Laxmi India Finance

Operator: Ladies and gentlemen, good day and welcome to Laxmi India Finance Ltd. Q2 FY27 earnings conference call. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Baid, Managing Director. Thank you, and over to you, sir.

Deepak Baid – Managing Director: Thank you. Good evening, everyone, and thank you for joining us for Laxmi India Finance Ltd. Q2 and H1 FY27 earnings conference call. A warm welcome to all our investors, analysts, lending partners, and stakeholders. Joining me today are Mr. Gopal Krishan Saini, our Chief Financial Officer, Mr. Piyush Somani, our Chief Treasury Officer, and Mr. Kuldeep Singh, our Chief Business Officer.

Before we discuss the financial performance, I would like to share how we are looking at the business at this stage of our journey. Over the years, Laxmi India Finance has grown by identifying opportunities in markets where access to formal credit remains limited, despite the presence of established businesses and enterprises with genuine financing requirements. We started by building relationships with customers, understanding their businesses, and developing a strong presence in our home market of Rajasthan. Gradually, we expanded into adjacent states, strengthened our product offerings, and built the distribution and operating infrastructure needed to serve a much larger customer base.

Today, we have crossed 1,840 crores in AUM and expanded our presence to more than 200 branches. We are entering an important phase in this journey. The opportunity ahead is no longer only about how much we can expand. It is also about how effectively we can use the platform we have already built. This is an important distinction for us. We have invested in branches, people, technology, credit infrastructure, and institutional funding relationships over the past several years. As the business grows, our focus is increasingly on improving productivity, strengthening operating efficiency, and ensuring that every stage of expansion contributes to sustainable profitability.

When I look at our performance during the first half of 2027, I see encouraging progress in this direction. Our assets under management stood at 1,844 crores as of September 30, 2026, representing growth of approximately 33% year-over-year. More importantly, the growth has been accompanied by an improvement in our earnings performance. Net interest income increased by approximately 35% year-over-year, while profit after tax, including other comprehensive income, grew by over 66% during the first half. Our return on assets improved to 3.18% compared with 2.56% in the corresponding period last year.

For us, these numbers reflect the benefit of a large earning asset base, improving funding economics, and the operating investments we have made over time. At the same time, we recognize that the business is still in an investment phase. New branches require time to mature, new markets [trails off]

Deepak Baid – Managing Director: require consistent execution, and credit quality must remain a priority as the portfolio expands. We are therefore approaching this phase with a clear focus on

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balancing growth with profitability and risk. Let me briefly discuss four areas that I believe are particularly important for our business going forward.

The first is the opportunity within our core secured MSME franchise. India's smaller towns and semi-urban markets continue to have a large population of entrepreneurs and self-employed individuals who are underserved by conventional lending channels. Many of these customers have established businesses, regular cash flows, and collateral, but may not always fit the standard credit assessment framework of large financial institutions. Our business model has been developed to understand these customer segments. We combine local market knowledge and relationship-driven sourcing with centralized underwriting, collateral assessment, and structured credit processes. This allows us to serve customers who require timely and appropriate financing while maintaining control over the quality of our lending decisions. Our secured MSME portfolio now stands at approximately {? 1,493 crores ?} and continues to represent the largest part of our business. We believe this segment will remain central to our growth strategy over the coming years.

Building on this franchise, we are also preparing to launch a new product line under which we will offer credit lines to our customers. Many of our MSME borrowers have recurring working capital needs, and a revolving credit facility lets them draw and repay funds according to their business requirements. We believe this will deepen our relationship with existing customers and open a new avenue of growth. We will share more details of this product as it goes live.

The second area is the evolution of our distribution network. We ended September 2026 with 209 branches across six states, compared with 164 branches a year ago. Over the last few years, we have made significant investments in establishing our presence beyond Rajasthan, particularly in Madhya Pradesh, Gujarat, Chhattisgarh, Uttar Pradesh, and Maharashtra. As these branches mature, we expect an increasing contribution from the network already in place. We believe there is meaningful potential to improve business volumes, customer acquisition, and branch-level profitability without a proportionate increase in operating infrastructure. This is where our focus on productivity becomes particularly important. We will continue to evaluate opportunities for new branches, but expansion will remain selective and aligned with our ability to replicate our underwriting, collection, and operating model.

