

July 28, 2025

**National Stock Exchange of India Limited**

Exchange Plaza,  
Plot No. C/1, G Block,  
Bandra - Kurla Complex, Bandra (East),  
Mumbai - 400 051.

**BSE Limited**

Corporate Relations Department,  
1<sup>st</sup> Floor, New Trading Ring,  
P. J. Towers, Dalal Street,  
Mumbai - 400 001.

**Symbol: LTF**

**Security Code No.: 533519**

**Kind Attn: Head – Listing Department / Dept of Corporate Communications**

**Sub: Transcript of Investor(s) / Analyst(s) meet – Q1FY2025-26 Financial Performance and Strategy Update**

Dear Sir / Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the investor(s) / analyst(s) meet for Q1FY2025-26 financial performance and strategy update held on July 21, 2025.

The above information is also available on the website of the Company i.e., [www.ltfinance.com/investors](http://www.ltfinance.com/investors).

We request you to take the aforesaid on records.

Thanking you,

Yours faithfully,

**For L&T Finance Limited**

(formerly known as L&T Finance Holdings Limited)

**Apurva Rathod**

**Company Secretary and Compliance Officer**

Encl: As above

**L&T Finance Limited**

(formerly known as L&T Finance Holdings Limited)

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**L&T Finance Ltd.**  
**Q1 FY26 Earnings Call Transcript**  
**July 21, 2025**

**Management Personnel:**

Mr. Sudipta Roy (Managing Director & Chief Executive Officer)

Mr. Sachinn Joshi (Chief Financial Officer)

Mr. Raju Dodti (Chief Operating Officer)

Mr. Karthik Narayanan (Head – Investor Relations)

**Moderator:**

Ladies and gentlemen, good day, and welcome to L&T Finance Limited Q1FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. We have with us today Mr. Sudipta Roy, Managing Director and CEO; Mr. Sachinn Joshi, CFO; and Mr. Raju Dodti, COO; and other members of the senior management team.

Before we proceed, as a standard disclaimer, no unpublished price-sensitive information will be shared during the conference call. Only publicly available documents will be referred to for discussions during interactions in the call. While all efforts would be made to ensure that no unpublished price-sensitive information will be shared, in case of any inadvertent disclosure, the same would, in any case, form part of the recording of the call. Further, some of the statements made on today's call may be forward-looking in nature. A note to this effect is provided in the Q1 results presentation sent out to all of you earlier.

I would now like to invite Mr. Sudipta Roy to share his thoughts on the company's performance and the strategy of the company going forward. Thank you, and over to you, sir.

**Sudipta Roy:**

Thank you. A very good morning, everyone. I welcome you all to the investor call for Q1FY26 and the start of the financial year 2026. Joining me today on the call are our CFO, Mr. Sachinn Joshi; and our Chief Operating Officer, Mr. Raju Dodti; and other members of the senior management team of L&T Finance.

Similar to our previous calls, today's call is divided into two sections, taken up sequentially by myself followed by our CFO – Mr. Sachinn Joshi, who will be talking about the overall business metrics & financial performance.

Post our commentary, we will be happy to take questions on the call.

**Macro-economic outlook**

Before we delve into the highlights of the quarter, I would like to give you some flavour of the current macroeconomic scenario and sectoral outlook.

The Indian economy remains one of the few bright spots in an uncertain global economy with a healthy pace of growth of 6.5% in FY25. Consensus projections indicate a similar growth trend of Real GDP at 6.5% in FY26 as well. Strong domestic growth catalysts, sound macroeconomic fundamentals and prudent fiscal and monetary policy support are driving overall macroeconomic stability.

Monsoon season is progressing well, with cumulative rainfall in the country at 10% above the Long Period Average till 15th July. 80% of the geographical area have already received normal to above normal rainfall. The water storage level is 83% above normal and 96% higher year on year. Kharif sowing is at a 7% increase over last year and mandi arrivals of Rabi crops were 19% higher year on year. Mandi prices are ruling above their respective MSP for many major crops. Strong cash flows from Rabi season and healthy monsoon progression have kept rural sentiments hopeful of another year of bumper harvest. This augurs well for our rural businesses which constitute a significant portion of our portfolio.

Consumer demand signals in Q1FY26 remained mixed. The quarter recorded contraction in passenger vehicle sales and low growth in industrial output on one hand and pick up in retail sales volume, surge in toll collections and strong PMIs on other. Domestic inflation has been steadily declining with the headline CPI inflation recording a six-year low of 2.1 % in June 2025. The Reserve Bank of India lowered policy rates by cumulative 75 bps in the quarter and injected durable liquidity through a suite of liquidity measures. These measures have turned durable liquidity into surplus and are also contributing to faster transmission of monetary policy to the financial and credit

markets. Easing financial conditions along with restoration of lower risk weights in the quarter should also help improve credit growth prospects further into the year.

Overall, we remain cautiously optimistic about strengthening demand signals, prudent policy support and huge potential for credit growth in the Indian economy.

#### **Q1FY26 Highlights:**

Coming to this quarter's highlights, I am pleased to inform that our diversified franchise has enabled us to achieve a quarterly PAT of Rs. 701 Cr, up 10% QoQ and 2% YoY, with the highest-ever consolidated book of Rs. 1,02,314 Crore, delivering an RoA of 2.37%, up by 15bps QoQ. Our robust business model coupled with risk calibrated growth across all retail segments led to an overall quarterly disbursement of Rs. 17,522 Crore, a healthy growth of 18% YoY, which was driven by a strong performance across all our lines of business.

The Retail book now stands at Rs. 99,816 Cr, reflecting a growth of 18% YoY. The growth reflects the strength of the Retail business franchise aided by a strong execution engine, early dividends from technology investments, proactive portfolio and prudent risk management.

Our Rural Business Finance vertical showed a positive momentum in disbursement growth during the quarter, resulting in a growth of 10% QoQ on the back of improved collection efficiencies. The collection efficiencies in our operating geographies have been continuously showing signs of improvement and growth in disbursements. However, in Karnataka, while we have seen a gradual recovery from the lows in collection efficiency of the previous quarter, full normalcy may take a couple of months longer than what we originally anticipated. On account of flow-forwards arising in Q4FY25, the Board, in Q1FY26 approved a utilization of Rs. 300 Cr of macro-prudential provisions. To speed up the process of normalisation in Karnataka we are currently proactively boosting our collections by bringing down our accounts per collector through manpower addition and educating borrowers on merits of prudent credit behaviour through our community outreach programs. We would also like to add that the Tamil Nadu legislation has had a negligible impact on our business.

As an interim update, I would like to mention that in the month of July'25 we continue to see further improvement in our collection efficiencies especially in the state of Karnataka.

