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January 27, 2026

To

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|---|---|
| **BSE Limited** | **National Stock Exchange of India Limited** |
| **Phiroze Jeejeebhoy Towers** | **Exchange Plaza, C-1, Block G** |
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| **Mumbai - 400001** | **Mumbai - 400051** |
| *Scrip code: 541770* | *Symbol: CREDITACC* |

Dear Sir/Madam,

**Sub.: Transcript of Q3 FY26 Results Conference Call**

Pursuant to provision of Regulation 30 and Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q3 FY26 Results Conference Call, held on Tuesday, January 20, 2026.

The same is also available on the Company's website at: www.creditaccessgrameen.in.

This is for your information and records.

Thanking you

**Yours' Truly**
**For CreditAccess Grameen Limited**

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**Deepti Ramani**
**Company Secretary & Compliance Officer**

*Encl.: As above*

# "CreditAccess Grameen Limited
# Q3 FY26 Earnings Conference Call"
# January 20, 2026

**MANAGEMENT:** **MR. GANESH NARAYANAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CREDITACCESS GRAMEEN LIMITED**
**MR. GURURAJ RAO – CHIEF OPERATING OFFICER – CREDITACCESS GRAMEEN LIMITED**
**MR. NILESH DALVI – CHIEF FINANCIAL OFFICER – CREDITACCESS GRAMEEN LIMITED**
**MR. SAHIB SHARMA – DEPUTY GENERAL MANAGER, INVESTOR RELATIONS – CREDITACCESS GRAMEEN LIMITED**

**MODERATOR:** **MR. DEEPAK SHINDE – HDFC SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the CreditAccess Grameen Limited Q3 FY26 Earnings Conference Call, hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Shinde from HDFC Securities. Thank you, and over to you, sir.

**Deepak Shinde:** Good evening, everyone, and welcome to the Q3 FY26 Earnings Call of CreditAccess Grameen. Today, we have with us the senior management team of CreditAccess Grameen, represented by Mr. Ganesh Narayanan, Managing Director and Chief Executive Officer; Mr. Gururaj Rao, Chief Operating Officer; Mr. Nilesh Dalvi, Chief Financial Officer; and Mr. Sahib Sharma, DGM, Investor Relations. On behalf of HDFC Securities, I would like to thank the CreditAccess Grameen management team for giving us this opportunity to host the call.

I will now hand over the call to Mr. Ganesh Narayanan: for his opening remarks, and then we will open up the floor for Q&A. Over to you, sir.

**Ganesh Narayanan:** Thank you all for joining the call today. Let me start by wishing you all a very happy, prosperous and fulfilling new year. Today, we are here to discuss our third quarter and the first 9 months of FY26 business performance.

Our performance this quarter reaffirms the strength and stability of our business model. We are witnessing a very clear normalization in the asset quality trends across operating geographies, enabling renewed focus on growth. Our X bucket collection efficiency stood at 99.71% in December 2025, while monthly PAR 15+ accretion declined sharply to 18 bps in December 2025 from 47 bps in September 2025. January-26 continues to show similar trends. The improvement is visible across our operating geographies with Karnataka showing a notable recovery with asset quality reverting to its historical levels, supported by tighter credit oversight.

The disbursements for Q3 FY26 stood at INR 5,767 Crore, increasing by 13.4% YoY with the exit month December crossing INR 2,200 Crore mark. As a result, we've seen sequential portfolio growth of 2.6% to INR 26,566 Crore and 3.3% QoQ adjusted for accelerated write-offs of INR 181 Crore. Borrower acquisition remains central to our growth strategy as we added 2.1 Lakh borrowers in Q3 FY26 and 6.4 Lakh during the 9-months FY26 period, of which 50% came outside of the top three states. While October 2025 saw a temporary lull business momentum due to festive seasonality, the momentum accelerated meaningfully thereafter with December 2025 recording 90,000 new borrower additions. We continue to maintain a healthy new-to-credit ratio of 39%, which is reflected in the increase in the share of unique borrowers to 43.4% in December 2025 from 26.4% in August 2024, positioning us well for quality growth ahead.

