SEC/FILING/BSE-NSE/25-26/68A-B **July 28, 2025**

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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 first quarter ended June 30, 2025.

Further to our letter dated 25th July 2025, regarding the audio link of the investor's earnings call for the first quarter ended June 30 2025, 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**

BALASUNDA RARAO UPPU Digitally signed by BALASUNDARARAO UPPU Date: 2025.07.28 17:19:46 +05'30'

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COMPANY SECRETARY & COMPLIANCE OFFICER
Encl.:a/a.

"Shriram Finance Limited Q1 FY'25-'26 Results Earnings Conference Call"

July 25, 2025

MANAGEMENT: **MR. UMESH G. REVANKAR - EXECUTIVE VICE-CHAIRMAN.**
MR. Y. CHAKRAVARTI - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER.
MR. PARAG SHARMA - MANAGING DIRECTOR & CHIEF FINANCIAL OFFICER.
MR. S. SUNDER - JOINT MANAGING DIRECTOR.
MR. SANJAY KUMAR MUNDRA - HEAD OF INVESTOR RELATIONS.

Moderator: Ladies and gentlemen, good day and welcome to Shriram Finance Limited Q1 FY'25-'26 Results 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Umesh G. Revankar: Thank you. Good evening, friends from India and Asia and warm welcome to all of you. Greetings also to those who have joined the call from the western part of the world.

To present our Q1 FY26 Earnings Call today, I have with me our Managing Director & CEO – Mr. Chakravarti; Managing Director & CFO – Mr. Parag Sharma; S. Sunder – Joint Managing Director and Mr. Sanjay Kumar Mundra, who is our Investor Relationship Head.

It has been good first quarter for the year for Shriram Finance under current circumstances. Let us first look at broad economic indicator that has a direct or indirect impact on our business:

First is the GDP:

GDP for the full financial year was 6.5%, making India world's largest major economy. And we are expected to grow on similar growth rate during this financial year. On the inflation, the consumer inflation continues to ease in June hitting a lower than expected 2.10% against 3.34% in March. We have reached this level lowest after 6 years driven by falling prices of vegetables and food items. India's annual inflation fell to 20 months low, wholesale inflation to minus 0.13% against 3.43% in June '24.

Now, let us go to RBI Policy:

The key takeaway from June 2025 RBI monetary policy are repo rate cut by 50 bps to 5.50% Policy stance changed to neutral, CRR cut by 100 bps to 3%, GDP forecast for FY'26 at 6.5%, CPI inflation estimates reduced to 3.7% from 4% earlier. The rural economy and monsoon, the southwest monsoon has been forecasted 9% above normal across India. Overall, monsoon has been normal to excess in nearly 80% of country's meteorological subdivisions. The Department of Agriculture and Farmer Welfare has released latest data on Kharif crop. The data shows area of coverage reached is 597.86 lakh hectare as on 11th July, marking an increase of 37.27 lakh hectare compared to the same period previous year.

The rural consumption is poised to remain a bright spot in Indian economy supporting growth in ongoing fiscal year. The inflation adjusted consumption growth of 7.1 %outpaced the broader economic expansion of 6.5% reflecting a rural consumption recovery. The GST collection has shown a good growth of 6.2% to Rs. 1.85 lakh crore compared to 1.74 in the previous year. It is a slump in June due to back-to-back months above Rs. 2 lakh crore in April and May. The GST revenue dropped to low single digit in June primarily due to low mop-up from domestic transaction indicating moderation in economic activity which could be possibly due to early onset of monsoon.

And the auto industry, if you look at the on the sales side, the total series sales declined by 0.6% in Q1'26, which stands at 2.23 lakh against 2.25 lakh units. Within CV, amended CV sales recorded de-growth of 2.3%. The number stands 83,638 against 85,590. LCV sales recorded flat sales which stand at 1.40 lakh unit against 1.39 lakh. Passenger vehicle recorded a de-growth of 1.4% which stands at 10.12 lakh unit against 10.26 lakh unit.

Two-wheeler sales recorded de-growth of 6.2% with sales of 46.75 lakh unit against 49.86 lakh. Three-wheeler sales recorded a flat sales of 1.65 against 1.65 in the previous year. Tractors have recorded a growth of 6.3% with 2.10 lakh unit against 1.98 lakh unit. Construction equipment marginally declined with 28,687 units being sold against 28,902 units.

I shall now ask my colleague Mr. Chakravarti to take through the operational performance.

Y. Chakravarti: Thank you. Good evening. I welcome all of you to our Q1 FY'26 Earnings Call and I hope you had the opportunity to peruse our Earnings and the related Investor Presentation which has been posted on the website of the Stock Exchanges.

