Operator: Ladies and gentlemen, good day, and welcome to Indostar Capital Finance Ltd. Q2 FY27 earnings conference call. As a reminder, all participant 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 the 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 Ms. Ayushi Gupta. Thank you, and over to you, ma'am.

Ayushi Gupta: Thank you. Good afternoon, everyone. I welcome you all to the Q2 and H1 FY27 earnings conference call for Indostar Capital Finance Ltd. To discuss the quarterly performance, we have from management Mr. Randhir Singh, Managing Director and Executive Vice Chairman, and Mr. {? Jayesh Jain ?}, Chief Financial Officer. Before we proceed with the call, I would like to mention that some of the statements made during today's call may be forward-looking and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings available on the company's website. Without further ado, I would like to hand over the call to management for the opening remarks, and then we can open the floor for Q&A. Thank you, and over to you, sir.

Randhir Singh – Managing Director and Executive Vice Chairman: Thanks, Ayushi. Good afternoon, everyone, and thank you for joining us today. I am Randhir Singh, Managing Director and Executive Vice Chairman of Indostar Capital Finance Ltd. On behalf of the entire Indostar team, I extend a warm welcome to all of you on our Q2 and H1 FY27 earnings conference call.

We appreciate your continued support and confidence in our company. I trust you have had an opportunity to review our financial results and investor presentation, which have been uploaded on our website and filed with the stock exchanges.

Before discussing our business performance, let me set the context with the macro indicators most relevant to our business, both those that affect us directly and those that work through our customers and segments.

The Indian economy continued to demonstrate resilience during the quarter, despite an uncertain global backdrop characterized by geopolitical developments, elevated commodity prices, and volatility across financial markets. Domestic economic activity remained healthy, supported by resilient consumption, sustained infrastructure spending, and continued investment activity. Reflecting the strength of these underlying trends, the Reserve Bank of India revised its FY27 GDP growth forecast upwards to 7.1% from 6.7% earlier.

At the same time, inflationary pressures resurfaced during the quarter. CPI inflation increased to 4.82% in August 2026, driven largely by food and fuel prices. In response, the MPC increased the repo rate by 25 basis points to {? 6.50% ?} and adopted a calibrated tightening stance. While interest rates have moved modestly higher, overall credit demand across the economy remains healthy and broad-based.

The quarter was also characterized by weather-related challenges. Uneven monsoon distribution and continuing El Niño conditions created concerns around agricultural activity and rural demand in certain regions. However, urban demand remained resilient, and the festive season contributed

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positively to consumption trends, trade activity, and transportation demand across several markets.

From a credit demand perspective, the operating environment remained constructive. Non-food bank credit grew 18.8% year-on-year in August 2026 and strengthened further to 19.4% by September end, reflecting healthy demand across retail, agriculture, industry, and service segments. Credit growth to the services sector remained particularly strong at 24.3%, supported by lending to trade, NBFCs, and commercial real estate.

Looking specifically at the vehicle finance ecosystem, demand conditions remained supportive during the quarter. Transportation activity continued to benefit from infrastructure execution, replacement demand, and healthy logistics activity. Vehicle finance credit within the NBFC sector grew 15.5-15.4% year-on-year as of August 2026, reflecting healthy activity levels across transportation-linked segments.

The industry outlook also remained encouraging. ICRA expects NBFC vehicle finance portfolios to continue growing at a healthy pace over FY26 and FY27, supported by increasing financing penetration and replacement demand, while lenders continue to focus on improving portfolio quality and risk-adjusted returns. ICRA has also highlighted the growing role of pre-owned vehicle financing, with the share of used vehicles in NBFC portfolios expected to exceed 41% by FY27.

Against this backdrop, our focus during the quarter remained firmly centered on accelerating growth while maintaining portfolio quality. As the operating environment continues to evolve, we remain committed to building a stronger and more resilient franchise through disciplined underwriting, prudent risk management, and consistent execution.

Over the last several quarters, we have undertaken initiatives to strengthen customer selection, enhance credit assessment, and improve portfolio monitoring capabilities. We continue to refine our underwriting framework through proprietary scorecards, product-specific filters, and system-driven decision-making processes. At the same time, we have strengthened our monitoring architecture through enhanced early warning systems, technology-led portfolio surveillance, and a continued focus on collection effectiveness. These efforts are directed towards improving the quality of new originations, enhancing portfolio resilience, and creating a stronger foundation for sustained profitability.

We are encouraged that the benefits of these actions are increasingly visible across customer quality metrics, portfolio behavior, and overall asset quality trends.

Let me now move to our operating performance, beginning with disbursements.

During the quarter, retail disbursements stood at Rs. 1,399 crore compared to Rs. 1,235 crore in the previous quarter and Rs. 927 crore in the corresponding period last year. For H1 FY27, retail disbursements stood at Rs. 2,634 crore. Retail assets under management stood at Rs. 8,459 crore as of September 2026 and now account for 97% of our overall AUM.

