



30th October, 2026

National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
NSE Symbol: SBFC

BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001.
BSE Equity Scrip Code: 543959

Sub: Transcript of Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call for the quarter and half year ended 30th September, 2026 which was held on Monday, 26th October, 2026.

The transcript of the Earnings Conference Call is also being uploaded on the website of the Company at <https://www.sbfc.com/investors> under the section 'Investor Presentation – Call Transcripts'.

Kindly take the same on your records.

Thanking you,

Yours faithfully,

For **SBFC Finance Limited**

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NAMRATA SAJNANI
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Namrata Sajnani
Company Secretary & Chief Compliance Officer

Encl: As above

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CIN No : L67190MH2008PLC178270



**“SBFC Finance Limited
Q2 FY27 Earnings Conference Call”
October 26, 2026**



**MANAGEMENT: MR. ASEEM DHRU – EXECUTIVE VICE CHAIRMAN
MR. MAHESH DAYANI – MD & CEO
MR. SANKET AGRAWAL – CHIEF FINANCIAL OFFICER
MR. RAJIV THAKKER – CHIEF RISK OFFICER**

**MODERATOR: MR. GAURAV TOSHNIWAL – ICICI SECURITIES
LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the SBFC Finance Limited Q2 FY '27 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 then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Toshniwal from ICICI Securities. Thank you, and over to you, sir.

Gaurav Toshniwal:

Yes. Thank you, Steve. Hi. Good morning, everyone, and welcome to SBFC Finance Q2 FY '27 Earnings Call. On behalf of ICICI Securities, I would like to thank SBFC management team for giving us the opportunity to host this call. Today, we have with us the entire top management team of SBFC, represented by Mr. Aseem Dhru, Executive Vice Chairman; Mr. Mahesh Dayani, MD & CEO; Mr. Sanket Agrawal, Chief Financial Officer; and Mr. Rajiv Thakker, Chief Risk Officer. I will now hand over the call to Aseem for his opening remarks, and then we'll open the floor for Q&A. Over to you, sir.

Aseem Dhru:

Thank you, Gaurav. Good morning, everyone. The world as we always knew it is in a kind of a reset. Geopolitics, geoeconomics, deglobalization, anti-immigration, and breakdown of a rules-based order that we have been used to. In addition, it is readjusting to the changes AI is bringing into everything and every domain of life. Volatility and disruption are the new normals. In India, the impact of the 3F's – fuel, fertilizer and foreign exchange on top of a super El Nino is juxtaposed with a resilient domestic demand.

There are 10 major schools of economic thought in the world; classical, neoclassical, Keynesian, Austrian, Marxism, etcetera. But what we are seeing defies all things we have been taught. The Fed trying to force the 10-year down, when it succeeds even temporarily, even gold and Bitcoin both go down, which could basically mean it's a risk-off.

The U.S. 10-year crossing 5%, any economic theory would tell you, would lead to a stock market crash, but that is not what we are seeing. Honestly, it's getting increasingly difficult to make sense of the macroeconomic reality of the world we live in. As we speak, economic cycles, political cycles, commodity cycles, currency, interest rate cycles, liquidity cycles are in motion.

And these usually lead to an eventual credit cycle. However, the causal relationships we have been taught in economic textbooks no longer work in a world where deficits and currency printing has gone out of control. Frankly, and thankfully, for a company as small as SBFC, these questions are above our pay grade. We have to manage to keep our little boat safe in this tempestuous ocean. If you listen to the last 3 years of quarterly calls, we have always been cautious and continue to remain so. Take for example, interest rates, 10-year Indian G-Sec at 7.47% is up almost 65 basis points in this cycle and so surely, more rate hikes are coming.

These aren't controllable for us. How we manage our borrowing cost and reprice our variable rate portfolio of loans is in our hands, and we will focus on the controllable. We don't have to worry so much about the health of the economy at our size. We just need to worry about choosing our customers better, using technology better, becoming more efficient producers – enabling us to deliver the ROAs, squeezing the opex and credit costs. In a world of constant flux and chaos, we are trying our best to continue to deliver boring results.

With this, I hand over the call to Mahesh.

Mahesh Dayani:

Thank you, Aseem. Good morning to all. There is never a dull moment in financial services. We began the year with a war that fueled inflation, and we ended up with a 25 basis rate increase. We are now debating the possibility of further rate increases, dealing with a deficient rainfall, watching cross-leverage buildup in gold loans, and assessing a draft regulatory circular that may impact profitability. The last couple of years have felt like a Bollywood thriller. There are moments when your heart is in your mouth, the background music gets louder and you wonder what the next twist will be.

