

August 07, 2025

The Manager, Listing Department, BSE Limited ("BSE"), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. BSE Scrip Code: 532636	The Manager, Listing Department, The National Stock Exchange of India Limited ("NSE"), Exchange Plaza, 5th Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. NSE Symbol: IIFL
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Sub: - Earnings conference call transcript

Dear Sir/Madam,

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation regarding the earnings conference call for the quarter ended June 30, 2025, please find attached herewith transcript of the said earnings conference call which was held on July 31, 2025.

The same is also made available on the website of the Company i.e. <https://www.iifl.com/iifl-finance/financial>

Kindly take the same on record and oblige.

Thanking You,

For **IIFL Finance Limited**

Samrat Sanyal
Company Secretary & Compliance Officer
ACS – 13863
Email ID: csteam@iifl.com
Place: Mumbai

Encl: as above

CC:
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**“IIFL Finance
Q1 FY26 Earnings Conference Call”**

July 31, 2025



MANAGEMENT: MR. NIRMAL JAIN –MANAGING DIRECTOR, IIFL FINANCE LIMITED
MR. R. VENKATARAMAN – JOINT MANAGING DIRECTOR, IIFL FINANCE LIMITED
MR. KAPISH JAIN – CHIEF FINANCIAL OFFICER, IIFL FINANCE LIMITED
MR. MONU RATRA, CHIEF EXECUTIVE OFFICER, IIFL HOME FINANCE LIMITED
MR. VENKATESH N – CHIEF EXECUTIVE OFFICER, IIFL SAMASTA FINANCE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to IIFL Finance Q1 FY26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the Management. Thank you and over to you.

Kapish Jain: Hi, thank you very much. I welcome everybody on the 1st Quarter Results Earnings Call for Fiscal 2026.

On this call, I am joined by Mr. Nirmal Jain – our Founder and Managing Director, along with Mr. R. Venkataraman – the Joint Managing Director of the Company. We also have the CEOs of two of our subsidiary companies, Mr. Monu Ratra – CEO of the IIFL Home Finance, and Mr. Venkatesh, who is the CEO for IIFL Samasta. Myself, Kapish Jain, I am the CFO, and as we take it forward, I would like to now request “Nirmal to just take over and give an Update on the Broader Macroeconomic Situations, Industry Update and Company Strategy for this Quarter and Going Forward.”

Nirmal Jain: Thank you, Kapish. Good afternoon, everyone, and thank you for joining us.

So, the macroeconomic backdrop remains broadly constructive. India continues to demonstrate strong growth fundamentals with stable inflation, improving rural sentiment, increasing digitization and formalization of credit. And for the NBFC sector, the growth runway remains wide, supported by rising retail-credit demand, digital inclusion, financial inclusion, and the robust security framework.

However, the operating environment is not without its challenges, so asset quality and MSME lending has come under pressure across the industry, especially in the unsecured and micro-LAP segments, reflecting regional volatility as well.

Even in our portfolios, NPAs have edged up sequentially, but we have acted swiftly by curtailing exposure to high-risk segments, recalibrating our policies, and deploying dedicated collection teams and embedding AI-led early warning systems.

On the global front, rising trade friction, especially the return of tariff rhetoric from the U.S. is something we are watching. While near-term impact on our customer segment is likely limited, we remain vigilant given the second order in effect on inflation, currency, and exchange-linked MSME.

Yet, on the whole, Q1 FY26 has been a quarter of revival and reassurance. Our gold loan business has fully bounced back from last year's embargo, reaching an all-time high in AUM. MSME-secured lending continues to be one of our core growth engines, and we are exiting the riskier segments.

We also strengthened our governance and risk architecture. We have boosted our leadership team and doubled down on tech-led execution and innovation. We remain focused on building a high-quality, compliance, retail loan franchise, generating targeted return on equity, and fulfilling the mission of financial inclusion.

With this, now I hand it over to our "CFO, Kapish Jain, again to walk you through the Detailed Financials."

Kapish Jain:

Thank you very much, Nirmal.

To take things forward and give you a more detailed update on the quarterly numbers, for the quarter at a consolidated level, IIFL Finance reported profit after tax before controlling interest of Rs.274 crores. This is a 9% up quarter-on-quarter and 19% down on a YoY basis. We recorded a pre-provision operating profit of Rs.836 crores, which is again up 28% quarter-on-quarter, and 31% YoY. As you all are aware of, last year we also hit by the gold embargo, which is causing this negative shift. However, the momentum is on the upper side when you compare things on a quarterly basis.

