Operator: Good afternoon, everyone. Welcome to the Q2 FY27 earnings call of OnEMI Technology Solutions Limited. We have with us today Mr. Ranveer Singh, Chairman, Director, and Chief Executive Officer; Mr. Krishnan Vishwanathan, Director and Chief Financial Officer; and the senior management team. I shall now hand over the call to the management for their opening remarks. Over to you, gentlemen.

Ranveer Singh – Chairman, Director and Chief Executive Officer: Thank you, Mehak. Good afternoon, everyone, and welcome to Kissht's Q2 FY27 earnings call.

Let me start with a simple thought. Lending is one of the oldest businesses in the world, but the way we practice it is decidedly new. We have compressed what traditionally took days into a matter of minutes. Today, a customer can go from the first tap on a phone to money in their bank account in just a few minutes. Behind that simplicity sit years of investment across data science, AI, machine learning, underwriting intelligence, and technology-led collection. What looks effortless to the customer is enormous complexity behind the scenes, and that, in many ways, is the essence of what we have built at Kissht.

In lending, one good quarter proves very little. Growth is remarkably easy to achieve. Just lower your standards and the applause comes immediately, but the reckoning comes later. So the only honest measure of a lender is consistency, which means growing without [cut off]

Analyst1: This had to be registered first, but I did not register it; Vedant did it, so he has sent it to you. Please check.

Ranveer Singh – Chairman, Director and Chief Executive Officer: Hey Vedant, can you be [trails off] Yeah.

Krishnan Vishwanathan – Director and Chief Financial Officer: Coordinator, can you please mute the non-hosts? Please go ahead, Ranveer.

Operator: Yes, sure.

Ranveer Singh – Chairman, Director and Chief Executive Officer: Yes. So the only honest measure of a lender is consistency, which means growing without loosening credit standards and earning without shortcuts, quarter after quarter.

This quarter for us, registered users reached 79.5 million, up 32.6% year-on-year. We have now served 12.8 million customers, up 22.5%. AUM reached Rs. 9,317 crore, up 68.4% year-on-year and 16.4% quarter-on-quarter. Profit after tax was Rs. 125 crore, double what we earned a year ago and 31.6% above last quarter. Return on average AUM was 5.78%.

We believe growth without profitability is expensive ambition, while profitability without growth is comfortable stagnation. The real achievement is to deliver both, not at the expense of tomorrow, but on the strength of what you build today.

On the macro picture, India's economy remains remarkably resilient despite an unsettled world. GDP grew 7.8% in the first quarter, and the RBI has raised its FY27 growth forecast to 7.1%. Despite

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a below-average monsoon and some softness in urban discretionary spending, consumption is turning up. FMCG value growth hit a six-quarter high of 8.6% in Q2. The festive season and industry tell the same story. E-commerce festive season sales are up 20-22%. Electricity consumption rose 11.4% in September, a strong signal of industrial activity. Further, GST collection is up 14% year-on-year.

At the same time, the RBI has raised the repo rate by 25 basis points to 5.50% in what is clearly a calibrated tightening. The message is clear: growth remains robust, but money is getting dearer. Even as borrowing costs rise across the system, our cost of borrowing has fallen by approximately 70 basis points from 14.45% to 13.76%. The total finance cost as a share of average AUM has also fallen by 100 basis points quarter-on-quarter. Policy tightening may slow this improvement, but we do not expect it to reverse the trend, and we will continue to see a reduction in our cost of funds in the future.

On regulation, the proposed IRDAI changes on insurance commissions and loan-linked insurance have drawn a lot of attention. Insurance is less than 1.4% of our total income. Our offerings have always been voluntary, and we expect no material impact on earnings.

We also welcome the RBI's move to make account aggregators interoperable by December 2026. In lending, better information is not merely an advantage; it is the foundation of better judgment. Consent-based access to verified financial data will make our underwriting both faster and more precise.

The macro environment offers reasons for confidence, but none for complacency. Our priorities remain unchanged, which is disciplined underwriting, prudent funding, and sustainable growth.

Let me turn to what we are seeing in the retail credit market. Across the industry, retail loan sanctions are up by nearly 20% year-on-year. Lenders are favoring larger loans and better-quality borrowers, and the share of below-prime and new-to-credit customers is falling. Yet, as per the bureau, industry retail credit balances have grown 19%, while the number of borrowers has grown by less than 9%. The implication is clear: indebtedness is rising far faster than the borrower base.

That warrants close attention. At Kissht, we have been moving deliberately in the opposite direction, which is going after less-leveraged customers. The share of new loans to customers with three or more live loans has fallen by more than 35% over the past 12 months and more than 7% quarter-on-quarter. While the industry's borrowers are getting more leveraged, we are steadily lending less to leveraged borrowers.

Our shift towards higher-quality borrowers continues. Loans to customers with bureau scores above 760 have risen from 20.8% to 24.8%, and only about 4% of our loans go to customers scoring below 700.

Gold loans are another example. We flagged rising gold loan exposure as a risk in September 2025, and 13 months ago began restricting lending to consumers carrying gold loans, which has now come down to as low as below 8% of the total book. With tighter curbs in the north than in the south, we acted well before the industry began worrying about stress in gold loans.

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Our machine-learning models continuously flag early signs of stress and the segments where exposure needs to be cut. The objective is simple: act before the stress reaches the balance sheet. And let me tell you, this is business as usual for us, not an occasional intervention. This is something that we do daily, day in and day out. Our underwriting discipline does not depend on a kind credit cycle. We tighten early, grow selectively, and lend only where the numbers earn it.

