August 11, 2025

The Secretary
BSE Limited
Pheeroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 531595

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No- 'C' Block, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051
Scrip Code: CGCL

Sub: Transcript of the earnings conference call for the first quarter ended June 30, 2025 – Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Dear Sir /Madam,

In terms of Regulations 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI Listing Regulations and further to our letter dated July 24, 2025 and August 03, 2025 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), please find enclosed herewith the transcript of Earnings Conference Call for the first quarter ended June 30, 2025, held on Tuesday, August 05, 2025, which concluded at 12:58 p.m.(IST).

Further, please note that this intimation is also available on the website of the Company.

The above is for your information and dissemination to all the stakeholders.

Thanking you,

Yours faithfully,
for Capri Global Capital Limited

Bhatt

Yashesh Bhatt
Company Secretary & Compliance Officer
Membership No.: ACS 20491

Encl.: As above

Capri Global Capital Limited
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Capri Global Capital Limited

Q1 FY26 Earnings Conference Call

August 05, 2025

MANAGEMENT

MR. RAJESH SHARMA – MANAGING DIRECTOR
MR. KISHORE LODHA, CFO
MR. SANJEEV SRIVASTAVA, CRO
MS, DIVYA, DIRECTOR BUSINESS STRATEGY
MR. HARDIK DOSHI – HEAD, CORPORATE FINANCE & INVESTOR RELATIONS

Indian Numbering System Legend

₹ 10 Lakhs	= ₹ 1Mn
₹ 1 Crore	= ₹ 10Mn
₹ 100 Crores	= ₹ 1Bn
₹ 1 Lakh Crore	= ₹ 1Tn

Moderator: Ladies and gentlemen, good day and welcome to the Capri Global Capital Limited Q1 FY '26 Earnings Conference Call hosted by Go India Advisors. 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hardik Doshi from Capri Global Capital Limited. Thank you, and over to you, sir.

Hardik Doshi: Good morning everyone and welcome to Q1 FY '26 Earnings Call for Capri Global Capital Limited. This is Hardik Doshi, Head, Corporate Finance and Investor Relations. As a brief disclaimer, the discussion on today's call regarding Capri Global Capital Limited's earnings performance will be based on judgments derived from the declared results and information regarding business opportunities available to the company at this time.

The company's performance is subject to risks, uncertainties and assumptions that could cause results to differ materially in the future. Given these uncertainties and other factors, participants on today's call may observe due caution while interpreting the results. A full disclaimer is available on Slide 63 of earnings presentation, which is also available on our website. Participants are requested to take note of the same.

With us today on the call, we have Mr. Rajesh Sharma, Managing Director of the company; Mr. Kishore Lodha, Chief Financial Officer; Mr. Sanjeev Srivastava, Chief Risk Officer and Ms. Divya Sutar, Director Business Strategy. I now request our Managing Director, Mr. Rajesh Sharma, to present the opening remarks. Over to you, sir.

Rajesh Sharma: Thank you. Good afternoon, everyone. I hope you are all doing well. We announced our unaudited financial results for the first quarter of the financial year 2026 earlier this month on 1st August. I trust you had the opportunity to review the earnings presentation, which is also available on our website.

Before I move on to the financial and operational highlights, there are a couple of things I would like to specifically highlight during the quarter. We successfully completed a Qualified Institutions Placement, raising INR2,000 crores in primary equity capital. This was a landmark event for the Capri Global marking our first QIP in over a decade.

The offering received a strong and broad-based response from both domestic as well as foreign institutional investors, which we view as a powerful endorsement of our financial performance, governance standards and long-term strategic roadmap. This capital infusion significantly strengthened our balance sheet and enhances our ability to scale operations across core lending verticals, including MSME, affordable housing, gold loans and construction finance.

Importantly, it also provides us with the additional flexibility to invest in next-generation technologies, including generative AI and data science capabilities, which continue to play an instrumental role in sharpening our underwriting, risk management and customer engagement. Beyond business expansion, this fundraise opens up new avenues to further diversify our borrowing and deepen our liability franchise.

As we scale responsibly, we remain focused on improving credit access for underserved customer segment, driving greater operating efficiency and building a resilient, well-diversified secured portfolio. Coming to our business and earnings performance during the quarter.

Overall, I would say it is a good start to the year, a good quarter on volume, asset under management, opex, profitability, ROA and ROE. We commenced FY '26 with healthy momentum across our lending businesses. As of June 30, 2025, our consolidated AUM stood at INR24,754 crores, registering a year-on-year growth of about 42%.

This performance was led by robust retail AUM growth, driven by 69% year-on-year surge in gold loans and 32% Y-o-Y increase in housing loans. Co-lending AUM reached about INR4,681 crores, up by 64% year-on-year and contributing 18.9% of consolidated AUM versus 17.8% in Q4 FY '25, underscoring our deepening partnership with leading banks.