We have registered a disbursement growth of 13.01% year-on-year. Our disbursements in Q1 FY'26 this year aggregated Rs. 41,816.75 crores versus Rs. 37,001.65 crores in Q1 FY'25. Our asset under management as on 30th June 2025 registered a growth of 16.62% over Q1 FY'25 and of 3.44% sequentially. Our AUM stood at Rs. 2,72,249.01 crores as against Rs. 2,33,443.66 crores a year ago and Rs. 2,63,190.27 crores in Q4 FY'25.

Our net interest income in Q1 FY'26 registered a growth of 12.55% year-on-year. We earned a net interest income of Rs. 6,026.43 crores in Q1 FY'26 this year compared to Rs. 5,354.47 crores in Q1 FY'25. Our net interest margin was 8.11% as against 8.79% in Q1 FY'25 and 8.25% in Q4 FY'25. Our profit after tax grew by 8.84% in Q1 FY'26 over Q1 FY'25 and by over 0.76% over Q4 FY'25. We have registered a PAT of Rs. 2,155.73 crores for Q1 FY'26 as compared to Rs. 1,980.59 crores in Q1 FY'25 and Rs. 2,139.39 crores in Q4 FY'25. Our earnings per share for the quarter stood at Rs. 11.46 as against Rs. 10.54 in Q1 FY'25 and Rs. 11.38 in Q4 FY'25.

On our asset quality, gross Stage-3 in Q1 FY'26 stood at 4.53% and net stage 3 at 2.57%. These numbers show an improvement over the corresponding period of 5.39% gross and 2.71% net in Q1 FY'25 and 4.55% gross and 2.64% net in Q4 FY'25.

Our credit cost on total assets for Q1 FY'26 stood at 1.64% as against 1.87% for Q1 FY'25 and 2.07% for Q4 FY'25. Our cost to income ratio was 29.29% in Q1 FY'26 as against 27.45% recorded in Q1 FY'25. Our cost-to-income ratio in Q4 FY'25 was 27.65%.

I shall now request our Managing Director & CF – Mr. Parag Sharma to inform you about our resource raising activities after which our Joint Managing Director Mr. Sunder will brief you about accounting and regulatory aspects.

Parag Sharma: Thank you and good evening, everyone.

On the total liabilities we have close to around Rs. 2,42,900 crores of liabilities broken up into the ECB loans at 13.92% and ECB bonds at 6.48%. Overall securitization outstanding is close to around 16% of our liabilities.

The domestic capital market at 17.33% and retail deposit has shown a positive uptick at 25.95% and the bank and the institutional term loans at 21% of our liabilities. The cost of liabilities have come down by 7 basis points in the current quarter from 8.95% to 8.88% now and we do expect this to further come down. The leverage stands at 4.15 times versus 4.16 as of March end number. The liquidity coverage ratio is at 268.74% versus 286.12% as of March.

Overall liquidity continues to be slightly on the higher side which is covering 5 months of our liability repayment. We will work towards reducing this liquidity and this has some negative carry that will come down in next 4 to 5 months' time.

The fund mobilization for the quarter was slightly muted. The only big inflow was the retail deposit. The incremental cost of fund has come down substantially from March quarter which was 8.86% it has come down to 8.37% and we do expect this to further come down. The incremental cost and the overall cost will definitely be reflected. The ALM buckets continue to be positive across all the buckets and up to 1 year we will have a cumulative surplus of more than Rs. 59,000 crores odd.

With this I handover to Mr. Sunder.

S. Sunder: Good evening, everyone. The employee count as on 30th June was 79,186 as against 79,872 in the March quarter. The Stage-3 was at 4.53% and the Stage-1 probability of default was 8.82% and Stage-2 PD was 21.35% and the segment wise disbursement was commercial vehicles we did Rs. 16,917 crores, passenger vehicles we did Rs. 8,162 crores, construction equipment we did Rs. 526 crores, farm equipment we did Rs. 1,273 crores, MSME Rs. 6,358 crores, 2 wheelers Rs. 3,081 crores, gold Rs. 3,291 crores, personal loan Rs. 2,205 crores totaling to Rs. 41,816 crores.

With this we open the floor for the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Chintan from Autonomous. Please go ahead.

Chintan: Hi, thank you for taking my questions. My first one is on asset quality. There is a 40 basis point increase in GS2 assets. Could you throw some color on where this is coming from? Whether this is seasonal in nature or something we should worry about? And how do you expect that to evolve? And related to that, if you could also talk about your cost of risk guidance. What do you think about that for the full year? And then I have got one more on the NII.

Umesh G. Revankar: As you rightly put it, it is more of a seasonal. This time the onset of monsoon was little early than they expected. Typically, monsoon arrives in the mid-June. This time it was in the last week of May in many parts of the country. So, there were some business disruptions here and there. That is the reason Stage-2 went up. But it is very marginal. Our customers normally move between Stage-1 and Stage-2 and they have cash flow mismatches whenever cash flow mismatches. But what is important is the credit cost. The credit cost did not go up. The credit cost has actually improved. So, we did not really read too much into the movement of Stage-2 increase.