For the quarter, the consolidated loan AUM grew by 21% YoY and was up 7% quarter-on-quarter, aggregating to around Rs.83,889 crores. As Nirmal mentioned, this is led by gold, which has already surpassed the past embargo limit. We were up around 30% quarter-on-quarter in the gold AUM and 85% up YoY to Rs.27,274 crores. If I further dissect the AUM, the retail segment comprises of 98% of the overall AUM, which is like home loan, gold, MSME and microfinance. They all aggregate an upward movement of 21% YoY and 7% QoQ.

Our gross NPA is in line with our guidance and stands at around 2.3%. In a large balance sheet, there could be a marginal shift to a few basis points, but it is clearly in line with our guidance of 2.3%. And our net NPA stands at around 1.1%. When compared to the same time last year, it is a marginal up around 10 basis points.

The company maintains a very cautious stance on the MSME and MFI segment and will continue to keep our focus on the recovery collection. And as things look better, we would like to see how we can further build up the portfolio here.

We have been implementing and we build our credit on the ECL model and under the Admin Dash provisioning, the coverage on this overall portfolio stands at around 91%.

The assigned loan book currently stands at around 15,061 crores, which is up 3% YoY and more importantly up 18% QoQ. Besides this, the co-lending book assets have also moved up to Rs.11,565 crores, up 21% YoY and 9% QoQ.

Our quarterly average cost of borrowing increased by 34 basis points on a YoY basis and very marginally of around 4 basis points to 9.45 on a QoQ basis.

We have been maintaining good and healthy liquidity. If I give you an update, during the quarter, we raised around Rs.14,008 crores of borrowing through term loans, bonds, and commercial paper. And with the gradually seasoning of the portfolio, we could also enhance our direct assignment transactions like we have done historically across banks and including the gold loan portfolio to around Rs.4,489 crores this particular quarter compared to Rs.2,400 crores last quarter.

Our cash and cash equivalent stands at around Rs.7,367 crores, adequate to not just meet our short-term liabilities, but also support our growth momentum as we envisage in some of these particular asset classes. We are positive of our AUM across buckets, and the net gearing stands at around 3.4x.

On an annualized basis, the ROE stands at around 7.6, ROA at around 1.6%. Our basic earning per share for the quarter stands around Rs.5.5. We are adequately capitalized with the consolidated capital adequacy standing at around 28.4%, much higher than the minimum threshold of 15%. And individual companies' capital adequacy stands around 18.3% for the NBFC, 47.4% for HFC, and 28.4% Samasta Microfinance.

In line with our endeavor to enhance our strengthening on the board, both from a governance and supervision perspective, we have the pleasure to have Mr. B.P. Kanungo as one of our board members in the IIFL Finance. As you would all know, he was a former RBI Deputy Governor.

We also have Mrs. M.V. Bhanumathi, who was the former Income Tax DG on the board of our housing finance company, IIFL Home.

There have also been meaningful changes on the management side to kick-start all the critical initiatives like AI innovation. With this, I come to the end of the entire presentation, and we will open the floor for Q&A. Over to you.

Moderator:

We will now begin with the question-and-answer session. The first question is from the line of Chetan Gindodia from Mahindra Manulife Mutual Funds. Please go ahead.

Chetan Gindodia:

Yes, hi sir. I just wanted to understand the changes that have happened on the asset quality side in this quarter. So, we have seen that across all segments other than gold and capital markets, most of the segments, stage 1, stage 2, stage 3, they have all seen deterioration. So, can you explain segment-by-segment what are the key changes that have happened on the asset quality? And commensurately,

what has been the impact for credit cost in this quarter? And how do you see the credit cost going up ahead?

Nirmal Jain: Chetan, gold loan, asset quality has improved. I do not think there is any stress in gold loan. And in the core home loan also is a marginal difference. So, the primary problem is microfinance. And then MSME, they are also unsecured in the micro-LAP, the small ticket LAP. So, these are the issues that we have. And in home loan, we have exposure to the Andhra Pradesh state government scheme where the project is halted, but with a small exposure. So, if you really look at gold loan, which is like almost one-third of our business, and it will grow even faster. And then the core home loan product also, I mean, a very small marginal difference, but not much; it is 1.14%, 1.31% now. And what we are seeing now is that even the other segments, particularly the MSME and microfinance also, things are, I mean, the industry-wide trend, but they are getting better.