Talking about key numbers, AUM grew to Rs. 9,317 crore, up 68% year-on-year and 16% quarter-on-quarter. Disbursements were Rs. 4,612 crore, up 56% year-on-year. AUM is growing faster than disbursements, and that is by design. Our better customers take longer-tenure loans, so each rupee we lend stays on the book longer and with a better-quality outcome.

Average tenure has risen to 17.8 months and the average ticket to Rs. 43,380. We have significant latitude to increase our ticket size. Let me repeat, we have significant latitude to increase our ticket size. However, given our overall prudence in limiting customer-level exposure, we have kept it deliberately moderate.

Our base keeps broadening. We have served 12.8 million customers, up 22% year-on-year, and active customers grew 58% year-on-year to 3.61 million. Total income was Rs. 740 crore, up 43% year-on-year. As a share of average AUM, it moved from 35.9% to 34.2% quarter-on-quarter. That reflects our relentless focus on better-creditworthy customers. And as our own costs fall, we share part of the gain with our customers, which attracts even better borrowers. It is a virtuous cycle: lower cost, better customers, and then lower risk.

Pre-provisioning operating profit was Rs. 287 crore, up 40% year-on-year and 12% quarter-on-quarter. Profit after tax was Rs. 125 crore, which has doubled year-on-year and is up 32% quarter-on-quarter. It is up 32% quarter-on-quarter. Return on average AUM rose 73 basis points to 5.78%, and return on average equity was 21.65%.

Talking about asset quality, it improved on almost every measure, rather emphatically and unambiguously. Credit cost fell to 6.2% of average AUM from 6.8% last quarter and 9.3% a year ago. Last quarter we said the rise in Stage 2 was seasonal. It has reversed as we said it would. Stage 2 is back to 2.37% from 3.15% in June and 4.11% a year ago. We expect Stage 2 to remain constant throughout the year.

Gross NPA improved to 2.18%, down 7 basis points over the quarter and 75 basis points over the year. Net NPA was 0.34%, better by 2 basis points compared with last quarter. The earliest signal of loan quality is improving too. First EMI 90+ delinquency fell to 0.69% from 0.73% last quarter and 1.16% a year ago. Collection efficiency was 97.12%, which is better by 30 basis points compared with last quarter.

We continue to provide conservatively, with Stage 3 coverage at 84.6% and Stage 2 coverage at 77.6%. As far as asset quality goes, we would rather be accused of caution than caught, caught without it.

Talking about our LAP business, we continue to scale steadily. AUM, or assets under management, is Rs. 737 crore, or 7.9% of the total, up from {? 7... ?} 4.1% a year ago. We now operate across 107 branches in nine states and union territories. More than 40% of LAP customers are existing Kissht

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customers. One important thing about LAP is that it has turned positive this quarter, a quarter ahead of the break-even we guided. It happened in Q2 as against Q3, which is what we had mentioned in the past.

Ranveer: Talking about the balance sheet, net worth stood at Rs.2,377 crore as on September 2026. Capital adequacy is 34.76%, down from 40.19% last quarter. That is exactly what should happen as IPO capital is put to work, and it remains well above what regulation requires. On-book debt-to-equity is a conservative 0.94x.

Our average cost of borrowing is 13.76%. Finance cost fell 12% over the quarter, even as borrowings grew. That is the roll-off of legacy borrowings at work.

Funding remains well spread: on-book AUM of Rs.4,199 crore and off-book AUM of Rs.5,118 crore, a 45-55 split with more than 45 lending partners. Our NBFC subsidiary is rated A- stable by CRISIL and India Ratings, and A stable by Acuité, which upgraded us this quarter.

We also completed a preferential allotment of Rs.832 crore approved by shareholders at the EGM on October 14, and subsequently received in-principle approval from the exchanges. We will see the benefit of this net worth only from next quarter onwards. It drew large marquee investors, a clear vote of confidence in the long road ahead for us.

Talking about technology, rather than walk you through our architecture again, let me tell you what changed this quarter. I believe AI is easy to talk about and much harder to put into action where it delivers a strong P&L impact. The only claim worth making is one you can measure. On underwriting, I would say AI improves our decisions in two very, very emphatic ways.

First, better models, now in their 42nd iteration, with an AUC, or area under the curve, of 75%, up from 66% in 2023. AUC measures how well a model separates those who will repay from those who will not. The higher it goes, the fewer good customers we turn away and the fewer bad loans we make. Transformer-based sequence models alone added 2.5 points to that gain, trained on more than 10 million data points by a team of over 50 data scientists.

The second benefit is faster feedback. Monitoring agents watch the portfolio and the models themselves for drift. They flag deterioration by location, by customer profile, and in model performance, and they do it in real time, not months later when defaults show up. Mind you, I reiterate, in real time, not a month later, not a week later, but now. Our risk team acts on each flag, tightening policy for a region or a segment or recalibrating a model. Last quarter, that meant seven such actions, and for us, that is simply business as usual. Our job every single day, as I mentioned, is to catch every signal, big or small, and to act on it before it becomes a loss.

On collections, our voice agents in early buckets now recover at more than 86% of a human caller's rate. This is up from 80% last quarter and 70% before that.

On fraud management, we use specialist AI agents for documents and images, text, data patterns, and networks. The AI agent proposes new fraud rules on its own as patterns emerge.

In LAP, AI now reads and verifies income proofs, bank statements, and property documents of myriad types with vernacular fluency, and flags any anomaly in valuation.