But once the dust settles, you find yourself relishing the drama. We are building SBFC to deliver consistent quarterly performance despite the noise. This is our 36th consecutive quarter of execution since inception, and we have delivered sequential AUM and profit growth within our guided range of 5% to 7% per quarter. It may not make for an exciting headline, but in lending, consistency is a competitive advantage. What made this quarter special was the 15% ROE on a low leverage of 2.3 while recognizing costs upfront and not front-loading income. For years, this number sat in a cell in our Excel model. It is satisfying to see an aspiration translate into a reported performance. Let me now return to the 3 priorities we outlined last quarter – growth, margins & efficiency, and asset quality.

On growth: we are witnessing an interesting shift in the lending landscape. With a more cautious approach to risk, private and public sector banks are increasingly moving towards higher ticket prime borrowers where the credit profile is significantly stronger and pricing is in single digits. Needless to add, there's very little blood on the report card. The micro MSMEs category, which is a sub INR 7 lakh category has seen some stains on the progress report, with delinquencies touching more than 4% for the industry. This creates a meaningful headroom in the INR 10 lakh to INR 25 lakh and a INR 25+ lakh segment, which is where we have repositioned our business through our own book and co-lending. A direct co-origination model is like a large ship – it does not turn overnight, but once it changes direction the momentum can be substantial. The change is to make the turn early enough and stay the course long enough to see the benefits. MSME disbursements grew 6% in the quarter to INR 855 crores. This is the third straight quarter of growth since we repositioned our lending mix in quarter 2 last year. You cannot reliably predict every turn in the cycle, but you can prepare your business to respond to it. This is precisely what we have tried to do. MSME stood at INR 9,669 crores, growing at 18%, of which the on-book grew at 20% and the co-origination at 10%. We have repositioned our lending mix, strengthened our focus on secured MSME customers, and are now seeing the early benefits of that transition. Co-origination has returned to INR 112 crores from INR 78 crores last quarter. This supports our growth ambition, even as the sub INR 7 lakh segment continues to run down.

Gold loans have held up well. Each branch is adding approximately INR 40 lakhs a month in net growth, that's roughly INR 1.2 crores per branch per quarter. We added overall INR 275 crores in quarter 2. Gold has survived wars, inflation, currency crisis, and several financial cycles. Its resilience is one reason it remains an important asset class, but resilience should not be mistaken for immunity. We respect the product, understand its risks, and have no intention of over-leveraging it.

Overall, our AUM stood at INR 12,592 crores, up 6% Q-o-Q and 27% Y-o-Y. We continue to guide for a 5% to 7% growth on a quarterly basis from here on. Our approach to growth is straightforward – we want to grow where we have an edge, in segments where the risk-adjusted returns make sense, and at a pace our balance sheet can comfortably support.

Margins and efficiency: Yields held up at 18%, up 10 basis points, while our cost of funds stood at 8.41%. We maintained surplus liquidity of more than INR 1,000 crores through the quarter, thanks in part to the work of our CFO, Sanket. I would encourage you to question him hard on the details. Spreads came in at 9.6%, up from 9.4% last quarter and above our guided range of 9%. While this is a welcome outcome, please do not pencil in 9.6% in your models as the new norm, since competitive intensity in gold is rising and some pricing rationalization is likely. There is useful distinction between a number that looks good today and an economics model that continues to work tomorrow, we would rather preserve the latter.

On operating efficiency, before we get into numbers, let me spend a minute on how SBFC runs today because it is the foundation under everything else you will hear this morning. Our customer journey is digital by default and compliant by construction. In September, 100% of our customer KYCs were completed digitally, Aadhaar OTP or face authentication, and 87% of our disbursements were e-signed. Account aggregator was at 54%, all built into Sahayak, our in-house origination platform. I want you to register what that means. Governance, compliance, and efficiency are no longer 3 functions we run in parallel, they are one outcome on the same platform. In September, 73% of our disbursements used AI-assisted personal discussions. 4,000 AI personal discussions in 8 languages. So a credit officer, whether he's in Hapur or one in Yelahanka, are working from the same quality of conversation.

In October, our first full pre-due collection cycle was run entirely by AI voice. More than 4 lakh calls made to 35,000 accounts, 84% reached, 53% paid with no human caller absorbing the workload of roughly a 60-person team. So when you look at the numbers that follow, I would ask you to see them for what they are, not growth that technology made possible, but growth that technology made safe. Opex declined to 4.07%, down 22 bps Q-o-Q. On a half year basis, it was 30 basis points lower Y-o-Y. We continue to guide for a 25 basis reduction in Opex for FY '27. The objective is not to become the cheapest operator in the market, it is to become a more efficient operator without compromising the quality of our franchise.