Disbursement for the quarter grew 51% year-on-year to INR8,458 crores, supported by expanding distribution reach improving customer on-boarding. Growth continues to be granular and well diversified with number of customers surpassing 5.5 lakhs, reinforcing the strength and scalability of our retail-led model.

MSME loan grew to reach INR5,477 crores, while our housing finance portfolio stood at INR5,490 crores, translating to robust year-on-year growth of about 14% and 32%, respectively. The MSME business is gaining from our calibrated rollout of small ticket-sized secured business loan called Micro LAP, now present in over 94 locations, helping us reach emerging self-employed borrowers with lower ticket size requirement.

In housing finance, we continue to see resilient borrower demand across the affordable segment, where rising urbanization, income formalization, and housing upgrades are driving demand for secured credit. Further, Pradhan Mantri Awas Yojana subsidy scheme is also fuelling the growth.

Our gold loan business maintained strong momentum in quarter 1 FY '26 with AUM rising 69% year-on-year to INR9,105 crores. The portfolio is supported by 821 specialized branches with average AUM per branch at INR11.1 crores. As of June 25, 737 branches are operating above the breakeven of INR5 crores AUM per branch mark. The fully digitized loan journey, AI-enabled security system and high customer stickiness driven by repeat borrowers of 55% to power this growth.

With ongoing network expansion and the activation of co-lending partnership, gold loans remain a key growth driver of high-yield secured growth business model. Our construction finance portfolio grew 61% year-on-year to INR4,521 crores, now funding our 280 active residential projects with an average sanction ticket size of INR41 crores.

The book remains well diversified and granular, reflecting our focus on working with midsized developer in metro and Tier 1 cities. We continue to emphasize disciplined underwriting through rigorous due diligence and escrow-based cash flow management, ensuring a risk-first approach. Demand in the affordable mid-income housing segment remains strong, providing a steady pipeline for a scalable and prudent growth.

Now I'm turning to earnings performance. Let me now provide an update on our core earnings. Our yields and spreads on net advances remained healthy in the quarter at 16.9% and 7.2%. Our net interest income for Q1 FY '26 reached at INR416 crores, marking a 38% year-on-year increase, driven by a robust growth in our loan book.

We continue to strengthen our non-interest income streams in Q1 FY '26, reinforcing our strategy of building a diversified and resilient earnings profile. Non-interest income grew 53% year-on-year to INR166 crores, contributing 28.5% of net total income for the quarter, driven by strong growth in core lending fee income and insurance distribution. Our car loan distribution business maintained its steady momentum with originations of INR2,651 crores in Q1 FY '26, up 19% year-on-year.

With a growing footprint and deep relationship across 12 partner banks and financial distribution. We have built a scalable and high-volume platform in this segment. In insurance distribution, we generated net fee income of INR28 crores in the quarter. With partnerships across 18 insurers and increasing penetration across our retail customer base, we expect this business to become a meaningful contributor to our overall fee income going forward.

Meanwhile, co-lending income stood at INR73 crores, supported by rising disbursal volume with partner banks. Our branch network expanded to 1,138 locations in Q1 FY '26 with a net addition of 27 branches while our employee base remained steady at 11,546. Over the past few quarters, we have seen a clear shift in operational efficiency with our cost-to-income ratio improving meaningfully to 46% in Q1 FY '26, from 55% in Q4 FY '25 and 65% in Q1 FY '25.

During the quarter, we had onetime benefit of the INR15 crores in the operating expenses due to the reversal of provisions on account of change in the perquisite policy. Adjusted for that, our cost-to-income ratio would have been 49%. The sharp improvement reflects the benefit of our maturing branch network, rising productivity due to various AI-enabled tools and increasing digital enablement.

Pre-provision operating profit surged 115% year-on-year to INR312 crores during the quarter, underscoring the impact of operating leverage and disciplined execution. As our network continues to mature and technology adoption deepens, we see further headwind to drive productivity gains and sustain this trend of improving operating efficiency.

We continued our strong profitability momentum in Q1 FY '26, delivering a robust profit after tax of INR175 crores, up 131% year-on-year. This sharp growth was driven by expanding margins, operating leverage benefits and consistent performance across all key business segments, despite the impact of recent equity fundraise, return ratios remained healthy with ROAE of 13% and ROAA of about 3.2% for the quarter.

As regard to our asset quality, our credit cost for the quarter increased to INR81 crores in Q1 FY '26 from INR18 crores in 4Q FY '25 or 1.6% of the gross loan book and our provision coverage ratio on Stage 3 loans remained at 41%, demonstrating our prudent provisioning and conservative approach to risk management.