The third area is strengthening our financial position and institutional relationships. For any growing NBFC, the ability to access capital at competitive rates is fundamental to long-term success. We have made steady progress in diversifying our lender base, increasing access to bank funding, and improving our borrowing cost. Our average cost of borrowing has declined by 51 basis points year-over-year to 10.59%. Our external credit rating has been upgraded from A-minus to A with a stable outlook. We believe these developments reflect the progress made in strengthening our financial profile and building credibility with institutional lenders. As we scale, this will remain an important area of focus because a stronger liability franchise provides greater flexibility in pricing, liquidity management, and future business expansion.

The fourth area is technology, including the use of artificial intelligence. As we scale across more than 200 branches and six states, strong controls and consistent processes become even more important, and we are using technology to strengthen both. At Laxmi India Finance, we have begun deploying AI-based solutions in many departments, including sales, collections, HR, administration,

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and credit. These are early steps, but they reflect our intent to make AI a working part of our operating model, improving controls, collection efficiency, and productivity while keeping our customer relationships at the center.

Now I would like to touch upon asset quality. In the lending business, growth is meaningful only when the underlying portfolio continues to perform. We are seeing frequent improvement in our {? leading ?} asset quality indicators, with gross NPA declining to 1.75% and net NPA improving to 0.49% as of September 2026. This is encouraging, although we remain conscious of the need for continued monitoring, particularly in certain parts of our vehicle financing portfolio. Our credit and collection teams remain focused on identifying stress early, maintaining close customer engagement, and strengthening underwriting standards where required. We will continue to take a calibrated approach to growth rather than compromise on portfolio quality.

Looking ahead, we remain constructive on the opportunity in our core market. Our medium-term ambition continues to be AUM growth of approximately 30% to 35% annually, supported by the expansion and maturation of the branch network. For FY27, we expect to close the year with AUM of more than 2,000 crores, representing growth of around 25% over March 2026, with net interest income growth of around 35% to 40% and profit after tax growth of around 35% to 40%.

At the same time, our focus is on translating this growth into better operating efficiency, stronger profitability, and improved capital productivity. We are working toward our medium-term return on assets aspiration of 3.5% to 3.75% while continuing to maintain prudential capital and risk management practices.

To summarize, the first half of 2027 has been encouraging, not simply because the business has grown, but because we have seen progress in several capabilities that have determined the quality of our growth in the year ahead. Our ambition is to build Laxmi India Finance into an institution that can serve more customers, operate more efficiently, and deliver sustainable returns without losing the local understanding and customer relationships that have always been central to our business. We believe we have an attractive opportunity ahead of us, and our focus will remain on executing this opportunity with discipline. With that, I would now request Gopal to take you through the financial performance and explain the key drivers behind our first-half results. Gopal, over to you.

Gopal: Thank you, Deepak, and good afternoon, everyone. I will take you through our financial performance for Q2 and H1 FY27. Rather than looking at the financial numbers individually, I would like to explain how the different elements of our business are contributing to profitability and how we are approaching financial efficiency as the balance sheet expands. The first half of FY27 has seen healthy growth in our earnings, supported by three important factors: expansion in our loan portfolio, improvement in funding costs, and a larger income base against which we are absorbing our operating investments.

Let me begin with the income statement. Net interest income increased to 97 crores from 72 crores in the corresponding period last year, reflecting growth of approximately 35%. This growth reflects the expansion in our earning assets, supported by improved funding economics. Our profit before tax for H1 FY27 increased to 42.4 crores compared with 25.5 crores in the corresponding period last year, representing growth of approximately 66%. Profit after tax increased to 31.7 crores from 19.1 crores, also reflecting growth of approximately 66%.

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Our operating expenses for H1 FY27 stood at 62 crores, compared with 49 crores in H1 FY26. The increase reflects our expanding branch network, employee base, and investment in technology and operating infrastructure. These investments are necessary to support business growth. However, as we scale, we are focused on improving the efficiency with which these resources are utilized. Moving to margins, our net interest margin improved to 11.28% in H1 FY27 compared with 10.88% in the corresponding period last year.

Our average portfolio yield stood at 21.59%, while our average cost of borrowing declined to 10.59%. The improvement in borrowing costs has been an important contributor to our margin performance. Our return on assets improved to 3.18% compared with 2.56% in H1 FY26. Our return on equity stood at 13.16% compared with 11% in the corresponding period last year. While we are encouraged by this improvement, we recognize that there is further opportunity to improve capital productivity as the business scales.

The company's equity base was significantly strengthened following the IPO, and we are progressively deploying the capital to support loan book expansion. Our AUM increased to 1,843 crores compared with 1,386 crores in September 2025. Our net worth stood at 499 crores, while our capital adequacy ratio was 22.95%, including Tier 1 capital adequacy of 22.54%. Our gross debt-to-equity ratio stood at 3.31 times compared with 2.87 times in March 2026. As the business expands, we are carefully evaluating the balance between capital deployment and leverage on the balance sheet.