In the last quarter's call, we had announced our foray into the Gold Loans business through the acquisition of the Gold Loan business of Paul Merchants Finance Pvt. Ltd. I am pleased to inform that the technology systems and people integration was achieved in a short timeframe of around 2 months, leading to an amalgamation of 130 branches, 700+ employees and ~Rs. 1,300 Cr of book. Gold loans, a high yield secured product will add significant value to our retail business franchise going forward. We foresee that this business will serve as a big cross-sell opportunity to our ~65 lacs RGL & MFI and Farm Equipment Finance active customer base and the customers forming a part of our existing customer database of 2.6 Cr+ customers, who have gold loans o/s of over Rs. 16,000 Cr. We envisage that our field force of 20,000+ officers will force multiply the gold loans lead generation process and direct incoming business to our branches. In the coming quarters we also plan on expanding our geo-presence through branch expansion with ~175 additional locations focused on areas with high cross-sell potential. By the end of FY26, we plan on establishing a distribution strength of 300+ gold loan branches. Many of these branches will be in our new format Sampoorana branches which will sell other products like Micro-LAP, SME loans and Personal loans apart from Gold loans. Apart from North, our expansion locations will be focused in our traditional areas of strength in the eastern and southern states.

Our digital large partnerships initiative, established with Amazon Pay, Cred and PhonePe, has picked up pace in the last quarter, with overall Personal Loans disbursements for the quarter from the aforementioned channels reaching Rs. 651 Cr (Rs. 1,236 Cr live to date), while keeping a strong focus on credit and risk guardrails, extensively leveraging partner trust signals. We will continue to keep expanding our origination momentum with existing partners while fostering new partnerships, some of which will be announced soon.

I would now take some time here to share an update on the various technology initiatives for the quarter. Project Cyclops, our proprietary AI-ML based credit underwriting engine that was operationalized in Q1FY25 and implemented across 100% dealerships in the Two Wheeler Finance business has been upgraded to Generation 3, based on Kubernetes architecture. Today, 100% of our TW disbursements take place through this engine and we have been seeing very encouraging trends from this implementation quarter after quarter, with the Net Non-Starters for the portfolio reducing to 0.34% for June-25 from 2.36% in December-2024 improvement of 200bps in a short period of 5 months. Project Cyclops has also been under phase-wise implementation in the Farm Equipment Finance business, having been extended to 20% of our tractor dealerships with 24 live scorecards. We'll complete full implementation in the month of August-2025. Similar to Two Wheeler Finance the initial performance reads from the pilot in Farm Equipment Finance business is extremely encouraging. The full implementation of Project Cyclops in our Farm business is expected to be completed by Q2FY26.

Project Cyclops has been simultaneously rolled-out in SME Finance during the quarter and full deployment is expected to be completed by end of Q2FY26. We have initiated extension of Project Cyclops to our Personal Loans business with full implementation by Q3FY26.

In the last call, I had spoken about 'Project Nostradamus', our next transformative technology initiative for FY26. It is a state of the art, first in industry AI driven automated real time portfolio management engine leveraging traditional as well as alternate data. I am pleased to share with you that the implementation of this engine is on track with creation of multiple data dashboards for early warning and proactive portfolio management. We expect the beta launch of 'Project Nostradamus' to take place in September-2025, details about the same are available on Slide 31 in the investor presentation.

It gives me great pleasure to share that L&T Finance has been assigned its first -ever International Rating. S&P Global Ratings has assigned LTF "BBB-" long-term and "A-3" short-term issuer credit rating. The outlook on the long-term rating is Positive. Fitch Ratings has assigned LTF long-term foreign and local currency Issuer Default Ratings of "BBB-" with a Stable outlook. These long-term ratings are investment grade and are at par with India's Sovereign Credit Rating. This opens additional pathways for diversification of liability origination at competitive rates from global capital markets.

### **Update on Lakshya 2026 Goals**

Now, I would like to share an update on our quarterly performance against the Lakshya 2026 goals:

- I am pleased to share that retailisation has increased from 97% to 98% from last quarter to this quarter against a Lakshya target of 95%.
- We had set ourselves a retail book growth target of 25% CAGR over the four-year plan period against which as of 30th June-25 our retail asset book growth stood at 28% CAGR. Given our outlook of the business environment and a risk calibrated growth in Rural Business Finance and Two Wheeler Finance business, our YoY Retail Book growth for the quarter stood at 18% supported by strong performances in Farmer Finance disbursements with a 16% YoY growth, a 65% YoY growth in Personal Loans disbursement, a 24% YoY growth in Housing Loans and a 30% YoY growth in SME Finance disbursements. We continue to maintain our focus on sourcing more prime and near prime customers who exhibit credit resilience, which led to the Prime customer share in our Two Wheeler Finance disbursements increasing to 84% in the month of June-

25, which stood at 53% for the month of March-24. Our journey towards building a prime-dominant portfolio which showcases resilience across business cycles continues with a strong focus on credit and risk frameworks.

- On the third milestone which is on the Asset Quality front, where we maintained the Retail GS3 & NS3 levels closer to the threshold levels (GS3<3% and NS3<1%) despite the macro challenges and segment specific challenges in the microfinance segment, our Consol. GS3 and NS3 stood at 3.31% and 0.99% respectively.
- On the fourth and last milestone of RoA, we have achieved a RoA of 2.37%, which is an improvement of 15 bps over the previous quarter. This has been achieved despite microfinance industry challenges and risk calibrated disbursements across all lines of business. We remain committed to continuous improvement in RoA trajectory as the segment headwinds in the microfinance sector dissipates.

### **Double Click on the 5 pillars of execution**

As mentioned earlier, I would now like to give a brief update on the 5 pillars of execution that we had enumerated over a year back and continue to be in implementation mode against the same.

1. **Customer Acquisition** - The focus continues to be on expanding our customer base, both by deepening our reach in existing segments and broadening our geographical footprint. While our approach in Rural Business Finance was carefully calibrated to the macro environment, we are actively re-engaging disbursement activities, expecting a gradual return to full momentum as conditions improve. Our Two-Wheeler Finance business is seeing renewed focus with policy changes, expanding through reactivated dealers to better serve prime customers. Farmer Finance is gearing up for increased activity this Kharif season, and our Personal Loan strategy is highly risk-calibrated, ensuring responsible lending, with Home Loans & Loans Against Property witnessing a seasonal dip. We also expect our new Gold Finance vertical to add towards this positive momentum. This quarter we were able to add a total of 5.5 lacs new customers. Further details around customer acquisition and repeat share are available on Slides 17 & 18 of the Investor Presentation.
2. **Sharpening Credit Underwriting** - Project Cyclops continues to be extended to other products as I mentioned earlier. A fully capacitated Model Risk Management (MRM) team has been setup to mitigate any potential risk arising from over 100+ machine learning models that are being used in Project Cyclops. We expect the number of machine learning models to double over the next one year and we will rely on the expertise of the MRM team to ensure continuous monitoring, validation and recalibration of the models.
3. **Futuristic Digital Architecture** - Apropos to above we have also setup an independent machine learning operations team and we will expand its capacity over the next couple of quarters to ensure smooth build and implementation of additional Project Cyclops, Project Nostradamus and collections models. Additionally in our Bangalore engineering centre we have setup LTF Labs to enable our engineers to experiment on innovative use cases in a sandbox environment. Our new Home Loans Neo 2 platform has reduced average data capture time from 30 minutes to 10 minutes and we continue working on optimising the digital sales interface apps on all lines of business to enhance field executive productivity. During the quarter the beta version of our AI-powered SME underwriting co-pilot was deployed, which interprets bureau reports using custom-trained in-house LLM models leading to faster and accurate SME loans underwriting turnarounds.
4. **Brand Visibility** - We continue to focus on targeted customer engagement through integrated marketing campaigns where we launched a Business Loan campaign featuring iconic Indian cricketer and our brand

