



Secretarial Department

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The Manager, Listing Department National Stock Exchange of India Limited 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
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Sub: Transcript of Earnings Conference Call held on Friday, October 17, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 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 October 17, 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 Iyengar
Company Secretary & Compliance Officer
Membership No.: A21472

Encl : As above



“Fedbank Financial Services Limited
Q2 FY '26 Earnings Conference Call”

October 17, 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. Shardul Kadam – CBO, Small Ticket LAP – Fedbank Financial Services Limited
- Mr. Jagadeesh Rao – CBO, Gold Loans – 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 Q2 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 may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not a 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, Swapnela. Good evening, everyone. We welcome you all to the earnings conference call of Fedbank Financial Services to discuss the Q2 performance of the company. Today, we have the management of the company represented by Mr. Parvez Mulla, MD and CEO; Mr. C.V. Ganesh, CFO; Mr. Shardul Kadam, CBO for Small Ticket LAP business; and Mr. K. Suresh, CBO 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: Good evening, everyone. I would like to extend a warm welcome to all of you for joining the Q2 FY '26 post results earnings call. I am joined by our CFO, Mr. C.V. Ganesh; our CBOs, Mr. Shardul Kadam; Mr. Jagadeesh Rao; Mr. Suresh Kumar; and our Chief Risk Officer, Mr. Vikram Rathi.

Continuing what we had articulated in our previous calls, I wish to emphasize priorities for your company:

1. Conserve and allocate capital to businesses with high ROA, ROE.
2. Focus on our twin-engine strategy of Gold and LAP businesses.
3. To move towards a fully secured lending portfolio.
4. Expand Gold business through branch expansion and increased doorstep coverage.
5. Continue to foster synergies between our Gold and LAP operations.
6. Within LAP, we will concentrate on a combination of high-yield ST LAP and low-risk MT LAP.
7. Expand MT LAP with minimal capital allocation.
8. Establish leadership in ST LAP team and build team for growth and quality.
9. Continues strengthening our collection infrastructure to effectively manage delinquencies.

10. Aim for increased core income while reducing reliance on DA income, use DA as a capital allocation strategy.
11. Move towards a frugal cost structure.
12. Ensure that credit costs remain 1% plus or minus 10 bps.

With respect to these priorities and more, we have taken the following actions in Q2 FY '26:-

1. Entering this quarter, the company has successfully sold a deep delinquent pool of gross non-performing assets of ST LAP and HL amounting to INR79.5 crores. This includes technically written off principal outstanding value of INR41 crores. We have sold this to an asset reconstruction company for an upfront cash payment of INR32.6 crores.
2. If you recollect, during Q1 FY '26, we have done a 100% assignment of business loan portfolio of INR770 crores, and it was derecognized -- it was executed and derecognized from our AUM. Similarly, during this quarter, 100% assignment of business loan portfolio of further INR115.6 crores was executed and derecognized from AUM, reducing the total on-book exposure of unsecured lending to less than 1%. In addition to ring-fencing us from any deterioration in unsecured lending, this also enables us to reinvest the proceeds into products with higher returns on ROA.
3. On the gold business, we had a good quarter with the AUM growing 36% Y-o-Y and 6% Q-on-Q and the tonnage grew by 4% Y-o-Y. Our LTVs on AUM stand at 62%. Our initiatives on DSGL has paid off well, where we have grown 71% Y-o-Y.
4. In this quarter, we have opened 57 new gold loan branches. In line with our guidance, we will continue to open new branches in the next 2 quarters.
5. In our collaborative initiative involving gold and ST LAP branches, we have successfully merged and co-located 49 branches till now, which includes 23 branches, which we had done in the first quarter. That means 49 branches of small ticket LAP business have released the premises and moved into 49 gold branch premises. We will persist in our efforts to merge and co-locate more branches while we open new branches.
6. Despite facing yield pressure, the MT LAP business has disbursed INR554 crores achieving a quarter-on-quarter growth of 23%, while maintaining the same yields.
7. In light of the environment, the ST LAP market and the increased credit cost faced by the company earlier, the company has fortified its credit policies and successfully transitioned to a system-driven BRE. This quarter, this business of ST LAP has disbursed INR206 crores.
8. The senior leadership team was successfully on-boarded in collections during Q1 and Q2, and we further strengthened the field team. We have verticalized the collection framework incorporating additional resources for both call centers and legal teams.
9. This quarter, we have secured ECBs totalling \$150 million to date.
10. Our credit cost for Q2 stands at 0.9%. This includes an impact of about 0.2% from an annual ECL refresh exercise.
11. Our dependence on DA income has diminished in this quarter too.

