, regarding the audio link of the investor's earnings call for the second quarter ended September 30 2026, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website www.shriramfinance.in

Thanking you.

Yours faithfully,

For **SHRIRAM FINANCE LIMITED**

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COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER

Encl.:a/a.

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“Shriram Finance Limited
Q2 FY27 Earnings Conference Call”
October 23, 2026



MANAGEMENT: **MR. UMESH REVANKAR – EXECUTIVE VICE
CHAIRMAN – SHRIRAM FINANCE LIMITED
MR. PARAG SHARMA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – SHRIRAM FINANCE
LIMITED
MR. S. SUNDER – JOINT MANAGING DIRECTOR AND
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MR. SANJAY KUMAR MUNDRA – EXECUTIVE
DIRECTOR – INVESTOR RELATIONS HEAD– SHRIRAM
FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Shriram Finance Limited Q2 FY27 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 the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh Revankar, Executive Vice Chairman, Shriram Finance Limited. Thank you, and over to you, sir.

Umesh Revankar: Yeah. Thank you. Good evening, friends from India and Asia, and a warm welcome to all of you. Greetings to also to those who have joined the call from the western part of the world. To present our Q2 FY27 call today, I have with me Managing Director and CEO Mr. Parag Sharma, Joint Managing Director and CFO S. Sunder, and Sanjay Kumar Mundra, Executive Director, Investor Relations.

It has been a good second quarter of the year for Shriram Finance under current circumstances. Let us first look at the broad economic indicators that have a direct impact or indirect impact on our business. First, on the GDP growth, India's Q1 GDP growth of 7.8 in FY26-'27 has highlighted the resilience of country's economy, with the data pointing towards strong consumption, rising investment, and sustained government capital expenditure as the key drivers of the expansion. The stronger-than-expected performance has reinforced expectation of broad-based economic momentum across multiple sectors.

The IMF has raised India's GDP growth forecast to 7% for '26-'27, up from 6.4% in July. The revision in the estimate comes on the back of stronger-than-expected momentum, supported by resilient domestic demand and robust services activity. India's headline retail inflation rose to 5.4% -- 5.54% in September from 4.82% in August, adding pressure on the country's central bank to further tighten monetary policy. Inflation has been on the rise for 11 straight months in the world's fastest-growing economy, and has touched 22 months high in September. This increase is mainly due to higher fuel and food prices, which rose amid West Asia war-driven supply disruption and delay in seasonal rains. India's food inflation climbed to 7.74% in September from 5.97% month prior, with prices rising faster than -- faster in rural areas than cities.

India's wholesale price-based inflation climbed to 11.39% in September from 9.92% in August. Among key drivers of wholesale inflation were mineral oils, food articles, crude petroleum and natural gas, coal and lignite, basic metal, chemicals, textile, rubber, plastic product, and electric equipments. Now, coming to the RBI policy, key takeaway of RBI policy: repo rate increased by 25 basis point to 5.5 basis point; policy stance shifted from neutral to calibrated tightening; GDP forecast revised upward to 7.1 from for FY26-'27; CPI inflation forecast '26-'27 raised marginally to 5.2.

Coming to the rural economy, which has a major impact on our business, the 2023 southwest monsoon concluded at 87% of long period average, with sharper shortfalls hitting regions like

South Peninsula, Northeast Asia. India received its lowest rainfall in the more than decade, owing to El Niño effect. The below-normal and erratic rainfall has triggered a moisture stress, hurting major kharif crop like rice, soyabean, corn, cotton, and pulses, coupled with fertilizer shortage due to war, will that will lead to some food issues in coming months.

India's drought monitor said September 23 that 51.2% of India's geographical area was abnormally dry and/or worse. The India's weak monsoon is beginning to weigh on rural consumption ahead of crucial festive season, with companies seeing pressure on demand for entry-level two-wheeler and cars, discretionary FMCG products, and also consumer appliances.

However, India's rural economy is becoming more resilient to weak monsoon as growing share of non-crop activities, diversification into allied sectors, rising irrigation coverage, and reduced dependence on the rains. The RBI report said empirical findings suggest that while rainfall shortfall remains important for agricultural output, their association with allied activities and other rural activity has moderated over time.

Other significant indicator is the GST collection. India's gross GST collection rose by 14.7% year-on-year to INR2.04 lakhs in September, compared to INR1.77 lakh crores. On cumulative basis, gross GST revenue for April to September reached INR12.46 lakh crores, compared with INR11.17 lakh crores during corresponding period of 2025-'26, increase of 11.6%.

Increased government spend on infrastructure is one positive indication, and GST collection has really helped the infra spend. And OEM sales side, there has been a positive impact throughout the last 1 year post the GST rate cut. The commercial vehicle sales has increased by 28.7% in Q2 FY27, and stands at 3.09 lakh units against 2.4 lakh units sold in the Q2 FY26.