Turning to asset quality, we have seen sequential improvement in our NPA ratio. Gross NPA declined to 1.05% and net NPA to 0.49% in September 2026. Our provision coverage ratio stood at approximately 72%. In terms of stage-wise assets, Stage 1 loans stood at 1,664 crores, Stage 2 loans at 48 crores, and Stage 3 loans at 30 crores. Our overall credit cost for H1 FY27 stood at 1.82 crores, equivalent to 0.96% of average gross loans.

We continue to closely monitor the performance of our vehicle finance portfolio. Our approach is to maintain appropriate provisioning and continuously assess the recoverability of stressed exposures. On liquidity, we maintained a balance of 292 crores at the end of September 2026. Our ALM profile continues to reflect cumulative surplus across the reported maturity buckets. This provides an important buffer as we pursue our growth plans. Looking ahead, our financial priorities are centered on improving the efficiency of the balance sheet.

We see opportunities to enhance profitability through a combination of continued portfolio growth and funding cost optimization. We recognize that these outcomes will depend on how efficiently we manage margins, operating leverage, and credit costs. Overall, we believe our H1 performance demonstrates progress toward a more scalable earnings model while also highlighting the areas where we continue to focus on improvement.

At this point, I would like to highlight the provisioning made toward the {? Upmani ?} direct assignment transaction, which we had already communicated during our earlier earnings call. We had made a provision of 60% in FY25-26, which was duly charged to the P&L. Further, during H1 FY26-27, we made an additional provision of 30%, amounting to approximately 6 crores, which was also charged to the P&L. Accordingly, we have cumulatively provided for 90% of the exposure as of the date.

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If we exclude the impact of this specific transaction, our adjusted PAT stands at 36.34 crores, representing robust year-on-year growth of 91%. On this adjusted basis, our key financial indicators would also reflect an improvement. Our ROA would be 3.65%, ROE 15.01%, gross NPA 0.61%, and credit cost 0.24%. This clearly demonstrates the underlying strength of our business performance, profitability, and asset quality after excluding the impact of the specific transaction. With that, I would now request Mr. Piyush to discuss how our funding strategy is evolving and the opportunity we see on the liability side. Piyush, over to you.

Piyush: Thank you, Gopal, and good afternoon, everyone. I would like to discuss an important aspect of our business that has been evolving steadily over the past few years—our ability to access funding from a broader range of institutions and increasingly competitive sources. For an NBFC, the liability side of the balance sheet is just as important as the asset side. The cost, tenor, and availability of funding greatly influence our ability to compete, manage liquidity, and generate sustainable returns.

As our business has grown, our treasury strategy has evolved from primarily ensuring adequate availability of funds to building a more diversified, cost-efficient, and resilient funding structure. We have continued to make progress in this direction during the first half of FY27. Our average cost of borrowing stood at 10.59% as of September 30, 2026, compared with 11.10% a year ago. This represents a reduction of 51 basis points year-over-year. On a sequential basis, the cost of borrowing improved from 10.66% in June 2026 to 10.59% in September 2026.

This improvement has been supported by a combination of strong banking relationships, competitive pricing on incremental facilities, and continued negotiations with our existing lenders. During H1 FY27, we raised approximately 611 crores through various borrowing arrangements. An important part of our strategy has been to deepen relationships with public-sector and private-sector banks. We also added ICICI Bank and City Union Bank as new lending partners during the first half. These relationships are important because they expand our access to funding and provide opportunities to optimize both pricing and maturity structure.

Another development during the quarter was the mobilization of 100 crores through an NCD transaction. We believe access to capital market instruments provides an additional source of funding and flexibility and reduces dependence on a single category of lenders. As of September 2026, banks accounted for approximately 65% of our overall borrowing mix. To give some perspective on the rate-hike cycle, around 80% to 87% of our borrowing is either fixed or MCLR-linked, with the majority linked to 6-month to 12-month MCLRs. Therefore, there will not be an immediate rise in borrowing costs. Even on repo-rate-based borrowings, we reset every three months, so we also get some time to readjust our borrowing there.

Another important development has been the upgrade in our external credit rating from A-minus to A with a stable outlook. We view this as an important milestone in the evolution of our liability franchise. A strong credit profile helps us engage with a wider pool of institutional lenders and create opportunities for better funding terms as relationships mature. We have also been actively working with our existing lenders to reduce the pricing on our outstanding facilities. Our incremental cost of borrowing over the past 12 months stood at approximately 10.42% compared with the blended cost of 10.59%. We believe this provides an opportunity for further optimization as

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existing liabilities mature or become eligible for repricing.