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

Some of the key business numbers are as follows: -

1. Our AUM touched INR16,136 crores, translating to a growth of 13.5% Y-o-Y. Without the base effect of business loans, this would be 28% Y-o-Y in the AUM growth.
2. Gold has reached an AUM of about INR6,731 crores and AUM growth of 36.4% Y-o-Y. Tonnage growth for the year came in at 4%.
3. Mortgage AUM reached INR8,796 crores and AUM growth of 22.6% Y-o-Y.
4. Disbursals of INR5,205 crores are up 36.5% Y-o-Y.
5. On the profitability side, net interest income grew 10.9% Y-o-Y.
6. Operating profit grew 10.1% Y-o-Y.
7. Our net profit stood at INR80.2 crores in this quarter, up 24.2% Y-o-Y.
8. On the asset quality side, credit cost stands at 0.9%. This was about 0.7% in Q1 and 1.3% in Q2 last year.
9. The gross stage 3 stands at 1.9% versus 2% Q-on-Q after the ARC sale.

I wish you all a very Happy Diwali, and I now hand over to Mr. C.V. Ganesh to take you through the detailed numbers.

C.V. Ganesh:

Thank you. Parvez. Thanks, everyone, for your participation on the call. While Parvez covered the core performance, let me share some perspectives on the quarter to understand it better. Much of what I say will be an expansion of what has already got mentioned.

1. First is the way we are going around the branch infrastructure. We began the year with 694 branches. In Q1 '26, we had advised that we had co-located 23 small ticket LAP branches within gold loan branches and consolidated another 3, resulting in a reduction of branches from 694 to 668.
In Q2, we have commissioned 57 new gold loan branches and consolidated another 26 small ticket LAP branches within gold loan branches, resulting in a net addition of branches by 31, which takes the total branches to 699.
So, if you see what we are doing, we are almost at the year beginning counts of physical branches. But with an expanded 57 new gold loan branches in new locations, and without diluting the small ticket LAP presence on the ground at all. Q3 will be a commissioning of a high number of gold loan branches as well, adding muscle to our ground presence for gold loans.

2. We continue the de-risking exercise of our balance sheet. We started the quarter with a residual unsecured MSME loan book of INR270 crores. During the year with an unsecured business loan assignments of INR116 crores with a full credit risk transfer. With this and runoff, our residual unsecured MSME book is down INR104 crores, down from INR270 crores as of June 30. This means that we have scaled down our exposure to unsecured MSME to a little over 1/3 of the June exposure.
Also, of the residual INR104 crores of unsecured MSME, over 75% of this book is 0 DPD as on September 30. We are sufficiently provided for on this residual book. This transaction, coupled with the ARC sale of deep delinquent small-ticket mortgage NPAs, including the write-off book of INR41 crores, has facilitated the release of capital and helped improve asset quality of the portfolio.
3. The capital adequacy as of September 30 stands at 21.64%, down from 22.4% in the previous quarter, primarily due to additional discounting on our existing Tier 2 capital. We will take steps to supplement our Tier 2 during H2 FY '26.
4. With this, of the loan book of INR11,743 crores in the balance sheet as on September 30, the changed loan book mix is at under. The gold loan share has gone up to 46%, up from 40% at the beginning of the fiscal. The secured mortgage is at 53% and the unsecured MSME book has gone down to under 0.9%, down from 10% at the beginning of the fiscal.
5. Since the above two transactions, namely the unsecured business loan sale and the ARC sale have resulted in the loans we derecognized from our AUM, optically, you may see an anemic AUM growth of 2.8% sequentially compared to June. However, on an ex-DL basis, which we stopped originating last year, the year-on-year growth is 28%, and the sequential Q-o-Q growth is 4.5%.
6. Parvez mentioned that we will grow medium ticket LAP with minimal capital allocation. In the quarter, we have originated INR554 crores of medium ticket LAP and done direct assignments of INR462 crores of the same. Our AUM per gold loan branch shows an optical decline from INR13 crores per branch in Q1, to INR12.4 crores for branch in Q2.
7. However, this is due to the 57 new branches commissioned in the last 2 months of Q2, which will take 9 to 12 months to meaningfully contribute to book growth. However, our tonnage growth has been flat, and that's an area we hope to remedy when the new branches start contributing.

