

5<sup>th</sup> August, 2025

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**National Stock Exchange of India Limited**

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**Sub.: Transcript of conference call on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 30<sup>th</sup> June, 2025**

Dear Sir / Madam,

In continuation of our letter dated 22<sup>nd</sup> July, 2025 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on 29<sup>th</sup> July, 2025 on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 30<sup>th</sup> June, 2025

The transcript of the said conference call is also hosted on the website of the Company at [Concall\\_Transcript\\_Q1FY26\\_PiramalEnterprisesLimited\\_July29\\_2025](#)

Kindly take the above on record.

Thanking you.

Yours faithfully,  
For **Piramal Enterprises Limited**

**Bipin Singh**  
**Company Secretary**

Encl.: As Above.

**Piramal Enterprises Limited**

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**“Piramal Enterprises Limited  
Q1 FY '26 Earnings Conference Call”  
July 29, 2025**



**MANAGEMENT:**

**MR. AJAY PIRAMAL – CHAIRMAN – PIRAMAL ENTERPRISES LIMITED**

**MR. ANAND PIRAMAL – EXECUTIVE DIRECTOR – PIRAMAL FINANCE**

**MR. RUPEN JHAVERI – GROUP PRESIDENT – PIRAMAL ENTERPRISES LIMITED**

**MR. JAIRAM SRIDHARAN – CEO (RETAIL LENDING) & MD (PIRAMAL FINANCE)**

**MR. YESH NADKARNI – CEO (WHOLESALE LENDING)**

**MS. UPMA GOEL – CHIEF FINANCIAL OFFICER**

**MR. RAVI SINGH – HEAD (INVESTOR RELATIONS AND STRATEGY)**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call of Piramal Enterprises Limited. 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 zero on your touchtone phone. The results material are available on the company's website, and you may refer to them during the discussion.

Please note that today's discussion may include certain forward-looking statements, which must be viewed in conjunction with the risks and uncertainties that the company faces. These statements are based on the management's current expectations and are subject to uncertainty and changes.

On the call, we have with us Mr. Ajay Piramal, the Chairman; Mr. Anand Piramal, Executive Director, Piramal Finance; Mr. Rupen Jhaveri, Group President; Mr. Jairam Sridharan, CEO, Retail Lending and MD Piramal Finance; Mr. Yesh Nadkarni, CEO, Wholesale Lending; Ms. Upma Goel, CFO; and Mr. Ravi Singh, Head of Investor Relations and Strategy.

I now hand the conference over to the Chairman, Mr. Ajay Piramal, for his comments. Thank you, and over to you, sir.

**Ajay Piramal:** Good day, and thank you for joining us today on this call. With the first quarter of the current year, we've had a good start of the year with balanced performance on all key parameters. Consolidated AUM grew by 22% to ~INR85,700 crores. This compares with a growth of 17% year-on-year in quarter 4 of FY '25 and 10% year-on-year in the quarter 1 of FY '25. Retail AUM grew by 37% year-on-year and forms 80% of our total AUM. Our Growth business, comprising of retail and wholesale 2.0, now stands at 93% of our total AUM.

With reduced drag of the Legacy business, our consolidated PBT is INR301 crores, out of which Growth business, PBT is INR295 crores. Growth business PBT thus fully translated into our consolidated PBT. Benefiting from the same dynamics, the consolidated NIM increased by 10 basis points Q-on-Q to 5.9%.

The overall risk performance in the retail portfolio improved sequentially. It is now at a comparable level to that seen in the second quarter of FY '25. Wholesale 2.0 portfolio maintained 0 delinquencies. The credit cost for Growth business declined to 1.4% versus 1.8% in the last quarter of FY '25.

Growth business opex to AUM continues to moderate. It stood at 3.9% in quarter 1 of the current year versus 4.5% in quarter 1 of FY '25. Growth business, PBT to AUM, excluding POCI gains, thus came in at 1.4% in this quarter versus 1.1% in the full year of FY '25.

The first quarter of FY '26 is likely to be the last quarter before merger of Piramal Enterprises with Piramal Finance. The merger is expected to complete by September 2025. With the merger, all our lending businesses will get consolidated under Piramal Finance with a much simplified corporate structure.

Total capital adequacy ratio was 19.3% versus 23.6% at the end of last year. The change of the HFC subsidiary to an NBFC status and growth in business drove this reduction. The completion of merger process will lead to reversal of about 245 basis points of this reduction.

Our balance sheet remains highly liquid with total cash and equivalents of ~INR9,000 crores, which is 9% of total assets. The Lantheus and Life Molecular Imaging deal relating to the erstwhile Piramal Imaging business has successfully closed on July 2025. The consideration due to us would be based on 2025 profits of the business to be calculated at the end of the calendar year 2025. We expect to receive the payment subsequently in the last quarter of this current financial year. Our earlier guidance related to this matter remains unchanged.

Finally, last quarter, we shared our 5 targets for FY '26 on Total AUM, Growth AUM, Retail - Wholesale AUM mix, Legacy AUM reduction and total consolidated PAT. With Q1 FY '26 numbers, we are on track to meet all these targets.

I now hand over to Jairam, Yesh and Upma to share more details on our Q1 FY '26 performance.

**Jairam Sridharan:**

Thank you, sir. Ladies and gentlemen, I'm going to take you through the story and what we have seen in the first quarter in retail lending. We have had a very strong start of the year for our business. We do expect usually a little bit of seasonal weakness in the first quarter. However, we were able to sustain AUM growth at 37% year-on-year for June ending quarter versus the 35% for the quarter ended March '25.

From a disbursement standpoint, in the first quarter of this year, disbursements were at INR8,718 crores, up 28% year-on-year. In our flagship mortgage business, which comprises the affordable housing loans and loan against property, growth was 38% year-on-year to INR47,101 crores. Mortgages now account for 55% of the total AUM of the company and 68% of retail AUM. Now the market itself, as we all know, is growing sub 10%, I want to address the question of what are the key drivers behind our strong AUM growth at scale in such a market.

We believe there are 3 reasons why our AUM growth continues to be strong. Number one, segment clarity. Our focus has been always on middle tier part markets, and this has helped us buck overall market average trends where there have been some challenges, both at the top end and at the bottom end, but the middle end has done well. So that segment clarity has helped.

Number two, a multiproduct strategy. As we have seen over the last 2 years, diversified NBFCs have delivered consistently stronger growth than monoline, and this choice and strategy for us has again helped.