ambassador Jasprit Bumrah. Our AI powered digital microsite [www.ltfgamechanger.in](http://www.ltfgamechanger.in) was launched as a part of the business loan campaign and has received excellent customer engagement statistics. We also briefly ran campaigns for Personal Loans and Gold Finance during the quarter. Following our Gold Finance acquisition, we have re-branded all the 130 gold finance branches. I am also delighted to announce that the second edition of our flagship BFSI-AI event RAISE'25 with the theme Accelerating financial services with AI, is scheduled to take place on 7<sup>th</sup> November, 2025 at the Jio World Convention Centre, in Mumbai.

- 5. Capability Building** - On the capability building front, I am pleased to share that we have been re-certified as a Great Place to Work®, affirming our commitment to building a high-trust, high-performance culture. This time our score improved from 82 in FY24 to 84 in FY25, driven by increased employee participation, which rose from 73% to 89%. We are committed to fostering an environment where every employee feels valued, empowered, and inspired, making us truly an employer of choice in the financial services sector.

As part of the strategic acquisition of Paul Merchants Finance Pvt. Ltd.'s gold finance business, we successfully on-boarded ~700 employees into the workforce. Swift and seamless employee transition across 130 acquired branches, ensuring zero disruption to operations. We continue to standardize our branch infrastructure, this quarter we inaugurated new revamped regional offices in Kolkata and Rajkot.

These efforts underscore our dedication to providing a modern and efficient workspace that supports our expanding operations and talented teams.

I will now request Mr. Sachinn Joshi, our CFO, to take you through the financial updates.

### **Business as Usual updates**

#### **Sachinn Joshi:**

Thank You, Sudipta. As always, I will be walking you through the financial performance of the company for the quarter.

#### **Quarterly Performance:**

- Consol NIMs + Fees for Q1FY26 stood at 10.22% vs 10.15% for Q4FY25
- Consol PAT for the quarter stood at Rs. 701 Cr up 10% QoQ and 2% YoY
- Quarterly retail disbursements stood at Rs. 17,522 Cr, up by 18% YoY
- Retail book stands at Rs. 99,816 Cr, up 18% YoY. Our Consol book stands at Rs. 1,02,314 Cr, up 15% YoY
- Consol RoA stands at 2.37%, up by 15 bps QoQ
- Consol RoE at 10.86%, up by 73 bps QoQ

#### **Retail Businesses:**

##### **Rural Business Finance**

The business registered quarterly disbursements of Rs. 5,618 Cr, delivering a strong momentum with 10% growth QoQ, with focus on acquiring lower leveraged customers and geo-diversification. The book size reached Rs. 26,616 Cr, up by 3% YoY in Q1FY26.



### Farmer Finance

In the Farmer Finance vertical, quarterly disbursements stood at Rs. 2,200 Cr in Q1FY26, up by 16% YoY. Increased crop yield and favourable monsoon is fostering positive rural sentiments and resulting in improved retail demand. The book size reached Rs. 15,756 Cr, reflecting a growth rate of 11% YoY.

### Urban Finance

The segment, which comprises Two-Wheelers, Personal Loans, and Home Loans and LAP.

- **Two Wheelers:** The business registered quarterly disbursements of Rs. 2,128 Cr in the quarter, down by 19% YoY. The book size increased to Rs. 12,331 Cr, up 3% YoY. Notably, 84% of Two-Wheeler Finance disbursements in June-25 were from the Prime segment. This reflects our focus on quality growth and risk-adjusted returns.
- **Personal Loans:** In the Personal Loans business, we achieved quarterly disbursement of Rs. 1,942 Cr translating into a growth of 65% YoY with the book size at Rs. 9,382 Cr, an increase of 41% YoY. The double-digit growth is aided by scale-up of the fintech partnerships.
- **Home Loan and LAP:** Moving on to Housing, we achieved quarterly disbursements of Rs. 2,780 Cr, up by 24% YoY with the book size at Rs. 26,464 Cr, an increase of 33% YoY, growth in the segment supported by newer partnerships and strong network of distribution channels.
- **SME Finance:** In SME business, quarterly disbursements stood at Rs. 1,273 Cr, up by 30% YoY. The book stood at Rs 6,964 Cr, up 56%. The growth in business volumes was driven by an increase in direct sourcing and existing strong network of distribution channels.

### Gold Finance

During the quarter we acquired Gold Loan portfolio of Rs. 1,335 Cr and disbursed further amount of Rs. 195 Cr in the month of June-25. The closing book stood at Rs. 1,360 Cr at the end of Q1FY26.

Let me now hand over the call back to Sudipta to make his closing statements.

### Sudipta Roy:

Thank you Sachinn. In closing, I would like to state that we expect the pace of disbursement to accelerate in the remaining quarters of the year along with our focused execution on all risk and technology initiatives. Our investment in our state-of-the-art credit engine Project Cyclops, has already started giving early dividends and I am quite confident that this will solidify as we complete implementation across all lines of business. Project Nostradamus is nearing an advanced stage of completion and we are confident of deploying the beta version in Q2FY26.

As an organisation we have already started working on the Lakshya 2031 plans and we will be sharing the same at the start of FY27. We are focussed on transformation of the organisation towards a technology first risk aware bottom line driven culture with a heads down execution mentality. We are hopeful that this will translate into a consistently positive outcome trajectory in the years to come.

I thank you all for taking time to join us today, and I would like to throw the floor open now for questions.



**Moderator:**

We will now begin with the question-and-answer session. The first question is from Mahrukh Adajania from Nuvama. Please go ahead.

**Mahrukh Adajania:**

I have a couple of questions. Firstly, where do you now expect credit costs to stabilize as in that -- or put it the other way around, the Rs 3 billion of drawdown that happened this quarter, was it all towards Karnataka? Is that issue behind us? So now you can continue to see gross and net credit costs come down sequentially because we are also moving to prime and -- I mean, is the Karnataka pain now fully behind? Because we don't have additional buffer now to drawdown. That's right. So that's the first question.

And secondly, where do you see long-term yields stabilizing because Cyclops is doing very well. It's been extended to many products now. So obviously, we are moving prime. We are shifting customer segments. So where would yields settle? What will be the maximum downside to yields from these levels?