We also had approximately 117 crores of undrawn facilities available at the end of the quarter. Our ALM profile continues to reflect cumulative surpluses across all the reported maturity buckets. We believe maintaining this liquidity and maturity discipline is essential, particularly as our lending portfolio continues to expand. Looking ahead, our treasury strategy will focus on three major areas. First, deepening relationships with existing banking partners and selectively onboarding new lenders. Second, evaluating alternate funding instruments, including capital market issuances and direct assignment opportunities, wherever commercially appropriate. Third, continuously optimizing our liability maturity profile and funding cost while maintaining a sufficient liquidity buffer. We believe the progress made in our funding profile over the past several quarters is creating a strong platform for the next phase of business growth. With that, I would request Kuldeep to share his perspective on the business, the distribution network, and the opportunities we are pursuing. Kuldeep, over to you.

Kuldeep: Thank you, Piyush, and good evening, everyone. I would like to briefly discuss how we are approaching the next phase of growth, with a key focus on making our existing distribution network increasingly productive. Today, we have a presence in six states with 209 branches, serving more than 45,500 customers. This network is one of our key assets, and going forward our focus will not only be on selective expansion but also on generating greater business from the infrastructure already in place.

Our model remains focused on relationship-led secured lending to MSMEs, traders, self-employed borrowers, and other customers in semi-urban and underserved markets. Our local market understanding, physical verification structure, and credit processes continue to be important strengths of the business. During H1 FY27, we disbursed approximately 506 crores compared with 311 crores in H1 last year, representing approximately 63% growth. Q2 disbursements stood at approximately 274 crores compared with 231 crores in Q1.

Secured MSME lending remains our core focus. As of September 2026, MSME AUM stood at approximately 1,493 crores, or around 81% of total AUM. We continue to see opportunities across small traders, shop owners, service providers, and self-employed borrowers. Our branch network increased from 164 branches in September 2025 to 209 branches in September 2026. Rajasthan remains our largest market, while newer markets such as Uttar Pradesh and Maharashtra provide further opportunities as branches mature in these states.

If I calculate the numbers, we have opened 45 branches in the last financial year. To put it precisely, there has been a branch opening every week. A key priority is improving branch-level productivity, with branches typically reaching break-even within 7 to 9 months. The branches opened over the past 12 to 24 months have matured and now support incremental AUM growth and operating leverage.

Technology will also play an increasingly important role. We are using digital processes across sourcing, onboarding, underwriting, servicing, and collections, helping us improve turnaround time, standardize processes, and manage a larger network more efficiently. Looking ahead, our strategy remains centered around three priorities: deepening our secured MSME franchise, improving productivity across the existing branch network, and selectively expanding into markets where our

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underwriting and collection capabilities can be effectively replicated.

Our objective is not simply to grow the number of branches or the size of the portfolio, but to ensure that every branch and customer relationship contributes to building a stronger and more profitable business. With that, I would request the moderator to open the floor for questions and answers. 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 one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 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. The first question is from the line of Dipesh Sancheti from Maanya Finance. Please go ahead.

Dipesh Sancheti – Maanya Finance: Hi, am I audible?

Management: Yes.

Dipesh Sancheti – Maanya Finance: Since you mentioned that your branch network has increased from 164 to 219, what is the break-even point of a new branch?

Kuldeep: As I explained, around 9 months is the break-even point when we calculate branch expenses, such as operational expenses, rent, and capital expenditure.

Dipesh Sancheti – Maanya Finance: I am asking what the AUM is at which the [cut off]

Kuldeep: Typically, the AUM is around 1.5 crores to 2 crores because we have divided our branches into three categories: Category 1, Category 2, and Category 3. Category 1 has around 2 crores of AUM at break-even. Category 2 has around 1.75 crores, and Category 3 is at around 1.5 crores of AUM.

Dipesh Sancheti – Maanya Finance: So, I can safely say that at 1.75 crores of AUM, the branch should break even?

Kuldeep: Yes, that is where the regular expenses of the branch and the income of the branch offset each other.

Dipesh Sancheti – Maanya Finance: Right. The industry report has said that there are stressed loans in tractor, commercial vehicle, and rural MSME portfolios. It says that this cannot be ruled out. About 81% of our AUM is in MSME accounts in semi-urban and rural areas. How much of that is rural, first of all? How is collection efficiency in those branches? Are you seeing any stress right now?