Chintan: And the guidance on credit cost?

Umesh G. Revankar: Overall, it will remain under 2% for us for the full year.

Chintan: Under 2% on AUM plus cash and investments?

Umesh G. Revankar: Total assets.

Chintan: Okay, total assets. And the second question was on NII. Is there any kind of fair value gains from parking liquidity with mutual funds? Your peer reported one. I am just wondering if your reported NII, not the presentation one, but the reported NII, if it is understated for any specific factors, for example, this fair value gain, that would be one question on NII. And the second one would be, there is no direct assignment income in your management NII this quarter. So, I am just wondering if you could call out one or two main items between the difference between reported and management NII, just for the benefit of investors?

S. S. Sunder: The net gain on the fair value changes was mainly on account of the profit that we earned on the mutual fund investments. For the current quarter, it is Rs. 134.66 crores. The similar figure for the previous quarter was Rs. 111.27 crores. And as far as the assignment income is concerned, since we have not done any assignment deals in the current quarter, no income was recognized. Similar figure in the previous quarter was Rs. 13.60 crores. And apart from that, the interest income only is performing part and the other operating income is also grouped for the purpose of net interest income.

Chintan: So, the NII is understated by the difference between Rs. 134.6 crores and Rs. 111.2 crores. Is that how I should think about the reported NII?

S. S. Sunder: The reported NII includes Rs. 134.66 crores for the current quarter. And 111.22 crores...

Chintan: In your presentation, not in the release. I am talking about the reported number, the released number.

S. S. Sunder: It is included, yes. What I would suggest is, you can reach out to Mr. Mundra, pose this call, and he will give the reconsideration.

Chintan: Okay, and no other one-off factors in NII to think about, right?

S. S. Sunder: No, nothing.

Chintan: Okay, thank you.

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

Raghav Garg: Sir, hi, good evening. I had some three-four questions. First is on the MSME growth plan. I see that your quarter-on-quarter growth has come down to 3.5%-4%. And there is a sudden moderation in MSME business accretion this quarter. You've been guiding for around 15% growth overall. So, my first question is, why is there sudden accretion? Why is there sudden slowdown in the MSME growth this quarter? And then the other question is, assuming that or analyzing this quarter, the run rate on MSME growth, do you see a risk to your full year AUM growth estimates, on an overall basis?

Y. Chakravarti: This is Chakravarti here. So, we are focused on growing this book. The only reason why it is slowed down, actually there was a slowdown in the demand for, in the first quarter, because, see, the fourth quarter, festival season, third and fourth quarter festival season, typically the demand picks up from the second quarter, in preparation for the third quarter festival season. First quarter is normally slow, but you will see the pickup in the next two quarters. We are still, on the course, for the guidance, to meet the guidance numbers.

Raghav Garg: Sir, if I compare this to the quarter-on-quarter accretion, in say 1Q FY'25, at that time it was about 10% in this book, and this time it's 4%. And hence the question, because the growth rate, sequential accretion has more than halved.

Umesh G. Revankar: If you look at year-on-year, sequentially, normally 3 and 4 quarter are big. You can't compare. You have to see only year-on-year.

Raghav Garg: Sir, I was looking at 1Q FY'25, which is around 10% sequential accretion.

Y. Chakravarti: As I explained to you, there is a slowdown in the first quarter, but we are confident that we will make up for the slack in the second and third quarters.

Raghav Garg: Understood. The other question is that, you mentioned that there is some moderation in economic activity, but I think you partly answered that, when you said that your credit cost will be under 2%. But I will still go ahead. How is the trucking activity doing on the ground? Our operator cash flow is improving, how is the situation at the ground level?

Umesh G. Revankar: The trucking activity is quite healthy, I should say. See, one of the biggest advantage or disadvantage is, since the cost has gone up in the last three years, the new customer walking into trucking business have come down. So, the existing players have a reasonably good business. Their revenue is good, the freight rates are good, and their overall utilization levels are good. So, the situation has not changed for truckers at all. Normally what happens is, when there is excess capacity, and economy slowed down, then there is a challenge. But this time around, even though there is little slowdown in the economy, since there is no excess capacity, the trucking activities are going on smoothly. Temporarily, as I was telling you, if there is seasonality, because of excess rains in certain locations, there could be some disruption and some delay. And that doesn't really create the credit cost. There may be some movement into Stage-2, because of the delay or mismatch in cash flow. But that doesn't end up with credit cost. So, we believe the demand is good, because for us the disbursement growth was good in CV, in the first quarter. And I expect the same to come. Because the demand from the rural segment is, rural market is really growing.

Raghav Garg: Understood. Those were all my questions. Thank you.

Moderator: Thank you. Our next question comes from the line of Shweta Daptardar from Elara Capital. Please go ahead.