Increase in credit cost was on account of higher ECL provision of INR55 crores, mainly driven by increase in Stage 1 provision of INR24 crores, increase in Stage 2 assets in MSME and housing loan of INR71 crores, resulting in an incremental provision of INR22 crores; one account in construction finance with outstanding loan of INR16 crores slipping into NPA, on which provision of INR8 crores has been created. However, there was a write-back of INR7 crores provision due to recoveries from the previous accounts; one-off provision on car loan receivables of INR11 crores

Our gross Stage 3 asset ratio were at 1.7%, marginally higher on a sequential basis, but improved by 48 basis year-on-year, while net Stage 3 ratio stood at 1%, down 19 basis year-on-year.

Collection efficiency remains strong, reinforcing the resilience of our portfolio. We are further enhancing our risk management framework by leveraging advanced analytics and data science, thanks to sharpened customer risk profiling and improving underwriting ensuring disciplined sustainable growth.

Following the successful completion of INR2,000 crores equity raised through QIP during the quarter, our balance sheet is significantly stronger, providing ample headroom to accelerate growth across businesses, while maintaining financial prudence. This capital infusion has resulted in a robust stand-alone capital adequacy ratio of 34% for CGCL, supported by a total equity of INR6,438 crores while Capri Global Housing Limited closed the quarter with a healthy capital adequacy of 29%.

Liquidity remains comfortable with INR3,700 crores in cash and bank balances, investment in undrawn credit lines across CGCL, CGHFL, giving us the agility to navigate evolving market conditions and deploy capital strategically. Borrowing stood at INR15,979 crores with a debt-to-equity ratio of 2.5x. We continue to diversify our funding mix by tapping capital markets, increasing the share of NCDs and commercial paper.

During the quarter, we successfully raised INR150 crores of NCDs at competitive rates between 9% to 9.25%. Our Board has also approved a public NCD issuance up to INR1,000 crores, which we plan to tap opportunistically. Additionally, the softening interest rate environment, driven by reduction in the repo rate and subsequent decline in MCLR is expected to further lower our cost of borrowing, supporting our profitability.

Our technology investments remain foundational to our ability to scale securely and efficiently. We invested INR26 crores this quarter in technology, data science and systems, reflecting our belief that technology is not a onetime capex, but a continuous engine of transformation. We are focusing on leveraging generative AI in further enhancing our processes for evaluating customer profiles, collateral in collections, cybersecurity and compliance-led upgrades remain core priorities as we expand our digital footprint.

I'm also pleased to share that Capri Global has received a strong ESG rating of 69 from NSE Sustainability Rating Analytics, placing us ahead of the most listed NBFCs on the NSE and reflecting our robust governance practices as well as our structured approach to environmental disclosures. While we see room to further strengthen the social pillar, this rating is a strong validation of our ESG journey and our commitment to responsible growth.

Complementing our ESG progress, we continue to strengthen our brand visibility through impactful campaign like Tarraki Ke Haath, which has significantly enhanced awareness and recall across our key markets. Backed by a 360-degree media plan, expanding TV, print, digital and branch level activation, this campaign is helping us to build not just visibility, but also deeper emotional connect with the people we serve.

Now we would like to open the session for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gaurav Purohit from Systematix.

Gaurav Purohit: So I have a few questions. I'll start with growth. Growth has been fairly robust in the recent quarter. And given the current momentum that you're seeing, is there a possibility that we exceed the 30% guided growth range for the next 3 years?

Rajesh Sharma: Thank you. I think we are going to remain on course for the 30% growth, and that we believe that is quite healthy growth. We don't think we are going to exceed that this year.

Gaurav Purohit: And also, sir, on growth, what is giving you comfort on growing so aggressively? I understand that you are primarily into secured businesses. And what do you think can go wrong given the current environment because some of your peers have started reporting some stress in MSME segment. So, do you think that could later on result into some delinquencies or are you seeing that in your portfolio right now?

Rajesh Sharma: So, I think our confidence of 30% growth comes that we are -- as you rightly said, we are in a collateralized portfolio. So, we have ability to recover by various means, including disposing of the property, which is mortgaged to us. Out of about 35% portfolio is gold, which is the asset quality remains in complete control where we can auction the gold and recover our money.

As regards to the other segment, we agree that MSME, we have seen some slippage, more particularly from a state of Madhya Pradesh, where we are already turning down our disbursements and we are progressing cautiously on that. However, other segments of housing finance remain very stable, where we are not seeing much challenge in asset quality.

And now Pradhan Mantri Awas Yojana credit subsidy coming in the play, where the loan-to-value further goes down, giving us a higher security margin. I think we are going to see the good growth in that segment. So, while this quarter, some more delinquency have come because of various reasons, including that first quarter is always, we have seen the rise in the delinquency because of seasonality.