We added 15 branches in the quarter, taking our infrastructure to 2,222 branches. The retail finance portfolio continued to scale steadily with its share now at 14.1% of AUM at the end of third quarter versus 11.1% in the second quarter, reflecting structural progress. While part of the increase is optically driven by slower normalization in the group lending book, importantly, the expansion is driven by a shift of quality vintage customers towards individual business loans to meet their growing credit need.

Our employee base remained firm QoQ at 21,701 employees at the end of December 2025 and employee attrition moderating to 30.2% in the 9M FY26 versus 35.2% in 9M FY25. As indicated in Slide 10 of the Investor Presentation, the deleveraging trend has largely played out with MFIN guardrails in place over the last 6 quarters.

The GLP of borrowers with > 3 lenders nearly stood at 4.9% in December 2025 versus 25.3% in August 2024, while the GLP of borrowers > 2 Lakh unsecured indebtedness stood at 7.8% as of December 2025 compared to 19.5% in August 2024. The average total unsecured debt of CA Grameen borrowers and the average monthly obligation have increased by 3% QoQ. PAR 15+ in case of borrowers with > 3 lenders stood at 20.4% as of mid-December versus 19.5% in mid-September. While PAR 15+ with borrowers > 2 Lakh indebtedness came down to 6.9% in mid-December from 9.7% in mid-September. The implementation of MFIN guardrails has meaningfully strengthened the overall quality of the microfinance ecosystem.

As visible in Slide 11, PAR buckets 0-30, 30-60, 60-90 have clearly improved on a sequential basis, led by lower new PAR accretion, while PAR 90 witnessed forward flows in Q3 FY26. We wrote off INR 259 Crore worth of loans in Q3, which includes INR 181 Crore of accelerated write-offs pertaining to 180 DPD non-paying accounts, leading to additional credit cost of INR 59 Crore in Q3 FY26.

The credit cost for Q3 FY26 stood at INR 343 Crore, which includes INR 59 Crore due to accelerated write-off and INR 37 Crore due to additional impact due to increase in ECL rates. The provisioning rates for the past quarters are stated in Slide 12, helping quantify the increase in various stages. Excluding the impact of ECL provisioning rates and accelerated write-off, credit cost non-annualized stood at 96 bps for Q3 FY26. This is in line with our new PAR 15+ accretion of 109 bps during Q3 FY26. Our FY27 credit cost guidance of 4% to 4.5% reflects a new PAR 15 accretion rate of 30-35 bps per month. If we are able to demonstrate a monthly PAR 15+ accretion rate of 20 to 25 bps, it would translate in lower credit costs in the future. We shall monitor the monthly PAR trend for the next 3 to 4 months for revisiting our credit cost assumptions.

We continue to hold 132 bps or INR 335 Crore higher provisions over PAR 90 and 280 bps and INR 733 Crore higher provisions compared to IRAC prudential norms. Our collection efficiency, excluding arrears, stood at 95.5% in Q3 FY26. PAR 90 stood at 2.94%, GNPA of 4.04% and net NPA of 1.36%, both predominantly measured at 60 DPD.

The operating profitability continues to gain strength, driven by improving yields and lower average cost of borrowings. We incurred a one-time impact worth INR 18 Crore on account of new labour codes pertaining to the employee benefit obligations. It is important to note that the company moved towards this 50% salary levels, including DA and basic to meet this guidance proactively, leading to very little impact during this quarter.

Net interest income grew 13.4% YoY to INR 977 Crore with portfolio yield of 21.0% versus 20.7% in Q2 FY26. Our average cost of borrowings continues to trend lower, reflecting disciplined liability management, having declined 26 bps QoQ to 9.4% at the end of Q3 FY26. In Q3 FY26, we raised INR 3,917 Crore with a marginal cost of borrowing, which stood at 8.9%. Our foreign borrowings stood healthy at 24.3%, moving closer to the medium-term target of 25-30% by FY28 as we scale our business. We maintain ample liquidity at INR 2,397 Crore, amounting to 8.4% of our total assets. Our funding position remains strong with INR 3,431 Crore of sanctions in hand and INR 5,781 Crore sanctions in pipeline.