Shweta Daptardar: Thank you, sir, for the opportunity. Couple of questions. Just taking further the previous participant's question. Sir, while you mentioned that the operator economics remains undisrupted, but how about the operator cash flows? How are they faring, especially on the used CV segment side?

Umesh G. Revankar: See, used CV segment has been doing quite well. In fact, our growth, disbursement growth in used CV is quite good. The resale values have not dropped anywhere across the country. So, the value of the asset remaining strong, that helps the customer to, not only to earn and also to encash, after repaying the loan. And he will retain the vehicle throughout with him. So, these are all the advantages. So, we are not seeing any weaknesses in the trucking market value or in the revenue earning for second hand or new. Both are doing quite good.

Shweta Daptardar: Okay. And sir, just taking it further, how has been the color on repossession side or movement quarter-on-quarter?

Umesh G. Revankar: There is no change in the repossession. Most of the companies in the last couple of years have slowed down or have not repossessed many vehicles, mainly because the resale value being higher, the customers are not defaulting. That is the scenario. So, repossession numbers have not gone up. There could be in one or two geographies, it would have gone up marginally, but it is insignificant considering the all India position.

Shweta Daptardar: Sir, third question is on MSME. While you did elaborate on the growth momentum, which will be retained, but one of the peers has highlighted pertinent concerns on asset quality on MSME and also banks have been highlighting regional challenges. So, what has been your experience on the ground as far as delinquency/asset quality is concerned from the MSME side?

Umesh G. Revankar: See, our focus has been a smaller ticket and to trading sector and services sector. We are not really lending into manufacturing sector in the MSME. Therefore, the businesses remain reasonably steady because especially if wholesalers, shopkeepers, that kind of a segment we are addressing. And we have not really seen much fluctuation in their earning or cash flow mismatches. So, we are looking at it as a very steady business and we believe that this will continue to grow as we create more reach. Now, MSME lending is there in around two-third of our branches. Rest one-third of the branches we are yet to reach. We are creating that reach and as we create a reach, we will keep expanding our business.

Shweta Daptardar: Sure. And sir, one book-keeping question on your disbursement number. Thank you.

Umesh G. Revankar: Can we give it offline?

Shweta Daptardar: Sure. Thank you so much, sir, for the answers.

Moderator: Thank you. Our next question comes from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi. Good evening. So, how are we looking at the car market, especially at the entry level? What are the various demand drivers we see through the year during the festive season as well? Given the fact that we are more rural and semi-urban focused, are we seeing inventory build-up and entry-level cars? Also, in terms of SPVs, LCVs, are we seeing asset quality spikes, any transition of customers to E3 wheelers or any other type of vehicle or any cash flow challenges there? The third question is around gold finance. Given the fact that regulators have now allowed equity gold loans for banks, which can be unsecured as well, are we seeing some kind of a transition back of agri gold loan customers who came to our fold and will go back to banks?

Umesh G. Revankar: See, basically, on entry-level cars, as you rightly put it, the entry-level car demand, especially new vehicle sales, are on the lower side. But the demand for used cars is increasing. The entry-level car demand used to be mostly in the semi-urban and rural market. Now, we are seeing there is a shift to a higher vehicle, which is compact SUVs. So, people are preferring second-hand compact SUVs or new compact SUVs. So, the aspiration class are wanting to move up to the next-level cars. So, the entry-level car demand has come down. And people who are seeking to buy entry-level cars typically go for second-hand cars. So, the entry-level car demand or sales have come down and likely to remain because India is moving for more compact SUVs and medium-sized SUVs is what we understand from the preference by the buyer. As far as the LCVs and SUVs are concerned, last year LCV did not really grow much because the previous year the rural economy was not really expanding or the demand from the rural economy was little less. But since last six months, the rural economy is doing well, we expect the LCV sales to go up. That's one thing. And also, the e-commerce activities are now spreading into tier 2 and 3 towns. And therefore, I believe LCV and SUV demand will go up. It will grow faster than heavy vehicle is my belief. And the resale value remains very strong in this market. As far as the gold loan is concerned, we believe more business will flow in from informal sector to formal sector because there has been little the RBI new guidelines have been little liberal for small-ticket loans. So, we believe that there is an opportunity for NBFC and banks to grow faster because more gold loan proposals will move from informal sector like pawnbroker and moneylender to the formal sector.

Shubhranshu Mishra: Just two more questions. One is still unanswered. What will be our driver of car growth in the next 2-3 quarters? And in terms of MSME, how many of our customers have more than 3 loans? Any kind of loans. When we do a PD, they might have a hand loan as well. Some of them might have a personal loan. A few might have a credit card. So, what percentage of our MSME customers would have 3-plus loans?

Umesh G. Revankar: We rarely see a our customer base having more than 2 loans. Maximum, he will have one loan with us. Another loan is the gold loan. We have not really seen people having, of course, hand loan is something which we will not know. But personal loan or unsecured loan is not known because we do the our scrub in the credit agencies. We don't come across. So, that's one thing. And you asked on the…?