Year-on-year, we grew our overall disbursements by 51%, with growth of 47% in the vehicle finance business and 174% in the micro-LAP business. In our Q4 FY26 earnings call, we shared a target of 35% CAGR growth in disbursements over 3 years, and we are tracking well towards that target.

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We had also mentioned initiating significant steps for future growth in earlier earnings calls. The following is an update on the same:

Number one: a significant increase in the ground sales force in the vehicle finance business. Our field sales force has increased from about 1,235 to 1,868 over the last year, representing growth of about 51%. We will continue to invest further in the field sales force to take full advantage of our large pan-India branch network.

Second: verticalization of our sales team in vehicle finance. All our four national sales managers are on board for CV, PV, FE, and CE verticals and are building significant capacities and capabilities in each of these verticals for future growth. Along with NSMs, we have also onboarded state-level leaders for each of these verticals and will add further managerial capacity in the next two quarters.

Third: in the Q4 FY26 earnings call, we had guided for 100 branch additions over the next 3 years. We are making steady progress, and the number of branches has increased from 454 to 475 in the last two quarters.

Fourth: alignment of our channel payouts and proactive refinement in line with industry trends.

Fifth: significant improvement in turnaround time, customer experience, and channel experience due to ongoing improvement in loan journey simplification, document simplification, data-driven, science-led scorecards, and digitization. These improvements have led to a significant increase in volumes in the passenger vehicle segment, which is very TAT-sensitive. Our disbursements in the passenger vehicle segment have grown by almost 75% over the last year.

While being growth-focused, our priority continues to be improving the quality of growth. Over the last several quarters, we have consciously focused on sourcing better-quality customers, enhancing asset selection, and maintaining disciplined underwriting standards across all business segments.

Our credit quality has shown significant improvement since the start of the tightening period beginning in January 2025. The 30+ delinquency on disbursements made from January 2026 to September 2026, as of September 30, 2026, is down by 71% compared to the delinquency on disbursements made from January 2024 to September 2024, as of September 30, 2024. The improvement in customer quality continues to be reflected across our portfolio. The share of prime customers, defined by us as those with CIBIL scores of 725 and above, in our portfolio has improved to 85% in Q2 FY27 from 80% in Q2 FY26. Additionally, the number of borrowers with CIBIL scores of 700 and higher reached 95% in last quarter's disbursements, reflecting the cumulative impact of tighter customer selection and stronger underwriting standards.

Early delinquency levels have remained stable at around 2.4%, among the lowest levels seen over the last many years. The performance of customers acquired under the strengthened underwriting framework remains significantly better than that of historical vintages. Gross Stage 3 assets in the vehicle finance portfolio improved to 4.4% compared to 4.7% in the previous quarter, while Net Stage 3 assets improved to 2.4% from 2.5%. These trends reinforce our confidence that the actions taken over the last several quarters are helping us build a stronger and more resilient portfolio.

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Another encouraging trend is the increasing contribution of the portfolio originated after the tightening of underwriting standards in the vehicle finance business. As the share of the newer portfolio continues to increase, we are seeing a clear improvement in overall portfolio behavior. A significant portion of the residual stress continues to remain concentrated within the older portfolio originated before January 2025. Our pre-tightening portfolio contribution has reduced from 65% in Q2 FY26 to only 26% in Q2 FY27. This is in line with the guidance we provided in the Q4 FY26 earnings call. We had also guided that the book originated under the new underwriting framework would be 85% of the overall book in Q4 FY27, and we are well on our way to meeting that guidance.

As this legacy book continues to run down and the new book becomes a larger proportion of the overall portfolio, we expect continued sequential improvement in delinquency metrics and credit costs, and significant improvement in profitability over the coming quarters.

Our vehicle finance portfolio also continues to become increasingly diversified across commercial vehicles, passenger vehicles, construction equipment, and farm equipment, reducing concentration risk and helping us build a more balanced and granular franchise. Over the last year, our MHCV disbursement share has come down from 31% to 27%, and passenger vehicle share has gone up from 23% to 31%.

Let me now turn to our micro-LAP business, which continues to scale steadily and remains one of our key strategic priorities. Disbursements in Q2 FY27 were Rs. 74 crore, up 174% year-on-year. AUM closed the quarter at Rs. 280 crore, up 177% year-on-year. Importantly, this growth continues to come with strong asset quality. 99 [trails off]

Management: 6% of the portfolio is current, and 90+ DPD is only 0.18%. While the M-LAP book is not seasoned as yet, we have made a very good start on the portfolio quality front.

We continue to focus on self-employed borrowers and small business owners while maintaining conservative underwriting standards.

Our average ticket size on M-LAP disbursements has moved up to about 8.9 lakhs in September from 6 lakhs a year ago, in line with our communication in the last quarter about ticket size stabilizing around 10 lakhs. We continue to consciously work towards increasing the average ticket size in our LAP business, even if that means accepting slightly lower yields.