Last quarter, I described the increase in 0+ delinquencies as our homework. This quarter, the position has stabilized, and credit cost declined to 1.37% from 1.44%. We have also been deliberate in provisioning through the transition away from the micro MSME lending, building a provision of 2%, which is the highest in secured lending. Our preference is to make sure that we are properly equipped before the tide turns. We bought the umbrella while the sun was shining so that if a difficult winter arrives, we are prepared.

Coming to what really matters, PAT. We ended PAT at INR 139 crores for the quarter, up 7% Q-o-Q and 27% Y-o-Y. ROA stood at 4.6% and ROE at 15.04%. After all the headwinds, regulation, and badminton birds, the bottom line did what it always does – It turned up on time. The first rule of compounding is to never interrupt it unnecessarily. We have now delivered 36

consecutive quarters of growth, and we intend to protect the streak with the same discipline that built it.

We will not chase excitement. We will deliver consistent, predictable, and deliberately boring outcomes. As Charlie Munger observed, the big money is not in the buying and selling, but in the waiting. With that, I will hand over to Sanket to take you through the detailed financials.

Sanket Agrawal:

Thank you, Mahesh. Good morning, everyone. I'll cover borrowings in detail, combining it with margins before we move to other numbers. Given the macro environment post the Middle East war started in Q4 FY '26, we expected tightening of liquidity and also sensed the reversal of interest rate environment. To this effect, we decided to keep more liquidity in our book – One, to ensure that no external shock derails our growth plan; and two, it gives a good cushion to negotiate with the lenders. Towards the end of Q1, as the market opened up from the war, we borrowed more than INR 2,000 crores and strengthened our borrowings with closing liquidity of INR 1,864 crores. This quarter, we have continued to carry the excess liquidity with closing number of INR 1,782 crores. The average daily borrowings were close to INR 600 crores in Q1 and more towards INR 2,000 crores in Q2. Our LCR is at 194%. So that's on the liquidity part.

In terms of cost of funds, our borrowing cost is 8.41% for the quarter, which is 55 bps down Y-o-Y and 1 bp down Q-o-Q. Now as we stand with repo increase of 25 bps, we will see some repricing of our book, which has a mix of benchmark it is linked to. We have half of our book linked to MCLR, close to 20% linked to repo rate with other portion being T-Bill and other external benchmarks with a small portion of fixed rate loan as well.

On the asset side, we have largely a variable book on MSME loans, and therefore, we will be able to protect the P&L from the repricing of borrowing book. We therefore, do not see a material compression of spreads for the reason of rate increase in the environment currently. Our yields are at 18%, which is currently above our guided range of 17.5%. Our spreads are at 9.63%, again, currently above our guided range of around 9% to 9.25%.

Moving on to the business. Our AUM for September is at INR 12,592 crores with a growth of 27% Y-o-Y and 6% on a Q-o-Q basis, with 100% of our book being secured. Our MSME AUM is at INR 9,669 crores, which is 77% of our AUM with a growth of 18% on a Y-o-Y basis and 4.3% on a Q-o-Q basis. Our MSME disbursement for the quarter stands at INR 855 crores with a growth of 6% on a Q-o-Q basis. We've seen good momentum since December 2025, wherein we did INR 699 crores, then moved to INR 785 crores, which further increased to INR 809 crores in Q1 and INR 855 crores now. We may see some increase in ticket size considering we have not been doing the below INR 7 lakh ticket segment.

The loan against gold AUM is at INR 2,906 crores. We upfronted the branch expansion in H2 of FY '26 and therefore, we have only added 1 branch during the quarter and 6 branches in the half year, bringing the total branch count to 257 as on September 2026.

In terms of our cost, the Opex was slightly elevated in Q1 due to the branches opened in Q4 2026 and the increments that were rolled out. As operating leverage kicks in, we are now 22 bps lower Q-o-Q at 4.07%, and we'll continue to see this reduction over the next 2 quarters.

Our GNPA is at 2.64%, which has reduced by 13 basis points Y-o-Y and 2 basis points Q-o-Q. We have a PCR of 42.24%, consistently above 40% over the last 2 to 3 years. Our credit cost for the quarter is 1.37%, which is 8 bps lower than the last quarter. It seems that the last quarter was the peak of credit cost unless we see a significant impact of El Nino impacting in the immediate future. We do not currently see signs of it affecting the portfolio, but we continue to remain watchful even at a regional level. It is worth noting that now our balance sheet provisioning is 2% of our loan assets.

