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Operator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY27 earnings conference call hosted by Piramal Finance Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. The result materials are available on the exchange and the company's website, and you may refer to them during the discussion. Please note that today's discussion may include certain forward-looking statements, which must be viewed in conjunction with the company's risks and uncertainties. These statements are based on management's current expectations and are subject to uncertainty and change. On the call today, we have with us Mr. Anand Piramal, Chairman; Mr. Jairam Sridharan, MD and CEO; Mr. Rupen Jhaveri, Group President; Mr. Yash Nadkarni, CEO, Wholesale Lending; Mr. Vikas Singla, CFO; and Mr. Ravi Singh, Head, IR and Strategy. I now hand the conference over to Mr. Anand Piramal for his comments. Thank you, and over to you, sir.

Anand Piramal – Chairman: Good afternoon, everyone, and thank you for joining us today on this call to discuss Piramal Finance's Q2 FY27 results. I hope you and your families are enjoying the ongoing festive season, and I wish you all happiness and prosperity.

An important announcement before we get into the Q2 results discussion. I am delighted to welcome Mr. Dinesh Kumar Khara, who joins today as an independent director for a five-year term. Mr. Khara has been one of the most respected CEOs in the financial services sector. During his tenure, the market cap of SBI moved from 20 billion dollars to 90 billion dollars at a CAGR of 47%. During his career, particularly as Chairman of SBI, he strengthened one of India's most important financial institutions and expanded access to formal banking and credit for millions of Indians. His experience, judgment, and deep understanding of financial services will be invaluable, and we look forward to his counsel and guidance.

With that, let me now begin with a few observations on the macroeconomic environment and take you through our performance during the quarter.

India's financial sector has remained resilient despite geopolitical upheavals. NBFC gross NPAs have declined significantly over the last few years alongside robust credit growth, particularly among upper-layer institutions. This resilience reflects the strength of the broader Indian economy. International institutions like the IMF have revised India's GDP growth projections for FY27 and FY28 upwards, supported by robust consumption, capital expenditure, and stable forex reserves. However, rising global inflation will exert pressure on India's cost of capital. H2 FY27 is likely to see a broad-based increase in borrowing costs in line with the RBI's shift from a neutral stance to calibrated tightening. Nevertheless, we do not expect any notable slowdown in borrowing activity, with liquidity conditions remaining adequate. Emerging global risks warrant close monitoring, particularly rising US and Japanese sovereign bond yields and the prospect of crude oil prices remaining high for longer, which could amplify inflationary pressures and tighten global financial conditions.

Moving on to our company's Q2 performance, our growth AUM now stands at 98.5% of total AUM. In Q2, growth AUM increased by a healthy 30% year-on-year. Total AUM grew by 24%

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year-on-year to 1,13,112 crores. Q2 FY27 ROAUM of the growth business was 2% annualized, 34 bps higher than the 1.7% ROAUM in Q2 FY26. In Q2 FY27, our PAT was up 67% year-on-year to 545 crores, with underlying growth business PBT of 538 crores. Thus, our H1 FY27 PAT is also up 67% year-on-year and crossed the 1,000 crore mark.

Asset quality was stable and healthy across both our retail and wholesale businesses, and we will share more details later on this call. In Q2, we completed a total equity fundraise of 3,850 crores, including a QIP of 2,100 crores and a preferential allotment of warrants of 1,750 crores to the promoter group. This was our first fundraise as Piramal Finance, and we are encouraged to see the response to the QIP in terms of demand from investors and the eventual participation of several marquee domestic and international investors.

In September, we completed 5 years since the merger of DHFL in September 2021. In every possible way, this merger has proven to be transformational for the company. It provided us with a platform on which we could steadily build further. The acquired product suite of mortgages and real estate lending has expanded to more than 10 key product categories, diversified across secured and unsecured retail and mid-market corporate lending. In the 5 years following the merger, our branch network and employee base have further grown by 3x, while AUM has grown 5x in 5 years, from 23,000 crores to 1.1 lakh crores for the growth business, making us one of the fastest-growing retail finance stories in the country.

While a large part of what we recorded on day one of the merged balance sheet has naturally run down, the imprint of what was arguably one of the most consequential financial services mergers in India is visible across our business, balance sheet, and P&L. In these years, we made gains of more than 3,000 crores from DHFL's stressed book. The large pool of long-term, low-cost, fixed-rate borrowings rolled over from erstwhile DHFL continues to support our liabilities base. There is a tax shield of 16,000 crores of assessed carry-forward losses, mostly arising from DHFL, still available to us.

As the youngest NBFC among India's upper-layer NBFCs, we are privileged to be serving over 6.5 million customers across semi-urban India, combining physical distribution with technology and AI in our processes. With an AA+-rated and demonstrated retail-led diversified business model at scale, we are confident in our ability to deliver steady and healthy earnings growth. With that, I will hand over to Jairam to share more details on the results.

Jairam Sridharan – MD & CEO: Thank you, Anand. Good afternoon, everyone. I will begin by providing some details on our performance for the quarter, our progress against strategic priorities, and some special topical matters for this quarter.