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Each of these AI initiatives lowers the cost or lowers risk. Because for us, AI is not at the periphery, not at the boundaries, but very much at the core.

On cybersecurity, all our systems are fully patched against PHP to shell, the critical PHP weakness flagged by cybersecurity agencies last week.

Moving on to the guidance for the future, given the momentum in the first half, we are raising our FY27 AUM growth guidance from 40% plus to 60% plus. We are also raising our target for reduction in impairment cost. We had said it would come down by 10-15%; we are now saying it will be emphatically more than a 15% reduction year-on-year. The rest of our guidance stands. Return on average equity would be above 20%, and gross NPA below 2.25%. I reiterate, we remain firmly on track on all other profitability-related guidance.

As closing remarks, I should say that two quarters as a listed company is a short period, but even a short record can tell you a great deal. What it tells you is a bigger book and a cleaner one, rising profits and a falling cost. In lending, these pairs are not supposed to travel together. When they do, it is because the hard work was done long before the numbers showed it: in the models we built, in the collections we ran, and in the loans we had the discipline to refuse.

I should say ambition is easy to announce; discipline has to be demonstrated. And here, trust is not asked for; it is earned, one quarter at a time. The opportunity in India is vast, and we intend to pursue it with conviction, as much as with care.

With that, my thanks to our lending partners, our team, and our investors, including all those who have joined us on this call for this quarter. We are happy to take your questions now.

Analyst1: Hello?

Ranveer: Yes, hello.

Analyst1: Yes, hi sir. Am I audible?

Ranveer: Yes, you are.

Analyst1: Okay. Yes, hi sir. Thank you for giving me the opportunity. I just had one question. If I am correct, AUM for this quarter has grown by 68% year-on-year, whereas the customers that we cater to have grown by only 21-22%. I wanted to ask where this growth is coming from in AUM. Is the average ticket size increasing, or is there something else?

Ranveer: Yes, absolutely. The growth is coming from three big sources. Number one, it is coming on account of deepening the existing customer base.

Analyst1: Mm-hmm.

Ranveer: When I say deepening the existing customer base, if you look at our repeat customer rate, it has gone up. Not only has the share of repeat customers increased, but more importantly, the ticket size of repeat customers has also increased. So that is one big driver of growth.

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The second big driver of growth is one of the strategies that we have tried to communicate unambiguously, without any reservations: with every passing day, we are going after high-quality customers. When I say high-quality customers, it simply means that the probability of default I attach to them is significantly lower. When we do that, these customers come at a higher ticket size. Because they are high quality, their requirement is higher, their income levels justify a higher income, and so on. So that is the second part that is adding to the growth because the ticket size is increasing.

Last but not least, there is overall growth that we see, which is also happening on account of our tenure increasing. We have been extremely prudent in increasing the tenure, but if you compare it with, say, the last year, there has been a slight increase in the tenure. It is actually linked to points one and two only because when you cater to high-quality customers, their expectations are higher. You want to give them a lower rate to make the economics work, so you actually offer them a slightly higher tenure where our confidence in the economics and the risk is quite high. So that is the other reason contributing to the growth. Thank you.

Analyst1: Got it, sir. Thank you so much. I had just one more question. You have raised your ROE guidance to 20% plus for the coming quarters. And if I am right, you pass on your lower funding cost to the customers. I want to understand how you balance the trade-off between margins and the returns that you target for the coming quarters.

Ranveer: The reason we are so confident about the 20% ROE is because, as I have mentioned in the past, I am mentioning it again, there are three big changes happening in my ROE.

The first is that I am getting a cost-of-funds benefit. I know the repo rate has increased and many other things have happened, but despite that, I am getting a cost-of-funds benefit. The best example of this is that if you look at my cost of borrowing, it is at 13.75% on the balance sheet. But if you look at the rate at which I raised NCDs, the data is all available on the internet, it was almost 150 basis points lower than that.

That decrease is happening because I am going to get a benefit on account of my rating having improved. That has to play out fully. Of course, that is another matter. Very soon, I am hoping that another rating upgrade should happen because I have done two fundraises since the rating was given by CRISIL and Acuité recently gave an A rating.

But the point I am making is that there are three big changes happening. Number one, the cost of funds is coming down. Number two, with every passing day, operating leverage is coming into play, so I am getting the benefit of that. Sometimes we tend not to extract the full benefit of operating leverage because we tend to overinvest in collections. But that is a benefit nonetheless.

Last but not least, my risk cost is coming down, which is what the guidance I have given is about: it will come down by 15% emphatically year-on-year. If you take all these benefits, the strategy that we follow is to pass part of the benefit to the customer, and hence the reduction in the margin, while still maintaining our ROAs and ROE at the levels that we have delivered in the past, plus an additional cushion to take care of any eventuality that may come in the future.

And that is how we manage it.

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Operator: Thank you. The next question comes from the line of Dhir Thakkar.

Dhir Thakkar: Good afternoon, sir. I just had a couple of questions. Firstly, on your profitability, I see your revenue income has grown by about 43%, but your PAT, on the other hand, has nearly doubled year-on-year. I wanted to understand the key drivers of this improvement.

Ranveer: Dhir, thank you for this question. It is rather very simple. Though my revenues have increased so much, my profitability has increased by a higher margin because of the same phenomenon that I was laying out in response to my earlier question: I am getting the benefit of the cost of funds, operating leverage, and risk cost.

This same benefit has played out in the past, and because I have seen the same benefit playing out over the last three or four years, I can say with a lot of conviction that it will play out the same way in the next few years as well. If you have this, what you see is that your revenue may have increased by only 43%, as you said, because we are following a deliberate strategy of passing part of the benefit to the customer, while your eventual profitability will be much, much higher.

