FEDBANK
FINANCIAL SERVICES LIMITED

Secretarial Department

August 01, 2025

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The Manager, Listing Department National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **SYMBOL – FEDFINA**	The Manager, Department of Corporate Services, BSE Limited, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 **Scrip code: 544027**

Sub: Transcript of Earnings Conference Call held on Monday, July 28, 2025

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings conference call which was held on July 28, 2025.

The transcript of the earnings conference call shall be uploaded on the website of the Company at https://www.fedfina.com/ under the section 'Investor Relations' in due course.

The above is submitted for your kind information and appropriate dissemination.

Thanking you,

Yours Faithfully
For Fedbank Financial Services Limited

PARTHASARATHY RAJAGOPAL IYENGAR

Digitally signed by PARTHASARATHY RAJAGOPAL IYENGAR
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Parthasarathy Iyengar
Company Secretary & Compliance Officer
Membership No.: A21472

Encl : As above

"Fedbank Financial Services Limited

Q1 FY '26 Earnings Conference Call"

July 28, 2025

Management	:	Mr. Parvez Mulla, MD & CEO, Fedbank Financial Services Limited
		Mr. C.V. Ganesh – CFO – Fedbank Financial Services Limited
		Mr. Vikram Rathi, CRO – Fedbank Financial Services Limited
		Mr. Jagadeesh Rao – CBO, Gold Loans – Fedbank Financial Services Limited
		Mr. Shardul Kadam – CBO, Small Ticket LAP – Fedbank Financial Services Limited
		Mr. K. Sureshkumar – CBO, Medium Ticket LAP – Fedbank Financial Services Limited
Moderator	:	Mr. Shreepal Doshi – Equirus Securities

Moderator: Ladies and gentlemen, good day, and welcome to the Fedbank Financial Services Q1 FY '26 Conference Call hosted by Equirus Securities. 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.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion, and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, sir.

Shreepal Doshi: Thank you, Viven. Good evening, everyone. I welcome you all to the Q1 FY '26 Earnings Call of Fedbank Financial Services Limited. Today, we have the senior management team of Fedbank Financial Services Limited represented by Mr. Parvez Mulla, MD and CEO; Mr. C.V. Ganesh, CFO; Vikram Rathi, Chief Risk Officer; Mr. Jagadeesh Rao, Chief Business Officer for Gold Loans; Mr. Shardul Kadam, Chief Business Officer for Small Ticket LAP; and Mr. K. Suresh, Chief Business Officer for Medium Ticket LAP.

I would now like to hand over the call to Mr. Parvez for his opening remarks, post which we can open the forum for question and answer. Over to you, sir.

Parvez Mulla: Thank you, Shreepal. Good evening, everyone. I would like to extend a warm welcome to all of you for joining the Q1 FY '26 post results earnings call. When we last connected during our Q4 FY '25 earnings discussion, I had addressed the direction in which we aim to rebuild the financial year FY '26.

Our priorities continue to be :

1. conserve and allocate capital to businesses with high ROA and ROE
2. to move towards a fully secured lending portfolio,
3. reinforce our twin strategy focusing on gold and LAP business
4. expand gold business through branch expansion and increased doorstep coverage. We expect to open gold loan branches in over 100 new markets this financial year.
5. continue to foster synergies between our gold and LAP operations.
6. Within LAP, we will concentrate on a combination of low-risk -- high-yield ST LAP business and low-risk MT LAP business;
7. persist in enhancing our collection infrastructure to effectively manage delinquencies;
8. establish leadership in ST LAP business and build team for growth and quality;
9. expand MT LAP with minimal capital allocation;
10. increase the core income while reducing reliance on DA income,

11. use DA as a capital-Conservation strategy;
12. move towards a frugal cost structure and
13. ensure that our credit costs remain range bound within the 1% plus or minus 10 bps.

With respect to these priorities, we have taken the following action in Q1 FY '26.

a. Our senior leadership has been onboarded in collections and the field team is being strengthened with full completion expected by early Q2.
b. We have verticalized the collection framework, adding additional resources to both the call center and legal team as well as the field teams.
c. We have strengthened our leadership and field team in the ST LAP business. Consequently, we expect to see steady rise in business activity in the quarters ahead.
d. Our ST LAP business has successfully transitioned to a system-driven file flow architecture powered by our BRE, leveraging API-driven workflows, thereby enhancing consistency of policy execution. This architecture also establishes the foundation for deploying credit scorecards, risk models targeted for rollout by Q3 FY '26.
e. A similar deployment is currently under evaluation for MT LAP segment with a pilot planned in the coming quarters.

In our collaborative initiative involving gold and ST LAP business, we have successfully merged and co-located 23 branches. That is 23 of our MSE LAP branches have moved into 23 gold branch premises and released/exited the MSE LAP premises. We will persist in our efforts to merge and co-locate more branches.

During this quarter, as promised, we have completed 100% assignment of our business loan portfolio of INR770 crores. It was executed and derecognized from our AUM. This capital release will be deployed in secured businesses. We have transferred INR25 crores of nonperforming assets during the quarter to an ARC via 85-15 SR structure. We have also completed the maiden issue of $100 million in ECB.