Let's start with growth on Slide 4. At the start of the year, we had guided for 25% AUM growth in FY27. Over the medium term as well, we expect our AUM to double every 3 years, implying an AUM of 1.5 lakh crores by FY28. Against these aspirations, in Q2 FY27, our AUM was up 24% year-on-year to 1,13,112 crores. Growth AUM was up 30% year-on-year, while the legacy book came down by 69% year-on-year. With our growth AUM now at 98.5% of total AUM and scaling up at 30% or more year-on-year for the past several quarters, we remain on track for our FY27 and FY28 AUM growth expectations.

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Our retail AUM growth remains strong. The strong pickup seen in Q1 in disbursement growth continued to get even stronger in Q2. Disbursements were up 34% year-on-year in the second quarter. Retail AUM grew by 30% year-on-year to 97,462 crores. Our mortgage business, comprising housing loans and loans against property, grew by 27% year-on-year to 64,650 crores. Mortgages account for 57% of the company's AUM.

If you look at Slide 25, which has product-level details, you will note that there are substantially higher growth rates visible for mass-affluent housing loans and larger-ticket LAP plus business within our HL and LAP books. With our rating upgrade, our ability to serve these segments is significantly higher. With risk performance under control, AUM growth in our 4 unsecured product categories—personal loans, unsecured business loans, digital loans, and rural micro loans—all gained momentum. These AUM were up 46% year-on-year to 23,764 crores and now stand at 21% of the company's AUM.

If you look at Slide 31, you will see that our customer franchise grew by 26% year-on-year to 6.5 million. With the uptick in unsecured disbursements, both our overall customer franchise and our cross-sell franchise growth have been improving. Our sourcing from cross-sell in unsecured disbursements was at 30%, which we expect to keep improving over the coming years. Our cross-sell portfolio, of course, comes with significantly lower OpEx and credit risk.

In the second quarter, we did not add any full-service urban branches. We did, instead, expand our network for gold loans and rural loans. The gold loan network expanded to 100 branches from 67 in the previous quarter, and we aim to have 200 gold loan branches by the end of March 2027. On the rural side, we expanded from 178 branches last quarter to 203 branches by the end of this quarter. The company's total branch network now stands at 838. Wholesale AUM was up 24% year-on-year in the second quarter to 13,978 crores. The mix between real estate and mid-market lending stands at 68:32.

Moving on from growth towards profitability, I would like to start with Slide 5. Return on AUM for our growth business increased to 2% per annum in the second quarter versus 1.7% in Q2 FY26. Leverage, that is, AUM to equity, was at 3.6x in the second quarter compared to 3.7x in the first quarter. In this second quarter, of course, we completed the capital raise that Anand mentioned. We had structured the raise in a manner so as not to take a very large hit on leverage in that quarter. With continued AUM growth, leverage should continue to progress towards our goal of 4.5x to 5x in the medium term.

Let's now go into some of the components of our return on AUM, starting with margins. The company's net income margin was flat quarter-on-quarter at 6.5%, which you can see on Slide 15. This is very close to the level for our overall growth book net interest margin at 6.8%, and it will get closer still as the legacy book goes off our portfolio.

On the cost of borrowing, a lot of attention has justifiably been placed on the liability side of NBFC books. I would like to draw your attention to Slides 16, 17, and 18 for a discussion on our cost of borrowing. Our incremental cost of borrowing at Piramal Finance continues to decline steadily. Following our domestic rating upgrade to AA+ between January and March 2026, the cost of incremental long-term borrowing declined from 9.36% in H1 FY26 to 8.67% in H2 FY26 and further to 8.46% in H1 FY27.

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We have roughly 37,500 crores of long-term borrowings that are due for maturity in the next 18 months. If you look at Slide 17, the bottom-left chart shows that our current incremental cost of borrowing is meaningfully lower than the carrying cost of these borrowings that are going to mature and retire over the next 18 months. This continues to provide us with a strong tailwind on the cost of borrowing side.

Our market-linked borrowings are less than a third of our total borrowings. We also have variable-rate liabilities that are slightly lower than our total variable-rate assets, as you can see in the top-right chart of Slide 16. This again positions us well in a rising-rate environment. Despite the way market rates have moved in recent months and the RBI's recent and likely upcoming repo hikes, we believe that our overall cost of borrowing, I am sorry, cost of business at Piramal Finance on a stock basis will continue to be at similar or lower levels over the next 12 months. Cost of borrowing, I am sorry.

Moving to retail income, Slide 22, you will see that total retail income was 14.6% of loans versus 14.7% in the first quarter. This small delta is largely driven by the higher number of days in the second quarter versus the first quarter. Other income was stable quarter-on-quarter. If you recall, in Q1 we had made and disclosed a considered strategic choice to perform fewer debt assignment transactions, resulting in a reduction in our income line and an increase in ongoing annuity.

Moving on to insurance, following the September 23 consultation paper from IRDAI, we had disclosed on September 24 our initial assessment of how our insurance commission income is likely to be impacted. The company currently exclusively distributes life insurance products of Pramerica Life Insurance, where we have a 50% stake as a promoter. If the consultation paper is implemented as it is with an effective date of April 1, 2027, we estimate a gross reduction in insurance commission potentially having an 18 to 24 basis-point impact on FY28 return on assets.