Chetan Gindodia: But still on that, unsecured MSME for us is still largely a Rs.4,000 crores book and even the secured MSME is a substantial portion of the book. So, over here, how do we see the trends, like going ahead, what sort of provisioning can come from this segment?

Nirmal Jain: So, if you look at the overall portfolio, let's look at the product-by-product, segment-by-segment. So, 38% is home loan, where, I mean, there is a small Rs.500 crores portfolio, out of which 65% is paying. But that is where there is a stress. But other than that, that portfolio is doing okay. Gold loan 13% is not a problem. MSME secured, what we are seeing has come down because that micro LAP, which was to microfinance customers as a cross-sell or a very small segment of customers, that will be discontinued, the new disbursements are not taking place. But then the rest of the portfolio is okay. And microfinance, which is about 10%, 11% now, I mean, that is also stabilizing across the industry. I mean, this part we had a total loan loss provisions of a little over Rs.500 crores on a consolidated basis, which is a little higher than what our guidance or expectations were last quarter. So, we were talking about the guidance, I think, 2.5% to 2.7%. But we might end up, if you see the 1st Quarter trend, hopefully, even if it be a consolidated, it will be around 3.5% or so.

Chetan Gindodia: Okay. Got it. Thank you.

Moderator: The next question is from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Hi, Nirmal. So, three questions. The first one is around the gold loans. What is the onboarding LTV that we have on the gold loans right now? Second is, in terms of housing finance, is the CLSS-2 acting as a demand driver or it is too tedious in terms of operational challenges? Third is around securitization in IIFL Samasta. It has been coming off. So, are we facing issues in securitization or people asking for more cash collaterals? Any changes in covenants, especially in IIFL Samasta from our raw material providers? Thanks.

- Nirmal Jain:** So, basically, LTV in gold loans varies from product-to-product. So, we incentivize our customers to take a lower LTV and get benefit of lower rate of interest also. The yield has slightly improved in this quarter. If you see the first slide, which is slide, I think, two, the yield was 17.6% when we restarted. It was 17.8% and is now 18.2%. And our LTV on a portfolio level is 66%. But at the time of giving loan is around 70%-75%. Then there are customers who can come and revise or can do the top-up loan also if they want to. Based on the portfolio level, we are at around 66% right now. And securitization Samasta, because, see, the disbursements are slow. So, the portfolio is not building up at this pace. But in Q1, still, we did a direct assignment of Rs.1,100 crores in total of our DA and MFI compared to Rs.178 crores. So, actually, Quarter 1, Samasta, we did a fairly good amount of sell-down of pool assets by way of direct assignment.
- Shubhranshu Mishra:** Great. Any cash collaterals?
- Nirmal Jain:** No, in the DA, there is no cash collateral. DA happens without cash collaterals only. ETCs happen with cash collaterals. We have been not doing that. And now, maybe, the Monu probably can address the CLSS-2 issue.
- Monu Ratra:** Yes. As far as CLSS-2 is concerned, you are absolutely right, it is operationally cumbersome. Last time also we did pretty well on that. We have already given subsidy to 1,600 people, which we have done. So, I think we have got the hang of it. It took us a while. But we are pretty confident that this will act as a very good demand engine for us going forward. So, we have understood the nuances of it and we have already got subsidy for 1,600 people. And this time, the government is pretty swift. Once you upload everything, the subsidy is coming pretty promptly.
- Shubhranshu Mishra:** Right. And this salaried formal that we do in home loans, these are from CAT A companies, CAT B companies, CAT-C companies, what kind of salary levels, income levels are we speaking about?
- Monu Ratra:** So, typically, this formal salaried for home loans is typically in very decent companies. I would not say super CAT-A companies, but B or C companies where people are down the order in the hierarchy of the occupation they are in, but these are absolutely in B or C category companies.
- Shubhranshu Mishra:** And average incomes of those customers?
- Monu Ratra:** Now, if we talk about the metros and other places, the average household income would be upwards of Rs.50,000.
- Nirmal Jain:** Above 6,00,000 per annum.
- Shubhranshu Mishra:** Understood. And a DVR at the point of origination?
- Monu Ratra:** The DVR at the point of origination is below 50%.

Shubhranshu Mishra: Right. Right. I will come back in the queue. Thank you so much.

Monu Ratra: Thank you.

Moderator: The next question is from the line of Anusha Raheja from Dalal & Broacha. Please go ahead.

Anusha Raheja: Thanks for taking my question. Sir, you said that for the full fiscal year, you are anticipating credit cost of 3.5%. So, do we anticipate that going ahead for the next two quarters, the asset quality or the NPAs will continue to be on a higher side?