Number three, high-tech plus high-touch, our business choice on this front. We have invested a lot in our branch network. That branch network is now rapidly maturing and that helps us from a productivity standpoint. And parallelly, we have also invested in technology and AI/ML capabilities that are allowing rapid scaling of what is fundamentally a high-touch business. So those are the 3 reasons we believe our AUM growth continues to be robust in an otherwise weak market.

Moving on to the credit risk performance. Key risk metrics such as credit costs, slippages, delinquencies broadly improved on a sequential basis. As you can see on Slide 21, 90-plus days past due in retail was at 0.8% in the very narrow range that we have consistently maintained over the last 3 years. Risk in this quarter was seen at levels comparable to the second quarter of last year.

Secured lending products basically had a very stable quarter on most risk metrics. There was some improvement seen on an overall level in unsecured business on a sequential basis, Q1 compared to Q4. However, it was not for all businesses within unsecured.

Salaried businesses in unsecured saw a very strong Q1, reduction in all risk metrics. We did increase our disbursements in this segment by 57% year-on-year as we have seen these strong trends continue for a while. Trends in digital loans and microfinance were also largely stable to improving.

There were 2 pockets of the portfolio that did show risk deterioration in the quarter. They were MSME unsecured and used car finance. MSME unsecured is 6% of total AUM. The portfolio which we sourced open market did deteriorate in Q1 compared to Q4. In Q4, we have seen an improvement in the segment, but in Q1, we saw a deterioration again.

If you see our risk chart, the long-term trajectory that we show, you will see fairly flat behavior of delinquencies in MSME unsecured. That is mostly because cross-sell business has actually done well, even though open market sourcing business has deteriorated during the course of the quarter. Consequently, we reduced our disbursements in this segment by 30% quarter-on-quarter and 17% year-on-year.

In this segment, we track around 30 industry sectors from a risk standpoint. All MSME businesses, our exposure is looked at on the 30 industry sectors. We have seen fresh origination credit risk deteriorate in 23 of the 30 sectors.

Used cars, which is 5% of total AUM, also showed a slightly unusual uptick, which is unseasonal for the first quarter. This trend needs to be watched closely in the months ahead. However, the overall improvement in risk was clear. It was also aided by a favorable impact of an ECL rebalancing effort that happened between Q4 and Q1. Between all of that, credit costs declined during the course of the quarter on a sequential basis. Upma will later share a little bit more detail on this.

If you look at Slide #16, our customer franchise continues to grow. It grew by 21% in the quarter on a Y-o-Y basis to 4.8 million. A significant portion of our customer originations are indeed tapped for future cross-sell opportunities, which you will see on this chart, it's 50-plus percent. And currently, we are sourcing 25% to 30% of our unsecured disbursements from cross-sell.

Our number of branches continues to remain unchanged in Q1 at 517 branches. Our focus in recent quarters has been on raising productivity of existing branches and increasing the number of products offered per branch. You will see details of this on Slide 20. For the last 9 quarters, you see that we have consistently reduced the opex to AUM ratio for our retail business, from a

high of 6.5% in the fourth quarter FY '23, to where we are today, which is 4.2%. We aim to continue the strength in line with our medium-term guidance of 3.5% to 4%.

Our performance is lowering the opex to AUM in these last 2 years has been slightly better than what we had anticipated at the beginning of this journey. The outperformance was, thanks, in part to the investments that we have made in technology, AI and recently Gen AI.

Slide 19 highlights some of the most successful use cases of Gen AI in our business, making significant headway across risk management, operating leverage, productivity and control, among other things.

Slide 20 shows the yield on the retail business, which has been broadly stable at around 13.3%. A different chart of the same slide shows our reported fee income. You might recall that in financial year '25, we changed processing fee to an amortization model, and that impacted this line item pretty significantly. But you can see on the chart on Slide 20, that this has been gradually normalizing for the last 5 quarters, and the underlying fee collection trends remain very stable.

So this improvement should continue. With increase in DA and co-lending transactions, their share in retail income has also steadily increased in the last 1 year. A little bit of a forward-looking heads up to the investing audience. Recently, RBI has notified some new rules on prepayment charges for floating rate loans to individuals and MSMEs. This rule will become effective from 1st January 2026.

This will impact one part of the income stream from our retail business, particularly the prepayment fees in the MSME lending business, the LAP business, that will get impacted. However, we do have some time before the rules kick in, and it should allow us to plan and mitigate the impact of these new rules in other ways. So we are not changing anything from a guidance perspective that we have shared before.

Overall, we remain confident about the continued steady scale-up of our multi-product retail lending business, with consistent improvement in operating leverage and stable asset quality through the cycle.

With this, I hand over the call to my colleague, Yesh.

**Yesh Nadkarni:**

Thanks a lot, Jairam, and good evening, everyone. On the wholesale lending side, in the first quarter of FY '26, our AUM for the new business, our 2.0 version of our business, grew by 14% quarter-on-quarter to INR10,425 crores. We disbursed INR2,302 crores during the quarter across real estate and CMML segments. This was an increase of 35% quarter-on-quarter in disbursements.

Origination per loan was INR60 crores during the quarter, while disbursed amount per loan was about INR30 crores. The portfolio has an average ticket size now of INR74 crores, which is in line with the previous few quarters, and the effective interest rate stands at 14.5%, featuring a well-balanced asset duration and diversification.

We continue to see strong tailwinds across real estate and CMML segments and will continue, therefore, to grow this book in a calibrated manner and a granular manner through FY '26. Repayments were almost 43% of disbursements during quarter 1, and they continue to remain at significant rate, signifying better than expected performance of the book, which continues to benefit from strong sector performance and quality partner and asset selection. Since the inception of the new wholesale lending business, we have not experienced any delinquency in the portfolio.

I'll just finish with this and hand it over to Upma for discussion.

**Upma Goel:**

Thank you, Yesh. Good evening to everyone. Moving to our financial performance. In Q1 FY '26, we reported consolidated net profit of INR276 crores, growth of 52% Y-o-Y over Q1 FY '25 net profit of INR181 crores. Pro forma PBT for Growth business stood at INR295 crores, growth of 44% Y-o-Y over PBT of INR204 crores in Q1 FY '25.

With reducing drag of Legacy business, Consol NIM increased by 10 basis points quarter-on-quarter to 5.9%. Growth AUM grew by 38% Y-o-Y to INR79,430 crores. Operating profit grew by 51% Y-o-Y to INR565 crores.

In Q1 FY '26, the reported Growth business credit cost was at 1.4% versus 1.8% in Q4 FY '25. Last quarter Q4 FY '25, credit costs included a negative impact of about INR45 crores due to ECL rebalancing mainly in the microfinance business. In quarter 1 FY '26, ECL rebalancing for the overall portfolio had a positive impact of about INR105 crores.