However, that is at a gross level. Any improvement in the economics of Pramerica Life Insurance will flow back proportionally to Piramal Finance during consolidation. Thus, the company has a natural hedge and a clawback available because of the way the company is structured. Apart from this, there are other levers available to the company as well. For instance, rationalization of sales incentives for selling insurance and other forms of product clawback. We believe this can significantly cushion the impact on profitability on a net basis in FY28 and beyond.

In the near term, the company remains confident of meeting all our earlier stated FY27 profit growth guidance of 50% profit growth year-on-year.

On OpEx, retail OpEx to AUM declined by 5 basis points on a quarter-on-quarter basis to 3.48%. You will see this on Slide 22. You will notice that we have now consistently reduced our OpEx to AUM for almost 4 years. While we are now well within the target range of retail OpEx to AUM, the ratio continues to move downwards. We believe the continued productivity gains for our employees and branches have the potential to take retail OpEx to AUM to further lower levels over FY27. The reduction in retail OpEx to AUM has driven growth business OpEx to AUM down 33 basis points year-on-year to 3.2%.

At a company level, our cost-to-income ratio was 52% in the second quarter, down from 61% in the second quarter last year and 65% in the second quarter of FY25, as you will see on Slide 52.

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Technology and AI have been key enablers of both our growth and our productivity enhancements. Slides 33 and 34 show some details of our enterprise AI strategy, which we call Piramal.ai. On Slide 33, the dashboard that we regularly share shows progress on AI use cases across all aspects of our business, such as sales, underwriting, collections, audit and compliance, customer experience, and people management.

Like every quarter, this quarter we have put a spotlight on one area heavily impacted by AI. This time, on Slide 34, we have covered customer experience, CX.ai. The most impactful use cases of AI in customer experience have been GenAI-powered automation of routine service emails, allowing human agents to focus more on cross-selling to these customers, leading to a 5x increase in the cross-sell productivity of human agents. This compares with what it looked like before AI took over email response.

Pia, our self-service AI assistant, interacts with customers across WhatsApp and the Piramal app, resulting in 6.3 lakh interactions in the second quarter for queries, payments, and new loan offers. Pia also generated 20% of our total cross-sell leads during the quarter. Our conversational AI-powered bots resulted in 102 crores of {? Pia's cross-sell ?} in the second quarter and 172 crores of end-to-end collections of overdue EMIs and fees in a human-free manner. You can see how CX.ai is boosting our productivity, digital engagement, and cross-sell.

Moving to risk, credit risk across the portfolio continued to show the strength that we witnessed in Q1. All risk metrics, both early and late, across both secured and unsecured portfolios continue to look very strong. Our overall retail 90+ delinquency is at 0.7%, stable in a narrow range of 0.6% to 0.8% over the last 4 years. Growth business credit cost was down by 10 bps quarter-on-quarter to 1.5%. Unsecured, in particular, shows risk at multi-year lows and delinquencies at one-third of peak levels.

There are 4 additional dimensions on which I would like to share specific risk insights. First, the IT sector. In the last quarter, I had mentioned emerging risk challenges in home loans for IT sector customers from South India. That situation persists. The good news, however, is that it has not spread to other adjacent segments.

The second is the impact of the monsoon. The weak monsoon does not seem to have had a negative impact on agri-income customers, at least so far. The bounce rate in this customer segment was the same as in the first quarter of FY27 and 110 basis points lower than in the second quarter of FY26.

The third is leverage at the customer level. Overall leverage levels continue to be low. We had indeed seen some increase in leverage in the digital lending business in Q4 and Q1, but that has subsided back down in the second quarter. As of this quarter, the leverage of customers applying for loans from us is lower than it was 2 years ago in every single product category.

The fourth dimension on which I want to add some risk insight is gold loans. This is an emerging area of risk in our view, which is the rapidly increasing presence of gold loans on customer files. 2 years ago in our portfolio, depending on the product, 20% to 25% of customers had an active gold loan outside our portfolio. That number is now above 35% in all product categories.

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Secondly, in FY26, across the industry, approximately 4.7 lakh crores of gold loan disbursements were made to customers in deep delinquency, that is, more than 90 days past due. Today, the presence of a gold loan on file is not yet an indicator of higher risk in the portfolio. However, we believe that these data points that I just shared are worth noting and tracking.

Lastly, along with growth and profitability, we have been equally focused on predictability and consistency. If you look at Slide 6, our second-quarter PAT of 545 crores has maintained the steady and predictable earnings trajectory of the last 8 to 10 quarters. Our trailing 12-month EPS growth is currently running at 155% year-on-year.

We disclosed long-term, 4-year-plus quarterly data across most key parameters, showing the discipline and rigor that go into delivering predictability and consistency. Our risk charts, for example, cover both vertical and horizontal risk across the portfolio and across individual products for 4-plus years.