NIM increased by 60 bps QoQ to 13.9% in Q3 FY26. Cost-to-income ratio stood at 34.1%, and adjusted figure at 32.3%, excluding the labour code impact. PPOP stood at INR 680 Crore in Q3 FY26, while adjusted figures stood at INR 699 Crore. PAT doubled QoQ to INR 252 Crore, while adjusted figures stood at INR 266 Crore, translating to an ROA and ROE of 3.5% and 13.8%, respectively.

If the labour code impact is excluded, the ROA would have been 3.7% and ROE will be at 14.6%. We would also like to update you all on our Grameen Mahi, our customer digital handle. With close to 1 million downloads, the platform is seeing strong adoption and reflects a meaningful shift in how our customers choose to engage with us. It enables instant digital loan eligibility checks for group loans, generates targeted reach for retail offerings and seamlessly integrates collections into a cashless ecosystem, playing a key role in achieving 20% digital collections at the end of December 2025. This also helps us build more trust and transparency amongst our customers.

With normalized asset quality, a stronger balance sheet and a motivated team, we are well positioned to achieve robust business growth and improving return ratios. Together, we are confident in nurturing business that consistently delivers returns, enhances stakeholder value and sets new benchmarks of excellence in our industry.

Thank you for listening. We'll now open the forum for questions and answers. Thank you.

**Moderator:** Our first question comes from the line of Shreya Shivani from Nomura.

**Shreya Shivani:** I had three questions. Congratulations on a great set of improvement numbers that we are seeing in the quarter. I was just wondering, while Karnataka and Tamil Nadu have done well the improvement has been quite good. Can you give some colour about trends in Uttar Pradesh, Bihar and Madhya Pradesh compared to the April-24 number that you had given us last year, they are still probably 15 to 20 bps higher currently? So, what is the trend over there? That will be my first question.

My second question is on the state of Karnataka. While you guys have reported great numbers, some of the non-MFI lenders commentary earlier this quarter or maybe even closer to December was that the credit discipline in Karnataka state, which got disturbed after the MFI ordinance came into place, which impacted our retail loans also is still not back. So, I am quite surprised with the great improvement that we are seeing in Karnataka. Some comments around that would be helpful.

And my third question is that while you guys have done quite well on the cost of funds, there was a media article, and I can understand it may be more relevant for some other NBFC-MFIs, which did mention that the bank borrowings, the lines are drying up for many NBFC-MFIs.

Even if the lines are available, they are coming at a significantly higher cost of funds. So, if you can speak to us about the -- any challenges or any areas that we are struggling with our bank borrowings or our bank relationships. Those are my 3 questions.

**Ganesh Narayanan:** Okay. Thank you, Shreya. With respect to trends in states like UP, Bihar, MP, all states, as demonstrated in our slides, are continuously coming down. But however, we have also earlier indicated that our non-core states generally have slightly higher credit cost than our core states, right? So, I think this is just playing out. It's just a matter of time. And we are consistently seeing that all states are trending downwards.

**Nilesh Dalvi:** Just to add, Shreya, since you referred to the earlier data for the states. As I see April, May, June-25, UP, Bihar was around -- sorry?

**Shreya Shivani:** April-24 data, which you used to give in last year, you had given those numbers, April-24 data. So, I was just comparing that.

**Nilesh Dalvi:** Yes. Fair enough. So, I think we are very much close to it, but I mean, we have come out of a large cycle. Give us some more time, maybe in the upcoming months, we should see this trend getting better. But if I compare it on a YoY basis before the crisis, those numbers were around 40 bps to 50 bps in UP, Bihar and MP, which is now in the range of 25 bps to 30 bps.

**Shreya Shivani:** Yes, YoY is quite good. With respect to April-24, I felt there is still more improvement that is a possibility in these states, right?