Our total GNPA and NNPA ratio stands at 2.8% and 2%, respectively. Our network stands at INR27,174 crores. Capital adequacy is at 19.3% on consolidated balance sheet basis versus 23.6% at the end of March '25. Since completion of PEL-PFL merger, we expect reversal of approximately 245 basis points from this reduction in the capital adequacy.

In Q1 FY '26, our cost of borrowings reduced marginally to 9.1%. We continue to actively diversify our borrowing mix. Securitization and international borrowing share stands at 18%, while share of borrowings from mutual fund has increased 12% versus 6% in March '24. The fixed-floating gap between assets and liabilities has now been mostly neutralized to align the balance sheet better with the declining rate environment.

With these remarks, I would now like to open the floor for 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 Avinash Singh from Emkay Global Financial Services Limited. Please go ahead.

**Avinash Singh:**

I have two questions. The first one is on your provisioning coverage in retail. So if we see the data, I mean, Stage 1 provisioning cover has gone down from 1% to 0.8%, Stage 3 has gone down from 40% to 34%-odd. If we look at the kind of asset composition within retail in terms of secured, unsecured or just kind of cuts, it looks like not much has changed from Q4 March to June.

So what explains, I mean, how is this ECL model kind of leading to this change in terms of provision coverage on retail? I mean in terms of retail assets have grown sequentially nearly 7-odd percent, where the absolute provisions had gone down. I mean, again not very big, but it has gone down. So net-net, of course, the provision coverage. So what is explaining this?

And second, now again, more a broader question, of course, I mean that your rundown of Legacy had been growing at a great pace. So let's look into FY '27 when you have the Piramal Finance as the merge single-listed entity and you are going to have no tax probably for the next few years.

Assume that okay, whatever left overall Legacy is there, including everything on the kind of the consol balance sheet that is largely the Growth business. I mean how do you see, I mean, your NIMs, opex and credit costs basically panning out, including whatever drag from the rest of our Legacy then?

**Jairam Sridharan:**

Sure. Thanks, Avinash. So your reading is absolutely correct. See, the way this is all happening. I'm answering the first part of the question on provision coverage and retail. This is all a part of the ECL rebalancing thing that Upma spoke about, right? In the first quarter of every year, we do ECL rebalancing.

And in our case, we = over the last 3 years, have consistently been reducing the weightage of external data and increasing the weightage of internal data. Our internal performance has continued to be a little bit better than what market average has been. And so as we are actually increasing the weightage of internal data, as we are getting more and more mature in the business, so you are seeing some ECL releases happening when the re-grounding happens.

This year, we split the re-grounding into two parts. All the un-favorable impacts we took in the fourth quarter and some of the favorable impact we have taken now in the first quarter. So you are seeing some lumpy releases. That's what Upma mentioned in her remarks that there was an unfavorable INR45 crores in the previous quarter. And this quarter, we have seen a favorable INR100 crores. All of that is coming from the PD re-grounding that happens once a year. So that's what you're seeing here. Nothing has changed on the LGD front. LGD is all the same. PD has just been re-grounded to our internal data. And because our internal data on secure continues to be better than market, so with every passing year, as our internal data weightage is increasing, that PD is actually falling a little bit.

So that's the mechanical outcome that you're seeing on the table that you just mentioned. The second part of your question, which is where does this book go as we look at next year. See, right now, we talked about let's say, on the Growth business is at about 1.4% - 1.5% ROA.

PBT ROA, which is essentially going to be the same as PAT ROA because of the factors that you mentioned on carry forward loss. So at 1.5%, we have guided that in the medium term, that needs to get to 3%, right, or close to 3%. That's kind of where we believe our business model can lead us, somewhere around 3% ROA.

But it's not all going to happen in 1 year. But next year, as the Legacy book continues to fall even further and the Growth book moves upward from 1.5% to, let's say, somewhere in the 2



handle, let's say, mid-2s towards the end of next year, that's kind of what the entire books ROA will also end up being.

So that's directionally what you should keep in mind. We have not guided specifically on profits for next year, I want to be clear. For this year, to reiterate, we have guided, specifically on profits, which is INR1,300 crores to INR1,500 crores of PAT at the full year level. And with roughly INR280 crores in the first quarter, I think we are well on track.

**Avinash Singh:**

Okay. Thank you.

**Moderator:**

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

**Abhijit Tibrewal:**

So firstly, with regards to unsecured MSME, you also highlighted that the open source business has shown some credit deterioration, while the cross-sell, MSME unsecured still continues to do well. What I'm trying to understand, sir, right now, what we've been hearing, at least in the last maybe 1- 2 months, lot of rationing of credit has started happening in MSME unsecured.

And I'm talking more particularly about no tickets, smaller ticket MSME unsecured loans. More and more lenders want to do bigger ticket MSME. So to that end, don't you think that in an environment like this, where there are other lenders calling out that there is leverage in terms of number of loans that has built up in MSME unsecured kind of growing too fast in this segment.

While I remember in your opening remarks, you spoke about the fact that we have reduced our disbursements this quarter in this segment. Don't you see going too fast will kind of maybe lead to some accidents, given how things are?

**Jairam Sridharan:**

Yes, absolutely. That's quite correct. See and right now, MSME in our business you have to look at things every quarter, every month, figure out which business or which segment is actually going through some challenges. And wherever you see some challenges, you have to put the brakes on, where you see opportunities, you've got to accelerate.

So this business is kind of always optimizing sort of business. You can't have a one-off strategy and just fill it, shut it, forget it. You can never do that in this business. Right now, MSME unsecured is the area. If you look at our charts on Slide 14, you will see what we have done to disbursements and what has happened to disbursements and MSME unsecured over the last three quarters.

At Piramal from a level of INR1,200 crores of disbursement per quarter, we are now down to INR700 crores. So we've been bringing down disbursement for three quarters now. Let's see, let's see how this develops. But these things – Abhijit even I have spoken about this in the past. You have to predict it beforehand where the risk is going to rise. So we detected this three quarters back as you can see on Page 14 and now we are seeing some of the risk at the overall level. So action have to predate the risk outcomes.

So we have taken action three quarters ago. At some point of time, you will see us increase the volumes here for the exact same reason, that we are seeing something in the early data, which is

making us feel comfortable. And when we do see that, you will see us accelerate as well. Constantly, we will do that in every business, as you have seen us do over the last 3 years, and this is something you'll continue to see us do.