Shubhranshu Mishra: Drivers of growth for our cars?

Umesh G. Revankar: Basically, we believe the major drivers for car especially in the same urban rural area is the state governments have not invested in public transportation in the last 5-6 years. And therefore, it is making more people buying either their own car or the operators buying the car and operating in the same urban rural area. So, that is creating bigger demand for the passenger vehicle in the smaller towns and we are able to grow in that market consistently over the period. Even though last quarter, the growth rate was little lesser compared to the previous year. But we feel that growth will come back because there is unmet demand of public transportation not being available for the large population.

Shubhranshu Mishra: Right. And if you can spell out the disbursement split, please?

S. S. Sunder: Okay. The total disbursement for the quarter was Rs. 41,816 crores. The split between the segments were CV, it was Rs. 16,917 crores. Passenger vehicles Rs. 8,162 crores. Construction equipment Rs. 526 crores. Farm equipment Rs. 1,273 crores. MSME Rs. 6,357 crores. Two wheelers Rs. 3,081 crores. Gold loan Rs. 3,291 crores and personal loans Rs. 2,205 crores.

Shubhranshu Mishra: Can you repeat the farm loan?

S. S. Sunder: Farm loan was Rs. 1,273 crores.

Shubhranshu Mishra: Thank you.

Moderator: Thank you. Our next question comes from the line of Abhishek Kumar Jain from AlfAccurate. Please go ahead.

Abhishek Kumar Jain: Thanks for the opportunity. My first question on the NIM fund. So, in this quarter, it declined 14 bps quarter-on-quarter. How do you expect margin to behave in the rest of the quarter, say FY26, with falling cost of the funds?

Umesh G. Revankar: There is a multiple factor which we feel confident of improving our NIM. First, our incremental borrowing cost is at 8.36% and our cost in the book is 8.86%. So, there is significantly lower cost we are able to raise resources. We also have reduced our deposit rate from the first week of August. The deposit rates will come down by around 40 basis points. So, across, we feel that the 40 basis point reduction in incremental borrowing will bring down the cost to us over the period. Even though we have 85% of our borrowing in fixed terms and 15% floating, so that transition will take some time because the 15% floating, the bank will pass on immediately whenever there is a reduction in rate. But 85% will take time. So, over the six months to one year, we would be able to bring down our borrowing cost and that will be able to improve our net interest margin. We are confident that we will reach to 8.5% net interest margin for the full financial year by the end of the year.

Abhishek Kumar Jain: And my second question on the credit cost, the guidance is 2.2 to 2.4 and in this quarter basically it is around 2%. So, I just wanted to understand what is the full year guidance? Will you lower down the guidance post this number?

Umesh G. Revankar: The credit cost will remain around 2% for the total assets.

Abhishek Kumar Jain: Okay, 2% for the full year?

Umesh G. Revankar: Yes, full year.

Abhishek Kumar Jain: Okay, and my next question on the CV side that the AUM growth was 12.3%. So, how was the growth used CV versus the new CV and what is the guidance for the full year?

Umesh G. Revankar: See, we have a reasonably good demand coming for CV, especially in the rural market for used vehicle. Even the new vehicle demand had gone up in the Q4 for us and also there was some follow-up demand coming in April. We believe that again the demand will come back for new CV during Ganesh Chaturthi and that will keep continuing. But the used vehicle demand will continue to remain because of our strong reach. Since we have 3,220 branches across the country and we have a reach and in the used vehicle many transactions would come to us directly because we have built that brand over the period for more than 40 years.

Abhishek Kumar Jain: Okay, and my last question on that in the passenger vehicle side, in this quarter the industry decline despite that your growth was very much strong and impressive of around 23%. So, just one thing to understand, what is the reason behind this? Is it because of the premiumization and the higher ASP because of the change in the mix in the passenger vehicle or you are gaining market share in this particular segment?

Umesh G. Revankar: No, we are obviously gaining, I don't say gaining market share, this market is virtually unattended. There are not many players in second hand car financing especially in the suburban rural area and we are able to really grow on that and also as I was telling you there is an increased demand coming from the semi-urban and rural market because of lack of transportation, public transportation available to them. So, we are able to grow and also there is one big advantage for us that many of our customers who are, who bought two-wheeler from us, they migrate to become car owners over the period. They have aspiration and that is a customer which is an in house customer for us. So, there will be certain percentage of customers, aspirational class will move from two-wheeler to four-wheeler. So, I think that is a ready-made customer within the house for us to grow the business. So, we should be able to grow healthy rate in the passenger vehicle especially in the car segment over the period.

Abhishek Kumar Jain: Thank you sir. That's all from my side.

Moderator: Thank you. Our next question comes from the line of Vansh Solanki from RSPN Ventures. Please go ahead.