With the transformation journey of the last 5 years since the DHFL merger behind us, the recently concluded capital raise demonstrating the confidence of promoters and other investors, and the strong performance in the first 2 quarters of FY27, we remain confident of meeting our near-term FY27 and medium-term guidance on growth, profitability, and stability of earnings and risk performance. With that, let me hand over the call to Yash to discuss our wholesale business.

Yash Nadkarni – CEO, Wholesale Lending: Thank you, Jairam. As of September 2026, the wholesale book stood at 13,978 crores, which was a growth of 24% year-on-year. The real estate-to-CMML mix stood at 68:32. The average ticket size of the book was 55 crores, and the average yield of the portfolio was 14.1%.

During the second quarter, we disbursed 2,615 crores across 91 separate transactions, including 41 new transactions and 50 transactions that were sanctioned in previous quarters but were partly disbursed during this quarter.

Repayments continued to be elevated as we received 1,889 crores, or about 72% of the disbursed amounts, during the quarter. Due to the higher rate of prepayments to date, about 74% of our contractual repayments due in FY27 have already been paid by our borrowers to us as of today. The strong prepayment trend continues, as we have seen over the past few quarters as well, and is proving to be a growth headwind for our wholesale book, despite robust portfolio performance.

Separately, our legacy AUM decreased significantly by 780 crores, or 32% quarter-on-quarter, leading to an AUM of 1,673 crores, which is now just 1.5% of our total AUM, as Jairam highlighted earlier. With the sharply falling share of the legacy book, we expect to discontinue its separate disclosures after the December quarter. The chunky reduction in the legacy book in Q2 was PBT-neutral. We carry an ECL provision of 459 crores on the legacy book. With this, I will hand over to Vikas to cover the financials.

Vikas Singla – CFO: Thank you, Yash. Moving to our financial performance, in Q2 FY27, we reported consolidated net profit of 545 crores as against 327 crores in Q2 FY26, which is up by 67% year-on-year. Pro forma PBT for the growth business stood at 538 crores in Q2 FY27 versus 344 crores in Q2 FY26.

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The net income margin at the company level is 6.5%, which is up 35 basis points year-on-year and flat quarter-on-quarter. Growth business NIM was 6.8% versus 6.9% in Q2 FY26 and 6.8% in Q1 FY27. The capital raised in Q2 had a positive impact of 5 basis points on our NIM.

Our total income thus grew 33% year-on-year to 1,767 crores. Operating expense growth was contained at 13% year-on-year. Pre-provisioning operating profit thus grew by 64% year-on-year to 846 crores. Growth business credit cost was 1.5% versus 1.6% in Q1 FY27.

In Q2, along with the reduction in the legacy book, we had a profit and loss gain of 90 crores from recovery in the legacy business. With this, the company's overall credit cost was at 1.1% versus 1.8% in Q1 FY27.

Our total GNPA and NNPA were at 2.4% and 1.7%, respectively. Our net worth stands at 31,180 crores. Our capital adequacy is at 20.1% at the end of September 2026. In Q2, the QIP added almost 200 basis points to our capital adequacy. It also had a positive impact of 5 bps on our ROAUM and led to a reduction of just 0.1x in our Q2-end leverage.

We are confident that we will remain comfortable on capital adequacy over the next few years while funding our growth and expanding leverage. As discussed in the previous quarter, there are opportunities for non-dilutive regulatory capital release in our balance sheet, likely over the next 12 to 24 months. That, combined with our recent capital raise, implies enough runway for growth capital for several years. With these remarks, I would now like to open the floor for questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all participants: you may press star and one to ask a question. We have the first question from the line of Shreya Shivani from Nomura Securities. Please go ahead.

Shreya Shivani – Nomura Securities: Thank you for the opportunity. I have 2 questions. First is on the cost of funds. Now that we are officially in the rate-hike cycle, what is our view on which products and segments we will pass the higher rates on to our end customers? When will we do it? Will we wait for another MPC meeting before we take that decision? Any color around that would be helpful.

My second question is on the yield movement. There has been a significant sequential decline in the legacy book; however, the yields were sort of flattish between Q1 and Q2. Is it fair to say that once it is completely out of the base from Q3 onwards, it will start showing up in the yields? Any thoughts around that?

One more question, the third question, is that while your asset quality trends, shown on Slide 23, are stable, if you look at the vintage risk, there is a slight pickup in probably the digital loans and the housing loans. I guess the housing loans are probably extended to IT-sector employees, if that is correct. Any other color around that would be useful. Thank you.

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Management: Perfect. Great questions. Thanks, Shreya.

Question number one is on the cost of funds and passing it on to customers. Unlike banks, NBFCs are on a PLR regime, so we will pass on rates when our PLRs increase, which will happen once our cost of borrowings falls. Essentially, we will wait for our cost of borrowing to fall, which will take a little bit of time. After that, there will be another lag before we pass things on to our customers.

In the last cycle, we saw the lagged impact on our cost of borrowing take almost 1 year, followed by an additional lag of about 3 months for us to actually pass things on to our customers. Roughly 50% of our assets are going to be of this variety where we can pass on the rates, mostly our home loan and loan-against-property customers.