**Abhijit Tibrewal:**

Got it, sir. And sir, I mean just a related question here. I mean this quarter, I mean, a lot of NBFCs have already reported. We are seeing some weakness in credit across most product segments, even in secured product segments, right? So just trying to understand, in your assessment, how is the environment like?

Because I must give credit where it's due. At least from your results, right, doesn't look like this quarter, there was any credit risk really building up. So we've done well both on growth as well as the risk. So in your assessment, I mean, how is the environment looking? And related question, you also spoke about some spike in used car loans. Is this more a spike in the refinance business of used car loans rather than buying and selling of used cars?

**Jairam Sridharan:**

Yes. Now let me start with the last part of your question, which is absolutely spot on. I don't know where you got that sound bite. That is exactly the right sound bite. In used cars, the problem is in the refinance segment. It is not in the sale purchase segment. The sale purchase is doing just fine. It's in refinance. Even within refinance, it is in the self-employed part of the refinance market.

So that's where the problem is, but the problem is acute enough that it is showing up on the full UCL results. I'm very surprised actually that you gave me that sound bite, but I didn't know that was known. So kudos for catching that, that is exactly what is happening in the market. Refinance is where the problem is.

On your first part of your question on how I'm seeing the market itself and kind of the risk environment. I think the risk environment is stable. I think Q1 was a stable quarter. There was nothing which is surprising that happened. Used car is probably the one thing that I'm a little bit surprised about.

Like this is not something we might have -- we would have anticipated getting into the quarter. So that's the one thing which we have found a little bit unseasonal and a bit different. But most other things, even MSME, unsecured or MFI, all this stuff has been fine. Nothing has really deteriorated.

There's an accumulated effect of the last few months and a couple of quarters that you have seen play out in the numbers, but nothing particularly untoward. So it's a decent enough market. Salaried customers continue to do very well. It's the self-employed where there is a problem.

It's still not a problem as acute as it was in, let's say, the third quarter of last year. The third quarter of last year, in my mind, was still the peak of credit risk. Risk and the environment has improved in the fourth quarter and has been steady in the first quarter. And for some people and ourselves included, it has improved a little bit in the first quarter, but even for a market, my guess is that it will be stable on the whole.

But salaries has done well. Self-employed has struggled a little bit, but it's not struggling as much as it was before November last year. Things have improved since then.

**Abhijit Tibrewal:**

And just one last question, Jairam, sir. So while we appreciate we are at PBT ROA or PAT ROA of about 1.4%, 1.5%. Over the medium term, we want to get to 3%. But I mean, as you also acknowledged the reality is that we're still far away from a double-digit ROE. But at the same time, we're growing very, very strongly, especially in our Growth businesses, growing at, I mean, 30% thereabouts.

So, I mean, would there be a time maybe by the end of the year where CRAR would trigger an equity raise? Because I understand right now, more of a HFC to NBFC classification, which has led to this compression in CRAR, which will again get released when the merger is complete.

But given how we are growing and given where we are placed on the CRAR, do you think by the end of this year, it could trigger an equity raise or perhaps to give some comfort to the credit rating agencies if it helps in getting some credit rating upgrade given that now retail is the dominant portion of your overall AUM?

**Jairam Sridharan:**

Yes. That's a good question. See, our numbers don't get us to a raise by the end of the year. In general, like right now, let's say, we get the claw back of 245 basis points that Upma spoke about, we'd be in the mid-21 kind of range in terms of CRAR. We are reasonably comfortable till about, let's say, 18%.

Below 18%, we are probably looking at a raise event. I don't think we are getting to 18% by end of the year. So even with this growth, there is accumulated profit that's coming in. Let us see, these things are dynamic, and we'll have to keep updating you. But our current expectation is not pointing us in the direction of a raise in this financial year.

**Abhijit Tibrewal:**

Got it. This is useful. Again, congratulation on a good quarter.

**Jairam Sridharan:**

Ravi reminds me of another important element as well, that there are some investment portfolios that we have on our balance sheet, which, as you know, carry fairly high risk weight. As and when we are able to exit those investment portfolios, not just will it lighten up the balance sheet and make cash available or capital available for growth, it will also disproportionately release risk-weighted assets.

So its impact on capital adequacy would be disproportionate. So that's an important element as well to keep in mind.

**Abhijit Tibrewal:**

Jairam sir, I mean just for clarification, you spoke about this Legacy AUM, which we'll get released, that will release a disproportionate amount of capital or I kind of missed.

**Jairam Sridharan:**

No, the investment assets. The Shriram Life and General insurance etc. Yes, those are all equity investments, right? So the risk weights are very high.

**Abhijit Tibrewal:**

That's understood. Thank you very much and I wish you and your team the very best.

**Moderator:** Thank you. Our next question comes from the line of Shreya Shivani from CLSA. Please go head.

**Shreya Shivani:** My first question is actually just a clarification. Your AIF recovery for 1Q '25 was INR103.7 crores, which you have regrouped in the other operating income. So is it fair to believe that the INR82 crores of other operating income that you've shown in 1Q '26, that's the entire AIF recovery or there some bit of other part in it? So what is the AIF recovery number? That will be my first question.

My second question is on the employee expenses. For the quarter, these expenses, particularly the employee portion of it, seems a little elevated. Can you help us understand what happened? What measures were taken or was it because of hiring or some color around that would be useful.

And my third question again is around expenses itself. But if I look into your pro forma P&L for the 3 segments, you have about INR30 crores, INR30 crores of expense coming from the Legacy book and from the Alternatives book, right? I want to understand what are those expenses towards? And as and when that book reduces, how much of that is variable or something that eventually your Growth book will have to absorb?

So just trying to understand. It's not a big number, I understand, but yes, just trying to understand?

**Jairam Sridharan:** Yes. Okay. So there are three parts to your question. Your first question, which is on AIF recovery. AIF recoveries in the first quarter are 0. So there is nothing in the P&L that has come from AIF recoveries. You are seeing an element in the P&L that is coming from recovery from old written off accounts.

So in the same wholesale book, not in the AIF book, but in the loan part of the book, there were some assets which we had taken 100% provision on in the past and which we had written off as well, prudentially written-off. We did see some recoveries coming from there. Those are the items that you're seeing in the P&L. AIF recoveries, we have not seen.

There are some lumpy assets and there are only 4 assets left in our AIF book. We do not see any recoveries from them in the first quarter. So what you are seeing is the recovery from the write-off. Your second question was on staff costs. Nothing has changed in staff costs. Basically, we have some hiring as you might recall, we started a new business on the Micro LAP in the latter half of last financial year.