In terms of return ratios, our return on average AUM is 4.58% with ROE at 15.04% for the quarter. We have been conservative all through our journey when it comes to P&L. We never upfronted income from co-origination or similar transactions. We have kept PCR double of what the segment requires. We provide 2.3x of what the regulatory IRACP norms require. We now also carry excess liquidity in balance sheet, which has its own cost of carry and despite all this, we have reached an ROE of more than 15% with debt equity only at 2.31x. The idea has always been that can we upfront the mitigation of all the risks we can see, project it, provide for it, and yet make the returns. From here on, we can see expansion in our return metrics considering a long runway of growth before we need to raise further capital. Our PAT for the quarter is INR 139 crores, growing 27% on a Y-o-Y basis and 7% on a Q-o-Q basis.

In terms of our capital position, our capital adequacy ratio is sufficient at 31% with tangible net worth of INR 3,789 crores as of September 2026. We should be good till at least an AUM of INR 20,000 crores before we need to raise further capital. So summarizing the P&L for the quarter – yields are up, cost of fund is slightly down, Opex have reduced, credit costs have reduced, and ROEs have improved.

Despite the tough environment, we have revision in outlook of our ratings by CARE and India Ratings from stable to positive. With scale in our sight, robust unit economics model, conservative provisioning policy, and a well-diversified liability franchise, we continue to move forward in our journey of predictable compounding.

With this, we open the floor for questions and answers.

Moderator:

Thank you sir. The first question comes from the line of Ankit Kanodia with Zen Nivesh Advisors. Please go ahead.

Ankit Kanodia:

Congratulations on such a good number at this kind of macro environment. Sir, I just have one question related to the gold loan, which we are having and which we are growing at a very good pace. It has now reached 23% of our AUM. So, I have a 2-part one question. One is, our presentation is so good when it comes to details of our MSME loans. If we can provide more granular details about our gold loan AUM, in terms of stress, if you are seeing anything in any more details, that would be very good.

And my second part of the same question related to gold loan, we are hearing from other larger players who have recently entered in the gold and they have given a very cautious stance. If you can give more color as to how we see the industry moving and how are we calibrated, I think that would be very helpful? That was my only question.

Mahesh Dayani:

Yes. So, I think clearly, you hear grandiose plans on the gold, and obviously, we are conscious of that, and that's something that I had carried out in our commentary. So, if you would probably look through our entire journey and while gold moved from almost probably 100,000 to 140,000, we were conscious that we are not going to play this high-volume, high-value ride.

So, you would see that probably compared to most of the peers in some way or the other, our growth, although higher, is relatively probably lower than some of the players who have given their results. That's largely on account of 2-3 factors. When you're chasing larger volume, there is some compromise on the price that one has to do, so that's something that we are a little conscious of. Ultimately, your pricing is linked towards your ticket sizes.

We are very clear that this is the growth that is required at a branch, and in a rising gold scenario, in a rising LTV, which is now permitted by the regulator from 1st April, if you ask me, we are a little guarded, and we probably don't share the same enthusiasm, as probably what you highlighted. But we would continue to remain guarded. It's a great product for us. We will continue to rise it, but we would like to drive it a lot more sensibly.

Ankit Kanodia:

Sir, my other part of the question was, if we can share more details on our presentation about the gold loan in terms of branch level details and in terms of how are we seeing, in terms of the asset quality and all...

Sanket Agrawal:

The presentation covers the growth of the business. So largely, we are in 257 branches, of which 236 branches we do gold loans, so that covers the branches how much do we do. And like Mahesh said that we are not in a hurry to grow gold a lot in terms of metrics. If you see how much business do we do, we do INR 80 crores a month of business from these 240 branches, which is roughly INR 40 lakh per branch is what the net disbursement that you do. So that's on the growth metrics.

In terms of yields, we are generally in the range of 18% to 21%. It is a product that has variability in terms of yield. Largely in the last 1 – 1.5 months, what we've seen is there's a lot of competition that has come in. A lot of large players have promised to and in fact, opened branches, some 500, some 1,000. So there's a lot of competitive intensity that has come in the product. Once that happens, we've seen that 3 years back as well, that sometimes the yield gets destroyed, sometimes a lot of people get taken over and those impact your AUM growth.

So overall, for us, in our scheme of things, it continues to be in the range of 20% - 25%. Given the price rise that happened in the last 2 years, it has reached 23%, possibly it can go up to say 25%, but our MSME continues to be the flagship product. From a detailing perspective, the branches, the growth, et cetera, have been given, yield continues to be in that range, sometimes at 18%, sometimes at 20%. So, that's the detailing on gold.

Mahesh Dayani:

I think what he meant is that can you include it as part of the presentation. So, we'll have a look at it and see how best we can accommodate that from the next time.

Moderator:

The next question comes from the line of Prithviraj Patil with Investec.

Prithviraj Patil:

I just had a couple of questions. First was on the asset quality. I see that the net slippage number that we calculate, which is GS 2 + 3 slippages, it's been elevated over the past several quarters. So this particular quarter, also Q-o-Q, it looks elevated. So, I just wanted to know what's the reasoning for the slippages number elevated?