I think the right number to compare is with respect to our AUM, because one of the things we had said is that we are not going to compromise on our profitability, which is defined as return on average assets and return on average equity. If you compare it with this, then you will see that 100% does not look like too stark a difference. My AUM has also grown at almost a similar level as my profits.

Dhir Thakkar: Got it, sir. Just one more question from my side. This is on your cost of funds and cost of borrowing. I see your cost of funds has fallen by about 12% quarter-on-quarter. I wanted to understand if there is any further room for improvement in the coming quarters on this side.

Ranveer: Hey Krishnan, do you want to answer that?

Krishnan: Yes. You are right, the finance cost has reduced by 12% quarter-on-quarter. As Ranveer had alluded to earlier, our cost of borrowing for the quarter has come down to 13.7% from 14.8%, or 14.5%, in the previous quarter.

I think what is missing in this is that the incremental borrowing we did in Q2 was at 12.1%. If I were to extend this forward and assume no further benefit in the cost of funds in the next 6-10 months, our old debt, which was raised when we were rated lower, will drop off and all of the new borrowings will come in. So we expect the 12.1% rate to reflect in the overall cost of borrowings over the next three to four quarters.

Of course, there is a strong belief that during the same period, we should be rerated by our other rating agencies, CRISIL and India Ratings, as well. So the incremental borrowing cost itself will come down. At the very least, there will be a 150-basis-point reduction in the next three to four quarters, but it could be higher as well.

Operator: Thank you. The next question is from the line of Nitesh Jain.

Nitesh Jain: Hi Ranveer, hi Krishnan. When we are talking about increasing the share of better-quality customers, how are you attracting those customers to your platform?

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Nitesh Jain: In the past, the customer segment was different. Which channels are we targeting, and what is the CAC for those customers?

Management {? Ranvir ?}: Yes. That is a very good question, Nitesh. There are three prominent channels that are adding to these high-quality, better-creditworthy customers.

First and foremost, our app sourcing is geared towards going after customers whose income levels are at least 20-30% higher than what we have targeted in the past. For example, there is a major campaign that we run where the customer's income level is greater than 1 lakh. These customers are a combination of salaried and self-employed individuals. If it is a salaried person, they are mostly working in a decent mid-sized, and sometimes even a corporate, company. There are specific campaigns that we run for these customers. We also see an overlap between these customers and people who are essentially non-revolvers on credit cards. I am giving one example, but that is one major segment that we go after through the app.

Within the app, I should also mention that we have an iOS app, essentially the Apple app, and the Android app. The quality of customers coming from the Apple app is better than that of customers coming from Android. So there is also more focus on that. In fact, if you see how our numbers have changed over the last three or four quarters, we are getting a higher share of customers who have used the Apple app as compared with the Android app. So there is more spending on Apple as well. That is the other nuance around it.

Second, and more importantly, there are specific aggregators we work with. When I say aggregators, these are essentially people who have a large customer base. They vary from people who provide UPI services to payment companies, broking companies, wealth companies, and so on.

Even when we look at that entire landscape, we see that mutual fund owners, or people who invest in mutual funds or are active in the markets, generally have higher income levels and higher net worth as well. We try to attract those customers through partnerships with some of the large wealth firms and large broking firms. Here again, the cut-off we take is people who have income levels greater than 1 lakh per month across all segments: salaried, self-employed, and so on. Usually, we find this opportunity primarily in the top 30 centers. Let alone Tier 2 or Tier 3, it is the top 30 centers where we find the opportunity. That is the second area that becomes very critical from a sourcing standpoint.

The impact on CAC is as follows. Our normal CAC overall is around Rs.850, or blended CAC. The CAC for this segment goes as high as Rs.1,200. Again, I am talking about blended CAC. The increase of around Rs.350-400 is well compensated because the ticket size for these customers is higher, and the high-quality customers we are talking about have a longer tenure. So we end up making much more on an absolute level than the delta in CAC that we see. Slowly and steadily, we are also becoming a fixture, or showing more presence, in this segment.

Nitesh Jain: Sure, sir.

Management {? Ranvir ?}: Sure. [pause] Sorry, Nitesh, did you have a follow-up question?

Nitesh Jain: Hello?

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Management {? Ranvir ?}: Yes, Nitesh, I was asking whether you had a follow-up question.

Operator: Thank you. The next question comes from the line of Pranav Nakti.

Pranav Nakti: Hello? Am I audible?

Management {? Ranvir ?}: Yes.

Pranav Nakti: Yes, sir. I have a question regarding credit cost. Credit cost has decreased to around 6.2% of AUM, which is a really good number. How do you see this number moving forward? Will it reduce, remain sustainable, or increase in the future?

Management {? Ranvir ?}: I will request Neha, who is our Head of Analytics and Data Science, to answer that. But let me give a preliminary answer. The 6.2% is going to reduce further for all the reasons I mentioned: we are going after high-quality customers, and it also ties back to our guidance that we are going to see more than a 15% reduction in credit cost. We are not merely hoping that this will reduce; we say with full conviction that it will come down. Neha, you may want to give a broader commentary on why we believe we do not see stress and why this will come down. [long pause] Neha, are you there?

Neha – Head of Analytics and Data Science: Yes.

Management {? Ranvir ?}: Yes.

Neha – Head of Analytics and Data Science: [line issue] Sorry, am I audible?

Management {? Ranvir ?}: Yes, you are audible.