Within commercial vehicle, medium and heavy commercial vehicle sales recorded growth of 37% in Q2 FY27, and stands at 1,21,171 units against 88,431 units sold in Q2 FY26. LCV's sales recorded a growth of 23.8% in Q2, and stands at 1.88 lakh units versus 1.52 lakh units sold in the Q2 previous year.

Passenger vehicle has recorded highest growth of 30.7%, and stands at 13.61 lakh unit against 10.41 lakh unit in the Q2 2026. Two-wheeler again seen a record growth of 15.2% with sales of 64.33 lakh unit in Q2, against 55.86 lakh unit. Three-wheelers also have recorded a very good healthy growth of 23.6% in Q2, with sales of 2.85 lakh units sold versus 2.31 lakh units sold in Q2 2026.

Tractor again has recorded a good growth of 18.26% with 2.91 lakh units sold, as against 2.46 lakh units sold in Q2 2026. Construction equipment has started the growth after decline in growth in the previous year, with 23% growth, with 29,289 units sold against the 23,758 units sold in Q2 2026.

Coming to the EV, we are seeing a robust growth in EV throughout all the segments. In the passenger vehicle, it grew by 106% to 99,732 units against 48,250 units. In three-wheeler, it recorded 30.61% to 2.53 lakh unit against 1.94 lakh unit. Two-wheeler it increased by 90.93% to 5.95 lakh unit against 3.11 lakh units in the previous year.

Now I shall ask my colleague, Parag, to take us through the operational performance for the quarter.

Parag Sharma:

Thank you. Good evening to everyone and welcome to our Q2 FY27 earnings call. And I trust you had the opportunity to peruse our results and the related investor presentation, which has been posted on the website of the stock exchanges. We registered disbursement growth of 25.71% year-on-year. Our disbursement in Q2 FY27 this year aggregated to INR54,079.02 crores versus INR43,019.17 crores in Q2 FY26.

Our AUM as on 30th September 2026 registered a growth of 16.96% over Q2 FY26 and a 4.85% sequentially. Our AUM stood at INR3,29,021.72 crores as against INR2,81,309.46 crores a year ago and INR313,798. That is INR3,13,798.39 crores in Q1 FY27.

Our net interest margin in Q2 FY27 registered a growth of 38.2% year-on-year. We've earned a net interest income of INR8,661.04 crores in Q2 FY27 this year, as compared to INR6,266.84 crores in Q2 FY26.

Our profit after tax grew at 59.37% and stands at INR3,677.03 crores in Q2 FY27 as against INR2,307.18 crores in Q2 FY26. The profit after tax was INR3,444.56 crores in Q1 FY27. Our net interest margin in Q2 FY27 was 9.52% as against 8.19% in Q2 FY26 and 9.04% in Q1 FY27.

Our earnings per share for the quarter stood at INR15.63 as against INR12.27 in Q2 FY26 and INR14.83 in Q1 FY27. On our asset quality, gross Stage 3 in Q2 FY27 stood at 4.65% and net Stage 3 at 2.31%, as against 4.57% gross and 2.49% net in Q2 FY26, and was 4.64% gross and 2.33% net in Q1 FY27. Our credit cost on total assets for Q2 FY27 stood at 2.03% as against 1.68% in Q2 FY26 and 1.66% for Q1 FY27.

Our cost to income ratio was 22.52% in Q2 FY27, as against 27.76% recorded in Q2 FY26. Our cost to income ratio in Q1 FY27 was 25.48%. The Board also declared an interim dividend of INR6.5 per share, that is 325%. The record date for the entitlement thereof has been fixed at October 29, 2026.

On the liability side, the total liability stands at 2,36,271 broken up into public deposits, which is 31%, non-convertible debentures, that is capital market borrowing at 15.71%, ECB loan and bond at 16.5%, the domestic bank borrowing and institutional borrowing is at 21%, and securitization at 14%.

The cost of liabilities on balance sheet is 8.41% versus 8.56% in the previous quarter, a reduction of 15 basis points, and from March, it is down by 18 basis points. The incremental cost of fund for the quarter was 7.3 versus 7.7 in the previous quarter.

The liquidity coverage ratio was 303 versus 262 in the previous quarter. The liquidity buffer continues to be strong to repay our next quarter's liability. And leverage ratio was 2.16 times versus 2.14 times in the previous quarter, and March was 3.82. The capital adequacy ratio is at 33.24% versus 34% in the previous quarter.

I think with this, we'll open the forum for question and answers. Thank you.