On the gold business, we had a good quarter with the AUM growing 39% Y-o-Y and tonnage growing 10% Y-o-Y. Our LTV on AUM stands at 64%. Our initiatives on DSGL have paid off well, where we have grown 81% Y-o-Y. Our MT LAP business grew while maintaining stable yields. Our credit cost for Q1 is 0.8%.

As we implement corrective measures, we anticipate certain flows will persist in the short term, but are expected to stabilize by the year-end. We foresee a return to normalcy by the end of the year, which will contribute to a more stable and predictable performance in the future.

Some of the key business numbers are as follows:

1. AUM reached INR15,697 crores an accretion of INR2,509 crores in Q1 FY '26, translating to a growth of 19% Y-o-Y.
2. Gold reached INR6,332 crores and AUM growth of 39% Y-o-Y.
3. Tonnage growth for the year came in at 10% Y-o-Y to 11.2 tons.
4. Mortgage AUM reached INR8,539 crores and AUM growth of 29.7% Y-o-Y.
5. Disbursals of INR5,933 crores in Q1 FY '26, up 18.5% Y-o-Y.

6. On the profitability side, our net interest income grew 7.4% Y-o-Y to INR268.2 crores.
7. Our operating profit experienced a decline of 0.5% Y-o-Y. Our operating profit stood at INR128.2 crores.
8. We made a choice to lessen reliance on DA income, which was INR 22 crores in Q1 FY '25 compared to a negative INR 5 crores in this quarter, which has reflected in our operating profit.
9. Our credit cost for the quarter stood at 0.8%. Our net profit stood at INR75 crores in Q1 FY '26, up 6.8% Y-o-Y.
10. Gross Stage 3 stands at 2% versus 2% in the previous quarter.

I will now hand over to C.V. Ganesh to take you through the numbers in a little more detail.

C.V. Ganesh: Yes. Thank you, Parvez. Thanks, everyone, for your participation on the call. Q1 has been a lower business quarter for us as the MSME loans reflect the seasonality. While Parvez covered the core performance, let me share some perspectives on the quarter to understand it better.

a. The large unsecured business loan assignment of INR770 crores, which constituted roughly 75% to 77% of the existing book has been done with a full credit risk transfer of this portfolio and all servicing on this portfolio going forward will also be done by the purchasing counterparties, resulting in a mitigation of costs as well.

b. With this, as of June 30, the changed loan book mix is as under :

Gold loans ~ 44% ; Secured mortgage : ~ 54%

& unsecured business loans of approximately 2%. The actual number is 2.3%, which is INR270 crores on a loan book of INR11,689 crores.

c. This transaction facilitated the release of capital for the higher ROA businesses, which we want to scale. And as a result, the capital adequacy as of June 30 has gone up by about 49 bps from 21.9% to 22.4%.

d. While this transaction was done at a small premium, we had to book certain one-off charges with reference to the origination costs on these loans, which are amortized in the books over the life of the loan. These one-off write-off of origination costs reflect in the interest income line and have impacted the yields optically by about 37 bps.

e. Since the above transaction has resulted in the loans being derecognized from our AUM, optically - you will see a flat to marginally negative AUM on a sequential comparison to March '25. Our overall AUM as of June 30 was INR15,697 crores and it reflects a Y-o-Y AUM growth of 19%. However, ex business loans, the year-on-year growth is 33%.

Now on the NIM and spread.

I explained the onetime impact of 37 bps on the yield because of the origination costs on unsecured loans, which we have taken a charge for.

Adjusted for this, our normative yields would have been 16.6% and the spreads would also have been higher by this amount. We have continued our focus on core income growth and done a lesser direct assignment on the mortgage book. This has resulted in net gains from direct assignment coming at a negative number, which reflects the deceleration in direct assignment.

While both of these numbers have resulted in a spread compression in the quarter, we expect the spreads to be more normative from next quarter onwards.

Now on the opex side.

The opex grew 9% year-on-year. The operating costs for the quarter reflect a lower origination cost due to overall lesser originations in Q1.

However, they also factored certain cost rationalization measures taken in this quarter, which were done to create room for an opex expansion from the new branch investments, which we plan to do in this fiscal. One example of the rationalization measures is the co-location of 23 branches and consolidation of 3 branches, which Parvez articulated.

As we continue on the branch expansion journey to capitalize on the opportunity before us, we expect the opex to go up to more normative levels, but driven by more capacity-driven spend.

On the treasury side, -

on a quarter-on-quarter basis, our weighted average interest cost on overall borrowings has gone down by 16 bps from 8.72% to 8.56%.

This decline has been facilitated by resets on the external benchmark-linked borrowings as well as a diversification of the resource mix by substituting local currency long-term debt by external commercial borrowings. We did our maiden external commercial borrowing this quarter. It is the first of a few, and it now constitutes 8.5% of our overall borrowing mix. Even on a fully hedged basis, this comes at approximately 70 to 80 bps lower than our local borrowing.