Also, Q4 we run a lot of campaigns and incentive programs. And one of the reasons is also that quarter is less than 90 days because of February is 28-day month. So, some of the slippage of the 60 and 90 cases in the month of April because of those 2 days less in the last quarter. So, a combination of this. However, if you see the overall delinquency that is still our GNPA in the range of about 1.7%, net NPA is about 1%. It is very, very healthy, robust.

Gaurav Purohit: And sir, like the trend we've seen in the last year, do you see the slippages coming down significantly in the coming quarters?

Rajesh Sharma: I will say that slippages will not be as much as what we have seen. We will see that overall asset quality remains in the range we have projected. So as a company, we have given the guidance that our gross NPA will never cross 2%. Net NPA will never cross 1.2%. I think we intend to maintain within that range, specifically to project about quarter will not be possible. It can always vary 10 basis points here and there. But overall range will remain the way I said.

Gaurav Purohit: Also, in one of your recent media interactions after the QIP, you had mentioned that there is a potential of credit rating upgrade. So, any progress over there? If you can share with us?

Rajesh Sharma: About what?

Gaurav Purohit: Credit rating. You had mentioned in one of your media interviews?

Rajesh Sharma: That exercise is on. Exercise is on. We should see the results by mid of September.

Gaurav Purohit: Okay. And then there is a possibility of a reduction in your costs from third quarter onwards?

Rajesh Sharma: Yes. I think because as far as the reduction of cost is concerned, I think for the next 12 months, we'll be having a higher issuance on NCD, commercial paper, and a lot of borrowings with MCLR is going to get reset. The MCLR reduction already announced by various banks. And we see the inflation has also come down.

So overall interest rate scenario should look like the interest rate is going to remain softened. That effect will be seen over a period of time, next 6 months, whenever the individual banks, MCLR gets reset, we'll get the advantage plus our incremental borrowing are going to be at a lower level by at least 30 to 40 basis points. So, we'll see quarter-on-quarter, our cost of funds will come down. And by the end of the year, I think our overall cost of the fund should at least come down by 40 to 50 basis points.

Gaurav Purohit: That was a sizable reduction. Just one specific question on your Micro LAP because you said that is helping you scale up your MSME. One of your peers has discontinued the disbursement in that business, specifically in the South India market. So, any comments on that? I understand it is a very recent venture, and the book is not yet seasoned, but any signs of stress that you're seeing there?

Rajesh Sharma: So, I think we are also growing that book very cautiously depending on the various feedback and observation that delinquency has risen in Micro LAP segment. However, we are creating a differentiation by using the technology and data science capability, where various risk triggers are being built. And we have gone a little slow till our full stack of technology gets rolled out, which should happen by end of September.

So, we are cautiously trading there, and we are confident that given our experience in the collateralized lending, we'll be quite cautious the way we do the collateral evaluation, legal title search, any case going bad, your ability to recover comes from the confidence, the right valuation and the right title. So, we are quite confident that we'll be doing better than the competition in that business, backed by our technology and data science capabilities.

Gaurav Purohit: And sir, one last relating question?

Moderator: Sorry to interrupt, sir. Please rejoin the queue.

Gaurav Purohit: Okay. I'll come back later.

Moderator: The next question is from the line of Sweta Padhi from SBI Securities.

Sweta Padhi: Congrats on a great set of numbers. So, in this quarter, we have seen a slight increase in the GNPA and the Construction Finance segment. Can you throw some light on that? And second question is on the cost-to-income ratio. The performance has been very good on the cost-to-income front. So where do we expect this cost to income to settle by FY '26?

Rajesh Sharma: I think our cost-to-income ratio on the increased scale of operation; it should come down. However, we are going to add another 200 branches this year. So, we expect this cost-to-income ratio should remain in the range of about 50% for the year. If we remove the impact of addition of the branches, the cost-to-income ratio in real terms will be in the range about 46% to 47%.

But we assume that because of those branches, some impact will be there. But still, it will be much lower than the last year, and if we are able to maintain the cost-to-income ratio even in the range of 50%, we are on the track to deliver ROAA in the range about 3.5%.

Sweta Padhi: Yes, sir. And on the construction finance part, the slight increase in the GNPA?

Rajesh Sharma: So, there's one account which has slipped into the NPA. And on account of that, the value of that account was INR16 crores, INR8 crores provisions have been provided for. But already for that account, if you see the last quarter, the recovery has also happened on account of one of the NPA about INR7 crores. This is a constant phenomenon.

Further, there are a lot of developers who are coming forward to take over that account. So, this remains on a consistent basis that whenever NPA happens through the SARFAESI, other means we are able to attract other developer to take over the account and recover amount.