Kuldeep: For stress and collection details, I will hand over to Mr. Sanjay, who handles the collections. As far as the comparison between the MSME segment and the rural segment is concerned, there is a difference between the unsecured and secured parts. Ours is actually a secured portfolio, which always has an advantage over unsecured lending. If you compare it with the microfinance industry, where the loans are unsecured, there might typically be stress there.

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However, there has also been improvement in the microfinance industry. There has been an improvement in the credit rating of the industry. ICRA has recently announced an upgrade from negative to stable. Therefore, there has been an improvement in overall collection efficiency. Sanjay will provide the numbers for our collection efficiency.

Sanjay: [pause] Hi, Dipesh, this is Sanjay. Overall collection efficiency has improved compared with September 2025. In September 2025, overall collection efficiency was 93%, but now, in September 2026, we are above 98%. We do not see any stress in our portfolio because our borrowers have multiple sources of income. We are not dependent on a single source of income. That is the reason our portfolio is currently not under stress and is performing well.

Dipesh Sancheti – Maanya Finance: How is the collection efficiency now?

Sanjay: Our overall collection efficiency in September 2026 was precisely 98.68%.

Dipesh Sancheti – Maanya Finance: 98.68%. Also, how do you deal with evergreening of accounts?

Kuldeep: We do not engage in evergreening of accounts. I do not know...

Dipesh Sancheti – Maanya Finance: No, you do not, but there is a tendency among employees or branches to perform, and branches tend to engage in evergreening of accounts. How does the company, sitting at its head office, manage evergreening of accounts? What checks and balances do you have to ensure that there is no evergreening of accounts? That is what I want to understand.

Kuldeep: We have a robust underwriting process in which every case passes through the LOS, and the LOS has a deduplication system. Whenever a repeat customer comes into the LOS, there is a deduplication system through which the credit manager can check the existing details of the customer. It can then be identified, and the application can be straightforwardly declined.

Dipesh Sancheti – Maanya Finance: What about giving loans to members of the same family? How does that...

Kuldeep: We take the complete family member [cut off]

Management: ...into the deal. In rural and semi-urban areas, what happens is that families have one property. We have already taken that property as security against our loan. Therefore, there are very few chances that another member will come. However, if another member does come, that can also be identified through the deduplication facility.

Dipesh Sancheti – Maanya Finance: So you are not using any technology for avoiding this?

Management: Yes. What did you say? Can you repeat?

Dipesh Sancheti – Maanya Finance: Are you using any particular technology for that?

Management: Yes. That is technology. There is a deduplication system that works as follows: whenever there is a repeat mobile number or repeat KYC, it can retrieve the existing details. That is a system, and it is entirely automated.

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Dipesh Sancheti – Maanya Finance: My yield has fallen by about 59 basis points, and the borrowing cost fell by 51 basis points. Yet NIM rose by 40 basis points. What drove the NIM gain?

Management: [pause] The cost of borrowing has reduced compared with the last financial year, and the NIM has also increased compared with the last financial year. That is the reason.

Dipesh Sancheti – Maanya Finance: Where do you see the cost of borrowing going, especially with the RBI increasing rates and following the recent rate increase? What has the average cost of borrowing risen to as of today?

Piyush: [pause] Hi, this is Piyush. As of now, I can say that the cost of borrowing has not increased after the repo rate was increased by 25 basis points. As I mentioned in my opening speech, around 80% to 87% of our borrowing is either fixed or NCD-based. The 6-month to 12-month NCD-based borrowing is linked. Only a minuscule portion of the portfolio, amounting to 200 crores or {? 13-14 ?} crores, which is 13% of my entire borrowing, is linked to the repo rate, with a reset every 3 months. Therefore, from a holistic or overall view of borrowings, as of now, the cost will not increase.

Dipesh Sancheti – Maanya Finance: My last question is how much of your AUM is actually at a fixed rate of interest and how much is floating? I am asking because if there is a sharp increase in the cost of borrowing, how can you pass it on to customers? That is my main concern.

Piyush: Firstly, our entire portfolio is at a fixed rate of interest. Secondly, in case of any rate increases, we will definitely pass them on only through subsequent disbursements. That is the only option available to us.

Dipesh Sancheti – Maanya Finance: I will remain in the queue in case there are any further questions. Thank you very much.

Piyush: Thank you.

Operator: Thank you. The next question is from the line of Yash Gautam from Lakshya Capital. Please go ahead.

Yash Gautam – Lakshya Capital: Thank you for the opportunity. I have two questions. First, on slide 11, I think it has been mentioned that our capital adequacy ratio would have been higher with FDs instead of corporate bonds. Why are we taking this impact on our liquidity buffer, and what exactly is the rating profile of these bonds?