- Moderator:** Thank you very much. We will now begin with the question and answer session. The first question comes from the line of Chintan with Autonomous. Please go ahead.
- Chintan:** Hi. Good evening. Thank you for taking my question. Could we start with asset quality? There is a step-up in Stage 2, Stage 3 loans across construction equipment, gold, MSME. Could you help us understand what is kind of creating this increase in Stage 2, Stage 3 loans? And how do you see provisioning cost play out for the full year?
- Your guidance from the previous quarter was around 200 basis points. What is your expectation, given that we've seen some deterioration this quarter? That's my first question.
- Umesh Revankar:** See, it is basically the seasonal and also from certain geography where there are less rainfalls. But we don't expect this to be a widespread thing. It should contain itself in the festive period if the overall demand remains good. So, we do not really see any kind of alarming situation in increase in the Stage 2 or Stage 1. And we have sufficient provisioning to manage this. And our guidance will remain at 2% credit cost.
- And in the beginning itself, we said that in case of deficient rainfall, it can go up by around 30 basis point for a short period of time. It will be temporary. I don't really think it is across. It is mostly in the area where it has a seasonal impact.
- Chintan:** Okay. So, just to be clear, on the credit cost, is the guidance still 2% for the full year? Because you're already 2.5% this quarter, it must be higher than 2% for the current year, correct?
- Umesh Revankar:** It is 2.03%.
- Chintan:** Yeah.
- Umesh Revankar:** On the loan book, it's 2.3%. It's not 2.5%. So, I think it will remain at this level for next one or two quarters. But our overall guidance we said that its 2%, but in select areas and select products, it can go up to 30 basis point more.
- Chintan:** Okay, fine. And then in the big scheme of things where your margins are, these are not the biggest moves, but still, thank you for the color. On the NIM and NII, there's been good development there. How should we think about kind of NIMs going forward? So, what is your take on evolution of cost of funds over the next year? How should we think about your loan yields, if you could give some color there as well?
- Umesh Revankar:** The net interest margin is because of the capital infusion, there is a temporary increase in the NIM. It is likely to remain at this level maybe for another one quarter or two, then slowly coming down. So, in the medium term, it should come to around 9, then maybe in the long term, it will come to around 8.5.
- Chintan:** Could you explain the drivers of that as well, like how -- so what drives that movement?
- Umesh Revankar:** See, basically what happens is, as the fresh capital is there, the capital cost being less or no cost, the NIM expansion happens. And the interest rate environment also will play some role here as

the cost of fresh borrowing goes up, then NIM can come down to some extent. But we will be able to increase the lending rate from the fresh loans, not on the existing loan.

Chintan: Okay. So, it's the typical ALM that is causing moderation. Could you give some color on where your incremental cost of borrowing is likely to be over the coming quarters? We've already had one rate hike. I'm sure that's been passed on to you with perhaps more rate hikes on the way. So, should we -- what is the starting point of cost of funds, and then we can adjust it for incremental rate hikes?

Parag Sharma: So, cost of liabilities on book is 8.4%, and I don't expect the incremental cost to be more than 8% as of now. That is be it our bank borrowing or the retail borrowing and other instruments, like securitization and all. But if the rate hike happens and capital market rates move up, I think that can slightly go up, which is as of now, close to around 15% of our liabilities.

Incremental cost can slightly go up by from 8% to around 8.35% level. But still, that overall liabilities being at 8.4%, I don't expect the overall liability cost to go up for us for the entire liability book.

Chintan: Okay. Thank you. And one final question. On MSME, if you can give some more color on what is causing the increase in Stage 2, Stage 3 loans, like what is happening in that product area? I know that you're trying to get into mid-ticket items product. So, could you give some color in that MSME area?

Umesh Revankar: See, MSME is a huge opportunity, and we are getting into more geography. Initially, our MSME was mostly focused in the southern market. And as post the merger, because MSME lending was done through earlier Shriram City Union book, then we are now expanding it to all India.

So, we expect MSME book to grow much faster than other segment because of the bigger geographical reach. So, it is only bigger geography will give us higher growth, and that's how MSME book will be growing faster.

Chintan: Okay. So, it's more geographical or you're also increasing your ticket sizes?

Umesh Revankar: Ticket sizes...

Chintan: Or combination?

Umesh Revankar: No, it's a combination of both. But wherever we have a comfort, then ticket size will go up.

Chintan: Okay. Got it. Thank you so much.

Moderator: Thank you. The next question comes from the line of Zhixuan Gao with Schonfeld. Please go ahead.

Zhixuan Gao: Am I audible?

Umesh Revankar: Yeah.