Therefore, I do not expect anything to be passed on yet. We need to first see the impact on our cost of borrowing. If it starts increasing, then we will go ahead and increase rates; otherwise, you should not expect to see much action on that front.

Your second question was on risk, right? The housing—NIM. NIM, NIM. Okay, yield, and what happened to yields and why did yields not go up if the legacy book came down? To some extent, your hypothesis is correct, but there is also a simpler explanation, which is a simple technical explanation: the number of days in this quarter was higher by 1 day compared to the previous quarter. That takes away almost 11 basis points of yield, if calculated for the retail business, and since most of our book is retail, that shows as a compression in NIM. It is not real, so do not worry about it. It is just optical, based on the number of days.

Your third question was on risk, particularly—you spoke about—what was it, sorry? Slide 24, vintage risk. Vintage risk. The digital loans have nothing there, Shreya. Q4 was low; otherwise, there is actually nothing much there. The risk is looking very good and, by the way, in digital loans, more than 90% of our lending is on FLDG. Therefore, it is not credit risk on our book. Whatever increase happens here, unless we breach 5%, is essentially on the partner's book, not on our book. So I am not worried at all about the digital lending side.

Your point on housing loans is absolutely correct. That is an appropriate area to look at. There has been a real increase there. There is one large case, a 4 crore case from Q2 FY26, which turned out to be fraudulent, and that is included in the number. Therefore, that number has increased because of that one case. I expect that number to come back down in Q2 because we are seeing the Q2 numbers at the 9-month level, and they are looking much better. I therefore expect that number to come back down. However, that is a real uptick driven by one fraud case.

Shreya Shivani – Nomura Securities: That is useful. On the commentary that you made on gold loans, that gold loan disbursements are to customers in deep 90-plus delinquency, any thoughts around your own strategy? How are you thinking about your own book?

Management: Depending on how you count, on a gross disbursement basis, anywhere from 15% to 22%–23% of gross disbursements in gold loans over the last few years have been made to customers who are 90 days or more past due on at least one of their live trades. It is a shockingly high number. That number for Piramal in October so far is less than 1%.

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We do not disburse gold loans to customers who are more than 90 days past due. We simply do not do it, even though that represents almost a fifth of the market today. Of course, we are a very, very small player in gold loans; we have just started. However, this is not an area where we are going to compromise, so it is less than 1% of our disbursements.

Shreya Shivani – Nomura Securities: Okay, this is perfect. Thank you, and all the best.

Management: Thank you. Thank you, Shreya.

Operator: Thank you. The next question is from the line of Renish from ICICI Securities. Please go ahead.

Renish – ICICI Securities: Hi. Congratulations to the team for the good set of numbers. Just 2 things, again on this vintage risk slide. When we look at HL and LAP, we have seen a very sharp increase in 90-plus delinquency in both these segments on a sequential basis. I wanted to know what is happening here. I heard you on the IT-related issue on the HL side, but more specifically, what is happening on the LAP side?

Also, when we look at used cars, there is some increase there as well. I wanted to understand why the asset quality of our new book is basically inferior to the period-end book quality.

Management: I am not sure where that is coming from. If you look at page 24, you can see a small uptick in housing loans and in LAP as well, but everything else is going down. Overall, as you can see, the overall numbers are down, not up. New business quality is significantly better than it has been, unless I am misunderstanding your question.

Renish – ICICI Securities: Yes, I will repeat my question. I am referring to Slide 23. In that slide, if we look at the used-car loan, which is 5% of the book, the 90-plus delinquency over the last 3 quarters is 1.2%, which is flat. But when I look at the vintage risk slide for the same segment, used cars, the 90-plus delinquency is actually running higher than the book quality, that is, the period-end book. I am wondering whether that means the incremental business is being booked at an inferior 90-plus delinquency level, because the book—

Management: Yes, I understand what you are saying. This is a different metric. When you look at a full stock, you have clients who are at zero months on book, 1 month, 2 months, 3 months, 7 months, all the way through 9, 10, 11, and 12 months, and then 23, 24, 25 months, and so on. Twelve months on book is about the point at which risk is going to peak, right?

However, when you see the full portfolio, it will have both the peak as well as a number of non-peak vintages. Hence, the portfolio numbers are going to be lower because it is an average of many vintages. This metric, the horizontal metric, essentially shows one vintage, one tranche, and looks at it when its risk is likely to have peaked, which is around the 12-month mark, and asks what that peak level of risk is.

Renish – ICICI Securities: Okay, understood. So it is on a rolling basis, right?

Management: It is on a rolling basis, absolutely right. It is a static-pool analysis.

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Renish – ICICI Securities: Understood. I thought it was a static pool at 12 months and not rolling, but I understand completely. Thank you very much.

Going back to the same question that Shreya asked on the NIM side, when we look at the growth business NIM, which is at 6.8%, and the company NIM, which is 6.5%, and also, as per Slide 51, the legacy book share is just 1.5%, I wanted to know whether, optically, over the next 2 to 3 quarters, my growth NIM should become the company NIM, which is obviously 30 basis points higher. Does that give you a natural hedge against the rising-rate cycle and therefore mean that, despite rising rates, our NIM should expand from here, with the only reason being the legacy book coming down?