Over the last few months, we started building an alternate business channel covering connectors and DSAs, and in the last few months, the contribution from these channels has been in the range of 20% to 25%.

Our weighted average loan-to-value remains around 40%, while maintaining a disbursement yield of about 20%, besides upfront processing fees.

The journey in the LAP business remains fully digital, with e-application, e-agreement, and e-NACH at 100%. Our collection in this business is 100% digital, and cash collection is zero.

We continue to expand the franchise in a calibrated manner across selected markets while leveraging our existing distribution infrastructure and operating platform. Our objective remains to build scale gradually while ensuring that portfolio quality remains at the center of every growth

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decision.

As communicated in the previous earnings call, Bihar and Uttar Pradesh went live in August and September, and additionally, we also went live in West Bengal. We now operate from 154 co-located branches across nine states and one Union Territory, against 71 branches in two states one year ago.

Encouraged by our early portfolio performance, we are now working towards launching our LAP business in Karnataka and Madhya Pradesh over Q3 and Q4. This is in line with our communication in earlier earnings calls that while we have the opportunity to launch the business in all 24 states and Union Territories in which we operate, we will follow a calibrated expansion approach. We plan to consolidate in these states prior to our next phase of expansion.

In our effort to build a future-ready organization, I would like to share an update on our data science and AI initiatives. In February 2026, we set up a dedicated data science practice with the ultimate objective of making every credit and collection decision based on data, along with extensive usage in other business and support areas.

Our bureau-based scorecard for used cars and SCVs now drives in-principle credit approval and straight-through processing. We have reached an STP rate of 74% in the used car business and 68% in SCVs. Portfolio quality has held up well in these products following implementation of the scorecard. In other VF products, for now, we are using custom-built scorecards for hard rejection instead of approval.

In collections, we now have a model for every stage of delinquency, from predicting bounces among customers who are current but have a high chance of bouncing by the due date, to propensity to pay in the highest DPD buckets. We have embedded bureau risk triggers into these models, so our customers' behavior with other lenders feeds into how we prioritize them. Each model sorts customers into high, medium, and low risk, so that our collection call center and team know exactly where to focus.

We have also introduced AI bot calling for pre-emptive and bucket X customers. The bots are performing on par with our human callers, which gives us a clear opportunity to optimize collection costs. We also built a model that predicts fresh NPAs 6 months ahead with a very high degree of accuracy.

Over the next two quarters, we will roll out a self-service, AI-enabled BI layer for our business teams, a settlement model to decide whom to settle and at what price, and an acquisition scorecard for the new car, M-LAP, farm equipment, and construction equipment businesses. We will continue to invest in the data science team and build capacity for future growth.

In addition to the data- and AI-led initiatives, we are reinforcing our collection field force with a separate, approximately 400-strong team dedicated to hard buckets. This will enable sharper focus on and better resolution of higher DPD accounts.

Overall, we see encouraging signs of progress across both of our core businesses. The quality of customer acquisition continues to improve, portfolio performance remains stable, asset quality

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indicators are moving in the right direction, and the actions undertaken over the last several quarters continue to strengthen the overall resilience of the business.

As we move ahead, our priorities remain unchanged. We will continue to focus on disciplined underwriting, portfolio quality, collection effectiveness, and sustainable, profitable, high growth while ensuring that risk management remains central to every business decision.

Our focus over the last several quarters has not only been on growing the business, but also on building a stronger and more sustainable earnings profile. The improvement in customer quality, lower non-starter ratios, stable early delinquency trends, and better performance of the newer vintage give us confidence in the long-term profitability potential of the franchise.

Let me now touch upon our progress towards the long-term objectives that we had laid out for the business.

Over the last 15 months, a significant amount of effort has gone into strengthening the foundations of the franchise. We have improved customer selection, enhanced underwriting standards, invested in technology-led monitoring capabilities, strengthened collection infrastructure, and diversified the portfolio across customer segments and asset categories.

At the same time, we have continued to invest in our distribution capabilities. Our branch network expanded to 455 branches during the quarter, and we remain focused on deepening our presence across existing and new markets. Alongside this, we continue to invest in talent, analytics, and operating infrastructure to support sustainable growth over the coming years.

Our vehicle finance business today is materially stronger than it was a couple of years ago. The quality of customer acquisition and the portfolio continue to improve. Similarly, in micro-LAP, we continue to build a scalable, secured lending franchise while maintaining a strong focus on portfolio quality. We remain encouraged by both the growth trajectory and portfolio performance of the business.

Looking ahead, while we remain mindful of external uncertainties, including inflationary pressures, geopolitical developments, and weather-related disruptions, our priorities remain unchanged. We will continue to focus on disciplined execution, prudent risk management, and sustainable, profitable growth.