Management: [pause] They are above A-minus. Overall, I can say that the majority of the bonds have been rated in the AA category, from AA-minus to AA.

Yash Gautam – Lakshya Capital: Understood. On slide 13—slide 14, sorry—our ALM shows a surplus in almost every maturity bucket. I want to ask how much of the borrowings for the next 12 months have already been sanctioned, and whether there is any concentration among our top lenders.

Management: [pause] It is a positive signal that the ALM is positive in all the buckets. Secondly, for the next 3 to 4 months, we are covered by the undrawn lines. We have liquidity of 292 crores as of

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September, along with undrawn sanctions of 117 crores. There are a couple of sanctions and a direct assignment transaction in process, with an in-principle sanction for the subsequent 2 months, October and November, as well. We are decently placed with respect to our liability franchise because we have a lender base of 53 lenders, including around 29 banks. Therefore, we are decently placed with respect to liabilities.

Yash Gautam – Lakshya Capital: That is all from my side. Thank you.

Management: Thank you.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone. The next question is from the line of Rishabh Bora from AB Advisors. Please proceed.

Rishabh Bora – AB Advisors: Hello, am I audible?

Management: Yes, you are audible.

Rishabh Bora – AB Advisors: My first question is: disbursements rose by 60%, but AUM grew by only 33%. How much of the book is repaying or closing early?

Management: [pause] There is prepayment on a month-on-month basis. On an annual basis, there is prepayment of around 14% of our opening book. Secondly, our average loan book tenor is somewhere around 48 to 52 months.

Rishabh Bora – AB Advisors: I have a couple of questions, but I will come back into the queue. You can move on to the next one.

Management: Sure.

Operator: Thank you. The next question is from the line of Paras from Purple One Vertex Ventures. Please proceed.

Paras – Purple One Vertex Ventures: Thank you for this opportunity. Our Q2 PAT was 15.4 compared with Q1 at approximately 16.6, despite continued AUM growth. What explains this sequential decline? I also understand that you lowered your PAT growth guidance to 35% to 40% for FY27. What is your expectation for PAT growth in FY28?

Management: Could you please repeat your question?

Paras – Purple One Vertex Ventures: Your Q2 PAT was lower than Q1 PAT despite continued AUM growth. What explains the sequential decline?

Management: [pause] The main reason is the additional Up-Money provisioning. In Q1, we provided only 10%, and in Q2 we additionally provided 20%. That is why, on a sequential basis, our PAT is showing a 10% decrease.

Paras – Purple One Vertex Ventures: What is your fresh PAT growth guidance for FY27 and FY28? Initially, I believe your FY27 PAT growth guidance was approximately 40% to 45%. What is the

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revised guidance now? I believe it is 35% to 40% for FY27. What is the guidance for FY28, if any?

Management: We are not revising it. Considering the business and the market, we believe we will achieve the targets and the guidance we have given on the disbursement side and the profit or PAT side. This Up-Money incident happened once, about 2 years ago. However, we are seeing that the market is now improving, and we are expecting some collections on the Up-Money side as well. Therefore, we believe we will perform in line with the guidance we have given.

Paras – Purple One Vertex Ventures: What is your guidance for FY27 and FY28 PAT growth?

Management: It is the same as what we have given, at almost 40% growth.

Paras – Purple One Vertex Ventures: That is for FY27. What about FY28, if any?

Management: We will provide the FY28 guidance later. However, the company is growing and AUM is growing, so PAT will also grow accordingly.

Paras – Purple One Vertex Ventures: You have already provided 90% against the Up-Money assignment exposure. How much money has actually been recovered in cash so far, how much remains outstanding, and what is the expected timeline for recovery?

Management: [pause] The total quantum was 19 crores, so we have made a 90% provision. Only 10% is left, which is 1.90 crores. Therefore, only 1.90 crores is left, and the rest we have...

Paras – Purple One Vertex Ventures: No, but how much money has actually been recovered in cash so far?

Management: This transaction was for around 26 crores. Out of the 26 crores, 19 crores defaulted, while the remaining 7 crores had already been received earlier.

Paras – Purple One Vertex Ventures: So 19.6 crores has defaulted, basically.

Management: Yes, exactly. Do you want to add anything, Mohan?

Mohan: Yes.

Paras – Purple One Vertex Ventures: Ten percent is pending because you provided 90%.

Management: Yes.

Paras – Purple One Vertex Ventures: There are no further such exposures in the portfolio as of now?

Mohan: No.