**Sudipta Roy:**

Okay. Thanks, Mahrukh. On the first question, Karnataka is stabilizing fast. With every passing month, collection efficiencies are ranging from a gradual 20 to 30 basis points improvements with every passing month. And you are right, a large amount of the sort of flow forwards that was accounted for by the macro prudential provisions this quarter came in from Karnataka, which was obviously an event that the industry had not planned for.

I think, overall, the Karnataka, sort of collections sluggishness will take another -- according to me, another 3 to 4 months to fully stabilize, which brings us to about October 2025. I do believe that Karnataka should have stabilized by October 2025. As I said in my call, we are putting in additional collectors in Karnataka. We are trying to bring down the accounts per collector in Karnataka. And overall, also, we are trying a lot of community outreach programs and sort of telling our borrowers about the need to maintain good credit scores so that their access to credit is not hampered in any way. All of those results are bearing fruit. But I do believe that should happen sometime around September, October is what my sort of estimate is. And also, you have to also keep in mind one thing that the MFIN guardrails, which went into full implementation, the industry is also trying to settle to that. So the industry has seen the long tail of that settlement. And given the fact that monsoons are good and we expect a good kharif crop, I do believe that H2 will be more of a normal quarter, more of Q4. But in Q3, we'll see signs of normalcy coming in, in this business.

As regards to your question on the macro prudential provisions, yes, our objective is to use as less as possible. You have to be as prudent as possible. And though we believe that there are conditions precedent, which satisfy that usage exists even in Q2, which is primarily the Karnataka ordinance and some flows forward from the previous year's events as well. However, as a management, it would be our objective to be as prudent as possible in using that.

On your guidance of long -- sort of where do we see credit cost settling, our objective is to get to a trajectory of about 2.3% to 2.5%, towards Q4 of this year is what we intend to get to. And given the fact that the outcome of Project Cyclops is very, very encouraging, and we expect that that should be achievable unless there are any unforeseen shocks in the middle.

In terms of sort of the yields, etc., the way we look at it is a little different. I get asked this question that saying that you're going prime, so will it have an impact on your yields? Yes, going prime will have some impact on yields, but the fact is that I look at the overall risk-adjusted yield as a guiding factor. And I do believe that risk-adjusted yield will continue to remain stable or probably improve as our risk cost starts paring down. And in terms of yields, though there might be a couple of notches, maybe 30, 40, 50 basis points tempering of yields over a period of time, but our risk-adjusted -- our risk cost will improve further, probably giving rise to a 50 to 100 basis points improvement in risk-adjusted yields. So that is the way I look at it. And frankly, as an organization, we are moving away from the practice of -- we look at yields, obviously, definitely, and our objective is to improve yields. But as

an organization, we are also looking at risk-adjusted yields very, very carefully. And the entire philosophy of the business teams have been moved towards improving the risk-adjusted yields rather than focusing on yields alone.

**Moderator:**

The next question is from Kunal Shah from Citigroup.

**Kunal Shah:**

So firstly, again, coming on to contingency buffer, looking at the collection efficiency trends across the product segments, maybe there is not a significant improvement, which is happening compared to that of fourth quarter. Then is it fair to assume that the balance Rs. 275 crores will also get utilized given this collection efficiency trend as maybe managing credit cost in 2.3%, 2.5% would be difficult.

And second question is in terms of the repeat customers, particularly in MFI, that is continuously inching up, like there is like almost 5 percentage points increase in count as well as, say, in terms of the value term. And we are the only player in the MFI segment that has grown the book over past couple of quarters. So is it like more kind of a refinancing which is happening to the existing customer? And if you can highlight in terms of the time lag, which is there between the repayment and the disbursements because I think the general concern is whether like maybe the repeat disbursements is leading to improvement in the collection efficiency.

**Sudipta Roy:**

No. Okay. First, I would like to dispel that notion because we do not give -- first and foremost thing, we give only one loan to an existing customer. And that too after 9 or 12 months of seasoning. So, for us, that question does not arise. For us, one customer is one loan. It's very, very clear. The second thing that you should note in mind that we have a very strong 'only-LTF' customer base, which is almost close to 48% right now. Now the fact is that in the event that our portfolio quality has been outsizedly better than the industry, there is a lot of attention on our customer pools. There is a lot of attention on our customer pools from our competitors. Now if I have to frame that, I have to reach my customers earlier than -- from a strategy point of view, reach my customers -- creditworthy customers a little earlier than our competitors reach. And to a certain extent, if our LTF-exclusive customers wants a repeat top-up, we are rather better off it in giving to that customer much faster than anyone else such that the associations don't increase and sudden leverages don't increase, from a strategy point of view. But that has also -- see, if you see our last 8 quarters trajectory, actually we have been trying to bring our repeats down. Repeats actually came down for a couple of quarters, because we are focusing on much more of new customer additions. It is only in the last 2 quarters that we have seen a slight uptick in repeat, which will, again, we'll try to normalize as sort of the conditions of the microfinance industry improves and as we sort of step up our distribution in the new geographies, which is AP, Telangana, Western UP, Maharashtra, and we have recently entered -- re-entered Assam as well. So, as new customers start flowing into our pools, the repeat also will start going down. So that is -- I consider that as a temporary phenomenon, and it should normalize within the next 1 or 2 quarters.

The first question that you asked is in terms of macro prudential provisions and subsequent utilization etc. And as I said, as an answer to Mahrukh's question, as a management, our objective is to be as prudent as possible. We really want to make sure that our collection efficiencies are pushed up this quarter, and we really do not need to use macro prudential provisions to a significant extent. However, as I said, certain amount of the conditions precedent, which has led to some of those flows exist. And frankly, at this stage, it is too premature to indicate on possible utilization in Q2 and can be only ascertained in the quarter end in consultation with the Board and the auditors. However, as I said, July collection efficiencies continue to trend upwards across all regions, including Karnataka. We are having good monsoons. We are hopeful that a good kharif crop will add to more amount of liquidities and the sort of the last tail of disruption because of the full implementation of the MFIN guidelines will settle this quarter. So -- and we are increasing collector workforce across many of our large markets just to bring down the accounts per collector, so that an average collector is able to focus on a smaller number of accounts

and reach higher efficiencies. So overall, we are working on all fronts. And we are very, very hopeful of a reasonably good outcome by the end of next quarter and the quarter after.

**Moderator:**

Thank you. The next question is from Bhavik Dave from Nippon Mutual Fund. Please go ahead.

**Bhavik Dave:**

Hi, sir. I hope I am audible? Congratulations on the numbers. Just three questions, sir. One is on your Project Cyclops segment implementation like we've done that partially for farm finance and personal loans. But we haven't seen a material drop in your disbursement. So just wanted to understand will there be some disruption in terms of disbursement in these two products as the entire Cyclops gets implemented because we've seen that during the Two Wheeler loan implementation. Just wanted to understand what is different this time around wherein disbursement is still holding up.