Kapish Jain: Anusha, your voice was not completely there. We heard 3.5 is something that you mentioned. Can you repeat your question?

Anusha Raheja: I think that we are anticipating credit cost of closer to around 3.5% for the current fiscal. So, do we anticipate for the next two quarters, the MSME and on the microfinance, the NPAs will remain and the slippage will remain on the higher side?

Nirmal Jain: I am saying that if you look at the 1st Quarter trend, which to our mind is highly elevated cost, then also it goes to 3%, 3.5%. But we believe that things will get much better in the second quarter, but more so in the second half of the year. And we should be able to end the year at a lower, not 3.5%. So, sorry, I just want to correct it. I am saying going by 1st Quarter trend, if you just work out those numbers, then it goes up there. But hopefully, things will not be as bad throughout the year. So, the 1st Quarter, because there was a sudden unexpected much hit of the microfinance also and MSME, because the trend suddenly, particularly in Karnataka and some of the states has worsened. But, if you really look at it, then in the last few weeks, RBI has got more accommodative stand, liquidity has eased and there is an impetus for growth. And this impact will come or will be felt by the industry and MSME, maybe a little bit after a lag. So, I believe that things will get much better from here in the second half. But as things stand, probably the 1st Quarter has been little much worse than what we expected in terms of credit cost and primarily for MSME and microfinance.

Anusha Raheja: And sir, on the AUM growth side, if you can just give some color on the gold loans, we are seeing a strong growth coming in there. On the home loans, I think the growth is slightly sanguine. But on each of the segments, if you can just give some color, how do we anticipate AUM growth for the full year and some color on each of the segments as well?

Nirmal Jain: So, you are right, Gold loan growth has been much stronger, that is one positive news is that sector or that segment is doing better than probably what we would have anticipated or guided. Home loans, 1st Quarter was flat and 1st Quarter is traditionally, historically, flat, and also, we were recalibrating our underwriting policies, exiting, and consolidating some of the segments of businesses. So, it grew only by 1% but moving already some more.

- Monu Ratra:** So, annualized basis, we can see for mid-teens is what we should see at the end of the year.
- Nirmal Jain:** Yes, annualized I think maybe 15%-18% growth is what should be very doable.
- Anusha Raheja:** And sir, lastly, I think on QoQ basis, we have been seeing a dip on the margins on the spread side. So, was it purely because of the fact that there could have been interest rate reversals on the NPA accounts or was it something additional related to margin fall?
- Nirmal Jain:** Yes, whenever you see the higher elevated NPAs and the provisions, obviously there is an impact in the interest reversal.
- Anusha Raheja:** And what is the broader call that we expect margins for the whole year, how do you anticipate that number moving?
- Nirmal Jain:** So, there were interest reversals, primarily MSMEs and micro LAP and microfinance. But I think that all these segments of the business are getting better and interest reversal should also reduce, and the second half should be much better, but things should start getting better from now.
- Anusha Raheja:** Okay. Thank you, sir.
- Nirmal Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity. So, just first of all, I just wanted to understand, now given your credit cost outlook is now 3.5%, so what sort of ROA we are looking at for this year? I think we were targeting closer to 3% as per our previous call. Now, given higher credit cost, what sort of revised outlook we should look at?
- Nirmal Jain:** So, we were looking at, I think, 3.5% ROA.
- Deepak Poddar:** Close to 3% ROA, that is what we mentioned in the last call.
- Nirmal Jain:** So, the credit cost surpassing from 2.5%, 2.7% level, if it goes up to 3%, partly we should be able to meet. Now, the interest rate from this quarter probably will see a reduction in the borrowing cost, and maybe more so in the second half as a lot more loans come for renewal, loans come at a lower rate. And as the volumes grow, particularly in gold loan business, we should see some benefit in cost-to-income ratio also. So, I mean, at this point in time, it is too early to change the guidance or expectation on ROA, but we have to watch how things progress from here.
- Deepak Poddar:** So, 3% kind of ROA, you want to maintain that?