Neha – Head of Analytics and Data Science: Our credit cost has improved. It has declined to 6.2% of average AUM from 6.8% and 9.3% a year ago. Along with this, our GNPA has also come down to 2.18%, down by 75 basis points, and Stage 2 has also come down. As we said, we remain focused on this sustained improvement, and we expect the number to go down by another 15% year-on-year. This follows the same trajectory that we have been talking about. Every single day, we are looking at high-quality customers, deepening our existing base, and trying to reduce risk cost. This is what we wanted to state.

Management {? Ranvir ?}: Yes, one other thing I will add is that some of the concerns that have been raised in the economy, if I jog my memory and look at the last four quarters, have come on the back of gold loans, which is a more recent issue. As I mentioned in my introductory speech, we have been telling people who know us and who have had more bilateral discussions with us for almost the last 12-15 months that we see, in pockets and not overall, customers overlapping with gold loan exposures, and we have taken a firm stand to reduce it quarter-on-quarter and month-on-month.

Similarly, there is a risk in drought-affected areas. Our contribution, or the business that comes from drought-affected areas, is below 6%. That is well within our limits, and that 6% is doing fairly well. We do not see any stress.

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I know MFI is no longer seen as that big an issue, but our overlap with MFI customers is also very, very small. Our overlap with customers who may be impacted by the monsoon, for example, who may have taken a Kisan Credit Card, is also around 3% or so. This refers to people having exposure to KCC or having some portion of their income dependent on agricultural business.

The point I am making is that one aspect is, of course, the accounting number of 6.2%, and this will come down. More importantly, the point that we have been trying to convey is that we have a very different approach to running a business. Our day job, when I say our day job, my job, Neha's job, and the day job of the 50-member team, is always to pick up those signals. We do not wait for these signals to be converted into losses and then put in a curb. Based on that, we keep making adjustments every now and then. Some of those adjustments, in retrospect, may be too conservative and may lead to a business loss. We have also been learning from that. But that is something we do almost day in and day out. Thank you.

Operator: Thank you. The next question comes from the line of Shubham Karwande.

Shubham Karwande: Hi sir, good afternoon. Congratulations on a good quarter. I have a few questions. I will start with the first one. The effective tax rate fell to 19% from 26% last quarter. I wanted to understand what drove it, and whether this is going to continue for the next one or two quarters. I think perhaps you can answer this question, and then I will ask the rest of them.

Management {? Ranvir ?}: Hey Krishnan, do you want to answer that?

Krishnan: Yes, let me take that. The reduction in the effective tax rate is because there are some benefits linked to the ESOP expenses that the company has incurred. As you may know, before the listing period and, of course, during the post-listing period, the company has had three ESOP policies under which it has been giving ESOPs to employees. The company has, over a period of time, incurred a lot of costs linked to these ESOPs. There are some tax codes that allow for the effective tax rate to reduce on the back of these ESOPs. So it is essentially a reflection of expenses that the company incurred in the past and will definitely incur in the near future. This benefit will accrue. The pace of the benefit will, of course, reduce over the next few quarters, but there will be some benefit that will keep accruing over the next three to five quarters.

Shubham Karwande: Okay, understood. Thank you, sir. My next question is on provision coverage. Stage 1 coverage was raised by roughly 45 basis points in this quarter, while Stage 2 coverage came down slightly. Is that a deliberate policy decision? Also, Stage 1 coverage has been increasing for the past few quarters. What would be the steady-state coverage ratio that you would be looking for in Stage 1 and also in Stage 2 and Stage 3?

Krishnan: At a policy level, the thing that has changed is the provision coverage in LAP. There have been some changes where, in the 1-30 bucket in Stage 1 and Stage 2, particularly Stage 2, there has been some modification to be more prudent and therefore to have a higher provision coverage ratio.

What you see at the overall level is more a function of the ratio of LAP AUM to PL AUM that is being reflected. There is no policy change, nor any change that we are anticipating, in personal loans. Even for LAP, we do not foresee one. This is just a correction we made as we took more prudent

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decisions in terms of how we should think about provision coverage for the delinquent LAP portfolio. There is no change in the standard LAP portfolio, so it should remain stable going forward. [long pause] I hope that answered the question, Shubham.

Management {? Ranvir ?}: Yes.

Operator: Thank you. The next question comes from the line of Chinmay Joshi.

Chinmay Joshi: Good afternoon, sir. My question is regarding when you expect operating leverage to kick in, given that OPEX is growing at around 58% year-on-year, faster than income.

Krishnan: Operating leverage still has significant headroom for improvement. As Ranveer had alluded to, we see that benefit continuing to accrue for multiple quarters. This reflects the fact that a large part of OPEX is embedded in indirect fixed costs. As we continue to scale and grow at the pace we are right now, that part of the leverage should give us enough headroom for many quarters.

The only caveat I will mention is that, as much as OPEX to AUM is improving on a quarter-on-quarter basis, we would never hesitate to invest in additional collections if it is required and if any stress situation develops in the economy. We would not hesitate to invest additional money if required for AI initiatives. Leaving all of those aside, we should see the improvement of anywhere from 40 to 50 basis points on a quarter-on-quarter basis sustain itself for many quarters.

Chinmay Joshi: Okay, sir. Got it. A follow-up question is how you see LAP scaling from the current 8% of AUM, and how the branches are performing in driving this growth.

Management {? Ranvir ?}: First of all, we are extremely, extremely pleased with the way the LAP business has grown over the last many quarters. I do not know if you missed my comment, but LAP became profitable in Q2. Our earlier estimate was that it would become profitable in Q3, but it became profitable in Q2, largely on account of better-than-expected risk.