So we did some hiring for that and a little bit of hiring for our newly emerging MFI business in the fourth quarter of last year. So that staff, you are seeing full quarter numbers of that staff in this year. All our other businesses have seen no hiring in the last multiple quarters. And we have not opened any branches in the last few quarters.

So what you're seeing is basically the impact of a little bit of hiring that we did for these two businesses, Microfinance and Micro LAP, that we did and completed in the fourth quarter of the last financial year. So that's it plus, of course, people get their increments and bonuses, etc, and the new pay scales become applicable from April. So that's one delta that you do see in Q1.

So that's what you're basically seeing from a staff standpoint, nothing major to point out there. Not a whole lot is going to happen to that line item through the rest of the year. Then your third question was on costs on the Legacy book. See, some of those costs, I would say it's about 50-50.

50% of those costs will remain and 50% of the costs will go away as the Legacy book goes. The part that will remain is the part where our team, our staff are engaging with these clients and those people, we will naturally absorb them in other parts of our business. So that part of the cost will remain.

However, there are also going to be a lot of legal costs and some of these recovery procedure cost, etc., that are also part of that, which will obviously not apply when that book goes away. So you should assume that about 50% of those costs will remain and 50% will go.

**Shreya Shivani:**

That is very useful. And just one more clarification that I wanted was on the completion of the merger, the expectation is about September, October. So from third quarter onwards, we can expect building in no taxes for you guys, right or does this happen on annual basis?

**Jairam Sridharan:**

Hopefully, from second quarter itself. See if the process gets done, let us say, we are on the very last leg of the process, which is NCLT approval. The day NCLT approves and let's say, the next day we file with ROC. Then basically, as of that day, we are a single company. The moment we are a single company, all the carry forward losses are now available to this single company.

So if that process happens towards the last week of August or first week of September, which is our current expectation, though, of course, it's a regulatory process, it can take its time. But our current expectation is last week of August, first week of September, that should get done. The moment it gets done, we become a single company.

So next quarter, if this process goes as per what I'm suggesting to you now, next quarter, you should see a single company declaring results. And hence, naturally, that dynamic will play out.

**Shreya Shivani:**

Got it. And if I can just squeeze in one more question. This is on your digital loan book, right? I mean this is one book which was flattish at about INR2,800 crores level for the last couple of quarters.

And that has sort of picked up. Disbursement is also not at the same level as you have seen in FY '24, but now it is at a better level versus FY '25. So can you give some color on exactly what all segments or what all categories you're feeling more comfortable in disbursing in this particular segment?

**Jairam Sridharan:**

So that's a good catch. We have gotten more comfortable with digital lending in this quarter. And publicly mentioned this in the previous quarter's call as well that you might see us accelerate this segment, given some of the risk trends we are seeing, and that's exactly what you have seen now.

If you look at the risk trajectory, if you look at Page 21, for example, and you look at what has happened to risk in digital loans, you've seen a couple of quarters of pretty steep improvement in risk. And that's what has actually given us confidence.

What has happened here is that the market has shifted in very large part towards FLDG, which means the originator is still bearing a meaningful part of the risk. And the lenders, in this case, ourselves, are getting a lot more credit protection.

And so the market has moved and some of the largest players in the market who historically were not offering FLDG-based origination, which because of that, we were not willing to do a lot of business there. That situation has changed. A lot more FLDG is now available, and that has made us a little bit more comfortable.

There's also been a shakeout in the market. A lot of the weak guys have left, and only the slightly stronger guys are remaining now. So that's also given us confidence to actually go work more deeply, backed up with FLDG protection.

**Shreya Shivani:**

Got it. So it's got to do more with the originators being more comfortable with the FLDG format now? And also, obviously, your own trend also being much better. There's no difference. You've not changed the product structure or the category or nothing of that sort has happened, is it?

**Jairam Sridharan:**

We continue to remain away from the very small ticket short duration business, the BNPL type business, which has been kind of very problematic in the cycle. We continue to remain away from it. That probably comprises 10%, 15% originations in digital, no more than that. So we continue to remain in the slightly larger ticket, slightly longer duration type players.

And we have, in fact, increased proportion of salaried as well. In this, though, it is still a majority self-employed population, but we have increased the proportion of salaried as well. So the risk has continued to move favorably in this segment.

**Moderator:**

Our next question comes from the line of Nischint Chawathe from Kotak.

**Nischint Chawathe:**

Just two questions. One was on the asset quality side. When I look at your presentation, it looks like you seem to be doing fairly well on collections in most of the segments, let's say, other than used car loans. I mean I was curious, you had a slightly cautious commentary on MSMEs. So I was curious whether you see this trend for the industry? Or is it something that you're seeing in your portfolio?

**Jairam Sridharan:**

In our data early, Nischint, if you see business loans, you see that little blue line there, you can see it's fairly stable. Nothing much has happened even though it used to be at lower levels at the beginning of last year. It has increased, but you see that the blue line is relatively stable.

However, it hides one important fact, which is that if I deaverage that blue line into 2 parts, one, which is about new open market origination and the other, which is cross-sell. What I'm finding is that the cross-sell part is actually doing really well, and the new open market origination stuff is actually not doing that well. It is actually still on an upward trajectory.

So that's the driver behind my commentary that this MSME unsecured continues to remain problematic. And it has not gotten to a point that we are comfortable right now. Right now on surface, it is looking good because our cross-sell proportion has increased. Otherwise, it would not remain stable. It would show an upward trajectory.

**Nischint Chawathe:** Got it. Did you share the incremental cost of borrowing data number for the quarter? I remember you mentioned.

**Jairam Sridharan:** We have shown the overall number which is 9.12%. Incremental cost of borrowing is in the same range, Nischint. It is somewhere between 9% and 9.1%.

**Nischint Chawathe:** Sure. And one tiny question if I can squeeze in. This loan against mutual funds is something which you see as a secular trend? Or is it something that kind of is done opportunistically?

**Jairam Sridharan:** No, no, it is secular. It is something that we want to build. I don't currently show it as a separate bar in our stack bar. Our general philosophy is if something becomes 2% of book, then we will start showing it as a separate color. Currently, it is not there yet. But in a quarter or 2, you might start seeing that come up. It's about what INR1,000 crores or something now of book.

So yes, it is a business we like a lot. We like that business actually more than we like loan against shares. We think mutual funds, the general ownership in the market has improved, retail ownership of mutual funds has improved quite a bit in the last 2, 3 years, but not enough penetration of lending and not enough monetization of those assets has happened. So we do believe that there's a secular opportunity there.