Vansh Solanki: Hello sir. Very good numbers. I have two questions mainly. The first is that you have also told that there is excess liquidity in Quarter 4 and also you have also said that there is a five month excess liquidity as of now. So, what are the planning if you say in the Quarter 2 or 3 that this will be continued or not and what about the additional borrowing you will take on a Quarter 2 or 3 if you can just guide us?

Umesh G. Revankar: Now we will be definitely utilizing the excess liquidity that is available by slowing down the further borrowing for this quarter and we will bring down from five months to three months maybe in three to four months from now. But further plan, Parag, can you elaborate on further plans?

Parag Sharma: In fact that is it. We will bring down our borrowing plan in next three to four months and in fact looking at options of higher costing debt to be repaid that is what we will focus upon. But I think nothing much to add there. We will look at the opportunities wherever the cost of fund is lower, those only sources will be looked at and the borrowing will be moderated and overall liquidity, we always had the objective of maintaining three months of liability repayment to liquid asset that will continue. But as of now yes, it has to be come down from five to three.

Vansh Solanki: Okay. And the second question is about yield if you can specify for each segment for Quarter 4?

S.Sunder: You can be in touch with Mr. Mundra and he will be able to help you out offline.

Vansh Solanki: Okay. Thank you, sir.

Moderator: Thank you. Our next question comes from the line of Abhishek M. from HSBC. Please go ahead.

Abhishek M.: Yes, thank you. So, the first question is on cash position again. If I look at the total outflows in your ALM statement, your three months liquidity I think works out to roughly Rs. 20,000 crores. So, basically this outstanding Rs. 25,000 crore of cash position plus maybe some part of investments which you would be counting towards this, this should come down to 2025 eventually? Or how should we think about it? Where should this balance be ideally for a balance sheet of say today's size?

Parag Sharma: Yes, so what you're saying is right. We will bring it to three months of liability repayment. If you're looking at the ALM, there can be some bulk repayment which can be there in subsequent particular months because of the bullet repayment of entities what we have would have taken. But the steady state number will be at around Rs. 18,000 crores to Rs. 19,000 crores of liabilities in three months is what we normally plan and that will be the number we will be targeting to maintain.

Abhishek M.: But that Rs. 18,000 crores-Rs. 20,000 crores is cash only, right? So, not cash plus investments. Which one should we think about?

S. S. Sunder: Yes, it will be, normally what we do is it will be bifurcated into both cash and investments. Investments are with mutual funds only, liquid schemes or mutual funds.

Abhishek M.: So, the question actually, really sorry, is that cash plus investment today is Rs. 38,000 crores-Rs. 39,000 crores. That 39,000 should come down to 20 odd?

S. S. Sunder: No, we should not look at the balance sheet number because that will also include, I will not count everything as liquidity because that will have SLR component that will have lean marked component also. So, liquidity which is free from any encumbrance is what we count for liquidity purposes.

Abhishek M.: So, how much is excess? Like what will you eventually run down? Is it 10,000?

S. S. Sunder: It will be close to around Rs. 10,000 crores which will run down.

Abhishek M.: And what time frame sir? Because last 3-4 quarters we have been having this conversation and there is a big negative lag which is showing up in NIM.

Parag Sharma: No, it went up in the month of January when we did large borrowing, particularly December end in January is when we did and we said it will take 2 to 3 quarters for this to come down. As of now we are pretty confident that next 3 or 4 months is what we will target and look at lower borrowing and also if possible if we are able to repay some high cost is what we will target.

Abhishek M.: Understood. Sir, the second question is on NIMs. Umesh sir, you said 8.5% NIM for '26. So, is it full year '26 or is it by 4th Quarter of '26, which one?

Umesh G. Revankar: By 4th Quarter.

Abhishek M.: So, the average NIM would be around 8.2-8.3 or so for the year, for the full year?

Umesh G. Revankar: Yes, it depends if the 3rd and 4th quarter is bigger then the average can be different. So, we would aim to reach 8.5 by the year end.

Abhishek M.: By the 4th Quarter, that is the quarterly target. Average will be accordingly. Okay. Third question sir is on GS2 going up. So, this quarter almost 9%-10% QOQ increase in overall GS2 and if you look at some individual segments it is even higher. Does this mean that next quarter we should see the forward flow into GS3 from this and therefore your credit costs can go up? Or are you seeing fairly good recovery potential in whatever is flowing forward? If you can talk about that a bit.

Umesh G. Revankar: Most of our customers are known customers or where we can reach and our executives are in touch with those customers. We are confident of rolling back most of the customers. It may be a temporary cash flow mismatches which we are confident that we will be able to reach out to them and address their challenges and be able to recover. So, I don't really see that flowing into GS3. Normally people who go from GS1 to GS2 come back to '1' sometimes or to '0' bucket. So, that effort is always on and the activities and actions are taken accordingly and especially on the vehicles and all we go for repossession so that we address that issue fully.