- Zhixuan Gao:** Yeah, thanks for the opportunity. Just on growth strategy in the current situation, given the uncertainty of lower income in the second half, are we going aggressive to push growth, or are we thinking about maybe tightening some filters? How should we think about growth for this year?
- Umesh Revankar:** Growth, we have been cautious, even though our initial guidance was 18% growth. Looking at the impact of the war situation in West Asia and the weak monsoon, we have been growing a little less than that. The first quarter, our growth was around 15%. In the second quarter, it was 17%. We will be anywhere growing anywhere between these two 15% to 17%. So we are very cautious in our growth.
- Zhixuan Gao:** Okay. And sir, just to double confirm, your credit cost guidance for the current year is 200 basis points plus 30 basis points temporarily, so 230 basis points, right? And then, it's better to come down after maybe a couple of quarters.
- Umesh Revankar:** Credit cost, we had given a long-term guidance of 2%. But temporarily, maybe certain geographies, it may go up by 30, 40 basis points, is what we indicated. And in the being seasonal and monsoon being weak, we are seeing a little increase in Stage 2 and Stage 1 in certain geography. I believe that it will be seasonal and it should get normalized to overall expectation of 2%.
- Zhixuan Gao:** All right. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Piran Engineer with CITIC International. Please go ahead.
- Piran Engineer:** Yeah, hi, team. Thanks for taking my questions and congrats on the quarter. Just one or two clarifications. Firstly, sir, this MSME lending growth, which has suddenly picked up this quarter, is there an ECLGS portion of it also?
- Umesh Revankar:** No, we have not availed any ECLGS.
- Piran Engineer:** Okay. So then this quarter we have disbursed almost INR10,000 crores. In the peak, it has been INR7,500 crores and last few quarters, you were doing around INR6,000 crores. So just a sudden 50% jump, what drove that?
- Umesh Revankar:** See, we have been...
- Piran Engineer:** In disbursements.
- Umesh Revankar:** I know. See, we have been we have been informing in the previous quarter call also that we are focusing on MSME and we are reaching out to larger geography. Earlier, our focus was mostly in the southern market and to some extent in the western market. Now, we are growing across India. So the MSME growth is mainly because of larger geography we are reaching out.
- Piran Engineer:** Okay. Fair. And sir, just on that other comment that you made, that near-term for one or two quarters, NIM will be at these levels, and then in the medium-term, it will decline to 9% because

the equity capital gets utilized. But on the other hand, our borrowing cost will also keep going down, right? So net-net, NIM should not decline.

Umesh Revankar: No, we are talking about increasing interest cost, that's one thing. And also, as we lend to more new vehicles, where the yields are a little lower, definitely there will be some NIM compression.

Piran Engineer: Okay. And just last one for Parag, sir. What proportion of our bank borrowings have been migrated to EBLR? Or we are still on MCLR with some banks?

Umesh Revankar: We will get back with the numbers through Sanjay.

Piran Engineer: Okay, sure, sir. Sure. Yeah, thanks and wish you all the best.

Moderator: Thank you. The next question comes from the line of Raghav Garg with Ambit Capital. Please go ahead.

Raghav Garg: Hi, good evening and thanks for the opportunity. I just have two questions. One, in your total disbursements and your AUM, what is the contribution from new vehicles? And if you can split that between commercial vehicles and passenger vehicles?

S. Sunder: The breakup of new and used will be provided through Sanjay, so you can reach out to Sanjay post the call, he will help you out.

Raghav Garg: Sure. And then what would be the yield differential between the new and used vehicle financing?

Umesh Revankar: It is normally it depends upon segment to segment. It will be between 200 to 400 basis points.

Raghav Garg: Understood. And one more question, if I can ask, please.

Umesh Revankar: Yeah.

Raghav Garg: Okay, so see, I hear you out on the asset quality bit. If I look at the slippages, which have gone up some 50% Y-o-Y, you would attribute that entirely to the to the geographical disturbances because of I think you are saying weak rainfall or less rainfall. Is that the only reason, or there is something else also to it?

Umesh Revankar: It is largely due to that, and we can't have a pinpoint reason everywhere. India is such a large country, there will be fluctuations in the income on various, but drought-prone areas, we see it little higher.

Raghav Garg: Understood. Any data that you can give of how much of your slippages could have come from say the drought-prone states or areas, if you would have worked that out?

Umesh Revankar: I do not have it right across. I will ask Sanjay to provide.

Raghav Garg: Sure. That's all from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Dheeraj Mali with Wealthify. Please go ahead.