And also the ARC sale that we have done, is that a gold loan portfolio that we have done, or is that the MSME portfolio? And also from a GS 2, GS 3 number, which is an uptick, that is because of gold loans or because of MSMEs, is what I wanted to know on the asset quality side.

Sanket Agrawal:

As you would have heard from a lot of gold loan players, what has happened post the RBI circular is there is a reset in the way the schemes are designed. Post that, if you look at it in fact, all the gold lenders, their 1 to 30 bucket or Stage 2 and thereby some bit of it on Stage 3 have increased. Now the customer behaviour will over a period take some time to change to come to the monthly repayment, and that's the delta between Stage 2 of last quarter and this quarter, it's entirely driven from the gold loans. Over a period, we think that will stabilize as the customers' behavior stabilizes because 6 months back, the customer was used to paying bullet payments. Now, he has to pay the monthly interest payments. So that's the shift of Stage 2. In terms of ARC, it's a LAP portfolio, largely lower-ticket portfolio, vintage portfolio that's been sold. Gold loans have not been sold.

Prithviraj Patil:

Okay. So just a clarification. We are seeing improvement trends in the secured MSME business, right? Going forward for H2? Because like you mentioned, the majority of slippages is because of gold.

Sanket Agrawal:

So, I wouldn't say a gross improvement, I would say stabilization. Like Mahesh mentioned last quarter that we had a homework on 0+ and delinquencies. This quarter, if you look it has stabilized. It takes some time to roll back. We are in process of the work around it, but I wouldn't say a gross improvement, it has stabilized and we look to be now comfortable.

Prithviraj Patil:

Sir, just one last question. Because of El Nino or because of any other macro issue, are we seeing any stress in any particular geography as such?

Rajiv Thakker:

So because of the El Nino impact, we did a study of all our branches wherein the rainfall deficit is there, PIN code wise, and most of the yellow and red branches wherein there is a deficiency, we have reviewed it, and major impact overall also can be seen in the state of Maharashtra and Karnataka. Maharashtra, of course, our portfolio is not so significant and the impact is not there. On Karnataka side, since after the MFIN guardrails wherein the delinquencies were moving up for us, we have tightened a lot of filters on the underwriting side. We had also converted some of the branches as collection branches. So there's a lot of tightening which we already have done, which is helping us and in fact, now the state of Karnataka is stabilizing, it is showing better outcomes going forward.

So, as on today, there's no impact per se which we are seeing. Our overall bounce trends are also on a Q-o-Q basis across is showing improvement. So currently, of course, we are not seeing any negative signs. However, we are keeping a close eye on it because how does it impact going

forward also is something there's a constant watch on this aspect. But to answer your question, currently nothing which we are seeing on the risk side per se.

Prithviraj Patil:

Okay. If I can ask one last question on the growth front. So, I just wanted to know like our MSME growth has been slightly muted over this FY, and we saw some issues in H2 as well last year. So, I just wanted to know, is H1 the inflection year from where we see this, do the disbursements pick up and sort of branch productivity pick up for our MSME portfolio? Or do we see that happening in FY '28 as such?

Mahesh Dayani:

So what I mentioned in the opening remark was that when you are moving out or probably you're on a rundown for a sub INR 7 lakh or 8 lakh category, which was contributing almost probably INR 50 crores in your growth momentum, and you are now repositioning to slightly larger tickets, and there's a transition of employees if you are on a direct model basis, it would take you probably a couple of quarters to stabilize and reposition.

If you look at the last 3 quarters, we've been running down the sub INR 7 lakh category and in some of the geographies, we were a bit cautious and that's the reason the momentum, as Rajiv mentioned, in Karnataka and some other states we had paused. But now the momentum is back, the repositioning is done, the restaffing in most of the locations is done. So that's the reason we had said that we continue to guide for incremental growth, both in AUM and disbursements from here.

Moderator:

Our next question comes from the line of Mayank Mistry with Antique Stock Broking.

Mayank Mistry:

Sir, just one question in terms of gold loans. We are doing around 67% of our LTV right now on the gold loans front. So just trying to figure out the sensitivity across gold price, let's say, since last 6 months, the gold prices have corrected around 17% - 18% and right now your LTV also looks right around nearby 70%. Now, at around what level of correction should result in maybe some negative -- I mean there is a possibility that the gold price may correct further, right? So if you have done any -- I just want to know your thought around it.