As far as scaling up is concerned, the growth in LAP is only going to be upwards of around 15-20% quarter-on-quarter. So we are expecting a high-growth-rate scenario there as well.

The base in LAP is, of course, much smaller. As a proportion of total business, it has moved from 7.8% to 7.9%. But that is only because our PL is growing at a faster rate. So it would be inappropriate to measure the LAP business only as a proportion of total business.

The overall growth, as I mentioned, in this business has been almost at the same level as the PL business. We feel it will continue to grow for at least the next 2 years at almost that rate. If you apply that rate, we are almost talking about the business becoming two and a half times in [trails off]

Management: [off-mic discussion] Ignoring them, they are in.

Management {? Ranvir ?}: The last thing I would say is that branch profitability has improved quite significantly. We feel great about it. The contribution is coming not only from the Kissht customer base, but also from people who are outside the Kissht system, whom we acquire either through open-market sourcing or through our partnerships with distributors in the market.

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Ranveer: One other mentionable thing about LAP is that, given the outcome we are seeing, with every passing day our confidence in our ability to deliver ROE of upwards of 20% is only increasing. We see a benefit from increasing the ticket size only slightly because, when you increase the ticket size, you are able to serve a much larger base of high-quality customers. All in all, to answer your question, the growth rate over the next 2 years is going to be almost 2.5 times what it is today.

Operator: Thank you. The next question is a follow-up from Shubham.

Shubham Karwande: Thank you so much, sir, for giving me the opportunity once again. I had a few more questions. First, on expenses, I can see that the number of LAP branches increased by 6, but the overall number of employees you have for LAP has not increased by nearly as much. What would be the policy or the average number of employees per LAP branch going forward? I ask this because the employee cost this quarter was a little lower than in the first quarter, while other expenses ended up rising. Perhaps you could give a brief breakdown of other expenses, what part of them is rising, and how much we expect them to increase.

Along with that, I will also include a couple more questions. One is a data-keeping question: what is your organic sourcing percentage as of this quarter? You had mentioned 31% as far as I remember in the last quarter. Perhaps you can answer this for now.

Ranveer: Thanks for asking such an eclectic set of questions, Shubham. First, the answer to both question one and question two is similar. In the LAP business, when we created it, we initially put everybody on our payroll. We realized that the more efficient model is not to have everybody on the payroll. We should have a limited number of people in the branches and keep other people off our payroll. It delivers a better performance-management structure. You can handle their fixed-plus-variable breakdown in a far more appropriate and flexible manner.

So what we did was transfer a set of people who were earlier on our payroll to a third party. We will continue to do that. We did it only in the LAP business, and I do not think we have completed the full process. So you may see the same thing happening in Q3 as well.

The important point is that you will see a reduction in employee cost, but you will not see a reduction in overall cost as far as this transition is concerned. There is a broader point regarding overall cost. If you look at our overall employee cost, I will break it into three parts: people who are central-office staff, people like me and Krishnan, everyone on the call, and the full team across technology, product, analytics, and related functions; a large number of people who are in collections; and all other functions.

Those other functions are broken down into support functions and people whom I would call a direct cost. As Krishnan was also alluding to, as we scale up, we do not see any increase in the cost at the central-office level. The operating-leverage benefit is crystal clear there.

For collection costs, because they are a direct cost, you will not see that benefit. That cost will not become half just because the business has doubled. But you do realize some scale efficiency there as well, because once you move to a higher ticket size, the same collection effort goes into collecting a higher amount, a higher EMI amount, and so on. So you will see some benefit, but not the stark benefit that you see in operating leverage when you look at the overall central cost.

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That is the phenomenon that you will see. I will reiterate what Krishnan said. As much as we are seeking operating leverage, and I think it is coming through in a very prominent form, we will never shy away if we find that we need to continue delivering high-quality risk numbers. We would not mind overinvesting in technology, particularly in the technology-led collections segment.

That is that. The last question you asked was what portion of my business is organic. You are right: it was around 30% last quarter. It remains at around 30%, between 30% and 30.5%, for this quarter as well.

Shubham Karwande: Thank you very much, Ranveer. Just one more question, if I could include it. You said the better-quality customers you are bringing in now have a higher average ticket size. Roughly, what ceiling do you have in mind for increasing ticket sizes going forward, and by when?

Ranveer: Shubham, one thing I should say is that whenever I compare myself with the industry for the same customer, because the same customer sometimes borrows from other prominent NBFCs in the market, I realize that I have taken a very conservative stance on the customer. For example, even if somebody like you or I applied on my platform, we would end up being approved for a very small amount because I take a portfolio view.

The first thing I want to say is that because I take a very prudent call from a portfolio perspective, I deliberately want to keep my ticket size lower.

Now, talking about your question on the ceiling, the ceiling at this point is 3 lakhs. We barely breach that ceiling. When I say we barely breach the ceiling, I mean there is a very small proportion of loans between 2 and 3 lakhs. The proportion of those loans would be less than 5%.

If you look at our current ticket size, the average ticket size is 43,000. But there is a cohort that we classify as high-quality customers. There is an internal terminology for that, but these are customers for whom we see a ticket size higher than our overall average. The maximum ticket size we offer is not more than 3 lakhs. There is a very small proportion of people with loans above 1 lakh and above 2 lakhs.

Shubham Karwande: Okay, very clear. Thanks a lot, Ranveer. Thanks, Krishnan.

Operator: Thank you. The next question comes from the line of Pranav Gupta, Axis Capital.