- Dheeraj Mali:** Good evening, sir. Thank you for the opportunity. My question relates to the reports of alleged unauthorized loan account in Kerala. Could management clarify the current status of investigation and the root cause of this incident? Given the company branch expansion plan, what measures are being taken to ensure that expansion does not compromise KYC verification and employee oversight?
- S. Sunder:** This question we will take it offline. So you may reach out to Sanjay and then he will assist you in this.
- Dheeraj Mali:** Okay, fine, sir. And my second question is what progress have you seen in the construction equipment segment? Since your previous guidance that that loan book would start growing from Q2 FY27, is the recovery demand progressing as expected?
- Umesh Revankar:** See, construction equipment sales have grown up, and the demand is picking up now. Last year, our overall construction equipment book came down because of the government spend on infrastructure came down and the demand came down. Now in the last quarter, we are seeing the government spend is going up, and slowly the demand for construction equipment is coming back.
- Dheeraj Mali:** Okay, fair enough. Yeah, that's it from my end.
- Moderator:** Thank you. The next question comes from the line of Kunal Shah with Citi. Please go ahead.
- Kunal Shah:** Yeah. Hi, sir. So firstly, as you indicated in terms of the credit cost, it might be elevated for a couple of quarters and we are seeing higher slippages in few of the geographies. What are the maybe the tightness in credit filters if we had done in any of this, and should it actually impact the growth momentum? Because this quarter, when you look at it, with the credit cost, still the growth is much higher. It's almost like 5 odd percent quarter-on-quarter. So, would this lead to some kind of a moderation in the overall growth momentum as well with the with the tightness in the credit filters?
- Umesh Revankar:** See, the seasonal impact has nothing to do with credit filters. Credit filters, we'll have normally proper credit filters done at no every geography has a separate credit filter, but sudden if at all I had done some loan at 2 years back, and there is unseasonal negative impact because of certain reason, that will have some impact on the performance of the loan.
- So definitely, whenever the environment are little against economic activities slowing down, only then we decrease our LTVs and tighten the lending. Otherwise, we don't really change the LTV norms. Or credit filters, for example, will remain almost same for the full year, unless there are certain reasons to believe that the economy is slowing down. Or particular segment is not doing well.
- So, we don't see any of that, and all the economic indicators say that India is growing well. Demand credit is quite good, and we are also witnessing the demand. In fact, the demand from rural was much higher in the last two quarters. Only now in the last 1 month, we have been little cautious on certain drought-prone areas.

- Kunal Shah:** Okay. And so overall, in terms of growth, you still indicated you would be growing at 15% to 17-odd percent, maybe this quarter, quarter-on-quarter run rate was 5-odd percent, and generally second half is better than that of first half, and we are already more than 8-odd percent or so. So, what is making us guide slightly slower? Maybe even if we assume this is 5% this quarter, and it picks up in Q3, and then maybe similar level, then also it takes it to a slightly higher percentage. So, I was just trying to gauge whether maybe credit cost is slightly making you more conservative on the growth side, or this 15% to 17% is a relatively a conservative growth guidance?
- Umesh Revankar:** See, basically because of the impact of the monsoon, we are a little cautious in certain geographies. That's the main reason to give a conservative numbers.
- Kunal Shah:** Okay. And how much would this drought-prone area be as a proportion of AUM, if you have to look at it?
- Umesh Revankar:** I don't have the number, but generally, the Maharashtra, Karnataka, Telangana are the largest hit now, and we have reasonably large size there. But exact numbers, I can give through Sanjay.
- Kunal Shah:** Sure. And then in terms of the utilization of liquidity, to what extent are we done? So, when I look at cash plus investments, maybe it's down to INR31,000 crores, INR32 odd thousand crores from INR38,000 crores. And so how much of utilization, and what level we would be comfortable in this kind of a macro environment?
- And in terms of borrowings, is it like now we should start to see the increase in the borrowings also coming through, or maybe there is still the room to repay the borrowings going forward and manage the – and maybe overall at least on the borrowing side and not have too much of a impact on the funding cost? Yeah.
- Parag Sharma:** Yeah, I think this quarter we have started our borrowing program, be it bonds, bank borrowing. It is back to the pre-March level. So, we have borrowed around INR27,000 crores in the last quarter. Liquidity-wise, we have brought down the liquidity, and it is now at our 3 months of future liability level. So, nothing of excess liquidity now, and our borrowing program will continue the way it was in the previous quarters.
- Kunal Shah:** Okay. So, now it will be almost equivalent to the AUM growth. Whatever AUM, maybe now we will have to borrow, and there is no excess liquidity which would be utilized towards the growth.
- Parag Sharma:** Correct, that is right.
- Kunal Shah:** Okay, got it. Perfect. Yeah. Thanks and all the best. Yeah.
- Moderator:** Thank you. The next question comes from the line of Shreepal Doshi with Equirus. Please go ahead.
- Shreepal Doshi:** Hi, sir. Thank you for giving me the opportunity. My question was on, again, on the increase in GS2 and GS3. So, is it purely because of the drought situation in the states highlighted by you,

or is it also because of the heavy monsoon or flood-like situation in the northern part of the country? So, if you have to attribute a weight, how would it be, the impact?

Umesh Revankar: See, flooding is something very normal in the monsoon season. It will not have any negative impact. So it is temporary, some 2-3 days impact will be there. That will not impact the overall progress or economic activity. And the drought-prone areas only will have a lower income due to the agriculture output being lower.

When the income slows down, consumption comes down, overall demand and economic activity comes down. So these are the main reason where the businesses slow down and cash flow gets stressed, and get people normally miss out on one or two EMI.

That need not be really worry us because most of our lending is against the asset. The asset values have remained very strong throughout. The resale value of every asset has been quite good, so nothing really to worry about a long-term prospect or increase in the credit cost.

Shreepal Doshi: Got it. And sir, the second question was on the construction equipment segment. So while we have seen strong bounce back in disbursements, but the GS2, GS3 indicators here also show an increase. So what is it that is giving us comfort on the incremental side that we have got back to high disbursement phase?