**Sudipta Roy:**

Yes. Thanks, Bhavik. Is that your only question? Or is there a follow-up question as well?

**Bhavik Dave:**

Yes. Second question is on the personal loans, we started to inch up in terms of the partnerships -- digital partnerships that we have. Just wanted to understand how are the economics different from like doing it maybe via DSA or in-house versus doing it via digital partners, because my guess is that we are trying to maybe make this a larger part of the book. So just wanted to understand from an economic perspective in the sense the cost of acquisition and also the credit cost, I'm sure credit cost early days, but how would you want to maybe look at profitability in this digital acquisition -- digital implementation that we do?

And the last question is on the macro prudential provisions. So just wanted to understand at what point do we start building buffers in terms of macro prudential. Maybe we utilize most of it that is left over FY26. But at what profitability do you think we will want to maybe build those up because in good times, you only build it and maybe utilize it when times turn by, like what we had in FY25. Just wanted to understand what is the thought process in terms of building this in the future? What will lead you to build that? Thank you.

**Sudipta Roy:**

Yes. Okay. Thank you. So, first question on Project Cyclops. Project Cyclops has been fully implemented in Two Wheeler, fully implemented in December, and we have now almost 6 months of 100% operation on Cyclops in Two Wheeler Finance. Cyclops in Two Wheeler -- and I think all businesses will go through this trajectory. The first 3 months, which is implemented, we should see a dip in approval rates because it cleans out the sort of the dodgy borrowers. But over a 3-month period, the system understands and system compensates. So, if you see in -- and then we slightly fine-tune also because we continuously watch it as we go along. This quarter, our Two Wheeler disbursement actually went up compared to Q4. And the early start to Q2 also has been strong. So in terms of Project Cyclops in Two Wheelers, it's fully stabilized, and we are getting incredible benefits out of the tool in terms of leading indicators pointing towards much, much more lower risk costs. In SME, in tractor business, it has been implemented in about 20% of the volumes. And the leading indicators there also are very, very encouraging. It will be fully completed by end of -- actually, we are targeting August 10, failing which probably by September end wherein, we should be able to sort of implement fully in Farm Equipment Finance. Again, there has been a 17% increase in rejection rates. However, the team is compensating by moving into a larger number of dealerships and trying to make sure that sort of the throughput remains higher. So again, here, we will sort of compensate. What happens is typically also Cyclops actually boosts LTVs also because we are far more confident in taking certain calls, which we are not able to do previously. And some of the LTV boosting data we have put in

our investor presentation as well. So overall, on an overall basis, I think it remains even-even with the sort of the bad borrowers cut out. And over a period of a quarter or a quarter or 2, the volumes build up. And we are very, very confident that as Diwali comes, which is also a big market for big period for the tractor business, I think the volumes will shoot at that particular point in time with fully stabilized Cyclops.

Personal loans and SME are getting implemented. SME, it has been implemented in 5 markets. We are learning from it. We are fine-tuning it. I do not foresee much of a drop in SME volumes because in SME business, just like we have done on the Personal Loans business, we are implementing the digital partnerships, the large partnerships. And as you can see, the large partnerships have given us a massive kicker in the Personal Loans business. Our Personal Loans business, because of the digital partnerships have grown up, has grown 65% year-on-year. And to a certain extent, we expect that strong growth trajectory to continue both in Personal Loans and SME as well, even with implementation of Project Cyclops. So yes, from a growth point of view, even with Cyclops implementation, we are very, very confident that the growth trajectory will continue and the growth trajectory will continue in a very risk-calibrated fashion. In fact, the successful implementation of Project Cyclops has given us a lot of confidence actually to scale up in the markets that we were previously hesitant to scale up because we were not sure of the risk outcomes, especially in the Two Wheeler business. Two Wheeler business, traditionally, we have not been present in Rajasthan. In Two Wheeler business, we have not been present to that extent in Madhya Pradesh because we were not completely confident of the outcomes in these 2 markets. After Project Cyclops has come in, we are significantly sort of expanding in these 2 markets, and we are very, very satisfied with the results that we are having. So overall, Project Cyclops, in the long term will boost disbursements rather than curtail disbursements in a very, very risk-calibrated fashion.

In terms of Personal Loans economics, the Personal Loans economics to the large partners, with each partner, we have a different model of economics. Some of the -- our objective in most of these partnerships is outcome-based economics. That means we set targets of disbursements and we set targets of risk. So, it's not that it is only a disbursement only. It's a risk plus disbursement sort of calibrated outcome and basis certain of those thresholds, the economics stack up. So overall -- see, in our DSA channel, your cost of acquisition remains around 3% to 3.5%. What I can say without going into extreme specifics, because it is very specific for each and every partner, the origination costs and the economics are far lower than what we would do in -- through our DSA channel. In fact, as a matter of principle, we run the business on what we call a 3-2-1 metrics. That means channels that have 3% acquisition cost, channels that have 2% acquisition cost, channels that have 1% acquisition cost. And our objective over the period of time is to get 50% of our acquisition volume from the 1% and 2% channels, especially in the SME business, which has got a very, very large DSA component. So overall, our focus is to make sure that all these channels are as efficient as possible. And the initial leading indicators of the volumes arranged through these channels is that risk is holding, yields are holding. So -- and we are now building volumes. So overall, we'll continue to build on this. As I said in my call -- in my opening comments that we'll announce a few more large partnerships this quarter, which has significant potential to scale up on whatever we have already done. And I do believe in the period to come, large digital partnerships will contribute to about 50% to 60% of our Personal Loans origination.

In terms of the macro prudential buffers, on building them up, we would like to build back the macro prudential buffers as fast as possible, probably -- but that depends on sort of -- you generally build macro prudential buffers in a situation where you have probably an extra dollop of profitability because that's when you look at doing that or when you get some extraordinary gains, which you have probably not accounted for. As you are aware that we have a large amount of wholesale business, which is currently in the process of resolution, especially in the commercial real estate and many of them are in advanced stages of resolution. So, what we have decided as an organization that the cash flows that we accrue from the resolution of those assets, post the sort of the Security Receipts structures resolving, the extra cash flows, which we are very certain according to our calculations, we'll get from it, will go back to build the macro prudential buffers at an organization level. One of the other thoughts that we have is that if this time we build macro prudential buffers, we'll not build at a business-specific level, but we'll build it at an umbrella, floater level, at an organization level with a large focus on unsecured businesses. So that is what our strategy is. So obviously, yes, across FY27 and FY28, our focus will be to build back those macro prudential provisions as fast as possible.

**Moderator:**

Thank you. The next question is from Avinash Singh from Emkay Global.

**Avinash Singh:**

Yes, hi. Good morning. Thanks for the opportunity. So just, I mean, referring to your media interaction, I mean, 2.8% kind of exit RoA you were referring to. I just wanted to clarify if that 2.8% kind of a thing corresponds to the 2.37% number for this quarter. My question is coming that because of Project Cyclops implementation and also that LAP and Home Loans increasing....