And NBFCs do have a little bit of an advantage here over banks, given the INR20-lakh limit that banks have. So it is a business that we like, and you will see us do more. Of course, it does tend to be a little bit of a cyclical business. If the market does well, the book utilization does increase quite a bit. The market has been a bit choppy. So utilizations have actually fallen a tad over the last few months, but it is secular. It's a business we strategically like.

**Moderator:** Our next question comes from the line of Kunal Shah from Citigroup.

**Kunal Shah:** Jairam, just wanted to touch up on Slide number 22, instead of Slide number 21, okay? So here again, when you look at it in terms of the vintage risk, okay, that seems to be building up in salaried PL as well as in digital loans, if I'm reading it right. So how should we look at it? You have clearly called out with respect to used cars and business loans. But again, like say salaried PL and digital and I think disbursements in both these segments are growing. So how should we read that, yes?

**Jairam Sridharan:** Yes. No, it's a good call out, Kunal, it's a good catch. This is a 90 plus in 12, month metric that we are showing. We also got a bunch of other metrics, 30 plus 6, in particular, that is actually doing better. So I'm feeling okay. But yes, if this trend continued for 2 more quarters or even 1 more quarter, I would have to change commentary on this.

**Kunal Shah:** Okay. So that would be, but are we changing the stance on disbursements in these 2 segments because that's not clearly reflecting.

- Jairam Sridharan:** Right now, you should assume that in the business loans and UCL, a little bit of break on it. In salaried PL, accelerator is on. And housing and LAP, accelerator is on. Digital loan is running on neutral. That's the way you should think about it.
- Kunal Shah:** Okay. Got it. So you said home loan and LAP that is clear accelerator on. On salaried PL, what did you mention?
- Jairam Sridharan:** Salaried PL, accelerator is on.
- Kunal Shah:** Okay. That is also on. So this decline, which would be there, that's more of a seasonality in the 1Q from INR1,490 to INR1,100. And digital, you are saying, it's like neutral, yes.
- Jairam Sridharan:** That is right. But I do want to state that this is not a strategic stance. This is a tactical stance based on what I'm seeing in the data today. If tomorrow or next month of the data is a little bit different, I'm going to change my stance completely, right? So we are very flexible about this. We don't have a big kind of strategic view of that this business should be this much, that business should be this much. That is done by looking at the data and we will keep changing our mind.
- Kunal Shah:** Okay. And as you mentioned on MSME as well as, say, self-employed, you said like that is also struggling a little bit. That's more on the unsecured part. But on secured, would you be worried about? And within LAP, if you can highlight maybe in terms of how the self-employed proportion would be and would at any point in time, we could see some risk building up out there?
- Jairam Sridharan:** See, LAP, almost 90% is self-employed. So it is a predominantly self-employed business. The small ticket lap is struggling. So smaller you go on ticket, the more the struggle is, and there are some risk challenges. We, of course, have seen some results in this season, which I've also pointed in that direction of other funds. Our experience is also the same.
- Kunal Shah:** So that would be less than 10 lakhs, how would that be?
- Jairam Sridharan:** Less than 10 is in a bad condition. For less than 5 is in a very bad condition. The condition is very bad. Anybody who is less than 10 is in very, very deep trouble. But even less than 10 is not doing that great. But more than 10, everything is just fine. So far, we have not seen anything.
- Kunal Shah:** Okay. Got it. And how much would be the proportion for us in this two?
- Jairam Sridharan:** Very small. Less than 5 is not there, we don't do it. Less than 10, I don't know how much it is. Does anyone know? No, I don't remember.
- Kunal Shah:** Okay. So not a bigger one.
- Jairam Sridharan:** Overall, our average ticket size is 22, 23 lakhs, Kunal.
- Kunal Shah:** Yes, ours is almost 25. So what we have mentioned, like average ticket size is 25. So there is not too much of worry on the left front. So you wouldn't be too bothered about it at this point in time. Even though you are seeing it in the smaller tickets and self-employed is still struggling a bit, but you are not too worried about it.



- Jairam Sridharan:** Yes, correct. The big problem we are seeing is in small ticket, big town. The combination of small ticket, big town is the worst. Our positioning is mid-ticket, mid-sized town, and we haven't seen any major problem there yet.
- Kunal Shah:** Okay. Got it. And in terms of like catch up on the coverage, you mentioned like instead of external, now we are looking at more internal factors given the vintage that we have built. But then would we be getting back towards those kind of coverage levels, which we have been providing on the Growth, because it doesn't seem to be the case now?
- Jairam Sridharan:** What is happening in our business, the way our accounting policy works is that at 120 days, we're making 100% provision and essentially writing the thing off. So all the unsecured is getting over in 120 days. So what you have in the book is just security by and large. So we make 100% provision at 120 days and we are doing write-off at 170 days, right?
- Kunal Shah:** Write-off at 170?
- Jairam Sridharan:** Write-off at 170, but 100% provided at 120. So what is happening is that you don't have a large unsecured book in your Stage 3, because the unsecured book is continuing to run off. So you are only left with housing and LAP there.
- Kunal Shah:** So that's the reason coverage is low?
- Jairam Sridharan:** Right.
- Kunal Shah:** Got it. Perfect. And one last question, if I can ask, maybe, would you want to call out if there would be any impact in any of the line items, operating parameters, capital adequacy you indicated, but when this merger happens, should we be prepared for any of the maybe abnormalities in the reported numbers?
- Jairam Sridharan:** Nothing to point out. Capital adequacy is the big one, which we have spoken about. Otherwise, we have been doing consol numbers anyway for the last multiple quarters.
- Kunal Shah:** There shouldn't be any surprise at all, whenever this merger happens.
- Moderator:** Our next question comes from the line of Mayank Mistry from JM Financial.
- Mayank Mistry:** Sir, I have just one question, just figuring out whether in the retail book right now our yields are close to 14%, and our cost of funds stands at around 9% and we have 4% of opex to AUM, right? So a differential, a spread of 5% on which we are doing some opex sort of 4%. And even after this, your credit cost comes to around maybe, let's say, on an optimal basis, let's say, it comes around 50 bps.
- So largely, the retail ROAs would seem to be more of a flattish, right, or more of like muted. So I just want to know, I mean, in next 2 years or maybe even more, how should we see the trajectory and where should we see the differential going forward?
- Jairam Sridharan:** Okay. See, the math that you did is a math on margin. Sorry, on spreads, not on margins. So just go to the margin math. Today, we are at about a little over 1%, 1.1%, 1.2%. ROA, we showed

that Growth book ROA is about 1.4%, 1.5% during the quarter. And 86% of the Growth book is retail. So you cannot be like flat or losing money in retail and still make 1.5% in Growth book, right?