Umesh Revankar: Repeat again, please.

Shreepal Doshi: In the construction equipment segment, there is a strong bounce back in the disbursements. However, if you look at the GS2 and GS3, the asset quality indicators, that continue to go up. So what is it that is giving us comfort, or how to read into these two data points?

S. Sunder: See, if you see the absolute amount, it is still coming down quarter-on-quarter, even though the disbursement have been better this quarter. The previous quarter's gross Stage 3 was 874 crores, absolute amount, and this quarter, it is 862.

Similarly, gross Stage 2, if you see, it's 953 previous quarter, this quarter is 963, so not much of a difference as such. So it's more of a denominator effect, which is causing this spike in the percentages.

Shreepal Doshi: Okay, okay. Got it. Got it, sir. Thank you so much for answering my questions, sir.

Moderator: Thank you. The next question comes from the line of Vivek Singh with Raise Securities. Please go ahead.

Vivek Singh: Hi, sir. Sir, my question is on the cost of fund. So earlier, we had guided a 100 bps compression in cost of fund because of the various factors. So does that guidance still stay or there is a revision on that part?

Parag Sharma: Yeah, that we also mentioned that in case the rates don't go up, we'll be able to reduce. As of now, this quarter, it has come down by 15 basis point. And if rate further goes up and continue to remain at even at the current level, we may not be able to reduce our borrowing cost, but we are confident of maintaining it at the current level.

- Vivek Singh:** Okay. And sir, in terms of the asset quality, so if I look at the accretion from the MSME segment in terms of the GS3, so it is coming at -- incrementally the accretion on GS3 from the MSME is quite higher compared to its share in the disbursement. So any color, what cohort or is there any specific geography which is not performing as per earlier what we had envisaged earlier?
- Umesh Revankar:** No, basically, as I was explaining you, in certain geographies, the seasonal impact is there, and therefore, there is an elevated, what you call, Stage 2 and Stage 1. We believe it is a temporary one and it get normalized in the subsequent quarters.
- Vivek Singh:** And sir, what will be the share of unsecured exposure in MSME?
- Umesh Revankar:** Unsecured?
- Vivek Singh:** Yeah, unsecured MSME.
- S. Sunder:** 28% is unsecured and 72% is secured.
- Umesh Revankar:** 28% is unsecured.
- Vivek Singh:** Okay. Got it. Thank you.
- Moderator:** Thank you. The next question comes from the line of Abhishek Murarka with HSBC. Please go ahead.
- Abhishek Murarka:** Yeah, sir. Good evening. Am I audible?
- Umesh Revankar:** Yeah.
- Abhishek Murarka:** Yeah. So sir, my question is on gold, similar to what was just asked on MSME. Now the GS2, GS3 growth for the past 3 quarters, if you look at the Q-o-Q movement, it's very high. I understand there won't be losses, so obviously, I'm not worried about that. But have you looked into reasons why GS2, GS3 are going up? I mean, apart from the macro reasons of rain-related, is there any micro reason specific to your book why GS2, GS3 are going up?
- Umesh Revankar:** No, no, it's basically because we had introduced EMI and interest servicing gold loans.
- Abhishek Murarka:** Okay.
- Umesh Revankar:** And people are habituated to servicing only bullet repayment. So we are trying to introduce because they can get little more loan if they opt for EMI and interest. So that's the only thing. So once people get used to it, then I think there may not be a challenge. Since they are used to only bullet payment, so servicing is not on time. That's the main reason.
- Abhishek Murarka:** Sir, when a loan gets into delay, so it gets into 0 to 30 or 30 to 60, at that time, what is the measure you are taking? Because that is the time when you have to tell the customer that you have to pay on time and not delay it. So what do you do at that time? And why is it that can't arrest it even 90 days later? Because GS3 means that 90 days have passed at least. So, after you start calling these people...

Umesh Revankar: Abhishek, we can always take action and sell the gold and appropriate it. So we don't have any credit cost in the gold loan. You understand that.

Abhishek Murarka: No, I understand that, sir. So I'm not worried about losses, as I said upfront.

Umesh Revankar: Yeah, upfront. We have to educate the customer.

Abhishek Murarka: But in terms of the action, what is...

Umesh Revankar: It is educating the customer. We have to educate the customer saying that, interest has to be serviced every month. So the communication, educating takes time.

Abhishek Murarka: Okay. So by when do you think this stabilizes?

Umesh Revankar: No, it will stabilize. As we are now increasing our communication to the customer, it will stabilize and become normal. People will understand that paying EMI and interest servicing will help them in taking the gold loan much more, what you call, they also have higher amount of gold loan because LTVs are a little higher for that. And also their credit score will improve when they pay on time.

Abhishek Murarka: Sure, sir. And sir, these customers you're lending to, these are existing customers for other products or these are freshly-sourced customers?

Umesh Revankar: It could be both. But we have what you call, exclusive branches also for gold loan, and we also have gold loan as a product in our existing branch. So it could be both.