- Nirmal Jain:** Yes, we should maintain that.
- Deepak Poddar:** Okay, understood. And in terms of overall growth, I think you mentioned 15%-18% on the AUM growth we are looking at on a consol level, right?
- Nirmal Jain:** Yes. 15%-18%, I talked about home loan. Consol level should be higher, around 20%, actually, the microfinance will be slower. But around 20%, and we expect good momentum to continue. So, on the consol level, 20% would be a good estimate.
- Deepak Poddar:** And 15%-18% was for home loan?
- Nirmal Jain:** Yes. And the three problem areas that you mentioned about MFI, MSME, and small ticket LAP. So, what percentage of our book currently for?
- Nirmal Jain:** So, if you look at the businesses that we have on slide 5 is given. So, MSME that we have discontinued of unsecured business is 2.4%, and the LAP is 3.1% of total book. So, together, they are about 5%. Microfinance is 10%-11%. But, microfinance, I think, because I think the policy support, RBI support, credit guarantee or whatever, the growth, we are not discontinuing that business. The business de-grew in the 1st Quarter. But I think in the next three quarters, we will have some growth as we have anticipated around 10% or so for the full year.
- Deepak Poddar:** Okay. Okay. I got it. And now that RBI has allowed us to open new branches, so any branch expansion plan you have laid out for us?
- Nirmal Jain:** So, as of now, the existing branches still are below their full capacity. So, I mean, first we want to focus on the existing branches in this quarter. And once we see that they are stable in terms of the profitability, they get back to the level we expect them to be, that is the time we can take up the expansion.
- Deepak Poddar:** Sure. Now we had this quarter some impact of guardrail also, I mean, that got implemented from April. So now on an absolute basis, one should look at quarter-on-quarter provisioning declining. Is that a trend that one should look at going forward?
- Nirmal Jain:** Yes, actually, see, there are some unexpected things that keep happening. But what we have seen is there are ups and downs. So, now that things are getting stabilized in microfinance, which is a one big problem area, and also in MSME, I think the quarter-on-quarter provision should decline. I expect second half to be much better because seasonally that is where the credit takes off and the interest rate trend seems to be down, benefit will come after some time, maybe after a few months. So, hopefully second half should be much better. But yes, quarter-on-quarter we should see a declining trend.

- Deepak Poddar:** Fair enough. That gives a good sense. That is it from my side. All the very best. Thank you so much.
- Nirmal Jain:** Thank you, Deepak.
- Moderator:** The next question is from the line of CL Vicky from Nikko Asset Management. Please go ahead.
- CL Vicky:** I have questions on your asset quality. So, for your exposure to the beneficiary, the Andhra PLC, in terms of the NPA, how will you guys manage it? And also, will you guys get any kind of any resolution with, say, the government?
- Monu Ratra:** Yes. This beneficiary-led construction, first of all, just to give you a perspective, the total AUM is about Rs.500 crores. At a loan book level, it is about 400 crores. And so, it is a very small amount in terms of the total AUM at the HFC level also, or at the level of the group as well. So, it is a very mild exposure. And we have already been able to, like, have about 20% of our customers prepaid the loan. 65% of the customers are below 30 DPD. So, they are anyways paying. And 19% have already gone to the NPA. So, we have already taken the majority of the hit what we had to. The rest of the people are paying. This was a seven-year product. Over two years have already gone by. So, I do not see any major impact of this. And now on the ground also, we see things getting back on track in terms of the overall development of these projects. So, we should see things better from here.
- CL Vicky:** Okay. Then, there are two segments that you guys discontinued, right? So, there is no disbursement for this quarter. So, in terms of the exposure that is existing, do we expect to see this exposure eventually becoming NPA?
- Nirmal Jain:** No. So, our collection, infrastructure and operators remains. So, I do not think that just because we are discontinuing, so there will be more NPAs in this. Okay, I will tell you what is the figures. Because we did a lot of analysis on this. So, on the face of it, they have a higher yield. We should take care of the risk. But they also have a higher operating cost. And then they basically are hugely manpower-intensive. And they are very volatile. Because these are the bottom of the pyramid where they are vulnerable and not resilient. So, of our overall broader loan portfolio, is about 5% what we discontinued. And what we have done is that, actually, we have increased our force for collection in this. So, we have our 300-people team, which is focused on collection of these discontinued businesses. So, the AUM trend will not change because of discontinuing. But already we have a threat that we will deal with and we will recover maximum that we can.
- CL Vicky:** Okay. So, in terms of NPA currently at 2.3%, what are we expecting for the next two to three quarters?
- Nirmal Jain:** We want to keep GNPA less than 2% on the whole. So, our target will be to get there. In the last two, three quarters, we have been out of that. But otherwise, we want to get back to the FY23 levels and

then there have been different reasons from, like, gold loan was last year or whatever. But our target is to bring it below 2% by the end of the year.