Management: This was also a DA purchase. This was a one-off...

Management: ...and was very unexpected. In India, I believe no major transaction has defaulted like this. There is usually slightly 1%, 2%, or 3% NPA, but this is an exceptional case. I believe many NBFCs and banks have lost money in this transaction. This is an exceptional case.

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Paras – Purple One Vertex Ventures: Our H1 FY27 impairment expenses have increased by approximately 81%, and the absolute Stage 3 loan balance has risen from 12 crores to approximately 30 crores. What is driving this increase, and what is your expected full-year FY27 credit cost?

Management: [pause] Our impairment is increasing despite our GNPAs improving. This means that our collection efficiency is stable. There has been no particular deterioration in Stage 3. Stage 3 is moderate. We are increasing our impairment cost due to the default of {? one transaction ?}. That is why our impairment cost is high. Secondly, it is difficult [hesitates] to determine a particular number for further guidance because it depends on several factors: the NPA number, the pattern, collection efficiency, and the portfolio. However, it could range between 1% and 1.25% in the coming quarters and for the entire year.

Paras – Purple One Vertex Ventures: So the full-year FY27 credit cost would be...

Management: 1% to 1.25%.

Paras – Purple One Vertex Ventures: My last query is about the Capital Adequacy Ratio. It has declined to 22.95%, and debt-to-equity has increased to 3.31. Previously, you had indicated a potential 300 to 350 crores capital raise when leverage reaches 4 to 4.5. Are you expecting any equity dilution, and what level of AUM growth can you sustain without raising fresh equity?

Management: [pause] Firstly, the CRAR position is affected by the liquidity of 292 crores that has been taken into consideration. We have invested it in bonds where the risk weight is 100%. That is why the CRAR has been reduced for that portion. If the amount had not been invested in bonds and had instead been placed in FDs, the CRAR ratio would be around 26.92%. I can say that the CRAR would be approximately 27%.

Secondly, from a CRAR of 27%, we can continue for another 1 to 1.5 years from here. In Q1 FY28, we can expect the subsequent round of equity to take place.

Paras – Purple One Vertex Ventures: Until Q1 of FY28, what level of AUM growth can you sustain without raising fresh equity, in terms of quantum?

Management: We can maintain year-on-year growth of around 25% to 30%. Once we attain leverage of, say, 4.5 to 4.75, we will in any case raise funds subsequently through preferential allotments or IPOs.

Paras – Purple One Vertex Ventures: About 80% of your AUM is concentrated in MSME and ND, and a significant proportion of the borrowers are first-time borrowers. Since you are targeting AUM growth of about 25% to 35%, how will you maintain underwriting standards? What are the current collection efficiency, early-stage delinquency, and vintage-wise credit performance? Most of your borrowers are first-time borrowers. How are you ensuring this? Please...

Management: [pause] Yes, a significant proportion consists of first-time borrowers. However, as I mentioned earlier, the secured portion has an advantage over the unsecured portion. As far as underwriting standards are concerned, this growth began 3 years ago, and before that we were generating the necessary resources. We have complete digital onboarding, through which customer information, customer KYC, customer banking details, and everything else are verified

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through applications and integrations.

After that, a BRE model runs and provides a credit score. There is then manual intervention by the credit manager and a senior person because the underwriting process is centrally located. We have a national credit manager who takes care of the underwriting function. He decides on cases, and there is also a complete deviation matrix.

Whenever we move to a new state or location, we always use local policies and local processes. We assess what kind of property papers we receive in Maharashtra, what kind of property papers we receive in Madhya Pradesh and Gujarat, and so on. We incorporate the local requirements, including the type of property and security available, and then prepare the policy accordingly. As of now, I can say that we have complete resource availability with a fully digital process. We have also moved to e-signing of agreements. With the complete digital process, along with the human intervention touchpoint and credit policy, I can say that we can move to any scale and scale to any level.

I would also like to say that we include the entire family in the lending arrangement. This is an interesting policy we have: everyone in the family is liable to repay. Generally, in the rural and semi-urban areas where we are present, there is a joint-family system. People have several working members who contribute toward the EMI. This is an important factor.

Finally, the loans are for business purposes. We provide loans for business expansion and other business purposes. This makes us comfortable regarding timely repayment and maintaining the portfolio.

Paras – Purple One Vertex Ventures: What proportion of your book is secured?

Management: 81% is secured. The remaining portion also includes vehicles and other secured assets. Approximately 2% to 3% of the total is unsecured. Overall, approximately 87% to 89% is almost super-secured. Overall, it is about 89%.