The progress made across customer quality, asset quality, liability management, and business diversification provides us with confidence that Indostar today is operating from a position of far greater strength and resilience. We believe the foundation built over the last several years positions us well to participate in the opportunities ahead while continuing to create long-term value for all our stakeholders.

We are satisfied with the progress we are making towards the targets shared with you in the Q4 FY26 earnings call, which were 35% CAGR disbursement growth over the next 3 years and PAT of 450 to 500 crores in FY29.

With that, I will now request Jaideep to take you through the financial performance in greater detail.

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Jaideep: Thank you, Amandeep. Good afternoon, everyone.

Let me now take you through our performance for Q2 and H1 FY27. First and foremost, our assets under management stood at Rs. 8,459 crore as of September 30, 2026. Retail AUM stood at Rs. 8,204 crore and now accounts for 97% of our overall AUM, reflecting the continued progress in building a granular and diversified retail franchise.

Disbursements for the quarter stood at Rs. 1,399 crore, while H1 FY27 disbursements stood at Rs. 2,634 crore.

Even as we remain focused on growth, our emphasis continues to be on maintaining portfolio quality and improving risk-adjusted returns. In vehicle finance, disbursements stood at Rs. 1,325 crore during the quarter, while AUM stood at Rs. 7,923 crore. We continue to focus on building a more diversified portfolio across commercial vehicles, passenger vehicles, construction equipment, and farm equipment, while maintaining disciplined underwriting standards and profitability.

Our customer quality metrics continue to improve. The share of prime customers, defined as those with a CIBIL score of 725 and above, in our portfolio increased to 85%, while the non-starter ratio remains low at 1.7%. The early delinquency trend also remained stable at approximately 2.4%, reflecting the benefits of the underwriting measures implemented over the last several quarters.

In micro-LAP, we continued to witness healthy momentum during the quarter. Disbursements stood at Rs. 74 crore, while AUM increased to Rs. 280 crore. We remain encouraged by the growth trajectory of the business and, more importantly, by the quality of the portfolio being built.

The business continues to be characterized by strong collateral quality, conservative underwriting standards, and disciplined customer selection. The weighted average LTV remains below 40%, average ticket size has increased to 8.9 lakhs, and 98% of the portfolio continues to be backed by residential collateral.

Asset quality within that business remains strong, with gross Stage 3 assets of only 0.18%, providing confidence regarding the long-term scalability and sustainability of the franchise.

Moving to the liability side, during the quarter, we continued to strengthen and diversify our borrowing profile. Our weighted average cost of borrowing reduced to 9.7%, while incremental borrowing cost stood at 9.1%. The continued improvement in our borrowing profile reflects increasing lender confidence, diversification of funding relationships, and the overall strengthening of the franchise over the last several quarters.

During the quarter, we also completed a direct assignment transaction of our VF portfolio amounting to Rs. 132 crore. We ended the quarter with liquidity of Rs. 827 crore and continue to maintain a comfortable ALM position across all maturity buckets.

From a capital perspective, our balance sheet remains well capitalized. Our capital adequacy ratio stood at 36% as of September 30, 2026, providing substantial headroom to support future growth opportunities.

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Coming to asset quality for the company as a whole, asset quality indicators continued to remain encouraging during the quarter. Gross Stage 3 for the company improved to 4.5% compared to 4.8% in the previous quarter, while net Stage 3 improved to 2.4% from 2.5%.

As discussed earlier, a significant portion of the residual stress continues to remain concentrated within the older portfolio. At the same time, the performance of customers acquired under the revised underwriting framework remains significantly better than that of historical cohorts and continues to provide confidence in the long-term credit outlook of the portfolio. Collection performance remained stable during the quarter, and we continue to see encouraging trends across customer quality, delinquency behavior, and portfolio performance.

Coming to the financials, net total income for the quarter stood at Rs. 243 crore compared to Rs. 190 crore in the corresponding period last year. Pre-provision operating profit stood at Rs. 109 crore during the quarter, reflecting stable operating performance and continued business momentum.

In Q4 FY26, we had created a precautionary management overlay of Rs. 49 crore on the vehicle finance book against the potential impact of the West Asia crisis and higher fuel prices. Over the last 6 months, the portfolio has absorbed the diesel price increase well. Stage 2 has stayed contained, early delinquency is well below last year, and loans written after the price increase are performing better than the earlier cohorts.

With the stress not materializing and our recalibrated ECL model adequately covering expected losses, we released the overlay of Rs. 49 crore in Q2 FY27 while continuing to monitor the situation closely. The overall ECL as a percentage of the total book reduced from 5% to 4%.

With this, the revised impairment and credit cost for the quarter stood at Rs. 96 crore compared to Rs. 81 crore in the previous quarter. Profit after tax for the quarter stood at Rs. 13 crore compared to Rs. 11 crore in the corresponding period last year. For H1 FY27, net total income stood at Rs. 460 65 crore, while profit after tax stood at Rs. 25 crore.