CL Vicky: Okay. Thank you.

Nirmal Jain: Thank you.

Moderator: The next question is from the line of Suraj Das from Sundaram Mutual Fund. Please go ahead.

Suraj Das: I think sir, most of the questions have been answered. Just one question. In terms of this micro-ticket LAP, is the problem any geography-specific or you are seeing this pain across the states, I mean, irrespective of the geography? So, that is just one question from my side.

Monu Ratra: Typically, we have seen more stress in Andhra Pradesh as one bigger piece, which we saw, and the second was the upcountry Maharashtra. But we had larger exposure in Andhra Pradesh. So, AP has been a bit stressful. So, I would say top two states would be Andhra Pradesh and then Maharashtra.

Nirmal Jain: Rest of Maharashtra, I mean, outside Mumbai.

Kapish Jain: Smaller cities of Maharashtra.

Suraj Das: Okay. Sure. Thanks.

Moderator: Thank you. The next question is from the line of Navneet, who is an individual investor. Please go ahead.

Navneet: Hi, sir. My question is, sir, I believe you have surpassed your AUM, which was there prior to the RBI embargo. So, December '23 is the reference point I am taking. However, your pre-provision operating profit is much lower. I believe your other income before the embargo, used to be in the range of Rs.50-odd crores per quarter, which is now in single-digit crores and your operating expenses have also gone up a bit. So, if you can just talk us through this?

Nirmal Jain: Yes, you are right. So, there are two, three reasons for this. As on the portfolio, in the initial first or two quarters, we built at a slightly lower rate of interest. Two, last year also we gave salary increments as normal to the existing people. So, not only did we retain all the people, we also gave them normal salary increments, and the interest rate increases with all the costs, as you are aware of. So, every year, for a similar kind of profit, you have to have at least 10% higher volume. Secondly, in the standalone business, the significantly higher loan losses and provisions are coming from MSME segment of the business. When the gold loan embargo period, we had grown that at a fairly good pace. And that has come under stress across the industry. So, that has contributed significantly to lower profits.

- Navneet:** So, if you can talk a little bit about your other income? It is in single digit crores per quarter right now, and it was averaging about Rs.50, 60, 70 crores.
- Nirmal Jain:** Which slide you are referring to?
- Navneet:** I am referring to your earning quarterly, yes, the consolidated. So, this quarter you reported in consolidated Rs.6.5 crores of other income in this quarter and it has been in this range. So, the line below total revenue from operations, Rs.6.5 crores in this quarter, Rs.3.1 crores in the March quarter, Rs.12 crores in the June quarter last year. This number used to be in the Rs.50, 60 crores and maybe even Rs.90 crores range prior to the embargo. So, since you have already surpassed the AUM, what is the difference?
- Nirmal Jain:** Yes. So, I think the fee structure from the insurance company has been negotiated separately. So, there are certain things which they used to support by your marketing support which is other income, but now that comes as part of commission itself.
- Navneet:** Okay. So, going forward, this will be the new normal, we will earn lesser other income than what we used to earn?
- Nirmal Jain:** Yes. It remains on its own low. Sometimes, when there are certain capital gains or certain IPO things that come, but that is politics. But yes, what you are saying is right that this will be the new normal, will be lower. But what will happen is that the fee and the commission income what you see above will grow faster because there is 12.6 even in the slack quarter of Q1. So, a part of income will get reflected there. So, you see the two, three lines above the fee and commission income. Below that fee and income commission, other which is 94.9.
- Navneet:** That is right. So, some part of this income will get reflected there.
- Navneet:** Understood. Okay. That is all I want to understand.
- Nirmal Jain:** That has gone up in Q1 over Q4 also.
- Navneet:** Understood. Okay. Right. Thank you so much, sir.
- Moderator:** The next question is from the line of Abhishek from HSBC. Please go ahead.
- Abhishek:** Yes. Hi, Nirmal. So, my first question is on gold loans. Now, we have surpassed the levels we were at when the ban came into effect. From here, would the growth normalize, or would you still continue to see this kind of QoQ growth? How are you thinking about the business now? And when does it normalize? If not this quarter, maybe next quarter or by year end?