Currently, around 83% of our total borrowings are floating rate in nature. Of these, 45% of our borrowings are linked to external linked benchmarks and another 39% to MCR. As interest rates come down, we will see the benefit of this in our cost of funds and spreads.

Lastly, our incremental borrowing cost for quarter 1 was at an average of sub-8% compared to 8.5% in the quarter 4 '25. The deleverage from our BL assignment has resulted in our debt equity ratio decreasing from 4.03 in March '25 to 3.89 as of Q1 FY '26.

With that, I hand it over to the operator for any questions you have.

Moderator: We have first question from the line of Renish from ICICI Securities.

Renish: Just one feedback. I think we lost the first 15 minutes of opening remarks by Parvez. I don't know that is a problem with everyone, but I was there on the call since beginning, but I joined at maybe 6:45 or so, so I completely missed Parvez's opening remarks. But I will continue with my questions. I'm sorry if that's a repetition.

So two, three things, one on the small ticket LAP business, right? I mean so where do we stand in terms of restructuring of S LAP vertical and sequential fall in disbursement is just due to seasonality or we turn cautious due to the current noise about increasing stress in this product?

Parvez Mulla: Really sorry about the technical glitch. I will ask the operator to check what -- but I will repeat my opening remarks at the end, if needed.

Renish: No, I think we'll discuss one-on-one. We don't want to sort of waste time for others. Yes, sir, please.

Parvez Mulla: Yes. As far as the ST LAP business is concerned, we had discussed during my Q3 as well as my Q4 earnings call, we had highlighted that we are doing a leadership change. We have done that. We said that we will invest into people, we have done that. We were supposed to do the BRE change, we have done that. The grassroots level people, which I had said that -- it will take us Q1 plus some part of Q2 to the field level filling.

That's where we are. We have almost 80% of the recruitment there. So as far as manpower and change and systems and processes and the incentives are concerned, we've changed all that. The business growth for us has been -- we had dropped our business numbers in September level. From there on, we have been picking it up. And our pickup has been steady in that sense. So there is no extra additional tightening, which we have done in this quarter. So it's going in the same progress.

Whatever tightening was done, we had done it last quarter and previous quarter because some of the other players are seeing that stress. We had seen that stress earlier, but we had our own issues also to correct. So we had corrected on those parameters, both in terms of industry as well as BRE. So we have not done further tightening this month. The business growth will pick up as we -- as our people mature into their roles.

Renish: Got it. So drop in disbursement in this quarter is just because of seasonality, nothing else?

Parvez Mulla: Yes, it's the Q4, Q1 effect. Q4 was a new team. So it pushed in Q1. You will again see Q2 picking up over Q1.

Renish: Got it. Got it. And my second question is on the gold loan side. So in past 1 year, when we look at the quarterly disbursement run rate, it has actually doubled from INR2,600 crores odd in Q2 FY '25 to almost now crossing INR5,000-odd crores in Q1. Interestingly, when we look at the branch network, right? I mean, we have not added significant branches in last quarter as well as last 2, 3 years. So what is driving this sudden surge in gold loan disbursement? I mean is this purely by productivity gain? Or are we missing any structural changes which you might have done?

Parvez Mulla: So there are 2 parts to this. I will give you an initial answer, then I'll ask Jagadeesh to add it. One is in the last 2 years, if you've seen, there has been 10% to 15% tonnage growth. We might be one of the few companies which has shown consistent tonnage growth while there has been a price growth, but tonnage growth has been 10% to 15%, in fact, higher than 15% in one of the years.

So there is that substantial growth which has happened. I agree with you, last 2 years, the number of branches growth hasn't been much. But this year, we plan to put upwards of 100 branches. And if you remember, we had said that first, we will do the experiment of co-locating the MSE branches with the gold, and we were focused on getting that correct in this quarter. We've identified premises for gold branches, but that execution did not materialize as much as we had thought.

But Q2, you will see substantial opening of gold loan branches, and we will continue to expand our network through gold branches. So those branches will be put in context of FY '26 and FY '27 growth. But our growth, which has come has come from productivity and tonnage. Obviously, we've been aided by price, but price plus tonnage has been the growth.

Renish: Got it. Got it. And a marginal drop in LTV during this quarter, I mean, what is the reason? Otherwise, we have thought it will go up because of the revised RBI guidelines, but...

Parvez Mulla: Yes. See, 2 things, Renish, there. If you remember, when you had asked me this question in December -- post December 2, we had complied with the draft guidelines of December. So those were pretty strict - and we have complied with those guidelines. The revised guidelines, which came in were a little more relaxed than the December guidelines.

We felt that at a portfolio level, even at a sourcing level, although the LTV benefit is there, we have not extracted the full benefit because there is a price effect which is playing. So just being -- we are satisfied with the growth which has come in. So we have not further done anything with the LTV.

Renish: But I mean, just a clarification. But in system, we have sort of factored the new guidelines, right? Or...

Parvez Mulla: Yes. No, no. Just to clarify, so we are now following the December guidelines, which we are following 75% LTV to be maintained at the overall tenure of the loans. Okay...

Renish: So we have not yet moved to 85% LTV.