On the NIMs and spread.

We had advised in the last quarter that our normative yields adjusted for the onetime impact on the sold BL would have been 16.6%, and the spreads would have been higher by the amount.

In quarter 2, with yields returning to the normative number, coupled with an additional 20 bps income coming from direct assignments on the medium ticket LAP book, our yields for the quarter have averaged 17%, up from 16.2% in the previous quarter. That, coupled with the improvement in the cost of borrowing has led to spread sequentially improving by 100 bps quarter-on-quarter to 8.7%.

On the Opex side.

We are seeing traction in our cost rationalization measures with opex growth contained at 2.6% Y-o-Y. However, the operating cost for the quarter reflects a back-ended nature of branch expansion.

On the Infrastructure side.

The co-location/merger of 49 branches and consolidation of 3 branches has also aided in restricting the opex. Consequently, our cost to income has come off better at 56.9%, which is a sequential improvement of 136 bps. As we continue on the branch expansion journey, we expect the opex and cost to income to go up to more normative levels, but driven more by capacity-driven spend on new branch infrastructure.

On PCR side.

Our ARC transaction resulted in the sale of deeper bucket NPAs which had a higher provision than the average ECL. Hence, post-sale, there was a big drop in PCR through our ECL refresh exercise which we have done in September and the flowing back of the gains from the sale of the back book to shore up the NPA provision, our revised PCR stands at 32%.

On the Treasury side.

On a quarter-on-quarter basis, our weighted average interest cost on the overall borrowings has gone down by 37 bps from 8.56% in June, to 8.19% for this quarter. This reflects a decline in cost of borrowing by 53 bps from the beginning of the fiscal.

This decline has been facilitated by reset on the external benchmarking borrowing and diversification of the resource mix by substituting local currency long-term debt with ECB. We have more ECBs and market borrowings lined up and timing will be a function of how the asset growth picks up.

Currently, around 83% of our total borrowings are floating rate in nature. And of these, 45% are on external linked benchmarks, while 39% are linked to MCA. Our incremental borrowing cost for quarter two continue to be comfortably below 8%.

The deleverage from our BL and LAP assignments of INR578 crores and a marginal increase in the gold loan co-lending by INR147 crores has resulted in our debt equity ratio decreasing from 3.89% as of June to 3.78% as of September. That gives us sufficient headroom to expand our loan book without needing to raise equity in the medium term.

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

Moderator:

The first question is from the line of Digant Haria from GreenEdge Wealth.

Digant Haria:

Firstly, it is very encouraging to see that we have opened new branches for gold loans because Laxmi ji is shining on the whole world and even India, the gold prices are very strong. Even the regulator has been very benign in having relaxed regulations.

But sir, I just have one question here that 6% Q-o-Q growth, though it is in no way a bad number, it just seems that we have been holding back our growth in some way because like from whatever we hear from the markets, larger players would probably be doing double of that.

So just wanted to know that on the gold loan side, what is holding back? Why are we holding back? And probably it's time to go full throttle and we have not done that this quarter. So any thoughts here, Parvez sir or Ganesh, anyone?

Parvez Mulla:

Yes, Digant, thank you so much for your question. If you remember, I was asked this question last quarter also. And we continue to maintain that we will be conscious of the price increase and the LTV. So, while the relaxation has happened on the LTV, we are still operating on the December guidelines. We have not taken the relaxation of the LTV yet into the effect. That's point number one.

Point number 2 is the branches that we have put up is just about in this quarter. In Q1, we were focused on moving some of our ST LAP branches because our infrastructure team was trying to do that model, and we were trying to experiment with that. So in Q2, we have pushed the throttle on putting new branches. That is where the new tonnage comes in and the new growth also comes in.

Thirdly, there is a seasonal factor. August and September, there have been certain withdrawals. So all these 3 put together, we are very -- and if you look at our pattern too, we pick up our growth substantially differently in Q3 and Q4. Our tonnage growth as well as our AUM growth. So we are pretty confident about the kind of growth that we will get in the gold business and the kind of growth that we want in the Gold business. And it is almost in line with the guidance that we had given, while keeping the LTV and the price in mind.

Digant Haria:

Perfect. One, just follow-up that -- see, new branches will contribute to growth. That is a very fair point. But in the existing branches, do you see like an increased inquiries or increased sales efforts from our side? Are we doing that? Because I see that our yields in Gold have gone -- it has actually gone better, like they have increased, at least that is what I could make out. So what strategy are we playing in the existing branches? If you can just highlight 2 lines...