Abhishek Murarka: So predominantly, INR9,000 crores would be to -- I mean, do you have just a broad split to understand where this book is going?

Umesh Revankar: Pardon? 9,000?

S. Sunder: Total portfolio.

Abhishek Murarka: INR9,000 crores AUM.

Umesh Revankar: Yeah, AUM, yeah.

Abhishek Murarka: Predominantly, it would be to fresh customers, or what is the proportion of let's say, existing customers to fresh customers? Just a broad ballpark if you would have?

Umesh Revankar: I don't have number right now. Probably, Sanjay will help you to get it.

Abhishek Murarka: Okay, okay. All right, sir. Thank you. Thank you and all the best.

Umesh Revankar: Thank you.

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

Renish: Yeah. Hi, sir. Sir, just one thing on the margin trajectory, right? So when can you expect the entire excess liquidity to get absorbed? And when we look at the pre-deal margin trajectory, which used to be between 8.5% to 9%, and then, you are expecting the structural decline in the cost of fund by almost 100 basis point.

And I can understand that the rate cycle reversal might be a challenge on that. So first of all, how this 9.5% NIM in near term moving, and structurally where do you see ultimately NIM settling when the excess liquidity gets absorbed?

Umesh Revankar: See, I can't have exact number because the rate repo rate increase, they have done after long time now, and there is an indication that it may go up further in the next policy rate also. We do not know. If the food inflation doesn't go up, may it may not go up. So there is so many ifs and buts. And also, there is a view on the war being stopped, crude going down, so many things.

How can I exactly tell you the how it will move? It is not, that's why we are telling you in the medium term, it slows it comes down to around nine, and in the long term, it will settle down at around 8.5. But exact timing is not possible to calculate.

Renish: Okay. So, basically, you are saying in a steady state, NIM would be 8 to 8.5 factoring our entry into large ticket, new vehicle, etcetera. Is that the fair assumption?

Umesh Revankar: The new vehicle will keep growing in our book because we would like to retain our customers. So that will that is one factor. But the other factors, which is not in our control, is the interest rate environment.

Renish: Correct. But in that case, doesn't our sort of the pricing policy can factor those changes and still sort of give us a closer numbers to our let's say, the planned NIM, etcetera., or our client nature doesn't allow us that flexibility?

Umesh Revankar: See, pricing I can do only for the new loan that I am booking. For existing loan, I can't do it, no? So I can price it only for as the new loans. So we don't have a floating rate scenario. NBFCs normally have fixed-rate lending.

Renish: Got it. Okay, okay, sir. Okay, sir. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Aditya Tiwari with Emkay Research. Please go ahead.

Aditya Tiwari: Yeah, hi. Good evening. My first question is regarding the gold financing that has seen a stellar growth of around 68% in this quarter. In previous quarters, the management has stated that the gold that will grow faster than the semi, but there are some signs of concerns in the gold loan segment in the -- there has been some rising instances on the multiple borrowing against gold loan.

Few of the companies has also stated that there has been, on a industry level, the gold loans are emerging as an stressed retail. And few of the banks has also deliberately moderated their gold

loan growth. In fact, for the state-run, the Stage 3 assets for our company has also increased. So is there any signs of concerns that you are seeing on a industry level in terms of gold financing?

Umesh Revankar: No. I -- we don't really see any kind of a challenge, as far as proper care is taken in identifying the customer, or credit process, and also valuing the gold properly. So as I was explaining you, the mainly thing main reason for increase in the Stage 1, Stage 2 was the interest and EMI products, customers not understanding the product and waiting for the bullet payment. That's the main reason.

We don't really see any challenge, and we feel that gold loan industry, or opportunity in gold loan is very high. Therefore, I don't want to speak on behalf of the industry because we are the we are having a small portfolio, but we feel that's very bright opportunity in growing our gold portfolio.

Aditya Tiwari: Okay. So, like in quarter one, the management has stated that the target for gold financing is to grow the book double in next 3 years from around 2.5% to around 5% of the book. So does that guidance remain intact or any kind of changes or revisions are there?

Umesh Revankar: No change in there is no change. We will go as per the plan.

Aditya Tiwari: Okay, and just wanted to confirm regarding the AUM growth guidance for FY27. It has been cut to around 15% to 17% from 18% earlier. Right?

Umesh Revankar: Yeah.

Aditya Tiwari: And the credit cost guidance for FY27, that has increased to around 2.3% to a range of around 2.4% from 2% earlier?

Umesh Revankar: I said there will be temporary increase of 30 to 40 basis point, and not for the full year. So I feel the full year credit cost can be much lower than the 2.3. Temporarily, it may be for this quarter and next quarter.

Aditya Tiwari: Okay, got it. And just wanted to confirm one last thing. In the MSME segment, the stress is predominantly because of the drought-affected regions, right? There aren't any other reasons for this stress in MSME?