**Sudipta Roy:**

Yes, the 2.8%, I meant near 2.8% in FY27. So, I'd like to clarify that. Quarter 4 exit, we should be around anywhere between in the corridor of 2.5% odd. So the 2.8% trajectory will probably be achieved sometime around FY27.

**Avinash Singh:**

Yes. This kind of clarifies, because I was a bit confused that 10% to 10.5% when you were alluding to, your opex at 4.2% looks stable. And on -- after macro, the credit cost is close to 2.2%-2.3%, that also is a kind of a near term, I would say, stable rate. So, then the 2.8%, yes, because there was some confusion. Thank you. That answers my question. Thank you.

**Moderator:**

Thank you. The next question is from Shweta Daptardar from Elara Capital. Please go ahead.

**Shweta Daptardar:**

Thank you, sir, and congratulations on a good quarter. I have two questions. So, while if I look at repeat disbursement share, which is steady now at 49% and even in value terms, around 35%, and you just alluded to the fact that in the earlier question that microfinance could be the larger share there. But going forward, how are you marrying the fact that this also forms the base for growth, as well as you are curbing the risk emanating from overlap across the businesses such as microfinance or unsecured lending. So that's one question. Second is considering we have sizable presence in Bihar, so are we building in any kind of traction on macro prudential provisions? Or maybe that -- will that be part of our discussions whenever the Board meeting or that happens, although past precedence do not trigger a worry, but currently, the dynamics are definitely slightly distinct? Thank you.

**Sudipta Roy:**

Thanks, Shweta. On the repeat -- overall retail repeat is currently, if you see the numbers, last quarter, it was at 49% overall. And this quarter also, it has remained at 49% overall. However, in Rural Group Loans, it has gone up by about 5% odd in terms of count. And in terms of -- again, in terms of value also, it has also gone up by about 5%. I -- obviously, our objective is that -- and I explained in detail in my previous answers as to why that has happened. However, what we intend to do is that we -- over the period of time, as situations normalize, as new sort of customers from the new markets, like Western UP, Eastern Maharashtra, AP, Telangana, Assam, etc., start flowing in, I see that proportion start reducing. We're still building our distribution in these new locations where we are distributing, and these are relatively lesser leveraged locations. So, I do believe that over a period of time, over the next 2 quarters, you will see the repeat going down. So that is what I would like to give an answer to the first question.

As an answer -- what was the second one? Yes, Bihar. On Bihar again, Bihar collection efficiency is pretty stable. Though we are keeping a close watch, it's pretty stable. And overall, as an organization, we have certain thresholds of exposure in one single market. So, we are very, very careful that we do not breach those thresholds. So -- and frankly, in Bihar also over the last couple of quarters, we have slowly increased our manpower strength to bring down our accounts per collector. And this quarter also, we'll be continuing that trend to bring down our accounts per collector even further, so that there is a very granular and focus on maintaining the collection efficiencies. So, Bihar continues to be very, very stable for us, but yes, we always watch that. Actually, Bihar traditionally, got more worse from natural calamities and floods, etc. than any other thing. And we are hopeful that at least this year -- because last year, there was a bad flood in Bihar. We are hopeful that at least there won't be a repeat of the same this year as well.

**Sachinn Joshi:**

Just wanted to add, Sachinn here. Shweta and Kunal, I don't think you should be really worried about increase in repeat because these are the times when the MFIN guardrails have actually got implemented on three financiers. So, the repeat customers, especially the exclusive customers, 48% of our total Rs. 26,000 crores, these are the customers who have been with us for second, third, fourth cycle and all. So, we have enough information on them. We have enough behaviour. There is a lot of goodwill among these customers. And till the time we maintain the guardrails which we have been since April 2020, I think we would not want to give up on our customer -- huge customer base, which we have created with a lot of pain over the last 10 to 15 years. And this is the time to ensure that this customer base, which has been loyal with us should remain with us. And new customer you try to go for at this point of time, unless it's a new geography or geographies which have very little leverage, the risks are very high in ultimately getting into the same customers, who have been perhaps delaying and defaulting with other financiers. So, I think the strategy at this point of time is to ensure that our customer base does not get disintegrated in any manner.

**Moderator:**

The next question is from Nischint Chawathe from Kotak. Please go ahead.

**Nischint Chawathe:**

Yes, hi. Just two questions. One is on security receipts. We almost have Rs. 5,000 crores plus. So..

**Moderator:**

Nischint, we can't hear you very clearly. If you could speak a little louder?

**Nischint Chawathe:**

We expect to kind of monetize that. I believe the reduction last year was around 12%- 13%. So, is that the pace or will it accelerate or how do you think about it? And the other one was on disbursements, where this quarter, if you look at ex of gold loan book purchase, disbursement growth was around 8%. Is this disbursement -- yes, am I audible now?

**Sachinn Joshi:**

Yes, yes. Much better.



**Nischint Chawathe:**

Yes, sure. So, is this decline in disbursement -- or sorry, this weakness in disbursements, is this because of company-specific factors in terms of the migration of portfolio? Or is it because you can see some general weakness in the economy.

**Sachinn Joshi:**

So, Nischint, on the first point on SRs, we had mentioned on our earlier calls also that the resolutions of these SRs, which are currently around 60% provided for, the book is right now Rs. 5,500 crores. It has been coming down. But I think the significant resolutions are in advanced stages with NCLT. And the resolutions are expected in FY27 and FY28. A significant part of these projects will actually see completion, and we should be able to -- and we had also mentioned, Sudipta in the earlier -- one of the conversation also mentioned that we expect certain projects to be resolved in our favor, which means that the provisions which have been taken against such projects may get released only to be utilized to rebuild our macro prudential provisions. So yes, the progress has been there, but a bit slow at this point of time. FY27, we'll see a significant amount of development.

**Sudipta Roy:**

Yes. On disbursements further, I'll take the question. You are right because the disbursements growth this quarter -- if you look on a Q-o-Q basis, actually, the disbursement of Farmer Finance was very good on a Q-o-Q basis. Tractors grew quite well on a Q-o-Q basis. Even microfinance also grew reasonably well on a Q-o-Q basis. If I were to look at on a Q-o-Q basis, Farmer Finance grew by 25%. Even the microfinance business grew by about 10%. So, you see same time last quarter, which is the quarter previous to this quarter, we were averaging around Rs. 1,600 crores per month in Rural Business Finance. This quarter, we have averaged around Rs. 1,800 crores per month. And we are hopeful that as and when the collection efficiencies move upwards, as they are with every passing month, we should be able to get back to Rs. 1,900 crores - Rs. 2,000 crores trajectory as soon as possible, preferably towards the near-term, towards the festival season.