Parvez Mulla:

So existing -- as I said, existing is a play of the LTV. Existing is a play of -- see, there will be withdrawals in festive seasons. We usually -- whenever the festive season are there, we -- the kind of incentives at the front end are very different. So the staff is encouraged to do more sales during the festive seasons to compensate for the withdrawals that happened during the festive seasons. So that kind of incentive structure, we have kept it in abeyance for Q3.

And for the existing branches, we were happy with the kind of growth or we were happy with the withdrawal that was happening in Q2 because we got the growth that we were wanting. And now one has to feel comfortable between, as I said, you have to be comfortable between the price growth and the LTV that you want to look at. So, you will see a very different Q3 number, both on the tonnage side as well as on the growth side.

Digant Haria:

Perfect, perfect. That's really good to know. And then my last question is, we -- in the initial guiding comment, you said that we want to grow with in the most capital-efficient way and have our credit cost below 1%. But sir, I think this was -- this is an older guidance now we hardly have anything unsecured.

We also sold down our portfolio. The small LAP portfolios, which are really delinquent. So, I think going ahead, I think you should be improving this guidance because just with mortgages and gold loans, maybe 1% credit cost may also be very, very conservative guidance?

Parvez Mulla:

So, Digant, you're right, because you're looking at it in an absolute term. But if you remember the guidance and the Q3, the kind of environment, we were one of the first companies to tell you that we had a problem on the small ticket LAP business. And we had a problem in terms of the collection infrastructure and all that. So, I have book, which I have to take care of and the flows that I have to take care of. And that is where we gave you a guidance for the entire year of 1%, keeping that in mind for FY '26.

Obviously, one would like to improve on those guidance, but we stick to the guidance because those flows and because of the kind of environment that is shifting, one would like to improve on it. And one would like to give you a pleasant surprise on that. But the fact remains that any correction that needs to happen to a lending book requires some time.

And there is no point in me giving you a revised guidance and then changing the piece. So, it stays in that bracket. We are still focused on -- in this entire year, we will be focused on getting our ST LAP piece right for the older book. So that's why that guidance remains.

And as far as the BL is concerned, we kept that in mind, and we've been taking some precautionary measures, and once you're trying to do these corrective measures as well as give a good ROA number and give a good credit cost numbers, one needs to figure out when you will correct the BL and when you will correct the ST LAP. All these are line level decision one has to take. So, it will remain in those lines. And one -- I mean, we would like to pleasantly surprise if the environment also improves.

Moderator:

The next question is from the line of Shubhranshu Mishra from PhillipCapital.

Shubhramshu Mishra:

Two quick questions. The first one is when I compare the cost to income or maybe the cost to assets 5.6%, 5.7% on the cost of assets, or cost to income at around 56%, 57% ballpark seems a bit higher for the -- versus the peers and also for the AUM size that we are. So just wanted the split of opex that you have today. How do we look at opex, one, if we split it into the cost of collections? Second, what would be the cost of acquisition? And what would be business as usual opex there, if you can split it into these 3 parts.

The second question is around the 1 plus and the 30-plus. We are largely running a secured business. But maybe some degree of banking nascent customers. However, when I look at the cure rates from 1 plus to 30-plus, 1-plus is hovering anywhere between 7.5% to 8% and 30-plus is around 4.5% to 5%. So, we are able to cure somewhere around 30%, which seems a lower number, given the fact that these are secured exposures. So, if you can clarify on these, it will be really helpful.

Parvez Mulla:

Shubhramshu, these numbers have to be looked at in context. Context is, again, I will draw the attention to my call in Q3 as well as in Q4, where we mentioned that we were going through a difficult situation, and we had taken a onetime hit on the ST LAP book. And we were trying to rebuild that particular business. And that is where we had given guidance that in the entire FY '26, we will be focused on trying to get the credit cost 1% sub range.

Last year, we had a credit cost of about 1.8% in FY '25, and we wanted to guide in FY '26 for a 1% credit cost. So the entire year was a credit cost-focused year, and that is what we wanted to guide. We also mentioned that time that the cost to income and the cost to average assets, although were very high compared to other peers, that was not the metric which we will focus on in FY '26. We will focus on in FY '27 for two reasons.