Umesh Revankar: I don't really see any other reasons, because other factors like increase in cost of raw material, increase in labor cost, all these things have been already factored. So only in certain geography, there are some challenges because of seasonality.

Aditya Tiwari: Okay. Got your point. Thank you. Thank you so much.

Moderator: Thank you. The next question comes from the line of Pranuj Shah with 3P Investment Managers. Please go ahead.

Pranuj Shah: Hi. Thanks for taking my question. My first question is on the opex growth has been quite benign, despite our disbursements picking up pretty sizeably. So what's is there any reversal? What is behind that?

- S. Sunder:** No, the previous quarter, we had the annual bonuses released for the back office team, and hence, the staff cost was slightly elevated. The current quarter was more normalized. Having said that, the medium to long-term guidance will be the cost to income will be around 25%.
- Pranuj Shah:** Sir, when you say 25%, that is on the current pace of your NIMs. Because the NIMs also you're saying will come off pretty meaningfully in the medium term. So that is you're considering an 8.5% NIM, right?
- S. Sunder:** No, that is for a long term. That's what Mr. Revankar had mentioned. In the medium term, it will be hovering around 9%, is what he had mentioned.
- Pranuj Shah:** Understood. And even if I look at your opex to AUM, that has fallen off pretty meaningfully. So if I were to just look at in terms of opex growth relative to AUM growth, should that continue to trend downwards or how should we look at it?
- S. Sunder:** It should be in the same level.
- Pranuj Shah:** Sir, your 2Q is at 2.5% level, so you expect that kind of a opex to AUM to continue?
- S. Sunder:** See, what will happen is that there'll be additional cost on the technology front, and that may have an impact on the overall opex.
- Pranuj Shah:** Okay. And the second question is on your -- can you disclose what is your disbursements in gold loan this quarter, and what is your LTV this quarter and last quarter?
- S. Sunder:** We have the disbursement number. I'll just tell you. The current quarter gold disbursement was INR5,443 crores.
- Pranuj Shah:** Understood. And what is the LTV on your book, including the interest accrued?
- S. Sunder:** It should be around 72% to 73%.
- Pranuj Shah:** 72% to 70%. And what would this be last quarter?
- S. Sunder:** Should be in the same region. There's nothing significant change in that. And the disbursement for the previous quarter was INR5,153 crores.
- Pranuj Shah:** Yeah, I have that. Thank you. Thanks a lot. That's it from my end.
- Moderator:** Thank you. The next question comes from Hardik Shah with MLP. Please go ahead.
- Hardik Shah:** Hi. Thank you for the opportunity, sir. My first question is in terms of your assessment of the IRDA circular that has come through. What could be the potential impact for us in terms of insurance income, number one?
- And number two, to clarify the understanding on credit cost, you guided for 2.3% for full year. If you can kind of clarify in terms of how that would trend directionally from 2Q to 3Q, and how are you assessing it for the second half? Because your first half credit cost is around 2.1. Full

year 2.3% would imply around two point more than 2.4% credit cost for second half, so how to think about this?

Umesh Revankar:

See, on the second question, I told very clearly that it will be temporarily elevated for the this quarter and next quarter. We cannot be giving you at this stage a number 2.3 for the full year, we can't be. So I said it's a temporary, 30, 40 basis point for one or two quarters. So we'd like to wait and see how it will impact, and generally, affected period only it goes up, that's one.

And as far as the IRDA is concerned, it's a draft guidelines, there is a representation from the manufacturers on the distribution income to the distributors, because the growth in insurance is dependent on distributors, so major impact on the distributor's income will impact the growth in the insurance business.

So, I believe that IRDA will look into it, and probably come out with revised guidelines or revised rates. So we are waiting for the same. However, given current state of affair, the income may come down by 50% of what it is now. And but for Shriram Finance is concerned, our the fee income due to distribution is very insignificant, very small portion of our total income, so we are not majorly impacted.

Hardik Shah:

Got it. Can you quantify, sir

S. Sunder:

So the previous year full year, the insurance commission that we received was around INR350 crores. So if the proposed guidelines come, there may be an maybe around INR100-odd crores of impact on that. And for the size of our balance sheet, it is not material.

Hardik Shah:

Understood, it's very clear. Perfect. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will take that as our last question for today. I now hand the conference over to Mr. Umesh Revankar for closing comments.

Umesh Revankar:

Thank you, everyone, for joining. As you're aware, there were multiple headwinds for us in last two quarters, one due to West Asia crisis, where the petroleum product prices went up, and so many other raw material prices went up, and secondly, now due to El Niño situation, monsoon being a weak. In spite of that, the company has performed very well.

And we are very confident to do much better in the busy season. Normally, second half of the year is much busier, and we are confident of performing, outperforming and coming back to you again. Thank you very much.

Moderator:

Thank you. On behalf of Shriram Finance Limited, that concludes this conference. Thank you, everyone, for joining us and you may now disconnect your lines. Thank you.