Jagadeesh : Yes. The new guidelines has to be adopted in full. We cannot go just by adopting only LTV. There are multiple things moving items. So we are in development stage, and we expect to go live as soon as possible.

Renish: Okay. Got it. And lastly, on the profitability front, right? So since we are largely done with business restructuring at least in terms of secured versus unsecured. So how do you see some of the ROA metrics moving in near term, let's say, NIM and more importantly, credit cost? And ultimately, where do you see ROE settling in near term, maybe exit quarter of FY '26.

Parvez Mulla: So Renish, that guidance I gave you in similar in Q3 as well as Q4 and the guidance remains same because we had factored in the BL when we mentioned in Q4 too. We have said that we will focus on a secured construct, and we have factored that. And if you remember, I had mentioned that we are going through a certain stress on the SP LAP side, and that could give us certain GNPA flows, but we will still manage the credit cost within the 1% range.

Now the full financial year FY '26 will take into account the fact that I am restructuring the BL piece of which about INR770 crores has gone out, but the balance still remains with me. So I will have to manage the credit cost for that. Plus I have some of the flows, which I will have to manage. So the credit cost will remain range bound 1% plus or minus 10 bps.

The GNPA, as I said, will move up and down, but that's where the credit cost will remain. The NIMs and spreads will be range bound. But net total income, again, the way you had constructed, it will remain in that range only, Renish.

Renish: Range you mean Q1, I mean, this quarter exit or...

Parvez Mulla: No. For FY '26, see, this quarter, there will be certain items which are one-off items. That is why you will see certain items which are depressed and certain items which are slightly appreciated. What I'm saying is, yes, for FY '26, I mean, if you look at our Q4 FY '25 numbers, the net total income could be in that range. And against that, the credit cost could be in the 1% range and the cost to income, which we had said would go down. But again, we are going to put branches, so it will remain stable in that range.

Renish: Got it. I do have one more question, but I don't know whether I have time or not. Maybe I will come back in the queue.

Moderator: The next question is from the line of Digant Haria from GreenEdge Wealth.

Digant Haria: Firstly, congrats on the good performance, especially gold loan side. So my question is that earlier, like, let's say, a year back, gold used to be around, say, 35%, 40%. Now with the kind of construct we have and the macros are so favorable for gold loans, our gold loan exposure may even go up to, say, 55%, 60% if our small LAP and the mortgage business does not keep pace.

And I think it's very difficult for mortgage business to keep pace with gold loans this year. So any thoughts on this? Like are we going to restrict ourselves on gold loans or like we'll let the -- whatever our system allows that growth, we'll take it in, in the gold loan space?

Parvez Mulla: Yes. Thank you, Digant again, I will refer to my Q4 call where we had given a guidance in terms of the mix. And when the BL moves out of our portfolio, the mix for gold changes. So there is that a portfolio mix, which will change in the range of 43% to 45% for gold. And I had guided that it will remain between that 45% to 49% and mortgages will cover the balance. That is our medium ticket LAP business and small ticket LAP business.

Our small ticket LAP business growth will pick up even if that growth might not catch up with the gold loan growth, the medium ticket LAP growth is still there. Furthermore, for our gold loan business, we have about 15% to 18% of CLM. Wherever this mix moves in a particular direction, we have that CLM percentage also there. So we will be in that range between 45% to 48%.

Digant Haria: Okay. Okay. My second question is that in this -- we sold down around INR770 crores of business loans. Like will there be any credit cost associated with that? And either remaining book or the guidance which you just gave to Renish in the previous question, that includes whatever good bad can happen in the business loan. Is that right assumption?

Parvez Mulla: Yes. So we are keeping that credit cost range bound, taking in those surprises. Say, for example, in Q1, we had expected BL to give the balance BL, which is on our books to give a particular credit cost, but it actually gave us a little more, but we still managed it. So when I'm saying it's 1% plus or minus, we've sort of projected what can BL do, and we factored that in.

Moderator: The next question is from the line of Yash Dantewadia from Dante Equity.

Yash Dantewadia: Congratulations on a decent set of numbers. My question is, again, a continuation of the previous question of somebody who asked, let's say, your gold loan goes up higher, which is clearly going up, the gold loan mix. What kind of exit ROA, ROEs are we going to see this financial year?

Parvez Mulla: See, Yash, the Q4 ROA that we had indicated, I had answered this question by giving an indication that the ROAs in FY '26 will be range bound. There is an upside which we will get from the cost of funds, but we are also trying to reduce the DA income. So there is that plus and minus, which is happening there.

And that's where we believe that the net total income will be somewhere close to what we showed in -- plus or minus 10 bps, somewhere close to what we showed in Q4. Our cost to income will be in the range what it was in Q4 again. Our credit cost will be 1% plus or minus 10 bps. So that is how we are expecting our FY '26 to move around.

There are two, three investments which we are -- although there is some items on the cost side that we are working on, and we will reduce the operating cost, but there are certain investment on branches, 150 gold branches that we want to put across in FY '26.