In Two Wheeler Finance, if you see on a Q-o-Q, we have grown by about 15%. So that growth has been pretty strong. The reason you probably see a dip in the overall growth rate is that Personal Loans actually this quarter was probably a little lower growth rate, primarily because we had a very good growth rate in the -- in Q4 of FY24. But with Amazon and PhonePe now, the volumes now stabilizing, this quarter, we are also looking at a strong growth rate in Personal Loans as well. So overall, I do believe that the situation in the market is slowly improving. The sort of the mini cycle we saw in some asset classes, especially unsecured and microfinance, show signs of dissipation. Have they fully dissipated yet? No. I think it will take another two quarters for the industry to see full dissipation. Anyway, credit was also squeezed, as you can see from all the CIBIL dashboards that credit disbursement across the industry had got squeezed. So, I do believe that the restoration of that is a two-quarter process for us. We have seen good momentum this quarter. I expect Q2 to continue that momentum, though Q2 has some seasonal fluctuations in view of Shraddh, etc, that happens in September before the festive season, Q2, normally is a tight quarter for most lenders. However, I do believe that we will see decent growth in Q2 as well. But I do believe that H2 will be very, very good, especially starting with the festive season and in Q4. That is the way I look at it. I see more of a level out Q2. I see good acceleration in Q3, and I see a pickup pace in Q4, if that answers your question.

**Moderator:**

The next question is from Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:**

Yes. Thank you for taking my question. So firstly, sir, on asset quality and credit costs, if you could just help us understand how is the Two Wheeler and the Tractor portfolio kind of behaving now? That is one. And somewhere earlier during the call, you spoke about credit cost declining to 2.3% to 2.5% by the exit quarter 4Q. So just trying to understand, I mean, earlier in the past earnings calls, we've spoken about benefits from Cyclops leading to a



structural improvement in credit costs for us. So, what could that credit cost look like from FY27 onwards? Also, we have discussed a little bit on SRs earlier. So, Sachinn sir, I just wanted to understand, you gave out a number of Rs. 5,500 crores and the 60% provision. So, is the gross SRs outstanding roughly around Rs. 11,000 crores now? And also, you spoke about FY27-FY28, where we can see some resolutions happening in our favor and which will subsequently be utilized for macro prudential provisions. So any ballpark estimates of what recoveries we are expecting from SRs over FY27-FY28?

And lastly, with regards to gold loans, I think Sudipta sir spoke about setting up branches and we're aspiring to get up to 300 branches. So, I mean, over what period this will be done? And will this mean that at least in the near-term opex will remain elevated? So just some of those questions. Thank you so much.

**Sudipta Roy:**

Okay. I'll take the Two Wheeler and Gold Loan and then Sachinn can give the additional details in the -- for the SRs, -- in terms of numbers. So let me tell you at the onset that I'm very happy with the way the Two Wheeler and the tractor sort of risk numbers are panning out. In Two Wheeler, especially, as I said, our prime share has reached 84%. And the two-wheeler gross non-starter rates as well as net non-starter have gone down. We have given an indexed representation of the bounces in, I think, slide -- it will be on Slide 15 or 16, I think. We have given it -- sorry, Slide 27.

**Sudipta Roy:**

Slide 27 in the investor deck. So, you can see that if indexed on April was 100 -- out of 1,000 customers, 100 customers are bouncing, now only 72 are bouncing. So, this is portfolio bounce. That means -- and still, if you see, we have some portion of the sort of the legacy portfolio left, which will probably become much smaller in volume by, say, Q3 of this year. So overall, Two Wheeler risk cost is progressing very, very well. And I do believe that we will see probably a very low risk cost regime in Two Wheeler to set in post Q3 for us, as the legacy portfolio still dwindles in size.

For Tractors also, similar trajectory. Tractors, if you see our net non-starters in tractors are at a historical low. Actually, in the Project Cyclops portfolio, we have seen net non-starters as low as 0% actually. So, Two Wheeler in Tractor also, the overall sort of cleanup has happened. And if you see Slide 28, in terms of indexed representation of net non-starters, in April-24, if it was 159%, we are down to 38%. So that will tell you the extent of improvement that has taken in the tractor business. And if you see the tractor sort of charts in terms of collection efficiencies as well in Chart 38 -- is it 38 or 37? Yes, sorry, 37 -- no, chart 38. You can see the collection efficiencies now. You see in June last year, we are at about -- 91.8% collection efficiency, which has gone up to a 93% collection efficiency. You can see that it has significantly gone up. And this -- we expect that this trajectory to continue. And on almost a Rs. 16,000 crores book a 120 bps improvement in collection efficiency is significant in terms of credit cost. So, we expect that both the two wheeler business and a tractor business to have significant contribution to profitability in...

**Sachinn Joshi:**

The Two Wheeler is on the next page.

**Sudipta Roy:**

Yes, the two-wheeler is on the next page. If you can see two-wheeler also, collection efficiency in two wheeler is at 98.5% which is in Slide 39, top up and -- which was 98% same time last year. And this number is actually going up quite steeply. So, April is a seasonal blip because what happens is that many of the outsourced collection agencies actually post the -- and BFSI industry sees this April, what I call, the April blip. But overall, I'm very, very satisfied with the way these two are progressing.

In terms of the gold loans, the 135 branches, which I said new branches, will happen before March 31 of this financial year. We are working on that. We have a fair amount of -- we have figured out -- see, you have to understand that we acquired a business which had actually fine-tuned the process of branch addition. So the branch cost -- the cost of branch addition is not really extremely expensive, but it's quite economical because the process has been fine-tuned by the team, which was managing this business in Paul Merchants over a period of years. So obviously, yes, 175 branches will take a little bit of the cost, but we do not expect that to be significant enough to show up materially significantly in our cost numbers.

Overall, as an organization, we are also running a massive productivity as well as a cost improvement exercise internally. And we are hopeful that we should be able to absorb this cost quite effectively. So, our focus is that we expand very, very quickly in our markets of strength, especially where we can use some of the feet on the street that we have, especially in the MFI business as well as in the tractor business to sort of cross-sell gold loans to our existing pool of customers, either existing customers or our customers who have been previously with us and sort of build in a new model where we sort of lead generate in the field and send the customer for fulfillment towards the near branch. So that is what we will be wanting to do. And we are reasonably confident that we should be able to do that. Sachinn on the SR thing.

**Sachinn Joshi:**

Before that, I think Abhijit you also wanted to know the traction of how credit costs will pan out between 2.3% to 2.5%. So, see, the credit costs, the first quarter, of course, we have used -- and when we talk about this range, this is, of course, after taking into account the macro prudential provisions. During our earlier couple of calls, we had mentioned that the Two Wheeler, Personal Loans and Tractor businesses for specific reasons, the -- like, for example, we had stopped the repossession of 90 plus for Tractor. Similarly, Two Wheeler and Personal Loan for the challenges which were faced from the urban side had led to increasing credit costs. And we had mentioned that this will last for at least 2 to 3 quarters. We are seeing some kind of stabilization as far as Personal Loans is concerned. Tractor has actually started showing an improvement after last 2 to 3 quarters. Two Wheeler, we, I think, has still a quarter or two to go. And as Sudipta mentioned, Q4, we will start having the seasoning of the book, which has come through Cyclops, will start showing its impact. So Q4, we will start seeing the full benefits of Project Cyclops on the Two Wheeler portfolio. Till that time, we -- the book, which was generated through the earlier models will also become very insignificant. So, keeping these in mind, I think we should -- for the full year, we are expecting that we should be somewhere in the range of about 2.3% to 2.5%. We should exit, I would say, by -- with 2.5%, but with the average for all the four quarters, we should be somewhere around 2.4%, 2.5% for the full financial year.