So in our retail, let's call it ~1.25% ROA is being made today. And that will continue to move upwards based on 2 or 3 parameters, number one, opex, where there's about a 50 basis point play between where we are and where we have guided. And the fee thing, which we have indicated on Slide 20.

If you have seen, we have shown how the amortization fee impact, the back book kind of coming in, whereas it has already caught up a lot. There is another 30-odd basis points to come from there. So between that and cost, which are fairly kind of certain outcomes, you're already looking at kind of anywhere from 60 to 80 basis points of delta between these 2 items. So that is the kind of ROA expansion that is in the bag in some sense.

Apart from that, we have to work on kind of margin by essentially finding the right time to accelerate on unsecured, and hopefully get a little bit of benefit on cost of funds, etcetera. Those will provide the other impetuses.

Overall, in a world in which Growth book is 100% of our business, 80% to 85% of the Growth book is retail and another kind of 15% to 20% is wholesale split, let's say, kind of 1:3 between CMLL and real estate. That's the portfolio we are trying to build, and that portfolio with kind of somewhere in the 2.75% to 3% kind of ROA is something we can realistically achieve over the next couple of years.

**Mayank Mistry:**

Okay. So largely in the current mix, it's 110 bps is increment in ROAs and rest is dependent on the mix. Okay, sir. And only on the cost of fund side, I mean our incremental cost of funds have remained is in the same range. So any trajectory on when should we see.

**Jairam Sridharan:**

You will see improvement in the second quarter. We have seen some improvement. But towards the very end of the first quarter. So we actually didn't show up much on the quarterly numbers. There were some favorable spillovers in the last quarter in terms of baseline interest costs, favorable spillovers, which have made last quarter look kind of unrealistically kind of slight bit lower than what it otherwise would have.

But anyway, the point is that if I look at pure on a purely economic basis, if I look at Q1 versus Q4, we have seen a benefit of about 7 basis points. You see only 1 basis point on this because there are some one-offs, as I said, the favourable one-offs in the last quarter. But anyway, but even 7 basis points is not that much.

You will see a little bit more in the second quarter because all the reductions that have happened in Q1, you will see the full benefit of that in Q2. And hopefully, you will see more banks reducing MCLR. See, if the banks start cutting MCLRs, we're not going to see that much benefit in our numbers. But now banks are starting to cut. So you will start seeing that more in Q2.

Okay. Sorry, I do want to take 15 seconds to go back to Kunal's question on merger and whether there are anything, whether there is anything to be expected. Of course, we spoke about the

capital adequacy, but there is also, Kunal and others, we should expect onetime cost of mergers that will happen. Merger is a big process. It's a big corporate action. So there's a lot of like legal costs and a bunch of these other costs, stamp duty and some of the stuff that will come up.

All of that, we will, of course, disclose that separately in the second quarter. That's a material onetime event, though nothing so huge. You shouldn't get worried about it. But it will be something. It will be like a some 2-digit crore number, not a 3-digit crore number, but it will be meaningful. It will be noticeable. And it is fully incorporated in our full year guidance of INR1,300 crores to INR1,500 crores, so you shouldn't have to worry about that. Sorry, let's go back to the question.

**Moderator:** Our next question comes from the line of Shubhranshu Mishra from PhillipCapital.

**Shubhranshu Mishra:** So the first question is around the FLDG that you just mentioned. The sizable listed Fintech mentioned that we are going off-FLDG with their lending partners, while we are seeing the opposite that we are doing more of FLDG with our Fintech partners. What is the divergence here between these 2 stances?

Second, is there another large player of ours mentioned about stress in MSME, especially if it's an unsecured business loan. So what are we seeing in the unsecured part of the business loans, especially ticket sizes less than 10 lakhs? And when do we see them resolving?

**Jairam Sridharan:** Okay. On your first part of your question, see different companies will have different strategies. I can't comment on what this other competitor said. Our belief is that Fintech originated business continues to be our risk profile and volatility that a listed large regulated entity like us wouldn't want to keep a large part of that on our balance sheet. I would want to protect that risk. And so I'm not that keen on actually doing a lot of non-FLDG business.

Others might have a different viewpoint, and that's fine. But our strategy is a more FLDG-driven strategy and it's not like we don't do non-FLDG business. With some partners with whom we have worked for a very long time and where the customer profile we find is much more stable and where the risk profile is such that we can put it on our balance sheet directly, we are happy to do it, but those are few and far between.

In the main, we want to do FLDG business and there are enough providers of FLDG in this market. So we don't feel the need to take on risk on our balance sheet. That is our strategy, others might have something different.

Your second point on MSME risk, I had mentioned this in my opening remarks as well. Yes, we are seeing risk in MSME unsecured, particularly in the open market business. And so we are being careful. We have cut disbursements there quite radically in the last 3 quarters. If you look at our Q1 numbers, it is down 30% Q-o-Q. So for 3 quarters now, we've been cutting in our open market MSME unsecured business, replacing it with a little bit of cross-sell SME unsecured, which is doing well.

**Shubhranshu Mishra:** If I can squeeze in one last question. You mentioned that you can do non-FLDG. Would that be more in personal loans or in business loans?

**Jairam Sridharan:** No, no. If we do it through a partner, we will show it in EF only. We'll show it as part of the EF business only. There is one significant partner in EF, where we do non-FLDG business. Otherwise, practically everybody else, we do with FLDG.

**Moderator:** Our next question comes from the line of Jigar Valia from OHM Group.

**Jigar Valia:** The question is basically a credit rating, when is it up for the next review? And also, if any specific leverage number guidance, given it may help improve valuation.

**Jairam Sridharan:** Yes. So Jigar, we do a conversation with credit rating agencies on a very regular basis. We have started to have a conversation right after this quarter's results as well. So I'll be speaking with them next week. I don't have much more to say on that. Let's see what they think.

In terms of leverage, what we have said historically and I'll repeat, is that we think right level of leverage or an appropriate level of leverage beyond which we will probably not be comfortable is 4:1 debt to equity. We are currently very far away from there. So it's not something that's a binding constraint right now. I think we ended this quarter 2.5:1. So there is still a lot of room for that. But beyond 4:1, we'll probably not be comfortable.

**Moderator:** Our next question comes from the line of Vijay Sarda from Systematix Group.

**Vijay Sarda:** Congratulations on good set of numbers. I just wanted to understand 2 things, broader aspect. Basically, if you can dwell more upon this WS2.0 book, how we are managing the risk? Till date, I think we have been doing quite excellent with 0 delinquency. But getting into intricacy as things on the IT side is slightly getting bad in terms of the hiring and all that, do you see risk because 80% of your exposure is into all these IT hubs. So just wanted to understand things going forward for that.