Abhishek M.: Right. Actually the forward flow is building up. So, last quarter it was 6% QOQ. This quarter is 10% QOQ. So, at some point it will start spilling over into GS3 which has not happened so far. So, that's why I am just wondering?

Umesh G. Revankar: Actions we take, the immediate actions, there is always a follow-up and there is a touch with the customer directly. So, we are not dependent on outsourced agents for reaching to the customer. We have in-house executives who will reach out to the customers.

Abhishek M.: Right, sir. Thank you. And this quarter write-off would be around Rs. 500 crores roughly? Just the number if you can share?

S. S. Sunder: For the current quarter it is Rs. 448 crores and provisions are Rs. 838 crores totalling to Rs. 1,286 crores.

Abhishek M.: Got it. Thank you so much. All the best. Thank you.

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

Rajiv Mehta: Yes. Hi. Good evening. Congrats on good numbers. My question again is on the flow rate. So, flows from Stage-1 to Stage-2 are happening. But they are not moving forward into Stage-3. And so for example in this quarter as you said because of onset of early monsoon and some disturbance getting created, you did see incremental new flows from Stage-1 to Stage-2. But the existing Stage-2 pool never flow forward into Stage-3. So, can you explain why the flow rate between Stage-2 and Stage-3 is much lesser despite the outside disturbances and what all collection actions and mechanisms are being taken when the account slips into Stage-2 and also whether any remediation is offered to the customer who has moved into Stage-2.

Umesh G. Revankar: See, normally we meet the customer, address his issue and sensitize him in improving his credit score by bringing him back to Stage-1. That's the first step we take. If we feel the customer has a permanent mismatch then we will resort to repossession. If you look at our total asset book 65% is passenger and commercial vehicle, another 7% is the two-wheeler. All this can be repossessed and we can sell and either collect the money from the customer make it nil or we can sell the vehicle. So, we have immediate liquidatable asset in our hand therefore it doesn't flow into Stage-3.

Rajiv Mehta: Okay but no remediation in terms of changing the loan structure or anything of that sort you can offer?

Umesh G. Revankar: We can't do that.

Y. Chakravarti: Also it is not really needed because it's a temporary mismatch of cash flow. The customer is not a defaulter willful defaulter. It's a temporary mismatch and those guys come back and pay you. So, it's not really case for restructuring.

Rajiv Mehta: So, the same logic makes you confident that the current Stage-2 will also not forward flow so much into Stage-3 going forward?

Y. Chakravarti: Exactly. We have seen this even in worst of times we have seen the customers skipping a couple of installments but then start paying the current installment. So, I mean it's an experience we have seen over last 30-35 years.

Rajiv Mehta: Okay. Now the second question is on the growth in the CV financing portfolio which is predominantly used. So, now the traction is being maintained at 3%-4% Q-on-Q and 12%-13% Y-on-Y. But I was just wondering because in the last 2-3 quarters at least the price appreciation or the resale prices have not gone up but your traction of growth continues. So, is it now more volume driven in the recent quarters and less value driven and if it is more volume driven then has there been any changes in the way you are sourcing on the ground and whether any lending policies have been kind of slightly relaxed?

Umesh G. Revankar: Now it is both value and volume both because what happens is, the loan which was sourced 4 years back are getting matured now and a new loan is getting given. So, definitely there will be an increase in value year-on-year. Every year in spite of the new vehicle prices not going up in the last year. So, that is one thing and second, our reach has always going up. If you see last year also we added 165 branches this year also first quarter we added 5 branches. So, as we create more reach we are able to grow our business and the other most important factor is the smaller lenders are not able to grow their business because they are not able to raise the liability side. So, we are able to raise liability and therefore we are able to take market share from the market.

For example there are around 9,000 small NBFCs and many of them do not have any ability to raise resources to leverage on the balance sheet. We are able to do that.So, there is always our ability to grow in the market and maybe take the market share also from the small lenders.

Rajiv Mehta: Just one last thing sir, your fee and commission cost line has been growing at 30%-40% Y-on-Y in the last 3-4 quarters. Why is it growing so fast, the fee and commission cost line? And employee cost this quarter was higher than the previous quarter. There was a jump of 7%-8%. Did we run any incentive scheme which we generally run in a quarterly format?

S. S. Sunder: The staff cost has increased primarily on account of the increment that were due in the current year, April '25 and also the annual bonuses which were paid. So, this is the main reason for the increase in the staff cost. And the fee and commission income you are talking about?

Rajiv Mehta: No, cost.

S. S. Sunder: The commission expenses, it is primarily are commission paid by the deposit agents. There has been an increase in the deposit inflow in the first quarter of this financial year. There has been some increase in the cost.

Rajiv Mehta: Thank you so much and best of luck.