Pranav Gupta – Axis Capital: Hello?

Ranveer: Yes, hi, Pranav.

Pranav Gupta – Axis Capital: Yes, hi. Just a couple of clarifications. You mentioned that you see risk cost going down by more than 15%. Is that on a quarter-on-quarter basis?

Ranveer: No. When we say risk cost is coming down, we gave the guidance on a year-on-year basis. The credit cost in Q4 FY26, when compared with Q4 FY27, will be down by more than 15%. I think we have already covered a good portion of that, but the point is that we started at slightly below 7% in Q4, which was the credit cost at that time, and it declined from 9.3% to around 7%. We are saying that by Q4, this approximately 7% will be lower by 15%. The number comes to

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approximately 5.8%.

Pranav Gupta – Axis Capital: Understood. Second, on operating cost, did you mention that you will see a 50-basis-point improvement on a quarter-on-quarter basis?

Ranveer: Yes, the improvement would be more than that. What Krishnan was saying is that we will see almost 25-40 basis points of improvement in OPEX. The way to put this is that, given the growth rate at which we are going, we may double over a period of 18 months.

Pranav Gupta – Axis Capital: Right.

Ranveer: Almost 50% of our current OPEX is indirect in nature.

Pranav Gupta – Axis Capital: Right.

Ranveer: That 50% will come down by almost half. If you do the mathematics, it basically boils down to a benefit of around 2.5-3% over a period of 6 quarters. If you put it quarter by quarter, we are talking about almost 40 basis points of improvement. But this is what I am saying will happen. Whenever it comes to giving guidance about the future, we always take a conservative stance, so it will be around 25-40 basis points of improvement.

Pranav Gupta – Axis Capital: No, that is very clear. The third thing is on a more medium-term basis. You mentioned that overlaps with MFI, high gold loan exposure customers, and customers with KCC exposures are fairly low. When we look at our risk indicators, which we monitor regularly, are we seeing anything that shows trends at a broader level—not in micro-markets, but at a broader level—in terms of increasing stress, increasing leverage, or any of those indicators that emerge at an overall level rather than being driven by a micro-market? That will be all. Thank you.

Ranveer: Absolutely. Let me first lay this out very clearly. I was just pulling out the data. This data is not in the KPI sheet, but my MFI overlap is less than 3.4%. My KCC overlap is less than 2.6%. The share of customers who have an overlapping gold loan is below 8%, and the share from drought-affected areas is less than 6%.

For each of these segments, when we look at the risk, the risk is either superior or average. Part of the reason is that, when we track these things day in and day out, I do not have to wait for a quarter or a year to elapse to determine whether they are an issue. We figure that out almost every day, reduce exposure, and make adjustments. That is why you never see anything with even an indication of risk building up come into the portfolio.

The broader question you are asking is whether I am seeing any stress, and, if so, in which sections. In our investor presentation, we have mentioned both positive and negative signals and the prominent signals. We are reducing exposure in some geographies and among some self-employed customers. They are not contiguous geographies, by the way. Our understanding is that they are part of a value chain that may be getting impacted. We see risk there, but it represents only around 0.2% of our portfolio.

There is a constant exercise, a day-to-day job that I do, which we call location upgrade and downgrade. Location upgrade and downgrade basically means that I categorize locations from A to

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D. Below the downgraded locations, after A to D, is complete rejection, where we do not do business. There is some movement in location upgrades and downgrades that keeps happening. Nothing is out of the ordinary, but I would say that I make some adjustments almost every week.

Operator: Thank you.

Ranveer: Self-employed revolvers, for example, are a problem area in specific places wherever the revolving exposure amount is between 25,000 and 40,000. Those kinds of insights are available.

Operator: Thank you. This will be the last question for the day. It comes from the line of Gaurav Dhariwal.

Gaurav Dhariwal: Good afternoon, sir. My first question is whether you could provide an update on the preferential issue, when the proceeds are expected to be received, and how the funds will be utilized.

Ranveer: We have received the proceeds. However, there is a final approval required, which should come in the next four or five days. As I mentioned in my introductory call, we received approval and held an EGM on October 14. We also received in-principle approval from the exchanges. All the investors who were to participate have put in the money as well. So all those things have happened.

The issuance of shares will happen by November 3 or 4. There is a specific compliance date, and the process takes a few days. Somewhere around the middle of next week, we should have the shares issued, and we will fully close that process.

The proceeds will be used in the same manner as the IPO proceeds were used. 75% will go as an infusion into our subsidiary to fund its balance sheet and support our growth. The remaining 25% will go towards corporate expenses, particularly investment in AI, which we continue to make. We will also provide more FLDG from the corporate entity to scale up our off-book book, and so on.

Gaurav Dhariwal: Is any further fundraising being considered?

Ranveer: Not right now. We feel extremely comfortable. In fact, given the off-book ratio and the on-book position we are running with, I think we will not need any further fundraise until we reach 30,000 crore. We are currently at only 9,370 crore. So we have significant latitude and comfort as far as capital is concerned.

I should say one more thing: this is not going to be ROE dilutive. I have said this before, but sometimes the point is not captured appropriately. We raised capital in the IPO, and you can see that this is the first quarter when the IPO proceeds were available before the beginning of the quarter and remained there until the end of the quarter. They have not been ROE dilutive. You can look at our ROE. The same thing will hold for this new capital that we have just received.

Operator: Thank you. There is a question from Mr. Rajesh Kothari from AlfAccurate Advisors.