**Ganesh Narayanan:** Yes. So, Karnataka spiked up faster. It's come back faster also. So that has also been a behaviour that we've seen because that's a core state. Other states, I think all of them are trending downwards. It's just a matter of time. We'll have to see for the next 3 to 4 months where it settles down.

And with respect to credit discipline in Karnataka, I think we have strongly come back. We'll have to watch the next 2 to 3 months. January is trending with a similar nature. And we are seeing such improvements across microfinance, mortgage as well as unsecured lending. Karnataka is coming back very, very strong to our normal levels. It's only a question of time if others are indicating that it has not come back to normalcy. Maybe a few more months, the rest of them would also come. You should appreciate that Karnataka is our home state and probably every 30 kilometres, we have a branch, and we've been here for the last 25 years. And probably we have a little more connect than the rest of them. But I think the industry would follow.

The third point with respect to bank borrowing, I think when the industry is going through a credit cycle, it is natural of the banks to pull off a little. But fortunately, some of us have never had this situation because our diversification strategy has a very important role to play here. I think we are one of the few NBFCs which has a bank term loan borrowing dependency of less than 60%. And we've been continuously able to access bank funds. It has not impacted us during the entire credit cycle, right? And we continue to access more funds as we move ahead.

**Moderator:** Our next question comes from the line of Abhijeet Tibrewal from Motilal Oswal.

**Abhijeet Tibrewal:** Sir, first thing on the industry, most other players talk about a very high rejection rate today, especially after the implementation of MFIN guardrails. So, if you could just help us understand how have our rejection rates trended over the last maybe 2, 3 quarters? That is the first question that I had. The second question that I had was that maybe next year onwards, maybe FY27 onwards, we'll look to start growing at 20% - 21%, thereabouts. So within this, what will be the split of the growth that will come from MFI and what growth can we expect from retail finance? Just trying to understand the way things are today very, very clearly, like you mentioned earlier, December, we saw very good improvement in PAR accretion and like you mentioned, continues in January as well.

I'm hoping that gives you a lot of confidence to start accelerating on disbursements and growth. So which is where that question of how are you thinking about the split between MFI and retail finance? And lastly, sir, I mean, you just mentioned about Karnataka came back very, very strongly. And like you rightly said, your home state as well.

So I just had one observation and just wanted to pick your brains on this. Yourself as well as other few MFIs have been talking about very strong recovery in Karnataka collection efficiency. And the ones who are still not seeing improvement, can it be a little bit to do with the fact that MFIs have already written off a large part of the loans, which are problematic in nature. And which is where on a zero DPD collection efficiency or expected collection efficiency is looking very good, while for some others, right, who have not written off, they still are facing problems in Karnataka?

**Ganesh Narayanan:** Yes. Okay. So let me try and answer all the three questions. I think the first and second are slightly linked to each other. Rejection rates, definitely, yes, they have gone up. Our current approval rates for new borrowers, so that is new borrower entering CA Grameen is around 55% to 60%. And our existing renewal rates are around 45% to 50%. Just for comparison, this used to be around 65% before the guardrails, right?

It has fallen significantly. That also means that you will have to put more effort on acquiring customers to maintain some amount of growth rate in microfinance. And yes, since we are coming out of the cycle and another quarter of performance will give us the confidence to accelerate in the next year for sure. However, as we had indicated in our medium-term goal, the growth rate of microfinance would be lingering early teens and the rest of the growth will come from retail, right? And we are also seeing that retail, we are actually outperforming our guidance a little bit. We are growing a little more faster than what we anticipated. It's possible that retail will have a little more share than what we anticipated in the growth trajectory. But that's something that we will see over the next few quarters, I think.

**Nilesh Dalvi:** I'll just add it. So Abhijit, on Karnataka, you are saying that there are other players who have not done write-off. That's why the collections are looking lower. I believe that was your question.