Management: That is absolutely correct. Mathematically, that is bound to happen.

Renish – ICICI Securities: Okay, understood. So we are not too worried about the rising-rate cycle, sir.

Management: Not really. I do not want to be too confident about this, but there are 2 or 3 natural hedges that exist in the rate cycle. One is this legacy book. The other is our recent ratings and, therefore, the ratings upgrade, which means that our incremental cost of borrowing is significantly lower than the cost of our book and the cost of our retiring debt. These 2 things are material items that provide a natural hedge against the rising-rate cycle.

Renish – ICICI Securities: Understood. Just one last thing. We also heard that one of the largest prime housing financiers increased its PLR rate in October. If that happens, is there upside risk to our NIM?

Management: Not really. I do not expect us to raise rates for customers because our rates are not increasing, so it would be unfair for me to pass on a rate increase to customers when I am not seeing that rate increase. So, in our case, you should not expect to see much action on that front.

Management: We will neither increase our rates nor increase the rates for customers.

Renish – ICICI Securities: Okay, understood. This is very helpful, and best of luck.

Management: Thank you.

Operator: Thank you. We have the next question from the line of Abhishek Deberwal from Motilal Oswal Financial Services. Please go ahead.

Abhishek Deberwal – Motilal Oswal Financial Services: Hi, sir. Thanks for taking my question. First, a clarification: if I look at our consolidated P&L, we reported loan-loss provisions and fair-value loss in June of about 300 crores, while if I look at our growth business, the credit costs there are upwards of 400 crores. I am trying to understand whether there is some write-back from the legacy book or whether some other business subsidiary is contributing to this.

Jairam Sridharan – MD & CEO: No, it is all from the legacy book. It is exactly the write-back that you mentioned, which we are using to create other buffers elsewhere.

Abhishek Deberwal – Motilal Oswal Financial Services: Understood. The second question I had was around liabilities. In the last 2 participant questions, they were asking about margins and how they

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could trend in a rising-rate cycle. I could also see in one of your slides that you have mentioned about 29,000 crores of debt coming up for maturity next year, at a higher rate than your incremental cost of borrowings. Should that maturing debt bring down your cost of borrowings? Irrespective of where your incremental cost is, there is also an element of—

Jairam Sridharan – MD & CEO: Your point is absolutely straightforward, Abhishek. Debt is maturing at 9.1%, and we are borrowing at 8.4%, so there is a 70-paise gap. Even if rates continue to rise, my maturity schedule will continue, so my gross cost of borrowing on the stock will come down.

Abhishek Deberwal – Motilal Oswal Financial Services: Right, understood. This is also clear. Lastly, if I look at this quarter, we have reported approximately 2% ROAUM for our growth business, and we had given an exit-quarter target of approximately 2.5%. The long-term goal is to take it above 3%. With retail OpEx to AUM already settling below 3.5% and credit cost stable at 1.5%, what are going to be the key incremental levers to bridge this gap from the current 2% to 3% over the longer term? Basically, I am trying to understand how much of this improvement can come from operating leverage, margin expansion, product mix, and credit costs.

Jairam Sridharan – MD & CEO: The large delta comes under 3 heads. One is the mix shift away from the legacy book towards everything else. But let us keep that aside for a minute and just look at the growth economics.

Within growth economics, there are 2 big drivers. OpEx will continue to come down. We believe there is another 30 to 35 paise of improvement possible over the next 6 quarters. Then there is the cost of funds, or cost of borrowing, which results in the cost of funds. Then there is the overall mix shift towards us becoming more unsecured.

You heard me comment earlier that we are 21% unsecured today. We were at 20% until 2 quarters ago, and now we are at 21%. Eventually, we want to be 25% to 26% unsecured, right? That delta will happen over the coming quarters and the next couple of years. That will continue to push the margins.

Basically, there is OpEx, there is the cost of borrowing, and there is a little bit of this mix shift towards unsecured. Those are the main components that will get us there. Do you want to add something, Vikas? Sorry, just give Vikas 1 minute.

Vikas Singla – CFO: As we mentioned, we are increasing gold loans, which are a high-yield product, and all of this will come at the cost of mortgage products, which are low-yielding.

Abhishek Deberwal – Motilal Oswal Financial Services: Understood. So the mix is not just secured versus unsecured, but also gold loans, which are secured but have a higher yield and higher margin.

Jairam Sridharan – MD & CEO: Correct. Correct.

Abhishek Deberwal – Motilal Oswal Financial Services: Understood. One last thing: when you look at the Bureau data, are you seeing an increase in delinquencies, particularly in lower ticket sizes? I am not referring to any particular product, but across products, are you seeing delinquencies inching up for lower ticket-size loans?

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Jairam Sridharan – MD & CEO: You saw this very strongly in calendar year 2024. You saw risk increases in small-ticket loans and not as much of an increase in large-ticket loans. That shape of risk, where small-ticket loans have much higher risk than large-ticket loans, has persisted throughout. It has not changed at all.