Moderator: Our next question is from the line of Chintan Shah from ICICI Securities.

Chintan Shah: Congratulations on great set of numbers. So just firstly, on basically the asset quality sir, as you mentioned the GNPA is likely to be below 2%, and NPA below 1.2%. So, like given that some lenders have already flagged some risk on the MSME portfolio, so what gives us the confidence? And if you could just throw some light on the collections part as well? How are the collections panning out? Yes, that's the first question, please.

Rajesh Sharma: So yes, as regards the collection is concerned, I think we have about 520 people, very strong team, and we have very good analytics on the collection, the processes automation is in place, where we are able to track actively our collection agent performance and drive them. They are attractive incentive plan to push them higher.

Having said that, yes, we have seen some of the slippages happening in MSME. We are more cautious for our incremental underwriting and taking the right measures. Currently, our collection efficiency in the range of about 97% upward in the segment. So, we are quite confident that our focus will be to resolve the old NPA faster by doing a lot of settlement and other things.

And we see that while our MSME is 100% collateralized, not like many other where they are giving unsecured business loan, they are collateralized, where we have LTV cushion about 55% LTV there. So, with that cushion in place, even though when accounts slip into NPA, we are quite confident to auction those properties or recover back of that property by mutual negotiation and recover those amounts.

Focus during the next 9 months will be that old NPA pool, we are able to resolve faster by settling those accounts by selling those properties faster. And I think with that pace coming back our NPA overall will remain in range bound. As I said, our GNPA will not cross more than 2%. Our net NPA will not cross more than 1.2%. Within that framework, we will work.

Chintan Shah: Sure. This is quite helpful. And also, sir, secondly, on the AUM growth. So we have guided for around 30% in AUM growth for FY '26. But on a steady-state basis, probably over the next 2, 3 years, could we assume a similar trend here or are we looking to moderate the growth post '26? On the growth front, how should we look at it?

Rajesh Sharma: So, I would like to say that if you observe that we are a well-diversified company in the secured segment, we have currently five products. So, we have ability to change the levers and increase one product, which is doing better and reduce the other product, which is doing not that well given the macro environment in some of the segments or some of the geography.

With that capability in place, I think we are quite confident to achieve the 30% growth for the next 3 years by targeting the AUM to be INR50,000 crores by FY 2028 and maintaining our ROAA at 3.5% upward. So, with those two metrics in place, we are quite confident to continue that path. And I think gold loan, we have done well, where the yield is very good.

Similarly, our retail construction finance segment is also doing quite well, given the housing demand on rise and a lot of traction we are seeing, RERA in place, security structures are good. Again, the housing loan growth remains a very high -- a very good growth driver. So, with combination of this, I think we are well placed to achieve a 30% growth for the next 3 years.

Chintan Shah: Sure. And sir, just lastly, on the opex front. So I think our opex is relatively elevated, like around 6% odd, so do we see this moderating like if the ROA is set to improve from here on, so what could be the key driver, other interest income, opex or margins or credit cost? Some thoughts on that, please. That's the last question?

Rajesh Sharma: If you see our cost-to-income ratio, if you look at last quarter, Q1 FY '25, it was about 65%. Constantly, by our gold loan branches delivering higher margins, and overall our scale also going up with AUM going up, the cost-to-income ratio have this quarter come below 50%. And as I said earlier, if overall basis, we intend to maintain our cost-to-income ratio in the range about 50%.

Given that, we are going to add another 200 to 250 branches this year. Had not been that done, our cost-to-income ratio would have been the range of about 47%.

Chintan Shah: Sure, sir. This is very helpful. Yes. And that's it from my side, and all the best for the future quarters.

Moderator: Next question is from the line of Sagar Shah from Spark Capital.

Sagar Shah: First of all, congratulations, sir, for excellent set of numbers. I have around three questions. My first question was related to credit cost. So this quarter, we saw the highest almost credit cost as compared to last few quarters, and you had given the clarification that was regarding the one account in construction finance and some stress in MSME.

So looking at the picture and will Q2 follow and will see kind of a mirror to Q1, so what kind of credit cost should we be building for the entire year sir, for FY '26 per se? That was my first question?

Rajesh Sharma: Thank you. So I think overall basis, if you look at our credit cost has been in the range of about 60 basis. And we don't see that much elevation at the most credit cost will not go beyond 70 basis. It's too early to share because we have seen the seasonality that every year, Q1 is a little higher.

So this year will be slightly more, higher than the previous average. But Q2 to Q4, between that, we see the remarkable recovery in terms of our old NPA. And by that, we will be able to bring overall credit cost down. Even though on the conservative side, we said this year with the credit cost goes up by 10 basis. It will not cross more than 70 basis for an overall year basis.