Rajiv Thakker:

See, if you see gold prices were at its peak on 29th of Jan and then of course, it moved down. But in the last quarter per se, gold prices are more or less stable and of course, October, we have seen some drop. Now, our LTVs, if you see even in the year prior, these things take time to stabilize because if you see a year prior, I'm talking about June '25, the LTVs were in the range of 60s.

Now last quarter, we were at LTV of 70%, and now it has come down to 67%. We also have done a sensitivity analysis on our gold portfolio and if you ask me the risk, which is like out of money is not so significant for us. But of course, this is something which we keep a track on regularly because if the gold prices correct, and if it corrects sharply in one go, then of course, we would not have time to auction otherwise, we follow a regular auction process so that it helps us to cover our risk.

Mahesh Dayani:

Yes. Just to probably add to Rajiv's point, I think what we follow is a no-tolerance level with respect to the way the LTVs are monitored and the MTMs breach are recalled. So once it goes beyond 85% and 90%, there is a process in which the borrowers are counseled to repay. And if

the repayment doesn't happen on time, then the auction is triggered. We are not in a business where we can predict where the gold prices would move tomorrow or in the week thereafter. There is a window that is available for you to auction it within 7 days to 30 days depending upon the communication to the customer being delivered. But I guess that's the time which is good enough. And if you look at the entire history, you wouldn't see the gold price oscillate at 20% between a 7-day window or a fortnight window. So you have sufficient margin available in terms of time to recover your costs and more, in case there are fluctuations in gold price.

Rajiv Thakker: So the risk, if we don't auction at a regular interval, I think then the risk we carry in our books. But we have kept a policy of auctioning the gold, once what Mahesh told the cutoffs hit, and that's why we are protected from that front at least.

Mayank Mistry: So the auction policy is actually 90 days after your NPA, right?

Mahesh Dayani: Yes, so the way it works is that you will have to be ready with the auction process and you can't really wait for the LTVs to hit 95% and the gold to drop because you'll have to give a minimum time to the customer, and that's the regulatory ask that you have to comply with, so you have to be auction ready. The decision to auction it when it turns 90, I mean that is the time that or the margin of time that you need to have with you, but you will have to be auction ready.

Mayank Mistry: Okay. So there is no hard and fast rule that after 90 days, you will auction it. If the LTV reaches around 90% - 92%, you will start the auction process?

Mahesh Dayani: No, no. So the auction happens, so he has to ensure that his LTVs are there within those particular norms. You have a right to recall if he doesn't pay up because the account is out of order. But typically, what we have seen is that the customers, the way they behave is that the customer, the moment it reaches 90% - 95%, and the gold price isn't dropping, they would come in and regularize the account. So in more cases, what we've seen is that we end up auctioning only those gold borrowers where they've crossed 90+ or they've turned delinquent.

Mayank Mistry: Okay. And sir, what would be your churning rate in the gold loans? I mean, at what rate does your book refresh every quarter, around 30%?

Rajiv Thakker: I'm not clear on the question.

Mayank Mistry: Only gold loans, I'm speaking.

Mahesh Dayani: Churn, meaning what does churn mean? I mean the average duration of the borrowers is close to 6 months. So that's the average duration.

Mayank Mistry: No, the maturity. How much of the gold loans get matured every quarter?

Rajiv Thakker: So basically, our 69% odd portfolio is between 6 to 12 months of tenure and balance is less than 6 months.

Moderator: The next question comes from the line of Nischint Chawathe with Kotak AMC.

- Nischint Chawathe:** This is Nischint from Kotak Institutional Equities. This is actually on disbursements. When do you see the disbursements on the MSME book starting to pick up or accelerated with?
- Mahesh Dayani:** So Nischint, I think what we called out early in the call was that we will see, what we've done is close to probably 5% to 6%, and that's what we've been guiding that probably on a Q-o-Q basis is what we see moving, without changing any of the guidance on the AUM growth. So that remains the way it is. But very specific, I think what was required to be done on the MSME has been done, and the growth from here on should stabilize and move.
- Rajiv Thakker:** Nischint, one data point which I just wanted to highlight to you on the MSME side. See, if you compare our last 14-odd quarters post-listing, the last quarter ended on September, we are on our highest disbursement on the MSME side.
- Mahesh Dayani:** Yes. But I think what Nischint is saying that there's been ups and downs there and probably will you see a consistent move up from here? To that question, the answer is yes.
- Nischint Chawathe:** So probably we can expect a double-digit disbursement growth maybe in the second half of the year. That's a fair expectation?
- Mahesh Dayani:** In a quarter are you saying or for the second half?
- Nischint Chawathe:** No, I'm saying second half to second half. I mean second quarter was, I think, 5% Y-o-Y disbursement growth. I think second half to second half should ideally be like at least in double digits?
- Mahesh Dayani:** Yes, yes. Correct.
- Nischint Chawathe:** And if I can ask, what proportion of loans were below that INR 7 - 8 lakhs, which you are running down or which you are sort of not doing anymore?
- Mahesh Dayani:** We are not originating below INR 7 lakhs.
- Nischint Chawathe:** What proportion of the loans would be?
- Sanket Agrawal:** That should be lower than, I think, around 6% of the overall book.
- Nischint Chawathe:** Of the AUM, yes?
- Sanket Agrawal:** Of the AUM.
- Nischint Chawathe:** And just one final one on the margins front, have you started to raise lending rates for your customers?
- Sanket Agrawal:** Yes. So we did a PLR increase of 25 basis points this month. Post the repo increase, we reassessed the cost of borrowing that can move up. What we observed in the last 3 years back is that close to 70% to 80% of the repricing happens on the MCLR side over a period of time. So 2.5% of repo actually converted to 1.8% - 1.9% into the cost of funds. This time around, if you look at the trajectory of T-bills and the other variables, you look at close to 60 basis points is the