Even today, in any product, whether it is PL, HL, or LAP, just pick any product: as you move towards higher ticket sizes, risk is actually decreasing. The smaller tickets have significantly higher risk.

The situation is a little different in gold loans, where risk is also increasing, or is high, at some of the larger-ticket end. The shape is therefore a little different in gold loans. Apart from that, in every product, smaller tickets are higher risk. That has been the case. It was very, very steep in 2024, and it is slightly less steep now.

Abhishek Deberwal – Motilal Oswal Financial Services: Understood. That is all I have. Thank you very much for answering my questions.

Jairam Sridharan – MD & CEO: Thank you, Abhishek.

Operator: Thank you. We have the next question from the line of Nishant Chavate from Kotak. Please go ahead.

Jairam Sridharan – MD & CEO: Hi, Nishant.

Nishant Chavate – Kotak: Hi, Jairam. Just a short question. If I look at your market-linked, sorry, market-rate-linked borrowings, these would largely be linked to repo, right?

Jairam Sridharan – MD & CEO: No, we have almost nothing that is linked to repo. However, repo has a very direct impact on the 10-year G-Sec and some of the other rates in the market. Almost none of our borrowings are directly linked to repo.

Nishant Chavate – Kotak: Understood. And MCLR-linked borrowings, which I think are around one-third, would these largely be linked to 1 year or 1 month?

Jairam Sridharan – MD & CEO: It is largely 1 year, but we also have some 6-month borrowings.

Nishant Chavate – Kotak: Okay, because when you say that, last time you mentioned that rate transmission took almost 1 year and then you took a couple of months after that to transmit the rates. However, looking at this profile, it appears that transmission could be much faster this time.

Jairam Sridharan – MD & CEO: When I say the last cycle, I actually mean the downward part of the cycle. In the downward part of the cycle, transmission generally takes longer. In the upward part of the cycle, transmission happens a little more quickly. You should expect to see that. Market rates are already rising.

However, the way we are countering it, and the way you see many others countering it as well, is by reducing market-linked borrowings. For example, this quarter, almost none of the money we raised came from the capital markets because capital markets directly showed or reflected the increase in rates. We have therefore moved our mix away from market-linked borrowings towards more MCLR-linked borrowings.

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This type of mix shift within liabilities is something else that you should expect NBFCs to undertake in the coming months.

Nishant Chavate – Kotak: Understood. Thank you very much. I think that was my question. Thank you, and all the best.

Jairam Sridharan – MD & CEO: Thank you, Nishant.

Operator: Thank you. A reminder to all participants: you may press star and one to ask a question. We have the next question from the line of Anand Dama from Nuvama Wealth Management Limited. Please go ahead.

Anand Dama – Nuvama Wealth Management Limited: Hi, congratulations on a great set of results. I had a question related to ROAUM. You said that there are multiple levers that will drive ROAUM to approximately 2.5%. How confident are you now, given that we have already entered a rate-hike cycle, of reaching that 2.5% ROAUM?

The second question is that next year we have a headwind in terms of insurance commission capping. You said that there are mitigants available. Should we, in that case, look at a flattish ROAUM in FY28, given this headwind from insurance commission capping, or do you have a better number to guide us on?

Jairam Sridharan – MD & CEO: Vikas, do you want to take the 2.5% question and then I will take the insurance question? Carry on, carry on. Okay, Vikas is being shy.

We feel fine about achieving 2.5% in Q4. I do not think there is much anxiety around it. We feel quite good, and we have all the levers that we think we need to deliver 2.5% in Q4 of this year.

For next year, we have not offered guidance yet. I did mention the 18 to 24 bps gross impact. If we are able to mitigate it somewhat—say, we are able to mitigate half of it—that is still meaningful. Our hope would otherwise have been to get quite close to the 3% number as we exit next year, but now we have to recalibrate ourselves. Let us see what we come up with. We will be close enough as we exit the year. I do not know whether we will get all the way there or not in light of the insurance capping issue, but we will have specific guidance to offer in Q4. As of now, for the second half of this year, our confidence levels are fairly high.

Vikas Singla – CFO: We have not factored in any impact from the cost of borrowing coming down. Even if the rate continues at the current level, we are confident of achieving 2.5% for the Q4 FY27 exit.

Jairam Sridharan – MD & CEO: Our cost of borrowing will—yes, correct. Further, the insurance capping is still only a draft; it has not yet become law or policy, so we have to see what happens.

Anand Dama – Nuvama Wealth Management Limited: Sure. Have you had any initial discussions with the regulator? Since you also have an insurance company, I am sure you will have a better understanding of where the draft rules could potentially be liberalized. Any thoughts on that?

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Jairam Sridharan – MD & CEO: We are having conversations at multiple levels with the regulators, both as Piramal Finance and as PLI, our life insurance company. We have had multiple rounds of conversations and will continue to do so. We will also formally submit our feedback next week to the regulator, as the NBFC industry is jointly making a representation through FIDC. We are participating in that as well.

Multiple levels of representation are therefore taking place. The IRDAI Chairman has indicated openness to listening to the feedback, and we all saw, I am sure, his comments that the intent was not to do anything very dramatic or disruptive. Let us see what happens. Your guess is as good as ours at this point.