Moderator: Thank you. Our next question comes from the line of Sonal from Asian Market Securities. Please go ahead.

Sonal: Hi sir. Sir, my first question is on the NIMs. I just wanted to check have you reduced yields in any of the products or the yields continue to remain the same as last year?

S.Sunder: The yield has been stable similar to the last year yield. There has not been any decrease in the yield.

Sonal: So, the entire impact is just because of negative carry on NIM?

Umesh G. Revankar: Yes, correct.

Sonal: Okay, Second one, sir, what is your strategy on deposits going ahead? Because we are still raising it. If you could just tell us what is the landed cost of deposits that you are raising? What is it as compared to NCDs and Bank borrowings?

Umesh G. Revankar: See, deposit, if you look at our growth in the first quarter, the growth has been around 10% Q-on-Q growth. That is grown by 10%. Portfolio has grown by 10%. And whenever we announced the rate reduction, there has been more inflow to lock into longer duration by the depositor. So, we have again reduced the rate from the first week of August by 40 basis point. So, effectively our cost for deposit interest rate comes to 7.6 now, which was around 8% plus 8.5 in the beginning of the financial year. So, there has been significant reduction in the interest rate. So, the total cost of deposit including the intermediate cost stands at around 8.8 in the books now. It will go down to around 8.4, 8.3 from the next, maybe August. The next quarter it will be around 8.3 total cost. And when compared with the other liability, it will be much cheaper because bank borrowing will be still higher than that.

Sonal: And NCDs sir?

Parag Sharma: NCD rate is lower. NCD rate now is running at around 775-780 range but that is the incremental borrowing rates.

Sonal: So, sir, my question is more that why are we focusing more on deposits because we are already carrying --

Y. Chakravarti: Now incremental rate for deposit will be 7.50-7.60. It will be in line with what we are doing in capital market. So, not much of difference there. See, the other thing also is, Shriram as a Group, see we look at depositors because there have been, there are depositors, generational depositors who are with us and most of our deposits, almost 55% of our deposit is from senior citizens. So, we, as a philosophy, we wouldn't mind if it costs 10-15 bps more than what we can get from the market also. That's a call that we have taken consciously. And it's a diversified, diversification of our borrowing portfolio and the deposits are sticky.

Sonal: Sir, the other question was on fee income. So, we have seen decline in that line item. So, if you could just explain what exactly happened there? So, I think last quarter it was about Rs. 330 crores, this quarter it was Rs. 100 crores?

S. S. Sunder: In the last quarter number, we had received collection commission on account of DA transaction, which was amounting to Rs. 170 crores, which is not there in the current quarter.

Sonal: Okay. So, this is like about 0.25% of disbursements is something we should look at going ahead?

S. S. Sunder: I think there is no linkage between the disbursement and this one. There is more to do with the assignment transaction that we had done a couple of years back.

Sonal: Okay. Got it. And, sir, just two questions more. One was on personal loan. We are seeing about 24% decline in disbursements. So, and even, I don't know if I got that number correct, but in construction equipment, from Rs. 2,180 crores, it's down to Rs. 526 crores. So, is it because of higher delinquency, in this segment, in construction equipment, that we become a little more cautious in terms of sourcing? Is there anything else, that we shouldn't read too much into this number?

Umesh G. Revankar: No, construction equipment is basically the construction activities slowed down much earlier than expected because of early onset of monsoon. So, most of them got postponed. So, you will see a bigger demand that will come in the month of August and September, mostly in September.

So, it is just a postponement and we also felt that it is better we wait for the right time to increase our construction equipment disbursement.

Sonal: Right. And personal loan?

Umesh G. Revankar: Personal loan, there is no de growth. Our focus on personal loan is not diluted, it is continuing.

Sonal: Okay, maybe I will take this offline. Thank you so much.

Moderator: Thank you. Our next follow-up question comes from the line of Chintan from Autonomous. Please go ahead.

Chintan: Hi, thank you. Just wanted to follow up. You said that 8.5% NIM will be an exit NIM for FY'26, but previously you had said 8.5-8.6 will be the full year NIM. So, which one is it? Just want to get this right because there is obviously a big difference between the two guidance.

Umesh G. Revankar: 8.5 for full year, when I said exit, we will close the year at 8.5-8.6 I said.

Chintan: Yes, okay. So, that is an exit NIM. It is not for the full year average.

Umesh G. Revankar: Yes, but see, our effort will be there to improve the margin by reducing the borrowing cost. As we are able to reduce the borrowing cost, the margin will improve.

Chintan: Thank you.

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

Umesh G. Revankar: Thank you. Thank you for joining this call. As many of you said, we had a good quarter, first quarter, and second quarter should be much better is what we believe because the good economic condition in the rural market and since we are having a large presence in the rural market, we should be able to perform much better. So, wish you all the best and we will meet in the next quarter. Thank you.

Moderator: Thank you. On behalf of Shriram Finance Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.