Rajesh Kothari – AlfAccurate Advisors: Good afternoon, sir. Thank you for this opportunity. First of all, congratulations on a great set of numbers. I wanted to discuss two things. First, when you look at the next 2-3 years, you are saying that you are planning to double your size over the next

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approximately 18 months. Taking a 3-year perspective, how do you see the overall organization in terms of the size of the book?

Second, as you move towards higher-quality customers, what technology triggers are required to highlight any red flags? Does that change significantly?

Last but not least, where do you see the average ticket size currently? Where are we compared with one year ago, and how do you see it over the next 2-3 years?

Ranveer: Thank you, Rajesh, for asking this very relevant question. First of all, let me make one thing very, very clear, rather emphatically clear: when I say high-quality customers, it almost gives the impression that I am entering a zone that I may not have entered in the past. Absolutely not.

In fact, if you look at my current book, I conduct some segmentation based on the eventual risk. There is a pool of customers where the eventual risk is less than 3%, which is equivalent to the 6.2% that you saw in my book. That pool of customers where the risk is less than 3% would represent more than, say, 20-25% of customers, and that is what I would call high quality.

The point I am making is that we are currently serving high-quality customers. When I move from, say, 9,000, just for the sake of discussion, to 30,000 crore, which is 3 times our current number, it does not mean that I will drop the middle-of-the-pack customers who are currently giving me great ROE, great pricing, and so on. I will continue to serve them.

When you become this large, one of the qualities you require, if you have to consistently deliver your ROE, is the ability to price risk for different types and qualities of customers. Unfortunately, in India, while income is a good indicator, sometimes income is not a good indicator of risk.

Even a person earning 50,000, or the pool of people you are targeting, can be a much better risk than a person earning around 2.5-3 lakhs per month. The point is that even today we are serving such customers, and we understand some of those signals very well. We continue to sharpen those signals for both the high-quality and the middle-of-the-pack customers. That is the confidence with which we go out and scale up our book, further reduce our risk, and so on.

At the same time, there is a section of customers where the risk may remain at 6-6.5%, and we will continue to serve them. We are not going to reject those customers. But over time, their share will come down. Once we reach 30,000 crore, their share, which may be 50-60% today, will come down to around 20-30%.

Second, if I take a step back and consider what will change over the next 3 years, there are three or four things that are very clear to us as part of our strategic thinking. Number one, it cannot be only PL. There will be other products as well. That is why you see our investment in LAP. We have also been studying other products very carefully, including gold loans and auto loans. I know that, at one level, people are saying gold loans may have some issues, but a large part of gold loans is doing very, very well. At the end of the day, the security is also good. We want to run a business that immunizes us from market risk, which gold may entail in the future.

The point I am making is that there will be a sizeable contribution from products other than unsecured PL. That is one thing that will become important.

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Second, just to reiterate, when I talk about high-quality customers, we believe that in the long run, if you have to succeed and build a corporation of stature, something that can formidably stand alongside some of the large financial institutions in India, you need to have a very strong technology focus, which will lead to risk reduction.

All our investment in technology is directed towards this. At a later date, we can also showcase how we are building our LAP book, which is very different. This is not a standard, garden-variety LAP. It is very process-driven and involves a lot of AI usage, which provides a different level of leverage both to the person interacting with the customer and to the customer in terms of moving through the journey.

So beyond just high-quality customers, the focus is on diversification, continuing to invest in technology, and, more importantly, keeping a piercingly strong eye on risk management.

Rajesh Kothari – AlfAccurate Advisors: And what is happening with the average ticket size?

Ranveer: Sorry. The average ticket size today, [line issue] we may move to 43,000 [trails off] [cut off]

Rajesh Kothari – AlfAccurate Advisors: Your voice is breaking.

Management: Hey Ranveer, we are not able to hear you. Let me take that answer. I think there is some issue at Ranveer's end. On ticket size, Rajesh, the way we will put it is—and I am talking about PL specifically, of course, because the average ticket size for the portfolio changes with the mix of LAP and PL—that within PL, you would see the ticket size increasing.

It reflects two things. First, the share of repeat customers is growing within the overall segment, and repeat customers typically have an increase in ticket size compared with their older exposure.

Second, it reflects the increasing share of the higher-quality, higher-income segment, which Ranveer said would move from 20% today to upwards of 50%. It also reflects GDP growth, nominal growth, and inflation, as the ticket size keeps pace with those factors. So the trend you have seen, where the average ticket size has now reached 41,000, is something that will continue.

I will reiterate that we are a very risk-first company, Rajesh. What that means is that our models and underwriting capabilities have been developed for a specific income level and also for a specific product tenure. We are not going to be knee-jerk in saying that we will change our average tenure from 16-17 months to 3 years overnight. It will be incremental and deliberate. But both the tenure and the ticket size will see an upward trend in a manner very similar to what has been happening over the last few quarters.

Rajesh Kothari – AlfAccurate Advisors: How much would it have increased over the last year?

Management: It is in our sheet. If I recall correctly, it was 34,000, which has become 41,000 over a period of 1 year. I will quickly check and reconfirm those numbers.

Rajesh Kothari – AlfAccurate Advisors: And the tenure would also have increased from, say, 12 months to 16 months, something like that?

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Management: Yes, from 14 months to 16–17 months.

Rajesh Kothari – AlfAccurate Advisors: Understood. Understood. Great, sir. I wish you all the best, sir. Thank you very much.

Ranveer: Thank you.

Management: Thank you, Rajesh.

Operator: Thank you. With this, we end the call. Thank you, and regards from {? OnEMI ?} Technology Solutions.

Management: 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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