That is why the cost to income will move -- will remain flat. There is a flow which is happening from the ST LAP business in the previous quarter, which we have guided. And that flow, we believe will be managed and the BL flow will be managed with a 1% credit cost. So that's the range that the ROA will be.

Yash Dantewadia: You are saying something about investments. You were saying something about some unrealized investments, right?

Parvez Mulla: I don't think so.

Yash Dantewadia: Investments in branches.

Parvez Mulla: I mentioned about investing in branches, gold branches.

Yash Dantewadia: Okay. Okay. Okay. And what gold finance market? Because I think Muthoot Finance and other larger players have kind of guided for a 20% growth or thereabouts. So what kind of demand are you seeing on ground growth '26?

Jagadeesh : So we have guided with a 25% year-on-year growth in gold with the current branches in place. And whatever new branches are going to come in, that will give us the delta.

Yash Dantewadia: And last question. Any new segments that we plan to enter something like portfolio, a lot of NBFCs are giving loans based on equity portfolio and those kind of things. Are we -- vehicle finance, for example, are we planning to enter new segments this year?

Parvez Mulla: Yash, we are focused on rebuilding our ST LAP business, growing our gold business, growing our MT LAP business. We believe we want to be one of the companies which is focused on LAP business. There are other companies which are also doing LAP.

We want to be focused on LAP and build a proposition here. We want to ensure that our management bandwidth is focused on these three products, and we bring them to a very decent healthy profitability. So we won't be looking at other products right now until we fix what we want to achieve.

Moderator: The next question is from the line of Mayank Mistry from JM Financial.

Mayank Mistry: I have three questions. First is mainly on the mortgage book. So our mortgage book Stage 3 has improved on a quarter-on-quarter basis?

Parvez Mulla: Yes, Mayank. I'm listening to you.

Mayank Mistry: Yes. So against what the markets right now and given the SME lenders, most of the lenders usually catering to these segments, they have shown some stress. So surprisingly, this has actually showed some improvement in our book. So what has driven this? And second also on this book, how is it doing in Karnataka? I mean are we seeing any stress coming in from there? That's one.

Secondly, you mentioned something about the additional charge, which has led to your yields of 16.6%. So we actually missed the opening commentary. So maybe that was the end of that part, which spoke about it. So I wanted to know what was that.

Parvez Mulla: Okay. So thank you, Mayank, for the question. See, we were one of the few companies which had talked about the stress in our ST LAP business, but it was more driven with the challenges that we were facing in Q3 and Q4. And we are trying to revive that business. So we had certain flows in Q3, Q4. We are dealing with those flows in Q1 also.

So we've had elevated flows. And those are reflecting in our Stage 2, Stage 3, but there will be certain actions that we have taken. We have taken a onetime hit. We've done an SR structure. So that is why you see certain way in which the GNPA is looking.

So there is that stress, but we are dealing with it, and we've tried to manage our credit cost within 1%, plus or minus 10 bps while we're dealing with the stress. We have done structural changes on the ST LAP side in Q3. This was what we had updated, and we have progressed well there, and our disbursals have been picking up.

We have tightened our BRE, and we have done certain industry-level mapping where we want to focus on. So we are pretty focused on growing this business very, very cautiously. On the yield side, I think you were talking about -- in my opening remarks, I mentioned that we had done assignment of business loan portfolio of about INR770 crores, which was executed and derecognized from our AUM.

That capital release, we will deploy in secured business. And I also mentioned that we had completed a maiden issue of $100 million in ECB. So these two were mentioned. If there is anything else I missed out which you wanted to know?

Mayank Mistry: No, sir. But just on the -- continuing with that mortgage book. So can you give us a Stage 2 number particular to that segment? And maybe what was that in the previous quarter?

Parvez Mulla: Yes. CVG, we have that number here right now. No, we have it particular to that segment.

C.V. Ganesh: We have it at a mortgage level.

Parvez Mulla: Yes, we are disclosing at a mortgage level.

Mayank Mistry: What will that be?

Parvez Mulla: So at a mortgage level, see Q1 FY '26, our stage -- gross Stage 3 is 3.4%. Q4, it was 3.5%. And net Stage 3 will be Q1 FY '26 is 1.9% and Q4 FY '25 was 1.9%.

Mayank Mistry: No, on the Stage 2, sir.

C.V. Ganesh: So Stage 2, we don't disclose. We normally don't give that information. But that being said, it has not moved much in between the 2 quarters, right? But again, I would like to highlight, our mortgage is a mix of medium ticket and small ticket. So it attributes stability to the delinquency numbers. So that's where I leave it.

Mayank Mistry: Okay. Okay, sir. And secondly, on the branch mix, I am seeing, I think there is some -- I think the numbers on the branch mix on the geographical mix, I think the numbers are actually different than -- significantly different from last quarter. So if I'm correct...

Parvez Mulla: So what we have done, Mayank, is the branch -- and I think this was missed in my opening remarks. As a strategy, we had said that we will do a collaborative initiative between our gold business and our ST LAP business. So we have successfully merged and co-located 23 branches. That is 23 branches of our ST LAP business have moved into 23 gold branch premises.