While reported profitability continues to reflect the legacy portfolio and provisioning requirements, the underlying operating performance remains healthy. As the contribution of the newer book continues to increase and the legacy portfolio runs down further, we expect the benefit to be reflected in lower credit costs and improved profitability over time.

Overall, the balance sheet today is significantly stronger than it was a few years ago. Improving customer quality, stable portfolio performance, a stronger liability franchise, healthy liquidity, and robust capital adequacy position us well for the next phase of growth.

With that, we would be happy to take your questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 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 comes from the line of Piran Engineer from CLSA. Please go ahead.

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Piran Engineer – CLSA: Hi, team. Congratulations on the performance, and thanks for taking my question. My first question is on lending yields. Our disbursement yields in vehicles are stable, and in LAP they have come down as we have moved to larger-ticket LAP. But when I look at our overall loan yields, they have gone up from 16.5 to 17 [trails off]

Piran Engineer – CLSA: 17.6. So, what really explains this? Or are we including the DA assignment income in this yield number?

Management: Hi, Piran. This would include the DA assignment income as well, so to that extent, there will be an adjustment if you are comparing it with the previous period.

Piran Engineer – CLSA: Okay, understood. Then, also on NIM, when you calculate NIM of 8.9%, that excludes it. Is that correct?

Management: The net interest margin of 8.9%?

Piran Engineer – CLSA: Yes, because I think the DA income is included in the NIM?

Management: Yes. If you are referring to slide 40 of the investor relations presentation, which has a net total income of 215 and 8.9%, year-on-year, 9.8% on others, then yes, this includes the net DA income as well.

Piran Engineer – CLSA: Then, if the lending yields have gone up 100 bps and the cost of funds has gone down by 20 bps, why is our NIM up by only 10 bps?

Management: Can you help with a few more numbers? What are you alluding to?

Piran Engineer – CLSA: Yes, just—

Management: Hello?

Operator: Sir, you are not audible.

Piran Engineer – CLSA: Is it better now?

Management: Ah, okay. Yes, Piran, there was a pause. Now we can hear you better.

Piran Engineer – CLSA: My question is: NIM has increased by only 10 bps quarter-on-quarter, whereas loan yields have gone up by 100 bps quarter-on-quarter. What explains the difference?

Management: [pause] No, sorry, that 100 bps—where are you getting this number from?

Piran Engineer – CLSA: One second. Let me open the presentation and I will tell you.

Management: Yes, please. If you can help with—

Piran Engineer – CLSA: If you go to slide 14, your Q1 FY27 yield was 16.5. It is written there. Today, it is 17.6. That is what I am referring to: 110 bps.

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Management: Okay. See, when you look at this number, these are actually origination yields. If you are looking at the 17.6, I would request you to look at slides 40 and 41, which will give you a better perspective, because these are origination yields of 17% plus.

Piran Engineer – CLSA: Oh, that is on origination.

Management: Yes, that is on origination. That is all on origination. Effectively, on the P&L, if you are looking at it, I would request you to go to slide 40.

Piran Engineer – CLSA: Slide 40, just one second. Okay.

Management: On slide 40, if you see the top left-hand side, revenue from operations, which is 15.5, includes my DA income as well. So, if you want to compare it with the previous quarter, the DA income will have a role to play there, from 15.1 to 15.5, right? And if you compare it with the previous 3 quarters, there has been significant improvement in the overall NPA parameters and the reversals that used to happen. That is where, effectively, realization is better over the last 2 quarters.

Piran Engineer – CLSA: Understood. It is now pretty clear. It would be helpful if you mention that these are disbursement yields in the presentation because it can be misleading. Then my second question is on asset quality. Our ECL Stage 3 today is at 46%, and we have brought it down over the last few quarters. Where does this settle?

Management: [pause] Piran, over the last couple of quarters, or in fact in the last quarter also, we had written off certain loans. Those loans were actually carrying 100% provision. As a result, it is more of a mathematical adjustment on the overall PCR reduction.

Piran Engineer – CLSA: Okay, understood. Lastly, on the vehicle book, we have had this strategy of growing more in the better-yielding segments, and we have been reducing the share of M&HCV. That strategy has played out well. Eventually, where do we see the share of M&HCV loans settling?

Management: Piran, as I said, what we are most comfortable with is not having concentration in any of our products, right? There was a time when M&HCV was even higher than 50%, right? Overall, you can see that we now have five verticals: one is LAP, then CV, FE, PV, and construction equipment. I think it is fair to say that you would expect us not to cross 35% to 40% in any of the segments. That is where you will see us operating, basically avoiding concentration in any segment in which we operate. That is a conscious decision that we have taken.

Piran Engineer – CLSA: Okay, that helps. That is helpful. Sorry, I was on mute.

Management: So, 90 to 20%, if that was your question, right? We will not have that kind of concentration of 50%. There was a time when we had even higher than 50%.