Sagar Shah: My second question was related to our growth. Growth in this quarter was way above the industry average and one of the best quarters for you in terms of AUM growth. So even sequentially, the AUM has grown by almost more than 8%. So, I wanted to understand which geographies are you exactly targeting? Is there any geographies that you are -- particularly that you're targeting, that you're getting such robust growth during the period?

Rajesh Sharma: So I think we are going to add second half of the year, Southern India market, which will be Tamil Nadu, Andhra, Karnataka and Odisha also, we are going to add as far as the gold loan is concerned. So these states we are good, Andhra, Telangana, Tamil Nadu, Karnataka and Odisha.

These are the five states we are going to add gradually, and we'll roll out the branches in the last quarter of this year.

Sagar Shah: So basically, is it fair to assume that this growth has been from the non-Southern region, means in the Western as well as the Northern region?

Rajesh Sharma: Yes.

Sagar Shah: My third question, last question was related to co-lending AUM. The co-lending AUM for this quarter was at around 19%. So going ahead for the entire year, what kind of percentage should assume for the co-lending AUM to be on books?

Rajesh Sharma: Co-lending AUM, we intend to project in the range of anything between 18% to 20% range. At this range, only we intend to maintain this.

Moderator: Our next question is from the line of Asutosh from Ashika Stock Broking.

Asutosh: Congratulations for a good set of numbers. So I'd like to understand fee income front. So currently, we are approx 30% of our net revenue is coming from the fee income side of it. So what is our strategy going forward on this front?

Rajesh Sharma: Our fee income is mainly coming from co-lending, from car loan, and from insurance distribution. And our fee income, we intend to maintain in the range of about 25% to 27% throughout the year. Quarter-on-quarter can be up and down by 2%. But overall yearly basis, our plan is to maintain it in that range.

Asutosh: And within these three segments which you have discussed, which is a major contributor? And right now, what are strategies....

Rajesh Sharma: Our major contributor is co-lending and also income from car loan and insurance.

Asutosh: Second question is on the cost of fund front. Like how much of our borrowing liability fixed versus floating? And how we see things moving forward from here on that front?

Rajesh Sharma: So I think next 12 months, we are going to keep a major reliance on raising the commercial paper and NCD to meet some of our requirement, and those will be at a lower cost. Our lending side, given the few regulatory changes, we might shift our -- some of the loan to the fixed basis because we see that interest rates are going to be remained softer going forward, so that would be our policy.

Asutosh: And like MCLR benefit and all those, how much of cost of fund benefit you are expecting in this whole year? I mean from the current rate, do you expect it to come by 30, 40 basis points for this whole year, something like that?

Rajesh Sharma: So, there are two elements to it. One is incremental borrowing. Incremental borrowing already started coming down by 20 to 25 basis, hoping that we will get some rating update. That will further go down by another 25 basis. Second point is that all the MCLR rates are getting reset on the due date of their 1 year and 6 month if the negotiation done during the time of drawing that loan.

So, in that manner, those banks, MCLR, rate reduction benefit will accrue. So, by every quarter, we'll see some benefits keep coming in. Overall basis, I think we should be able to get the benefit of the MCLR reduction by 30 to 40 basis, this is depending on bank to bank.

Asutosh: And sir, on this cost to income, IT expenditure is also one of the areas which we are focusing on. So, can you give something like what we are doing, what type of expense you continue to incur in that area?

Rajesh Sharma: Last quarter, we spent about INR26 crores on various initiatives of the technology, data science and now this year, we are actively enhancing our team on the data science and generative AI side, we already deployed a few tools on the AI transformation, which are going to drive the productivity and impact on reducing our cost to income.

So I think the spend on the IT is going to be a permanent feature. This is not going to be something that we'll achieve as a milestone, it will come down. But this is a futuristic investment, which we will continue to do. We have currently about 200 people team in the technology infra and data science.

Asutosh: And last question on the geographical expansion. So any changes in the opening of the new branches or something like that you want to highlight to investors on that front?

Rajesh Sharma: No, as I said, we are going to add 200 - 250 branches this year, a combination of the gold, MSME, home loan, etcetera. And this pace will remain for next year. We are going to add about 700 to 800 branches in 3 years. And that is important because we need to plan 30% growth for the next year, you have to plan at least 6- 9 months in advance.

Asutosh: These new branches will come in any new geography or our existing geography only?

Rajesh Sharma: So most of the new branches will come in the new geography. Some of the existing geographies where we see the potential, we will increase. The majority expansion will happen Southern India as I said earlier.

Moderator: Our next question is from the line of Ninad Jadhav from LKP Securities.