Even though we will do a lot of initiatives to reduce the cost, there is other capacity expansion, as Ganesh mentioned, in terms of putting new branches as well as adding collection infrastructure to take care of the small ticket LAP business. And while you are doing all this in FY '26, the numbers are usually not indicative of an ideal state.

So FY '26 is a rebuild year. That is why breaking-up that 5.7% right now might not be correct and comparing us might not be correct because we are moving in a context of Q3 FY '25. So that opex, you will see a substantially different opex in FY '27.

Right now, what you're seeing is our initiatives on the cost, which are coming in, but there is also capacity addition, and we will continue to add branches in Q3 and Q4, and that is why you will see cost-to-income and average assets might be 10 or 20 bps here and there in this year. And on cost to income side, it might remain flat over FY '25.

As far as the 1-plus and 30-plus is concerned, again, these numbers will have to be compared in context of Q3 and Q4. And we said it will take us a year to correct this. The kind of resolution rate that you are comparing us with, the other companies have evolved themselves on the collection side. We had a very sparse collection team on the ST LAP side.

We've built that in the last 2 quarters. The teams are coming in, and that is where we are seeing improvements. This year, you will see those numbers going up or down. But by the year-end, we should stabilize those internal numbers as you compare between the 30-plus and 1-plus. I agree ideal state, it should be that, but we are still a little far away from giving you those numbers.

Shubhranshu Mishra: If I can just squeeze in one last question. What would be our collection post-today? And how do we envisage the recruitment in the next 2 quarters? Or maybe next 3 to 4 quarters, what would be -- what would this look like in the next 3 to 4 quarters?

Parvez Mulla: Again, Shubhranshu, I will answer it in context of 9 months to a year ago, our collection team was not verticalized. We had the same collection team for our medium ticket LAP business as well as small ticket LAP business as well as BL business. One thing which we changed this year was we verticalized the collection team. We got separate leaders for this vertical structure of collection. Then we got the regional leaders. So, we overinvested in that collection infrastructure.

Plus, we improved the ACR, plus we ensure that the 12 MOB is assigned to the sales team, which was responsible for sourcing, and we had a KRA for that. Plus, we got a new leader as Chief Business Officer, Mr. Shardul Kadam, who is now ensuring that collection as well as business go hand in hand.

And we also, as far as the feet on street is concerned, whenever the collection team is parsed, most companies land up giving it to agencies. That was the scenario 1 year ago. We are -- over the last 6 months, we have been trying to reduce the agency percentage, and we've been successful in that.

So, all this work is happening in the background when I give the guidance of 1%, there is a lot of work which goes behind all this in trying to ensure and these are the infrastructure changes as well as the structure changes that we are doing in the ST LAP business to give us the output that we are wanting. We are still 6 months away from it becoming predictable.

Shubhranshu Mishra: Understood. The count of people or...

Parvez Mulla: Yes, I can -- for example, on the small ticket LAP business earlier, I had about -- only for the small ticket LAP business on the collection side, if I had people 200, I would have increased it to about 400 people now.

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

Mayank Mistry: Yes, Sir, I have a question on the disbursement spend. So basically, you just explained that you have been doing some co-locating branches, and there is a good amount of expansion going on in the gold loans. But your tonnage seems to be decreasing at the same time. And your disbursements have also been sequentially for this quarter, at least the sequential -- there was a sequential decline in disbursements.

So, is there any competition -- competitive pressure that is building up because of which maybe we are going -- we may be going a little slower? Or can you throw some light on how -- why has the disbursement been a little slower compared to previous few quarters?

Parvez Mulla:

Yes, Mayank, thank you for that question. I might be repeating myself because I answered that in the first question also. Our disbursements in gold, we also look at the net growth. If you see the AUM growth quarter-on-quarter, we have seen a 6% upside quarter-on-quarter. And year-on-year, we have seen a 36% upside on the AUM for gold. So there is an upside.

As far as tonnage is concerned, you are right, in the first 2 quarters, the tonnage is flat. But if you look at us in the past 2, 3 years also, the first 2 quarters, our tonnage has been flat in the first 2 quarters. It picks up in the third and fourth quarter. And that's how we have always guided that if you look at year-on-year tonnage growth over the last 5 years, you will see year-on-year tonnage growth. So our tonnage usually picks up in Q3 and Q4, and it's seasonal for us.

As far as competition is concerned, there is increase in competition, yes. But right now, the less -- I won't connect the less disbursement to competition. I think there is a little bit of withdrawal, which happens in Q2, which has happened, in terms of customers withdrawing their jewels because of festive seasons as well as because of the price rise.