Piran Engineer – CLSA: Got it. That answers my question.

Management: We want to avoid volatility that can hit a particular segment, so that is basic credit 101.

Piran Engineer – CLSA: Got it. Perfect. Thanks for this, and I wish you all the best.

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Management: Thank you, Piran.

Operator: Thank you. The next question comes from the line of {? Maulik Manjrekar ?} from MK Ventures. Please go ahead.

Maulik Manjrekar – MK Ventures: Hi, {? Alind ?}, this is Maulik. A quick question on the provisioning that we have done. It is good to see that our early delinquency trends for the new book have been coming down as guided and as intended. But purely from a P&L perspective, provisioning continues to be high, and this quarter we have also taken that overlay. Going forward, given the early delinquency trend for the new book, when do we see this provisioning coming down significantly? Can we expect that from this quarter onward? Also, in terms of SR collections, if you can give some color, how is that happening, and whether that is again a part of the current period or—

Management: Hi, Maulik. Hello?

Maulik Manjrekar – MK Ventures: Yes, am I audible?

Management: Okay. Thanks for the question, and thanks for recognizing and observing that our asset quality trends are improving. This is given in detail on slide 33, right? I am sure you would understand and appreciate that while new originations are happening and the new book, or the book under the revised tightening norms, is increasing its share, there is still a pre-January 2025 book remaining. As of September 30, 2026, this is around 24% of our total AUM, and it is showing slightly higher, or significantly higher, delinquency than our current trend. Roughly, give or take, this portfolio amounts to around 1,850 crore.

Now, out of this 1,850 crore, the good news is that 30+ is only around 27%. This 30+ of 27% would have some forward flows, which would eventually affect us in terms of provisions. But the good news is that by the end of this year, this goes down, and the overall book goes down to around 10% of AUM. Yes, provisioning, as you observed, continues to be at a similar level quarter-on-quarter, around 100-odd crore or 96-odd crore. It should start going down significantly for us from Q4 onwards.

That answers your first question. The second question is about SR collections. There are two parts of the SR: one is a retail portfolio that we had sold to the ARCs, and the other is the corporate portfolio. For the corporate portfolio, we had guided that recoveries would start coming in around 18 to 24 months. At the beginning of the year, in April 2026, we had given this guidance. We have been monitoring the progress on the corporate portfolio, and it is in line with expectations. There have been no changes or negative surprises that we see there. We continue to remain hopeful about collections coming in there, and no charges or provisions are required. For retail also, collections are decent and the necessary provisions have already been made. Again, there also, regarding the progress and net carrying value, we are very confident that we would recover that money in the next 12 to 18 months.

Maulik Manjrekar – MK Ventures: Thank you. This is very helpful. Just one question on AUM growth. Hello?

Management: Hi.

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Maulik Manjrekar – MK Ventures: Thanks for this. One question on AUM growth. Our disbursements have been very healthy on a year-on-year basis, but on a sequential basis, our AUM accretion has been hardly 200 crores. With disbursements of around 1,400 crore and 200 crore of accretion, the run-down has been higher. Is this normal and in line with our expectations? Generally, do we see higher growth in the second half of the year, or is there any particular reason for the higher run-down?

Management: Hi, Maulik. There are two primary reasons. One is a small DA transaction that we did, of about 132 crores, and second, we also wrote off some of our higher-delinquency assets, pertaining primarily to the old book. As our old book continues to run off, in the future you would see a much smaller gap between our disbursement growth and AUM growth. Right now, essentially, it was 12% year-on-year growth in AUM, while disbursements, of course, are growing almost 50% plus quarter-on-quarter. You would see this converging over a period of time.

Maulik Manjrekar – MK Ventures: Effectively, with this kind of disbursement growth, we should comfortably deliver 18% to 20%, or 20% plus, AUM growth on a net basis by year-end. By that time, our provisioning will also be fully sorted out, and we will be back to normal?

Management: Yes, absolutely. There is no doubt about that.

Maulik Manjrekar – MK Ventures: Okay, thanks.

Operator: Thank you. The next question comes from the line of Varun Gujral from {? Buoyant AMC ?}. Please go ahead.

Varun Gujral – Buoyant AMC: Hi, sir. Thanks for taking my question. I wanted to understand, after the recent overlays and the adjustment that you have made, what is the normalized credit cost that we can look at from an FY28 perspective? I understand that FY27 will again have higher impairment as you run down that book. What is the normalized credit cost that you are looking at?

Management: I think we have guided that, given the strong underwriting performance in the new book, we would expect our normalized credit cost to remain between 2% and 2.5%. Our early signals give us a lot of confidence in achieving this much lower credit cost in FY28 than what you have seen in FY27. Even in FY27, in the second half, you will see a much lower credit cost. In fact, you will start seeing that reduction quite prominently from Q4. That is our profitability trajectory.