movement in the last 50 days. So, we expect that cost of fund to go up, and therefore, that pricing to the variable customer has been passed on in the month of October.

Nischint Chawathe: Got it. So that kind of gives you comfort that your margin should broadly be stable while your borrowing costs go up?

Sanket Agrawal: Yes. So, we'll continue to hold on to the spreads.

Moderator: The next question comes from the line of Mitesh Jain with Investec.

Mitesh Jain: On gold loans, in case gold price remains stable for, let's say, next 12 months or may marginally dip, do you see any spillover effects on MSME business or any other segment? Because one of the worries that the market has that the segment has expanded very fast over the last couple of years and these customers have probably been using gold loans for liquidity, and in case incremental liquidity from gold loan stops, it can create spillover effects for other segments.

Mahesh Dayani: So probably I'll just give you some industry data. So the MSME customers, and this is largely for sub INR 30 lakh borrowers, the total exposure that they have to gold loan is in single digits, probably 7% or 8% of them have a gold loan, and the number is not very different for us, it's probably marginally lower. So the impact, I don't think it's going to be a significant impact in case that liquidity dries up. So it's not that there is a significant overlap on both, where the liquidity, if it shuts or the liquidity tap shuts, then starts to come and impact the segment.

I think what we have called out for is that there's a clear distinction in how the sub INR 10 lakh or how the sub INR 7 lakh borrowers, independent of the overlap with gold are performing or that segment is performing, and that's something that we've reasonably run down with. So I don't think the linkage on the slightly higher ticket segment with gold loans is significantly large for us to worry about.

Moderator: Our next question comes from the line of Pavan Kumar with Edelweiss Public Alternatives.

Pavan Kumar: Can you please give the 30-day DPD numbers just for MSME, how it has been moving over the last 3 - 4 quarters directionally, and where do you see it? Just to get a sense on the credit quality comfort? That's it from my end.

Sanket Agrawal: So that's more reflective from the 0+ numbers. So, if you look at the last 3 or 4 quarters, we obviously saw some bit of rise in 0+, especially in the June quarter where the 0+ reached at its peak for us. This quarter it has stabilized. From a DPD perspective, 0+ is an indication of where the portfolio is. We've seen a lot of knock in the last 1.5 years coming largely from Karnataka portfolio, coming largely from the maturity of the portfolio, also coming from some regulatory interventions on the unsecured side or on the microfinance side. So all those put together have given some strain in the last 2 years where 0+, which used to be in the range of 7% has moved beyond 9%. Those are the numbers that reflect the DPD. But over a period of last 3 to 4 months, we have seen even in October that the numbers are stabilizing.

To this effect, we have also hired a lot of people in collections. We have close to now 850 to 900 people in collections across geographies to ensure that every borrower is reached,

irrespective of its ticket size, irrespective of the EMI size, et cetera. So the color of the portfolio now has started to stabilize and as you look at the overall outcome in the credit cost, you see there is a dip and we see some bit of stabilization, possibly some more reduction if the collection continues to be better.

Rajiv Thakker:

In fact, Q-o-Q, 30+ would be similar marginal dip, in fact.

Pavan Kumar:

Got it, sir. Sir, just a follow-up on this. In terms of steady state, like, if the rain impact stabilizes or the oil impact stabilizes, where do you see this number coming back to? Like is it possible to go back to 7% that we have seen in like FY '26 or late FY '25? Or would we be running more at like 8% - 9% level?

Sanket Agrawal:

See, it's a segment of a higher yield. Now when you get those returns at a 17% yield, that product will have its own risk. So what you have to do is you price it smartly and ensure that you recover it to the best possible outcomes. Now if you go to a 13% yield segment, you will get a 0+ in the range of 4% to 6%. But the moment you move beyond 15% you will get this range of 8% to 9% 0+. Even the industry data of INR 4.5 lakh crores shows that the 0+ at the industry level for this particular ticket size is 11.5%.