On the SR piece, the overall book, which was sold off to ARCs post receipt of cash was about Rs. 14,000 crores over a period of time. And against that, we have, during various points of time, created provisions at the time of transfer. Also, we had announced about a year back, setting aside about Rs. 729 crores. All that put together, we have about Rs. 8,400 crores, which is set aside, which comes to about 60%. So, the Rs. 5,500 crores is the net carrying value as of 30th of June, if that clarifies.

**Moderator:**

The next question is from Chintan Shah from ICICI Securities?

**Chintan Shah:**

Yes. So, sir, one question on the MFI PAR portfolio. So, our PAR 31 to 90 portfolio, so that has been more than 1 percentage since the past three quarters. So current quarter -- and it has been actually increasing since the past six quarters. Only for this quarter, it has declined to 1.2% versus 1.4% previously. And simultaneously also we have utilized the macro-prudential since the past three quarters wherein the PAR 31 to 90 has been above 1 percentage. So, when do we see this portfolio coming down below 1%? I understand it could be due to Karnataka

or Bihar, etc. And this PAR used to be 0.5 percentage almost a year ago in Q1FY25. So, yes, when -- where this could normalize by the year-end? Yes. That's the first question.

**Sudipta Roy:**

Yes. So, if you see -- thanks, Chintan, for the question. If you see, we already saw the inflection point of the curve between PAR 1 to 90 this quarter.

**Chintan Shah:**

Yes.

**Sudipta Roy:**

And as I said -- first, I would like to say that there is no issue in Bihar. Bihar is normal. There is no issue in Bihar. So, Karnataka, yes. Karnataka, the speed at which we thought it will improve probably did not happen in Q1, but again, we are seeing it picking up pace. We are seeing it picking up pace. And as I said, our objective has been to bring down the accounts per collector ratio in Karnataka as well, so that our people are more focused. So, we have increased the number of people, so that the accounts per collector has also come down so that we are -- the same number of -- because what has happened is the Karnataka window of collection has reduced, because there is some time -- till sometime you can collect, you cannot go beyond 5:00 P.M. etc. So we need the larger number of collectors to reach the same amount of customers within that period of time. So that is what we have been focused on and that's what currently work is going on. So, I do believe that this quarter, we'll see further improvements. And again, MFIN guardrails came into being in the first quarter fully. So, obviously, that took -- the market is taking time to settle as well on that. So, overall, I think Q2 will be the settling period, and in Q3, we'll see the normalcy. So, the curve, which you saw the inflection point in Q1 will continue to trend downwards in Q2. And probably by middle of Q3, it will probably come close to normal. Again, I'll put a caveat here in the sense that, all these are sort of....

**Sachinn Joshi:**

In the play.

**Sudipta Roy:**

In the play and we are hopeful that, the Karnataka event came in a short period of three weeks. And frankly, the industry was not prepared for it. And in a short period of three weeks, we saw our collection efficiencies tanked. So, all these numbers, the caveat that things have settled. And there are no more sudden surprises. That is the caveat.

**Sachinn Joshi:**

So just to add, the only positive thing we can share is that the dip, which went down to almost 200 basis points plus in the month of February, the recovery has been there. Maybe from the pre-February times when the collection efficiencies were 99% plus, I think, we would be about 50 basis points, 60 basis points away. And as we speak, July also has been trending positively. So, yes, I think we'll have to just wait and watch, but the other geographies have already stabilized. So, we should not see any reversal of what you were pointing out in terms of the PAR 0 to 30, 30 to 60 beyond this, in a very significant manner. That's where we are.

**Chintan Shah:**

Yes. So just a follow-up on that. So typically, do we have any ratio, means as in -- if this much is the PAR 30 to 90 percentage of the portfolio, so how much typically that flows into 90 plus or how much can be rolled back? So any data points to share there.

**Sachinn Joshi:**

See, actually, this works only in a normal environment. In today's environment, like Sudipta mentioned, if the collection efficiencies are slowing down, we'll just put more people to see that the collections are done. So, it will -- right now, the challenges are in only specific pockets, specific states. We will have to address it by using different, different techniques. So, there is no specific signs that, okay, if 31 -- under normal circumstances, we can possibly mention about what will be the reverse flow, which will happen. But roll forward right now, the moment they touch 90-plus, 100% gets provided for. So that ensures that whatever risk is seen already gets captured in terms of provisions. One thing which we can say is that the Karnataka challenge is not in terms of ability to pay, but the intent to pay. And a time will surely come when these customers would need money and they're -- looking at their bureau scores getting worsened, they will not get money anywhere. And the chances of recovery will be high when they come back asking for fresh loans. This is the expectation we have.

**Moderator:**

We'll take that as the last question. I would now like to hand the conference back to Mr. Sudipta Roy for any closing comments.

**Sudipta Roy:**

Thank you. I thank everyone who has joined us today. So, it has been -- Q1 has been a tough quarter for all around for the industry as well, as well as for us. And -- but what we are reasonably satisfied with the outcome. Obviously, a lot of work remains to be done, which will be done across the rest of the year.

One thing I would like to assure is that, we are focused on making sure, and as I've mentioned in many of my media interviews that we are building a risk-first organization. So, and many of our technology sort of investments in the initial phase has been focused towards making sure that our risk guardrails are strong and bulletproof. So now that we are reasonably confident of some of -- the efficacy of the early technology steps that we took last year, this year we will as -- and as the conditions improve, I think, we will have the confidence enough to be the first of the block in terms of growth. And all the growth drivers, all the growth thrusters are now being positioned into place for that event to happen. We are seeing very fast improvement in the operating environment in all lines of business, both rural, as well as urban. And I am very, very confident that Q2 will be the inflection point in terms of the risk outlook of the industry, and we will see better outcomes in Q3 and Q4.

With that, I would like to wish you a very good remaining part of the day. And I will -- me and my management will be very happy to give you -- interact with you when we meet one-on-one and probably give -- provide more flavor of our execution story. Thank you so much. And with that, we will end the call.

**Moderator:**

Thank you very much. On behalf of L&T Finance Limited, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

\*Since the transcript has been derived from a voice recording tool, necessary corrections have been made to remove anomalies as well as manifest but inconsequential factual discrepancies, repetitions in Q&A which would have unintentionally crept in, if any