Ninad Jadhav: So my question is on yield side. So you have mentioned that the borrowing costs are expected to trend down by 40 to 50 basis points for this year. So how are we looking at yield front? Like are we going to pass on the benefit to our customers as well and if you could quantify how much yield have declined by this year?

Rajesh Sharma: So, I think we have to say that overall, if the interest rate goes down for everybody, that at least cost benefit get passed on to the customer because of the intense competition in the retail segment. However, whatever cost benefit and risk spreads going down because of our negotiation and also the rating potential upgrade, that benefit will be able to accrue to our P&L.

Ninad Jadhav: So any specific basis points it could go down there?

Rajesh Sharma: I think our current spread is in the range of about 7%. We intend to maintain that spread 7%. It can slightly be better because gold loan composition is slightly improving, it will add another 3% to 4% to current composition and which is a high-yield product and for which all the infrastructure cost and operational cost is already in place.

So that is going to improve our overall spread. In regards to the interest rate benefit, which comes to because of the potential rating upgrade, that additional benefit will happen. As far as the MCLR reduction is concerned, because of the competition, that benefit, as I said, will get passed on to the customers.

Ninad Jadhav: So my second question is on the recent announcement that we have made. So we have incorporated two new companies. One is financial services and other is wealth management company. So if you can tell us on how we are looking to scale these businesses and what kind of customers we are looking to target? And would the cost for setting up these businesses will affect our cost-to-income guidance for this year or for next year as well?

Rajesh Sharma: There are two companies we have incorporated. One is going to carry out the investment banking activities only for the debt capital market. And another company is a securities company, which is going to engage in the sales and distribution of the debt placement at institutional level, online bond platform and exchange trading.

Both of these will not consume much capital, and they will be from the year 1 that will be accretive to the profit rather than taking any dent on the cost income side. On a full-scale operation, we expect that this will also enhance our fee income for that- by the end of the year, we will give the exact projection for the coming year.

This year, it is in the setup mode. However, whatever the cost, they will be able to make that kind of money. So that will be cost neutral and no impact on the cost income side.

Ninad Jadhav: Sir. And any probable customers we are looking to target, any set of customers?

Hardik Doshi: Sorry, can you come again on the question, a probable set of customers for which segment?

Ninad Jadhav: For these companies, which we have incorporated?

Rajesh Sharma: These companies -- we have a team of about 10 people. We are going to add more people there. The team is specialized in understanding the need of the bond market, see the price trend and we have a large treasury book. Within that, we use those funds to buy the bond and do the buying and selling of the bond, plus we hold them for a short term 15 to 30 days.

We help the corporates to come out with the issuance of the bond, merchant banker. So these are the fee-based activities we are going to do. These clients can be corporate, midsize or the larger size. And it is similar to various bond issuance bankers you would have observed that they are associated with such bond issuance.

Further, this team will also help us to reduce our cost of fund because of their access to the capital market and their connect and understanding of the bond market.

Moderator: Our next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: So first of all, congratulations for great set of numbers. Most of my questions have already been answered. One question related to your business model. So I mean we have fully secured and have higher lending book, but macroeconomic cycles, I mean can pressure demand collection and risk appetite. So how resilient our model across down cycles, especially in MSME and construction finance, I mean, where borrower cash flows can be volatile?

Rajesh Sharma: So construction finance, we are seeing that there are two, three important things have happened. One that after RERA coming in, there is a designated construction account, is a receivable account of the customer where all the money comes in. And we see it is a very, very strong monitoring tool as well as the security structure. So having seen the good demand in the construction finance side, we don't see any such challenges.

And even out of the 280 accounts, every year, one or two accounts, which slips into NPA for one or other reason, our team have shown the capability to find another developer, take over that account in the SARFAESI and recover the entire amount. So we are quite confident that even the risk-adjusted return with the low opex and secured nature backed by the strong cash flow of the sale of those apartments, we don't see any problem there.

So we are quite confident. And this business we are doing since last almost 12 years. We have built a very niche, very good monitoring tools, and we don't see any surprises coming in that segment at all.

Darshil Jhaveri: And one last question. I mean, post this fundraise of INR2,000 crores, how soon can we expect return ratios to normalize?

Rajesh Sharma: So I will say this year, we are confident to deliver ROAE in the range of about 13.5% to 14%. And ROAA will not be less than 3.5%. Next year onwards, our strong fee income and coupled with our cost-income ratio further coming down because now operating leverage with scale will kick-in. So then our ROAA will improve to about 4% and ROAE should be in the range of about 16% to 17%.

Darshil Jhaveri: So ROAE 13% to 14% this year and 15% to 16% in FY '27?

Rajesh Sharma: No, FY '27, ROAA will be about 4%. ROAE will be in the range about 16% to 17%.

Darshil Jhaveri: 16% to 17%.