Anand Dama – Nuvama Wealth Management Limited: Understood. Thank you very much. I think that was my question. Thank you.

Is the current environment good enough for you to grow unsecured loans, or do you believe that you will wait and watch and then press the pedal? I am asking about most of the unsecured loan products that you offer.

Jairam Sridharan – MD & CEO: Hi, Anand. You have seen us for a while, so you know our philosophy on this. We do not take macro calls. We do not make decisions on everyday credit choices based on how the macroeconomic environment looks. We make decisions based on how the micro environment looks and how each sub-segment is performing from a delinquency-trends perspective. Based on that, we change our credit-risk criteria.

Growth is an outcome of our framework; it is not an input to our framework. We are not targeting any growth rate. The growth rate is what it is, depending on what our credit criteria are.

As it happens, we are seeing improvement in many unsecured sub-segments, so changes in our credit filters are resulting in a higher growth rate in that segment. If, tomorrow, risk starts moving in the other direction at the micro-segment level, our processes will automatically cut down the growth rate. We will not have to make any macro choice in that regard.

Anand Dama – Nuvama Wealth Management Limited: Sure. Lastly, what percentage of your portfolio will be linked to rural customers, either directly or indirectly, mainly farmers?

Jairam Sridharan – MD & CEO: We have an exposure of about 2,300 crores in the rural segment.

Anand Dama – Nuvama Wealth Management Limited: Okay, that is great. Thank you very much.

Jairam Sridharan – MD & CEO: Thank you.

Operator: Thank you. A reminder to all participants: you may press star and one to ask a question. We have the next question from the line of Rakesh Kumar from Valentis Advisors. Please go ahead.

Jairam Sridharan – MD & CEO: Hi, Rakesh.

Rakesh Kumar – Valentis Advisors: Hi, sir. Just a few questions on interest-rate movements. First, we have 60% of borrowings on a floating basis and 50% of assets on a floating basis. Does this difference of 10% mean that we would increase our lending rate at a faster pace compared to the

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increase in borrowing costs that we are going to have?

Jairam Sridharan – MD & CEO: No, no. Look at the absolute value. Set the percentage aside for a moment. There are 56,000 crores of assets that are variable-rate assets, and there are 51,000 crores of liabilities that are variable-rate liabilities. This essentially means that I have more assets that can be repriced upward than liabilities that will be repriced upward. Therefore, we are positioned well for a rising-rate environment.

Rakesh Kumar – Valentis Advisors: Understood. Secondly, regarding the credit-rating improvement that we are anticipating and that may be happening, how well are we positioned in a rising-rate scenario? How much would this event really help us in containing or reducing our borrowing cost? Since rates are rising, I do not know how much the market will account for the credit-risk premium changing with the difference in credit ratings across institutions.

Jairam Sridharan – MD & CEO: You can go to Bloomberg and look at our credit-risk spread versus any competitor, any AA+-rated player, or any AA-rated player. Pick anyone and look at our spreads over the last few months, and you will clearly see that our spreads have come down. There is no question about it: our spreads are down by 40 to 45 basis points over the last few months against any benchmark that you look at.

We have shown on Slide 17 how our incremental cost of borrowing has actually reduced. In a rising-rate market, our incremental cost of borrowing is falling. This is happening because our ratings have improved. This trend is likely to continue.

Rakesh Kumar – Valentis Advisors: Understood. Thirdly, regarding the expected change in our borrowing cost vis-à-vis our competition and the kind of breakup we have on the asset side, how does this breakup position us compared with our competitors when rates are rising? Any competitor that experiences a faster or slower rate of change on the borrowing side might be slightly better off compared to us. Any thoughts on that?

Jairam Sridharan – MD & CEO: I will reiterate a couple of messages that I mentioned earlier.

First, our variable-rate assets are higher in absolute terms than our variable-rate liabilities, which means that rising rates help us. This is not true for many competitors. It is true for us, so that helps us.

Second, we have the tailwind of a rating improvement, which essentially means that our credit-risk spreads across practically all competitors, except those that themselves have been upgraded, are decreasing and will continue to decrease.

Third, our retiring debt is priced at least 60 basis points higher than where we are currently borrowing. This again will not be true for most players in the market.

These 3 tailwinds all help us in a rising-rate environment.

Rakesh Kumar – Valentis Advisors: Understood. Thank you, sir. Thank you.

Jairam Sridharan – MD & CEO: Thank you.

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Operator: Thank you very much. Ladies and gentlemen, that will be the last question, and with that, the question-and-answer session concludes. I now hand the conference over to Mr. Jairam Sridharan for his closing comments. Thank you, and over to you, sir.

Jairam Sridharan – MD & CEO: Thank you, everyone, for joining our call. Have a great festive season. Happy Dussehra to everyone, and enjoy the Bajaj call, I guess. Goodbye.

Operator: Thank you, members of management. On behalf of Piramal Finance Limited, we conclude this conference. Thank you, everyone, for joining us today, and you may now disconnect your lines. Thank you.

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