Varun Gujral – Buoyant AMC: Correct. Having said that, considering that the macros are slightly tricky right now, I wanted to understand why we would release the overlay now. Would we not want to be slightly more conservative?

Management: When we look at portfolio performance, it was very clear that there was almost no impact. In fact, when we took the overlay, the crash in overdue levels had started in some way. But as we saw our portfolio performance, we continued to see month-on-month significant improvement. That was the reason and the comfort we had that we were absolutely on the right track. As I described earlier in my opening remarks, when we look at our delinquencies, whether in 30+, 60+, or 90+, whatever we originated this year from January to September, across all 1+, 30+, and 60+, our delinquencies are down almost 70%. That is a massive reduction. So, we were

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comfortable releasing it.

Varun Gujral – Buoyant AMC: Okay. And—

Varun Gujral – Buoyant AMC: Then, with the rate hike, how do we see weathering that going forward?

Management: I think we will obviously be impacted. However, what we will eventually do, and that is what we hear from many of our peers whose earnings calls we follow, is that most of our peers plan to pass it on to the borrowers, and that is what we will do as well. As our costs go up, pretty much all other NBFCs plan to pass it on, and we will be no different.

Varun Gujral – Buoyant AMC: Okay. Thanks, and all the best.

Operator: Thank you. The next question comes from the line of Denish Mistry from Eternity Investment Management. Please go ahead.

Denish Mistry – Eternity Investment Management: Hi. First of all, congratulations on a good set of numbers. You are delivering as you had spoken about over the last few quarters, and congratulations on a lower cost of funds as well. I had decided to ask this question, but I think somebody else has asked it. If you look at Q4 FY26, 40% of your vehicle finance book was pre-tightening AUM. That was about 3,000 crores. Today, in Q2 FY27, as Jayesh mentioned, it is about 1,850 crores. That 1,150 crores that remains is contributing to the difference between your disbursements and repayments. Are you encouraging repayments, or is it all just write-offs?

Management: [pause] It is essentially, as I said, write-offs of higher-delinquency, higher-DPD assets. That is why our very high disbursement growth has not resulted in that level of AUM growth. As I answered in the previous question, you would see that difference reducing significantly.

Denish Mistry – Eternity Investment Management: What you are saying is that as you continue to disburse the newer book, the percentage will fall, or will you continue to take more and more write-offs?

Management: The amount of write-offs that we need to take is also reducing. This is the point we made in the earlier question: in late Q3 and perhaps actually in Q4, those numbers will go down significantly. You will start seeing very good accretion because we had 51% year-on-year growth in the last quarter. It is fair to say that we have begun very well in October. The momentum looks quite good for our guidance of 35% CAGR. I think we are in a good space there.

Denish Mistry – Eternity Investment Management: Fair.

Denish Mistry – Eternity Investment Management: The second question is regarding your borrowing profile. How much would be fixed and how much would not be fixed?

Jayesh: Hey, Denish. Hi.

Denish Mistry – Eternity Investment Management: Hi, Jayesh.

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Jayesh: Denish, we have around 3,900 crore of borrowings that are either floating or due for maturity in less than 1 year. In fact, borrowings due in less than 1 year are around 1,300 to 1,400 crore. The rest is all floating. Of that, to give you a little more detail, 1,000-odd crore is linked to repo, a T-bill, or 1- or 3-month MCLR. Essentially, with this RBI rate hike and the proposed rate hike, this is the pool that would probably get repriced higher. Having said that, we have another 1,300 crore of borrowings that were probably taken 18-20 months ago and are falling due for repayment in the coming 3 to 6 months. These are actually at an interest rate in excess of 10.5% or so. What happens is that it effectively nullifies the impact, because all of these will be repriced significantly lower than the rate at which they were probably borrowed, and there might be some increase because of a rate hike.

Denish Mistry – Eternity Investment Management: Got it. So, essentially, it is safe to assume that your weighted average cost of borrowing would still come down in the end?

Jayesh: Yes, overall, on the book, it would come down.

Denish Mistry – Eternity Investment Management: Got it. Thank you very much. Thank you, management, and I wish you the very best.

Jayesh: Thank you.

Management: Thanks, Denish.

Operator: Thank you. The next question comes from the line of Saumya Raghuwanshi from {? Nirva Securities ?}. Please go ahead.

Saumya Raghuwanshi – {? Nirva Securities ?}: Good afternoon, sir. Thank you for the opportunity. The share of loans above 10 lakh has increased significantly in the micro-LAP disbursement mix. How is the company balancing higher ticket sizes with credit risk and portfolio quality?

Management: Saumya, your voice was not very clear, but if I understand correctly, we are doing larger-size loans as well. Our ATS on disbursements is about 9.6 lakhs. It is not very high, if that was your question. It is not that we have a very high percentage of loans in the range of 25 or 30 lakhs. That is not the case. Our book continues to be very granular.