Moderator: Our next question is from the line of Saumil Jain from Lucky.

Saumil Jain: Congratulations on a good set of numbers. On the 30% AUM growth guidance, can you talk a little bit about what the mix will look like between the segments? Do you expect momentum in gold to continue and softness in MSME to continue?

Rajesh Sharma: So we see that gold will continue to grow as we are adding more branches in that segment because we are seeing the strong traction and demand. And now our distribution team is all in place. So gold should be in the range of about 37% to 40% kind. MSME will remain in the range of about 20%- 22%. Housing will remain in about 20%-22%. Construction finance will remain in the range of about 17%-18%.

Saumil Jain: Gold, you mentioned 37% to 40%?

Rajesh Sharma: Yes.

Saumil Jain: And secondly, on the branch addition guidance for this year, I think you mentioned 200 branches, right?

Rajesh Sharma: Yes, 200 to 250 branches will add this year.

Saumil Jain: And this will be -- any mix on gold or non-gold?

Rajesh Sharma: So I think gold will be in the range of about 100 branches and rest will be between housing and MSME.

Saumil Jain: And finally, on the 16%, 17% ROE sort of expectation for next year, what is the credit cost that you've built in?

Rajesh Sharma: So credit cost on a long term, we have built in about 70 basis. If you look at last few years credit costs barring the COVID year, the credit cost has remained more or less in this range.

Saumil Jain: And Q1 opex, you mentioned will stabilize for the year because you're going to add more branches. Correct?

Rajesh Sharma: I think operating cost, keeping in mind our branch expansion, will be in the range of about 50%, cost-to-income ratio.

Moderator: Our next question is from the line of Lalit Kumar, an investor.

Lalit Kumar: Good afternoon. Congratulation for a good set of numbers and my question was…

Rajesh Sharma: Your voice is not audible.

Lalit Kumar: I am saying that my questions have already been answered.

Moderator: According to Lalit, sir, his question is already answered. We'll move to the next question. The next question is from the line of Gaurav Purohit from Systematix. It's a follow-up question.

Gaurav Purohit: I just have one question on the Micro LAP book, understanding it is a very new business. But in case there is a default in future, what is the legal recourse you have given that the ticket size is around 10 lakh and not eligible for SARFAESI?

Rajesh Sharma: So the eligible recourse, ideally, the major effort is by negotiation, we make borrower to agree to come forward and sell his property or find inner ecosystem to give him the money so that we need not to sell the property at much discounted rate. And another option is Section 138 to build the pressure and initiate the arbitration proceedings.

And within that, these tools are effective. The combination of bilateral negotiation or using these Section 138 filing to build the pressure as we move to the arbitration to get the order and then sell the property and realize our money.

Gaurav Purohit: And what would be the typical timeline for this in your best assessment?

Rajesh Sharma: So for bilateral negotiation, you can yield the result a case-to-case basis less than a year. But cases which are not solved by bilateral negotiations, if you go for arbitration, then it takes a period of effective realization of money, anything between 2 to 2.5 years.

Gaurav Purohit: Very clear. And last question I have on the competition intensity. So gold loan sector is seeing phenomenal growth. Everyone is focusing on either growth or affordable housing, so what is the kind of intensity you are seeing here, given that we have a steep target of 30%. So I just wanted to know your take on that?

Rajesh Sharma: So I think, in all our segments which are collateralized, if you talk about competition, it is a very intense competitive. Your right to win has to be how you use your technology automation and ability to turn around the sanction faster and do a better customer service in terms of how you handle them, how seamless your journey is, how less the paperwork you seek without compromising on the asset quality.

So I think amid the intensity, it is the turnaround time. It is the approach you take it, simplified approach to carry out the whole process, makes a difference. The lending doesn't have a quality other than the service.

Gaurav Purohit: Fair enough, sir. Thank you so much for patiently answering all the questions.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Rajesh Sharma: Yes. So I think I would like to say that our Q1 have set a solid tone for FY '26. The addition of INR2,000 crores capital raise gives us the financial strength to accelerate the growth across lending and new verticals. Backed by a secured book, healthy asset quality and solid technology infrastructure, we remain on track to grow 30% annually and deliver sustainable ROAE of between 16% to 18% and ROAA in the medium term to 4% and even going up to 4.5%.

There will be constant endeavour to bring our cost of fund down and you will see by the end of the year, the significant reduction in the cost of fund, where we will be quite conscious of bringing our operating cost in control by using technology and various other intervention of artificial intelligence.

As regard to asset quality, there are enhanced effort on the collection side and monetizing the NPAs, disposing of those repurchased assets to bring the overall net NPA in the check. So overall basis, we are on a quite good growth trajectory, and we are all thankful for the support shareholders and other stakeholders are offering to us. Thank you.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.