Paras – Purple One Vertex Ventures: One of the previous participants asked about evergreening of loans. From the head office, what control mechanism do you have in place to ensure that you do not face evergreening at the branch level, particularly because these are rural and regional branches?

Management: I already mentioned that the complete onboarding journey is digital and that we include all family members. If one person already has a loan, the family will also be identified in the system. If another person from the family applies, there is an automated deduplication process. If any KYC is entered again, the system generates a pop-up for the credit manager. The credit manager can analyze the past history and past relationship with us. If there is any indication of evergreening, the loan will definitely be declined. The loan will be declined automatically.

Paras – Purple One Vertex Ventures: Understood. Thank you very much.

Management: Thank you.

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Operator: Thank you. The next question is from the line of Rishabh Bora from AB Advisors. Please proceed.

Rishabh Bora – AB Advisors: Hello. I have some more questions. First, ROA is 3.18% and ROE is 13.16%, against targets of 3.5% to 3.75% and 13.5% to 14%, respectively. What is the timeline, and what levers will help move these numbers up?

Management: [pause] We are working on it. We are also introducing some more products. As we grow, our branches are also maturing. I believe that by the end of this year, we should reach approximately 3.50%, as we had stated on our earnings calls. By this financial year, we should be close to this number.

Rishabh Bora – AB Advisors: That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Janardhan, an individual investor. Please go ahead.

Janardhan: Hello, thank you for the opportunity. My question is: how does the promoter group see its ownership evolving over the next 5 to 10 years? Do you intend to maintain a meaningful ownership stake as the company grows, and what is management's philosophy regarding related-party transactions and protecting minority shareholder interests?

Management: The promoter currently has approximately 60% to 61% shareholding overall. As this NBFC is a capital-oriented business, whenever capital is required, the promoter is ready to infuse funds and to raise funds from the market. At that time, the promoter is also ready to infuse its own capital as and when required and can also raise additional capital from the market.

Overall, we are generating good returns and a good return on net worth. Therefore, the promoter is interested in investing more money in the future whenever a fund raise takes place and is also ready to dilute the holding because this is a capital-oriented business. The promoter is open to both sides.

Janardhan: While the company has growth ambitions, how does management define its risk appetite? In the lending business, it is easy to grow, but it is difficult to manage risk. Are there any loan segments, geographies, or customer categories where the company would consciously avoid expanding even if the opportunity offers attractive growth? What circumstances would make management deliberately slow down disbursements to protect the balance sheet?

Management: Risk is always present in the lending business, and you are right. Managing that risk, focusing on it, and evaluating it on a timely basis are very important and healthy for growth. We have a complete risk team that continuously evaluates early delinquency and pin-code-level performance. We evaluate matters very deeply, including performance at the pin-code level and the customer's position. If there are any early delinquency signals, the risk team forwards them to the credit and sales teams.

We also have a robust system that sends us automatically generated emails when delinquency or early delinquency is increasing. The early-warning system begins sending these alerts from the system.

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Third, it is natural that sometimes, when you open branches, you are unable to generate adequate business or quality business, and you then have to wind them up. We have taken such decisions and have closed a few branches during the year where we were not getting good performance or credit quality. We are very cautious regarding the portfolio. As the numbers show, we do not mind taking a step back when the business is not adequate. This is an ongoing process in the lending business, and we are addressing early delinquency and related issues in this manner to protect ourselves for the future. Do you want to add anything, Kuldeep?

Kuldeep: I would like to add that while opening branches and entering new territories, there is a robust mechanism through which the credit risk and collection teams jointly decide whether to open a branch in a particular territory. They identify negative areas and negative profiles where no-go rules apply, as well as negative pin codes. If, in any case, a wrong decision is made to open a branch, we take an immediate decision and definitely close that branch.

Janardhan: That is helpful. Thank you very much, management, and all the best for the future. Thank you.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you, everyone, for your questions and for the engaging discussion today. We appreciate the time you have taken to understand our business, our performance, and the priorities we are pursuing.

Before we conclude, I would like to leave you with one thought. For us, the objective is not simply to become the largest NBFC; it is to become a better and stronger NBFC at every stage of growth.

We believe the combination of our experienced team, established distribution network, improving institutional relationships, and technology-enabled operating model positions us well to pursue this ambition. I would like to thank our employees, customers, lending partners, and shareholders for their continued trust and support. Once again, thank you to all the investors and analysts who have joined us today. We look forward to sharing further progress with you in the coming quarters. Thank you, have a wonderful day, and happy Diwali to all.

Operator: Thank you very much. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you, everyone.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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