- Nirmal Jain:** I think growth should continue. And actually, we are just catching up. So, if you look at our disbursements per month, then they are not significantly higher. So, I think at least in the next two, three quarters, we should see the growth momentum continuing, Abhishek.
- Abhishek:** Okay. Because I think this kind of growth, so disbursement requirement in gold will be much higher than the net book growth, which means that you are borrowing more and it is also pressurizing your cost of funds. Why continue to grow so fast because -?
- Nirmal Jain:** A little bit of correction. First of all, I will be able to do co-lending and direct assignments at a faster pace. Therefore, the cost of funds will start easing now, hopefully, because it is given our beneficiary can handle these volumes, and we should be. Now, industry-wide, if you see, then there has been a stronger growth in this business in banks last year and NBFCs also. So, we are just trying to catch up at least partly. If we grow it faster, okay, we maintain the growth momentum because there is a market. Even if there is a slightly higher interest cost as we had seen last quarter, but I was hypothetical, I will come back to the reality on this, but that is more than made up by operating cost, leverage advantage that we get because our operating cost will not go up in the same proportion and plus, 18% is a fairly good yield to take care of everything. Now, coming back to cost of funds, last quarter, we had to pay a slightly higher cost of funds because in the beginning of the quarter, liquidity was high. It is only towards the end of the quarter that we saw the new monetary policy, RBI is stepping into easing liquidity, bringing down interest rate in CRR, and that impact we are seeing in this quarter and we are negotiating with the banks. But on the cost of funds probably we will see still after a lag of a quarter, but I think liquidity has eased and we do not see any big difficulty in maintaining the pace of growth by more than borrowing by DA in co-lending.
- Abhishek:** The second question is actually to Venkatesh on MFI. So, can you give some sense on how much was the disbursement in 1Q and where do you see disbursements for the next quarter, quarter after? And specifically in terms of credit cost, is there any writeback or utilization of some contingency buffer or anything, or is this like a clean credit cost and how do you see that for the next two, three quarters, when do we start seeing a sharper improvement in that number?
- Venkatesh N:** Abhishek, our disbursement in the 1st Quarter would be around Rs.1,300 crores and our provisioning continues to be the same from what we were provisioning around in the Quarter 4.
- Abhishek:** And going forward, how do you see disbursements from this quarter onwards -- should it pick up?
- Venkatesh N:** I mean, if you look at most of the collection, things are almost settling down, I mean, see again, if it has been raining in some pockets, slight disturbances are there, but we hopefully that disbursals will pick up, normally, towards this festival season, we have the biggest jump. Predominantly, if you look at microfinance, it has always been the second half of the year game actually, most of the disbursements happen now.

- Nirmal Jain:** So, do you have any estimate of disbursement this quarter, next quarter? What is the rate and the going rate?
- Venkatesh N:** See, we did around that Rs.1,300-odd crores in the 1st Quarter. It should hover around at Rs.1,800 to 2,000 crores in the second quarter and it should pick up from there onwards.
- Abhishek:** Okay, great. And what about credit cost? So, how do you see that in 2Q and then 3Q? What kind of improvement? So, when do you expect it to normalize?
- Venkatesh N:** See, I mean, we have always given that post-COVID, credit cost has slightly moved up. So for the credit cost for the full year will be at around 6%-7% kind of a thing.
- Abhishek:** Okay. For the full year?
- Venkatesh N:** Yes.
- Abhishek:** Okay. So I think this quarter you are at 8% annualized, so, then it should normalize pretty quickly from here?
- Venkatesh N:** Yes, yes.
- Abhishek:** Okay. The third question is from your slide 20. So, I think what you have given is the MSME secured loan breakup. If I look at micro-LAP in home finance and I look at the part in Samasta, both of them have very similar average ticket size and almost similar yields. But if you see the NPA, they are far apart; in Samasta, it is 3.5%, in home finance, it is 15%. So, is there any fundamental difference in those two portfolios or customer profile difference or what makes the asset quality experience so different, and the book size is also similar, right, roughly 20% each. Yes, that is the question.
- Nirmal Jain:** So, I think, Abhishek, in Samasta, it is captive customers and the micro-LAP is cross-sell. Samasta is a cross-sell customer where the customer already has a portfolio, and they get additional loans. And when we look at micro-LAP, then these are new customers, these are basically customers who based on their track record, based on their pre-underwriting, we have been tapping. So, what has happened is that where a customer has already a microfinance loan, has a good track record, and our collection people, our field force are already in touch with them, then, I mean, it is a smaller portfolio, but that is where we have done better.
- Abhishek:** Okay, but both are secured, right?
- Nirmal Jain:** So, when the housing finance does this, people have to get new customers. Yes, these are secured, but because these are small-value properties. So, repurchasing them, selling them is a deterrent, can happen, and ultimately you can reduce your losses, but if they are impacted by the cash flows, then obviously you recognize them as NPA, but they are all secured by residential or commercial property.