And we think looking at the October numbers, we are very, very confident about Q3 being a definitive year -- a definitive quarter for us, which is comparable to our previous seasonal movements. So for us, it is normal, business as usual. I mean it's nothing unusual. And as far as you would have tracked us over the past 3 quarters, if there is anything unusual, we would have been the first people to tell you that there is something unusual for us. Our Gold business is doing decently in traction.

Mayank Mistry:

Okay. And sir, the next question is as Ganesh sir said, that there was an ECL refresh and which has led to sharp decline in PCR during the quarter. Earlier, we used to maintain a very lower number over here. And at that time, our gold mix was also around 35% levels, right? So now when the gold loans had increased and we had actually increased our PCR at that time. But now, again, the decline is happening. At the same time, our mix is also going down on the gold side. So do you see these numbers going down further?

Parvez Mulla:

So again, Mayank, I will give a first-line answer, and then I'll request C.V.G. to supplement it. First is, again, go back to our guidance, which we gave in Q3 and Q4 when we were asked when we had showed up the PCR. We had showed it up to about 38%, 40%. We had said that it is a onetime effect because we had taken a onetime effect. We were earlier at 22% PCR, and then it had gone up to 40%. At that time, when we were asked this question, we had said that in our guidance, we had said our going forward PCR will not be as high as 40% and will not be as low as 22%, 23%.

And if you see, it has played out in Q2, we are somewhere in between. Having said that, you will look -- you will have to look at us as a company which is doing gold loan business as well as LAP business, the mortgage PCR is very different from the Gold PCR. C.V.G., you want to add?

C.V. Ganesh:

Yes. So Mayank, what I will say is that the mortgage PCR, we have a mix of small ticket and large ticket mortgage. Now on the large ticket mortgage NPAs, our loss given default has rarely exceeded 15%, okay? So basically, it will be a little unfair comparison with overall PCR across the medium ticket and the small ticket is compared with other stand-alone companies is perhaps to only small ticket right?

So for us, we have a higher PCR on the small ticket. We have a little lesser PCR on the medium ticket. So the average optically may look on the lower side. I think I can assure you that we are adequately provided for the risks on the small ticket LAP and HL where we perceive a little higher degree of stress than the other parts of the portfolio, mainly gold and medium ticket.

What happens is a PCR is total provision upon total NPA. And when you have a combination of three products, it's sometimes skewed, and the number optically may not be very suggestive of a meaningful interpretation.

Mayank Mistry:

Okay, sir. Okay. Just if you can just -- if you can throw some light on the scenario in the LAP, because it's been a couple of quarters since there has been issues in the mortgage space across the industry. I know we have cleaned up our move for the last whole year. But if you can just throw some light on the on-field, how -- on the field, how the trends are moving. And on the collection front, if you had any change over the last 1 year, in terms of customer behavior?

Parvez Mulla:

As far as -- see, on the small ticket LAP business, we had advised that we had certain challenges on the collection side when we advised on Q3 last year. So 9-months down the line, we are -- we have put the infrastructure and the -- we are addressing issues which the company faced in Q3 and last year Q2, and we will take the entire FY '26 to address it. When we're looking at the data, we have, as I had mentioned last time also, there are multiple geographies as well as multiple areas where we are addressing the collection manpower issue.

So when you have an internal problem that you are addressing, and the external environment is a component of that, firstly, we will try and solve the problem that we are having internally, which is what we are doing. And that is where you will see the numbers for the old book as well as new book improving. There have been last quarter and some companies have mentioned that there is some stress in certain markets.

But for us, it is contaminated by our own issues. That is why it is very difficult for us to do that segregation that this is the environment issue, and this is our own issue. We have classified it as all our issue, and we are trying to address it. And our collection manpower has started moving around in the field in the last quarter and trying to meet those customers and get certain responses.

See, if you look at the kind of income levels that have happened in rural India. If you look at what has happened in the micro-finance market, if you look at how the wage bills have been or how the crop pattern has been, it's a mixed bag for rural economy. And incomes have been stagnant in that area.

So there definitely is that environment, which is playing in. While we are doing our own analysis and just ensuring that our book is analyzed for ourselves. So it won't be prudent for us to give you a market environment related field when we are trying to address our own book and trying to fix that.

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

Renish: Sir, just a couple of things. One, again, on the credit cost front, right. So this quarter, the absolute provisioning has gone up despite we getting INR4-5 crores, of benefits from sales to ARC. So I just wanted to understand whether this quarter, we have seen gross seepages going up or there is an elevated write-off this quarter?