And secondly, if you can touch upon this pause on the branch expansion strategy. So what is the plan there? So are we more tuned to expand the business, as you said, on the per branch side before taking the next leap on the branch? Or this is just a temporary pause?

**Jairam Sridharan:** Yes. My colleague, Yesh, will first take the first part, and I'll jump into the second one in a moment.

**Yesh Nadkarni:** Yes. So on your question, look, our intention is to actually build a very highly diversified and granular book on wholesale side, comprising both our real estate lending piece, which is about 70%, 75% of the portfolio, but also diversifying by way of getting granular exposure to a number of industries in our corporate mid-market lending strategy.

So, what we are looking at is wholesale portfolio. That is very different than what it was in our previous version 1.0. The 2.0 version of the business that we have built, in that it's very highly sort of granularized as reflected in the ticket size of being INR 74 crores per deal, but also very diversified and not, therefore, relying on any 1 or 2 or 3 sectors.

As it relates to how we are building this portfolio, clearly, there are very detailed set of sandbox conditions that we have designed, which we apply through every deal, and every deal has to

stand on its own feet in the underlying credit metric being conservative credit ratios, the corporate leverage, the appropriate structures and so on and so forth.

Your question also specifically in regard to demand from IT. Actually, what we are seeing in the IT space. Obviously, the headline in the last couple of weeks have suggested that there was some slowdown in the IT hiring, etcetera. But that slowdown so far, we are seeing happening in some segments of the IT industry as a whole.

For instance, the IT outsourcing companies have actually seen muted headcount growth, but that slowdown has been compensated by significant hiring by global capability centers, for instance, right? And therefore, on a net basis, what we are seeing happen in the market is a significant growth in demand for IT office space. I mean, this data is all public.

So you can see the IT office space, which is in turn depend on the IT company expansion and headcount. And therefore, demand for offices as well as residential spaces in these locations continues to grow at 20%, 25%, right? And that's reflected in our portfolio as well.

We'll obviously monitor how situation evolves, how the sector grows. And then depending on that, we'll design or redesign our portfolio as it grows. But at this point in time, we are not seeing any material impact of that. At this point in time, I will also reiterate that the way we are constructing our portfolio has a very strong element of sector, sort of diversification as well as granularity. And therefore, far more diversified than ever.

**Jairam Sridharan:**

On your branch question, you're right to point out that we've been on a pause with respect to new branches for the last few quarters. It is a temporary pause. We didn't need to take a little bit of a breather. We had opened about 200 branches over a course of about 7, 8 quarters. But we wanted to let all of those branches settle in and for us also to absorb the opex coming in from new branches, etcetera, and get to a point where our opex is a little bit more of a manageable level before we give ourselves the license to build out branches again.

We have continued to do well on the opex ratio front and the ratios have moderated. Let's see, in a quarter or 2, we might get to a point where we feel comfortable again and we will restart branches. We are not done with respect to branch openings at about 517 branches. We have enough to go for a little while, but this is not end state for Piramal. So we will be opening more branches, but maybe not in the next quarter or 2, but you might see us do some branch openings after that.

**Vijay Sarda:**

Just last question, Jairam. I wanted to understand, we were supposed to do some new segments like gold and all that. So have we started with the pilot or we are deferring that for some timing?

**Jairam Sridharan:**

No, no. We have started working on it. We will let you know some details once we have done a little bit of business, once we have kind of scoped out what is working well for us, etcetera. Last year as well, you might recall that we started our micro-LAP business. We ran it for 2 or 3 quarters. And after that, we came out and told you guys that this is something that we have started a little while ago.

That is stylistically what you should expect from Piramal. We are not going to make announcements before we launch a business. We will launch it. We will run it for a little while, get comfortable and then you will hear us talk about it, the same you should expect in gold loans as well.

**Moderator:** We will take our last question from the line of Abhijit Tibrewal from Motilal Oswal.

**Abhijit Tibrewal:** Jairam, I just wanted to understand. You spoke about micro LAP just now. Earlier in the call, you also alluded to the fact that less than 10 lakh ticket size is not doing well. Less than 5 lakh ticket size is even worsened.

So the micro LAP product that we are trying to build, right, how you said that you are looking at it, which ticket sizes, which geographies kind of looking at, because why I ask is, I mean, in the last 1 year, there has been so much euphoria around this micro LAP product, right? Everyone wants to be do micro LAP. And given how small ticket LAP has behaved right? I'm just trying to understand how are we approaching this product?

**Jairam Sridharan:** No, it's a good question, Abhijit. See our average ticket size is 9 lakh in micro LAP. And yes, if you just look at the last 2 quarters of data, you'll be worried about it. And you will think that this is not really a business that we should be looking at right now. But as we have mentioned in the past, businesses get built with the long term in mind, we are building this business because we believe it will be a really good thing 20 years from now.

We can't get caught up in where we are in the cycle right now. And we will not be overly optimistic about the business and like do thousands of crores of this in the short run. Nothing like that is going to happen. It will probably reach a total of like INR1,000 crores by the end of this financial year or something like that. So it's going to be a really small thing in the larger scheme of matters.

But building businesses is a 5-6 year game. So if we have to start somewhere and at some point of time, we don't get worried about business cycles when we are starting businesses, because we are dealing for the long run, and we hope that we will be going through multiple cycles in the life of that business. So timing is just not our thing. We are building this business. We know that it's a tough market for it right now.

Same as microfinance. We know it's a tough market, but we will still build the business because through cycles, we believe that we'll be able to make good money in it in the long run. So we are in the investment phase right now.

**Abhijit Tibrewal:** Got it. And just one more clarification. You spoke about our pilots in gold finance and you'll disclose when appropriate. The question here is, I mean, this gold financing that we'll do, will they have dedicated gold loan branches or will they be in the nature of co-located branches?

**Jairam Sridharan:** We are trying both models, Abhijit. Let's see which one is more cost economical. We have not yet figured out which one we want to bet on. We will try both. But right now, the bias is towards doing more gold loan specific branches, let me be clear. But there is a small chance we might also try some mixed usage models.

**Moderator:** Thank you. Ladies and gentlemen, we will take this as a last question. I now hand the conference over to Mr. Jairam Sridharan for the closing comments.

**Jairam Sridharan:** Thank you, everybody. It's been a slightly longer call than usual, I hope that's a good thing. Thanks for participating actively in this call, and have a very good evening.

**Moderator:** On behalf of Piramal Enterprises Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.