Saumya Raghuwanshi – {? Nirva Securities ?}: Okay, sir. The company has—

Management: —so far not had a single loan higher than about 25 lakhs. We might increase that to 25 to 30 lakhs, or at most 35 lakhs, in the near term, but practically everything done so far has been below 25 lakhs. There are a few loans, of course, that may be 20 to 25 lakhs, but primarily our median continues to be about 9.5 to 10 lakhs, which is what we guided, with the stated objective of gradually increasing the ticket size.

Saumya Raghuwanshi – {? Nirva Securities ?}: Okay, sir. Since the company has expanded its branch network to around 475 branches, if I am not mistaken, across 24 states, how much of the future AUM growth is expected to come from existing branches versus new branch additions?

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Management: Primarily, what we guided was about 100 branches in the next 3 years. This is what we gave in the earlier earnings call. If you look at the big picture, what we are saying is about a 7% to 10% increase in our branch network, and that is it. We are not looking at a very high growth rate in the number of branches.

Saumya Raghuwanshi – {? Nirva Securities ?}: Okay, sir. Just one last question from my end. With vehicle finance accounting for approximately 98% of the customer portfolio and micro-LAP accounting for the remaining 2%, how quickly does management expect micro-LAP to become a more meaningful contributor?

Management: We have a calibrated approach towards building this business. A lot will depend on our experience with portfolio quality, which so far has been very positive. Our internal target is to reach somewhere between 10% and 15% in the next 3 years. We will adjust it on a day-to-day basis as we roll out, assess our productivity numbers, and assess our portfolio quality numbers. However, 10% to 15% is something we definitely want to target. Our growth has been strong, and we have been growing very well in this business, at almost 150% plus. We will continue to grow at a high rate. We have a large opportunity because we are in 23 states and have 450 branches. There is a significant opportunity for us to grow this business without incurring any capex because these are all co-located branches.

Saumya Raghuwanshi – {? Nirva Securities ?}: Okay, sir. That is all from my end. All the best.

Operator: Thank you. The next question comes from the line of Payal Sharma from PB Capital. Please go ahead.

Payal Sharma – PB Capital: Hello. Thanks for the opportunity. I want to ask one question. ROE and ROAA currently stand at 0.5%, right? What is the medium-term target for ROAA, and what are the key levers that will drive the improvement?

Management: Payal, if you look at it, one of the key levers for us is the reduction in credit cost, where we feel very good about our portfolio trends. We want to target 2% ROA from H2 FY28. By that time, most of our old book would have run off. That is the number that management is targeting.

Payal Sharma – PB Capital: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi – Equirus Securities: Hello. Hi, sir. Thank you for giving me the opportunity. My question was on the technology-related upgrade that has been undertaken over the past year or couple of years since the time you took over. Currently, how do you see the turnaround time? That is the key consideration in this segment and the segment in which we operate. How do you see the TAT? To what level has it come down, and what is our target in terms of TAT, product-wise? Secondly, in terms of the outcome on the rejection rate and also on asset quality, in terms of the cases that we are onboarding, what changes have you seen in the quality of the portfolio being created since you onboarded or rolled out the new BRE?

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Management: Thanks, Shreepal. I will take these one by one. First, on your portfolio quality and customer onboarding question, we have a scorecard with a very high weightage on trade lines in the bureau report. Essentially, what has started happening is that, to share some numbers, a 725 score, which is generally considered prime by most lenders, or the percentage of customers with a CIBIL score of 725 and higher, used to be only 62% in Q2 FY24. Then, as you know, we started tightening from January 2025 onwards, and this quarter that number has gone up from 62% to almost 85%.

Similarly, if you see Q2 CIBIL bureau scores above 700, which are again considered very good, that number has crossed almost 95%. Equally, along with that, we have also consciously reduced our new-to-credit customers. In the old book, new-to-credit customers were 14%. That number over the last 2 years and following the tightening has come down to just about 4%. All our filters have resulted in a much better customer profile overall.

Even within certain subsegments, for example, MLTV, you would see the profile within that MLTV has also started improving. Instead of having more customers in the LTV 50 segment, you would see more customers in the 1 to 5 segment, more customers in the 6 to 9 segment, and more customers in the 10-plus segment. Across the entire spectrum, the quality of the customer profile has improved and has become much better, as expected. Does that answer your question on portfolio quality and customer onboarding, Shreepal?

Management: [pause] I think we lost Shreepal.

Operator: The participant's line seemed to be disconnected. Ladies and gentlemen, we will take this as the last question for today. I now hand over to Ms. Aayushi Gupta for closing comments. Over to you, ma'am.

Aayushi Gupta: Thank you. I would like to thank management for taking the time for this conference call today, and also thank all the management members and participants. If you have any queries, please feel free to contact us. We are {? MNG Incline ?} Private Limited, Investor Relations Advisors for Indostar Capital Finance Ltd. Thank you.

Management: Thank you.

Jayesh: Thank you.

Operator: On behalf of Indostar Capital Finance Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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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