Parvez Mulla: So, Renish, to broadly give you the -- there will be a 20 bps there of ECL refresh, which we have done in this quarter. So that 90 bps has a 20 bps there. And as far as the ARC sales release is concerned, that would get compensated with the PCR increase that we have done.

Renish: But sir, that is to route through P&L?

Parvez Mulla: Which one? Yes.

C.V. Ganesh: So Renish, can I come in here? I'll just answer the question, maybe I'll supplement what Parvez said. You are right. So that has to come through the P&L. I can tell you that no part of that gain on the ARC sale is flowing to the ROE. We have used it to flow back the provisioning.

I'm also confirming that our credit costs for this quarter are actually equal to or a little lesser than the credit cost for the last quarter. So whatever delta is there, is what we have used for the ECL refresh and shoring up NPAs book on the residual NPA book, to get the PCR above the 31%. So maybe that portion of the credit cost is a one-off for this year, and we will see a return to more normative credit cost in Q3 and Q4.

Renish: Okay. So when we say normalized credit cost, basically, you are saying 70 basis points should be a normalized credit cost, right?

Parvez Mulla: Renish, we have guided for our FY '26, 1%, plus or minus 10 bps, and that is what we have guided. But -- and as we -- as our teams start getting put in and as we see collections, we should see better improvements on that.

C.V. Ganesh: So if I can comment, Renish, our commitment last time is that we will try to set flows on the ROE every quarter, right? So I think maybe that should give comfort that irrespective of the individual elements of the ROE is -- we will -- the idea is to have a company which has consistent, stable ROE with a minimal negative surprise.

Renish: Got it. Got it. So just to follow up on that. So what sort of ROA we target for FY '27 now? I mean is there any change in our expectation or...

Parvez Mulla: No, FY '27 remains same, Renish, what we had given earlier. The '26 and '27, our guidance has remained same over the last 3 quarters.

- Renish:** Okay. Got it. And again, just the last thing on the sort of gold loan side. So I do understand we will be little calibrated when it comes to growing our gold loan piece beyond some threshold. But what has led to sequential decline in absolute disbursement number?
- Jagadeesh Rao:** So Renish, Jagadeesh here. So the sequential reduction in the disbursement is mainly because of the festivities. So we have seen this happening in the month of August and September, mainly because of the Navratra releases. And there is no new loans coming in. This is seasonal, and we are seeing that win back coming as we speak in October.
- Renish:** So basically, you are saying loss of business mix. I mean is that a fair assumption?
- Jagadeesh Rao:** Yes, yes. There are releases happening in the market because of the festivities.
- Moderator:** The next question is from the line of Raghav from AMBIT Capital.
- Raghav:** Just two questions from my side. One, I just wanted to confirm the write-off number for the quarter? Was it around INR50 crores, INR60 crores? Is that understanding correct?
- Parvez Mulla:** Raghav, where did you pick that number from?
- Raghav:** No, just from calculations...
- Parvez Mulla:** Our write-off number is about INR9 crores, INR10 crores.
- Raghav:** Okay. INR9-10 crores, understood. The second question is around this consolidated branches. You mentioned that it's going to be exercise that will continue in the second half as well. Can you give a number in terms of how many branches are you looking to consolidate between the gold loan business and the ST LAP? And then what are your plans on these lines for FY '27. I'm just trying to understand from a cost perspective, that's all.
- Parvez Mulla:** Yes. So we plan to open more than -- I mean we plan to open about 150 new gold branches in the entire year, of which you have seen almost 57 done now. So another approximately 90-odd will come up in the next 2 quarters.
- As far as the consolidated branches are concerned, that's a little tricky because we have to look at the leased premises. We have to look at the space, which is available, and we've made that list of -- as well as the business, catchment and everything else. So that number, we have pegged ourselves to about 75 to 80 for the year, which we will try and do.
- We've reached 47 number. So there are another few in pipeline. If we -- so that is not constrained by our it is constrained by the fact that if there is any market compromise or if there is any space available compromised, then we might do lesser, but 75 is somewhere -- is what we will try and target.
- C.V. Ganesh:** What I would say, Raghav, is if you see the way we have been deleveraging and releasing capital. The idea is to have enough gunpowder to avail the gold loan opportunity, right? And the whole

idea is to build capacity for a better FY '27 and FY '28, right? So that's the idea. There is enough gunpowder in our gun right now.