So to say that will it go below 7% will be a tall ask. We don't think it will reach there. But what should happen and from our own efficiency perspective is it should remain in the range of between 8% to where it is at 9.2%. It shouldn't actually go to double digits, which is where you will start seeing strain in the portfolio. So it may not go back to 7% given the segment of the customer, but it should be in this range where it is.

Pavan Kumar:

Got it, sir. Just -- sorry, please go ahead. You were saying something.

Rajiv Thakker:

The impact of rising interest rate, crude is still not passed on to the end consumer per se. So with El Nino looming around, so I think those impact is yet to come.

Pavan Kumar:

Sir, like combining all this, like keeping this 1+ DPD at like 8% - 9%, so the credit cost number would probably be stabilizing around this number only right for a significant time, like the 1.4% - 1.5% kind of a number?

Sanket Agrawal:

See, what happened in the last 1.5 years is that increase in 0+ actually got converted to the increase in credit cost. So, we were in the range of around 1%. We are now in the range of 1.4% - 1.5%. But what I mentioned in the opening remarks is that 1.45%, which we published last quarter, possibly will be the peak on the current portfolio performance month-on-month, is what we are observing. We are at 1.37% now, we should stabilize here or possibly reduce unless something drastically changes in the environment. Now, a lot of waivers we are hearing has been announced at a state level due to the drought, et cetera. Something if materially changes, the guidance materially changes, but otherwise, we are stable. We are stable at 1+, we are stable at credit cost, and may marginally be lower, in fact.

Moderator:

Got it. So like 4.5% would be an ROA number, that would be kind of like a guidance number that we can work with?

Sanket Agrawal:

Yes. So if you look at last 1.5 years, our debt/equity has moved up, which is the leverage. Now, when that happens, your absolute finance cost goes up and therefore, your ROA generally compresses and the ROEs move up. In our case, we've been able to hold on to more than 4.5% ROA for now more than 7 - 8 quarters despite increase in leverage. So to say that we'll continue to hold on to 4.6% or 4.55% over the long period will be difficult, obviously, because the leverage goes up. But over a short period, we think we should be able to hold on to this. As the leverage goes up, you'll continue to see those benefits in the ROEs.

Moderator:

The next question comes from the line of Raghav Garg with AMBIT Capital.

Raghav Garg:

Okay. I just have one question. What is the number of collection officers for this quarter? I guess it was about 550 officers as of March end, FY '26.

Sanket Agrawal:

So, we are close to 700 on the front end and including supervisor, close to 850 people. So possibly close to 150 to 200 people have been added in collections.

Raghav Garg:

So 200 over the 550 as of the year-end right?

Sanket Agrawal:

So, 700 is the number as on today on the front end and all inclusive 850 collection team.

Raghav Garg:

Understood. And then so I think the number of employees that have been added since March end is about 600. So, I think apart from this 200, the rest of the hiring would have been in sales, right? Is that correct understanding?

Sanket Agrawal:

Yes. We opened some 20 branches in quarter 4 of FY '26, and these were also co-led branches. So a lot of these employees have come in, in gold loans. What we have seen is some bit of buffer there is important given the competitive intensity. There's a lot of poaching that's happening at the ground level, and the salaries that are being offered are significantly higher. So, what we have done is, it's a product where people and their relationship with the customer define your AUM and the productivity at a branch level. So, just to have an extra cushion, we have continued to add people in gold loans, and that's the increase apart from the collection increase that you've seen.

Raghav Garg:

Understood. Just one last question. For a collection officer, typically, what is the maximum bandwidth that he has in terms of, say, being able to manage a certain number of accounts effectively before, say, you start to allocate cases to other collection officers or before you start putting more capacity on collection?

Sanket Agrawal:

It generally depends on the geography. What happens is if you are a collector in Assam, the cases are far off, so you end up only doing say, 25 or 30 cases. When you are in say South – Karnataka or AP or Telangana, you end up doing even 50 cases per collector. So, it's a mix between the states. Generally, on an average, you will have 40 to 45 cases that a collector can handle, but based on the geography, it changes based on the profile of the customer and the ticket sizes. Generally, North has a larger ticket size, so you will have different strategy there. South has a smaller ticket size, you will have different strategy there, and based on the geography that changes, but average is between 40 to 45.



Raghav Garg: Understood. So 40 to 45 touch points in a month for a collection officer, right, on an average?

Sanket Agrawal: Yes.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Sanket Agrawal: Thank you for joining in early in the morning. Have a good week.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.