So we have co-located them and released the ST LAP premises. And we will continue this effort of co-locating these branches. So you will have these branches being double counted. That means they will serve gold customers also, and they will serve our ST LAP customers also.

Mayank Mistry: Yes, sir. Yes, I got. Actually, I was talking on the geographical mix of branches. I think that the 135 branches are in the North, right, not in the West. The mix is, I think, somewhat different from last quarter.

Parvez Mulla: Mayank, let me check that and get back if we've done some -- the mix has not changed between West and North, but if there is some error on our part, we'll correct it.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: Sir, my question was on employee cost. So our employee count has increased Q-o-Q, but our employee costs have fallen. So what is the reason for the same?

C.V. Ganesh: So as I explained earlier, there is a certain part of origination costs, which are given as employee incentives, right? So we have changed the structure. And the employee costs reflect lower originations in the quarter. So that's the primary reason. Also, as Parvez mentioned much of the Unsecured business loan team has moved out.

Aditya: Understood. So how should we build this employee cost going forward? So INR90 crores should be the run rate?

C.V. Ganesh: So thank you for that question. See, as Parvez articulated in his opening remarks, we are building up for capacity expansion, and we are recruiting people for these new branches. We will not fall short of capitalizing on the gold loan opportunity. So many of the people will start coming on board from Q2. So you will see the muscle getting built up here.

And you will see -- consequently, you will see the employee cost coming back to a more normative number. Also as origination picks up, obviously, Q1 is not normative for the rest of the year. So you will see the employee cost coming back. So I would urge you not to read too much into the employee cost.

Aditya: Yes, sir how big was the business loan team for us? And what are we going to do with the employees in that department?

Parvez Mulla: So we had a 90-member sales and credit team. And the entire set of team, we have either moved them into other verticals where they were given a choice whether they wanted to move into other verticals or they have chosen where we waited them to find another assignment outside the organization. And we've given them a long period to do that. So we've given them both the options. And right now, we have about 5 employees remaining.

C.V. Ganesh: many of these employees were lateral. And I think what you also see an effect of -- see, we stopped new originations in unsecured business loans in December. Right? Now we are 6, 7 months away from that. Much of that cost has gone away.

Aditya: Understood. And sir, you mentioned that 83% of our borrowings are floating. So how are they paid on the advances side? How much is fixed, how much is floating?

C.V. Ganesh: See, the entire gold loans is fixed, but it gets reset because it's shorter tenure. Similarly, on the small ticket LAP, the small ticket LAP is almost entirely fixed in nature, right? So the medium ticket LAP is the one which is floating in nature right now. And that constitutes about 30%, 31% of the mix right now. So roughly the residual other than medium ticket LAP, everything else is fixed.

Aditya: And what is the frequency of repricing the medium ticket LAP loans? So is it based on repo only, does it get repriced next day? How is it getting repriced?

C.V. Ganesh: We normally do it annually once we see a more stable pattern. So that's how -- where you are getting, I think we will be benefited from this mix, which we have. And that's what's giving us comfort in terms of establishing new floors on the ROA every quarter.

Aditya: Got it. Got it. And in your opening remarks also, I think you mentioned that your incremental borrowing costs are below 8%. Is that correct?

C.V. Ganesh: That is correct.

Moderator: The next question is from the line of Renish from ICICI Securities.

Renish: Again, I'm just going to your slide on this geographical mix. Now I don't know, as you already mentioned that there was error, but just wanted to double check that on the best zone, we are scaling gold loan business, but at the same time, we are scaling down mortgage. I mean is that the trend or there is an error in that side.

Parvez Mulla: Sorry, Renish, scaling down what?

C.V. Ganesh: Mortgage.

Renish: Mortgage business, and we are scaling the gold loan business. I mean I will just tell you which slide I'm referring to. I'm referring to your Page #23 of PDF. Now if you look at gold loan, the orange bar, the share of best branches has actually gone up from 30-odd percent in '23 to 47%, roughly 5% over the last 2 to 3 years.

Similarly, when you look at mortgage loan, the same has gone down by 5-odd percent. So essentially, it means that we are going slow in best in mortgage, but at the same time, we are going fast in gold loan?

Parvez Mulla: Yes. See Renish, you are talking about the geographical AUM mix. So the slide which you...

Renish: Yes, yes. AUM. Okay. Yes, I'm talking about geographical AUM mix, you're right.

Parvez Mulla: Yes. So the AUM could be -- yes, the AUM could be because -- see, in the Western markets, if I have grown faster in gold loan, that's how it will reflect. And if you heard us 2, 3 years ago, we had consciously said that the southern markets in gold, we will not expand as much.

We will expand in the gold in the northern markets and Western markets, and that's what we have done. And that's what is reflecting on the gold. Similarly, in the mortgage side, you will see us penetrating our AUM in those white spaces where others have not penetrated deep. So that's how that strategy over the years has been played.

Renish: Got it. Got it. So it's a well-thought strategy, right? I mean there is.