Moderator: The next question is the line of Pawan from Edelweiss.

Pawan: In terms of small ticket LAP, are we at a stage we can increase the disbursement beyond INR200 crores per quarter going into Q3, Q4?

Parvez Mulla: Thank you for your question. Shardul, do you want to take it?

Shardul Kadam: This is Shardul here. So yes, we have been working on that on a consistent basis. As we had guided, what we've seen, our assessment about the environment is that the borrower segment on which we focus. It is not completely come out of the woods yet. So we are continuing to monitor the environment, and we are also working on our own portfolio. What has happened in the last 3 to 5 months' time is we've completely firmed up our leadership teams at a state level, and that is in place.

Now with that happening, there is a decent degree of traction. We can confirm that is happening in terms of our distribution, in terms of also beginning to leverage our gold loan branches where we are using that as a pilot for new point of sales. So all of that is happening. We have -- in light of the environment, we have also tightened our credit policies.

We have showed up our CIBIL thresholds because of which we have seen some degree of reduction in our disbursement. So the teams are getting aligned with this new regime. And I think that's a transitional phase where we are right now. So yes, once that stabilizes, I think we should start seeing a pickup.

Pawan: Got it. Just one more question to you. The origination yields have come down from 16.1% to 15.5% quarter-on-quarter. And generally, the segment of customer is agnostic to rates, I mean, the conventional wisdom. Any reason for this drop?

Shardul Kadam: So that -- the way we are looking at it is a transitional phase for us. What has happened is, especially in the southern states, we have seen a slightly higher attrition and South typically gives us better yields. So obviously, on a proportionate basis, the certain disbursements have come down. So that's where the play is when then we see those teams stabilizing is where we should start seeing a take-off here.

Pawan: Got it. What is the BT out rate?

Shardul Kadam: Yes. BT out rate has been fairly stable for us. It's hovering in the range of about 1.2%, yes, that's it.

Pawan: Ganesh, sir, one question. Last year, I mean, in FY '25, you have done the ECL refresh at the end of December, if I remember correctly. Any reason why move to end of September this year? That's one. Second part is, last year, the impact was INR19 crores and 67 basis points. This year,

the impact is much lower at a 19 basis points itself. So is this largely due to mix change being last year was having a lot more business loans, unsecured business loans?

C.V. Ganesh:

Yes, thank you for the question, Pavan. Yes. So I think -- no, we took a decision to do the ECL refresh in September, because when we had our regulatory supervision, there were some observations around strengthening the documentation around the ECL exercise. So we took the opportunity to mitigate the observation as well as do the exercise and have it behind us. So that there is no negative surprise spending for Q3 and Q4, right?

And as you will appreciate, in spite of that, we have come out with a ROA better than Q1. So that at least would be overhang for Q3 and Q4. On the second question, you are right. I think the mix change has resulted in a lesser gain and fact that we had perhaps for the marginal increase in the model has not been consistent.

Pawan:

Sir, then in corollary, like I think a couple of people have already kind of touched on this point, but still asking is that you are seeing the portfolio moving to completely secured, you're also seeing ECL, the numbers coming out, not just leading indicator even as a lagging number, even after changing the ECL methodology or like whatever requirements that need to be done. The impact is quite low. So even at a time where you -- if you revised the credit cost guidance, at least for FY '27, FY '28 and then increase our ROA guidance?

Parvez Mulla:

No, let's look at Q3, and we will come back to it. What you are saying about lead indicators. One not only look at these indicators, but one is also looking at what is happening at the field level, what is the kind of response that you are getting in your buckets? What is the kind of collection efficiency that you're getting in your pre buckets? All these are also factors which are -- one is looking at.

That is why we are not revising the guidance right now. We also want to be pleasantly working towards it. But I mean, we don't think the issue which we have identified can be fixed in 2 quarters. It requires certain time, and we are fixing it. And while we are fixing it, we are running a ship, and we believe that we are giving numbers which are in line with certain guidances that we have given. And we want to be giving a guidance, which is contextual to this corrective exercise that we are doing.

Moderator:

Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Shreepal Doshi for closing comments.

Shreepal Doshi:

Thank you, Swapnela. Thank you to all participants for being there on the call. This was a late-evening call. Thanks all, again, once again. And I would like to thank the management of the company for giving us the opportunity to host this call. Thank you, and Happy Diwali to everyone.

Moderator:

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