- Abhishek:** Got it. Okay. Okay. Thank you. Thank you. Those were my questions and all the best.
- Moderator:** The next question is from the line of CL Vicky from Nikko Asset Management. Please go ahead.
- CL Vicky:** Can I clarify on credit costs? I cannot hear clearly. What is the expectation for full year?
- Nirmal Jain:** I think we have been discussing that the credit costs will moderate from the 1st Quarter level. So I think the full year we were expecting at 2.5%-2.7%, might end up at around 3% at this point. That is what is the best estimate at this point in time.
- CL Vicky:** Thank you.
- Moderator:** The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Yes. Good afternoon, sir. Thank you for taking my question. Just two questions. I do not know if they have been covered earlier. I joined a little late. First thing is this micro LAP portfolio that we have in our housing finance subsidiary, we should be able to leverage SARFAESI, right?
- Monu Ratra:** Yes, very much.
- Abhijit Tibrewal:** I was trying to understand is if we can leverage SARFAESI for this micro LAP portfolio and also is the quality of collateral and the size of the loan good enough to really leverage SARFAESI and try for recoveries? That was my first question. The second question is for Nirmal sir. So, just trying to understand what happened in gold loans in this quarter. Very, very strong growth. So, compliments to you for that. But what I am trying to understand is usually the gold loan growth that one usually targets in a year has come in the 1st Quarter itself and we are seeing very, very strong growth in gold loans in this quarter across the industry. So, what really happened in this quarter which has led to such a high spurt in gold loans?
- Nirmal Jain:** Okay. So, if you notice NBFC microfinance loan portfolio has gone down from something like Rs.4,30,000 crores to Rs.3,50,000 crores and also similarly there is a stress in unsecured portfolio. So, many of these customers, the MSME enterprises, probably they would have been earlier reluctant to lend their gold, but now that they have no source of funding, so they might be taking gold loans, that is one. Two, gold prices have been firm. So basically the loan-able value also has gone up against the gold. So, that is the second reason that I believe in. Thirdly, even the economic momentum has been improving, the growth momentum in the macroeconomic environment, there is a demand, so there is a slight improvement, so, SMEs are seeing good traction. I think these are the reasons for the gold loan growth to be strong across the industry.
- Monu Ratra:** Abhijit, answering you the question of the collateral and the SARFAESI execution, these are collaterals, very much SARFAESI is executable and which we have started doing it expeditiously

now. So, in that way, they are pretty secured and we have given it against the residential houses only. So, every business which we have discontinued, so the AUM is also dropping quarter-on-quarter. So, we should be able to handle this in the subsequent quarter.

Abhijit Tibrewal: Thank you. That is all from my side and I wish you and your team the very best.

Nirmal Jain: Thank you.

Moderator: The next question is from the line of Sudarshan from Prosperity Wealth Management. Please go ahead.

Sudarshan: Thank you for taking my question. So, my question is on the unsecured MSME part. So, in the previous call, you mentioned those come under insurance scheme. So, is there any possibility of reversal in the coming quarters?

Nirmal Jain: Yes. So, in the insurance scheme, our portfolio I think from October 1st they started getting covered. So, this would be the prior loans which has become bad, one. Two, yes, some recovery will happen. But, the way the main insurance scheme works, you do not get the first 3% of loss and you get 75%. So, basically you get 75% minus 3% of the overall portfolio. So, you get only part reimbursement. But, yes, for the loans that are covered, that will happen. But, as I said, I think our portfolio started getting covered about six, nine months ago. So, the loans prior to that may not be under the cover.

Sudarshan: Okay. Understood. And on your gold portfolio, you mentioned your Q1 growth momentum will continue for the coming quarters. So, how long is this going to continue like you have reached I think 47 tonnage, is it going to continue till your peak 60 or is it like -

Nirmal Jain: So, as of now, it looks good to continue. As I said, there are several factors working for it. So, maybe at the next one or two quarters, we see momentum continuing. It is very difficult to forecast beyond that.

Sudarshan: Okay, sir. Thank you very much.

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

Kapish Jain: Thank you very much, ladies and gentlemen, for your time on the call today. With this, we come to the end of our Quarter 1 Earnings Call. However, for any further questions, you can always reach out to our Investor Relations Team, and we will be happy to assist and provide you any further clarification on our results and numbers. Thank you very much.

Moderator: Thank you for joining us and you may now disconnect your lines.