Parvez Mulla: Yes, yes, yes. And it is basically opportunistic in the sense of seeing that we have a proposition if you have southern states which are already invested by certain other players who have done well there, we might as well focus on Maharashtra and Gujarat, which will give us an expansion much better.

And the Gujarat market behaves differently for gold and differently for our small ticket LAP. It might be a favored business for gold, but Maharashtra might be a favored business location for me in the ST LAP side. So that's how we would do it.

C.V. Ganesh: I'll just also add that Parvez in his opening remarks mentioned that we will chase profitable growth, not just growth ! So we will keep recalibrating the markets and the growth in those markets depending on how the credit behavior is panning out and how the profitability or the yield is playing out there.

Renish: Got it. Got it. Maybe just last question and this is more from a strategic and slightly medium- to long-term perspective. But let us say, assuming 45 gold, 55 mortgage and obviously 1% credit cost. Are we aspire to deliver more than 15% ROE or maybe in our mind, that's the path we are taking.

C.V. Ganesh: So can I answer that, Renish?

Renish: Yes.

C.V. Ganesh: Very clearly, our leverage is at an all-time low at 3.89. As we keep growing the book business, the leverage will keep going up. And that's your multiplier for on the ROA. On the ROA, we are establishing new floors. In Q4, we reported 2.2%. Q1 is 2.3% and our whole strategy has been to fortify the balance sheet and lend more certainty on our return metrics, right, and minimize cyclicality on the earnings.

I think if you consider the trajectory, you will be able to extrapolate how the leverage will grow, how the margin expansions will play out and how the ROAs will work. And I think that will lead you to a number like the one you seem to be indicating within a certain timeline.**Moderator:** The next question is from the line of Avnish Tiwari from Vaikarya.

Avnish Tiwari: Around INR935 crores DPD and around INR596 crores DPD. How much of these would be from business loans, which is largely your residual book?

Parvez Mulla: Avnish, I couldn't hear your question properly. Can you repeat it, please?

Avnish Tiwari: Sure, sure. So for example, you give this 30-plus DPD and 1 plus DPD on a portfolio level. And looks like around INR596 crores, if I calculate on 30-plus DPD, around INR935 crores on 1 plus DPD ballpark numbers.

And you have around INR270 crores of business and then you have around INR600-plus crores AUM. So I just want to see how much of your book you have right now in business loans, how much of it is sitting in 30-plus DPD or 1 plus DPD ballpark? That's a book you would try to manage in terms of credit cost, right, effectively?

Parvez Mulla: Yes. So Avnish, I don't know the crore numbers, but I can give you an indication that in the 30-plus DPD, about 0.3% to 0.4% will be BL, which is coming. That is incremental which is coming there is because of that BL.

Avnish Tiwari: So this is percentage of overall AUM or percentage of this BL AUM? What is this 0.3% to 0.4%?

Parvez Mulla: You are seeing our portfolio quality indicators in our Investor Presentation where we've shown the 30-plus DPD.

Avnish Tiwari: Okay. So 30-plus DPD percentage number which we are seeing out of that 0.4% is because of BL. Is that what you're saying?

C.V. Ganesh: Yes, that is correct. And also, if you see somewhere in the sell-down slide, we are mentioning that the residual loan book on business loans is INR270 crores. And that runs down quite rapidly. So that's a decreasing number, right? So -- and they are -- many of them are of recent vintage.

Parvez Mulla: Yes. Just to correct, Avnish, I'm just doing the calculation on the fly as you are asking me. Of the 5.1% -- so around 35 to 40 bps is BL.

Avnish Tiwari: Got it. So 35 to 40 bps of overall portfolio is sitting in this particular 30 DPD?

Parvez Mulla: Yes.

Avnish Tiwari: Great. Second question I have is whatever you have, let's say, AUM number is INR618 crores and AUM is INR270 crores. So the difference between the 2, is there any risk on you if something goes bad than those or that is the guy who has been assigned that loan to?

C.V. Ganesh: So all of what has been sold, we have a risk only to the extent of what is retained in our books, which is coming in the INR270 crores number. The balance is what is remaining of the assignment. There is a full transfer of credit risk and there is zero credit enhancement or FLDG in any of these assignments. So to answer your question, there is no credit risk on the difference over 270 Cr.

Avnish Tiwari: Great. And lastly, this INR270 crores, which is right now on your books, typically monthly or quarterly, how much is the rate you're receiving money at? Like how many quarters or it takes for you to run? Of course, you will see how much eventually close to the credit cost, but let's say, roughly what is the duration which this book will run down or itself?

Parvez Mulla: See, by March '26, you can visualize that this INR270 crores will go down to about INR120 crores. That INR120 crores will go down slowly. But this INR270 crores will go down to about INR120 crores.

Moderator: The next question is from the line of Patanjali from Nuvama.

Patanjali: I had one question on MT LAP side. Have we reduced the off book to sell down in MT LAP. I'm asking this because you have disbursed about INR450 crores in MT LAP, but AUM increased by about -- around INR420 crores. So wanted to understand, have you reduced off book in MT?

Parvez Mulla: Yes. I mean the off book on MT LAP will depend on what's available in the market and what's our strategy for that quarter. So in this quarter, we would have done a little bit lesser than the previous quarter.

C.V. Ganesh: Yes. And also, as I explained, Patanjali, there was a capital release on the BL. I think one of our themes has been that we will use DA strictly as a capital conservation strategy. So since we anyway had the release on capital from Unsecured BL, we didn't need to do too much of MT LAP assignment.

Patanjali: Understood. It has nothing to do with asset quality, right? Asset quality is fine in terms of prepayment behavior.

C.V. Ganesh: Nothing at all. See, our loan book is entirely monetizable. It is a lever we have how much and when, and we will choose to exercise that option based on how we want to calibrate...

Moderator: The next question is from the line of Shreepal Doshi.

Shreepal Doshi: So my question was on MT LAP and ST LAP. So going ahead, how are we looking at growing these 2 segments, especially like when do we see the ST LAP revival coming in? Because this quarter, the MT LAP growth has been pretty healthy. So what has driven that? And the second part was on the ST LAP portfolio?

Parvez Mulla: See, the MT LAP healthy growth will continue. So whatever this quarter you are seeing, it will continue. It has a cyclicality. So Q1 will be different from Q4. But quarter -- year-on-year basis, you will see that growth. And MT LAP is a seasoned business. It has seen multiple years, and we have a very good portfolio book, which is building up there. So it will continue with that growth rate.

Our ST LAP business, as we mentioned, it is going through its own rebuild phase. And as I told you on a monthly basis, we were doing lesser number of disbursals in September. Since that time from that low, we've picked it up. We reached a peak in March, April. And then for Q1, again, it has its seasonality. It is picking up. We see our ST LAP business also doing the same growth rate like MT LAP going forward.

So these two businesses will have that growth rate. We are just being cautious a little bit because the market environment has been a little cautious on the ST LAP side, but we've built in the BRE engine and we have done away with certain industries which had given us those problems. So we see a decent growth rate ahead for our ST LAP business.

Shreepal Doshi: Got it. Sir, just like to what you highlighted in your latter part of the comment. So when you talk about the environment at the industry level or, let's say, system level, how are you seeing -- what are some of the, let's say, industries or let's say, some of the geography or some of the customer profiles wherein you are seeing the rejection rates being elevated or -- yes, so just some color on that.

Parvez Mulla: Shreepal, I would not want to give you a color because see, what has happened is we are trying to rebuild our book. And our book has an issue about certain challenges that we faced in our collection infrastructure. So it has the mixture and paint of that, and that is predominant. So the market kind of a feedback -- so for example, the market might face certain challenges in particular state, we might face it in some other state.

And that state -- the state that market is talking about for us could be a mixture of our own issue plus the market issue. So that's why it's very difficult for us to give you a market-related information in that distinctive manner. Once we settle down our flows by Q3, we should be able to give you that answer much more clearly.

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

Parvez Mulla: Operator, I understand there was some glitch. Is there anything I need to do? I need to repeat my opening comments or...

Shreepal Doshi: Sir, you might just want to give some color of it, and then truly we can conclude the call. I think that will be helpful.

Parvez Mulla: Yes. So since I understand there was a glitch and some of you didn't hear the opening comments, I will just highlight some that we continue on our priorities of conserving and allocating capital to businesses with high ROA, ROE. We have promised that we will move to a fully secured lending portfolio, and we've done that. We mentioned that we will focus on our twin engine strategy of doubling on gold and LAP businesses, the high-yield ST LAP business and low-risk MT LAP business. We will expand our gold business through branch expansion. We have done that.

We have also guided that we'll be opening 100-150 branches. We will continue to foster synergies between our gold and LAP operations. We have given you an update that we've merged 23 branches. That means co-located 23 branches. Our ST LAP branches have now been -- the premises has been released, and those have been now co-located with gold premises. We are persisting in our -- enhancing our collection infrastructure to manage delinquency. We are continuing to expand our MT LAP business with minimum capital allocation.

We are reducing our reliance on DA income, using DA as a capital allocation strategy rather than a profit strategy. We had promised that we will ensure the credit cost remains 1% plus or minus 10 bps, and we've adhered to that in this quarter. We've said that we have done a 100% assignment of our business loan portfolio of INR770 crores, which was executed and derecognized from our AUM. This capital release was essential because we wanted to deploy it in our secured business. We have transferred INR25 crores of nonperforming assets during the quarter to an ARC via 85-15 SR structure.

We have completed a maiden issue of $100 million in ECB. Our gold business had a very good quarter. AUM grew 39% and tonnage grew 10%. Our MT LAP business grew while maintaining stable yields. And overall, our net profit stood at about INR75 crores, which is up 6.8%. So all in all, we are trying to walk the talk, and we are trying to focus on the promises that we made to you in Q3 and Q4. We are trying to rebuild, and we are focusing on building a good high ROA franchise. Thank you.

Shreepal Doshi: Thank you, sir. Thank you, and thank you for giving us the opportunity to host the call. Thank you to all participants for being there on the call. Thank you.

C.V. Ganesh: Yes. Thank you, Shreepal. Thank you, everyone.

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