**Abhijeet Tibrewal:** Yes. So, all I was just trying to understand is, I mean, there are today players who are there in predominantly the small ticket LAP segment who still talk about weakness in Karnataka. While if I look at us and a few other players who are present in MFI segment, they have been talking about Karnataka having come back in a big way. Can it so happen that a lot of the problematic pool for us in Karnataka has already been written off. So, on an X bucket basis, collections are indeed looking good, while for some others, right, because the problem pool is still there, they're still not able to see that recovery?

**Ganesh Narayanan:** I get your question, but I think you may also have to see what is the new PAR addition there again. I don't have the data right now. For us, like I said, across retail, including mortgage as well as unsecured business loans, Karnataka is showing a sharp reversal. So, like I said, it's taking time for some people, probably it's just a matter of time. But it does look like at ground, things are coming back to normalcy.

**Abhijeet Tibrewal:** Got it, sir. And just one last clarification on your opening remarks. You had shared that this FY27 credit cost guidance of 4.0% to 4.5% is factoring in monthly PAR accretion of about 30 to 35 bps. In case, like you mentioned if the PAR accretion is lower than that, then there are downside risks, right, to this credit cost guidance.

**Ganesh Narayanan:** Yes. It's possible. We will need to watch it for a few more months. And probably by May, we will try and come back with a clearer guidance. It held good in December and January. We will have to watch it for a few more months to ensure that the pattern is stable and it is going to remain that. It looks like that, but we will have to come back with some guidance in May.

**Moderator:** Our next question is from the line of Nidhesh from Investec.

**Nidhesh:** Sir, on the retail finance, can you give some more details on the portfolio...

**Moderator:** Nidhesh, sorry to interrupt, but your volume is very low. I request you to please come closer to the mic.

**Nidhesh:** Yes. So my question is on retail finance. Can you give some more colour on retail finance that how much of the book is secured and how much is unsecured? And we have seen very strong growth in this business. If you can also share some data about client profile, how much is unique to CREDAG and what is the total, let's say, sector outstanding on those customers, etcetera?

**Ganesh Narayanan:** Sure. So, the retail finance portfolio today roughly comprises of around INR 3,780 Crore, of which we have 2 types of unsecured loans extended to customers, graduating customers. One book is our product called Unnati Loan, which is profile of customers are significantly higher income earning. They are able to demonstrate better cash flow. We are able to visibly see proper business premises, the scale and size, etc. So that book is around INR 1,700 Crore.

We also have a lighter version of the individual lending product, which is INR 1,600 Crore. They could have higher income, but if we have certain difficulties in ensuring that it is demonstratable or the size of the income is not clear or it's not visible to the level that the customer is saying, we graduate them to a slightly lower ticket size. So that is around INR 1,600 Crore.

So, both these books put together is around INR 3,300 Crore. Both these books, PAR 30 is well under control, under 2% as we speak. We have INR 266 Crore of mortgage business loans. We have a home loan book of roughly around INR 200 Crore and a two-wheeler book of around INR 13 Crore. In secured loans, we are at a PAR 30 lower than 2% once again, right? So these books, while they are new, they have done around 2-3 years vintage, they're holding good so far, yes.

**Nidhesh:** Sure. So secured portfolio will be around INR 500-odd Crore?

**Ganesh Narayanan:** Yes, it's INR 500 Crore.

**Nidhesh:** And secondly, can you give some guidance on the margins? I think margins should keep on improving. What is the trajectory that you foresee for next year in terms of margins?

**Ganesh Narayanan:** You will take that?

**Nilesh Dalvi:** Nidhesh, we should see some improvement in margins because even as you saw in third quarter, the NIMs have improved because there has been around 30 bps improvement in yield on account of lower interest reversals and the cost of borrowing is down by 20 bps. So maybe for next year, we should see the NIMs anywhere between maybe 14% to 14.5%, in that range for some time because borrowing cost incrementally, we do see dropping by 10 bps every quarter for at least next 2 to 3 quarters, then it should settle down.

And also, one thing we need to understand is the current NIM profile is basis the current credit cost trend what we are seeing because we had taken a pricing increase in third quarter basis the current credit cost trend. So maybe going forward, if we are able to see a relatively lower credit cost trend, then obviously, it will translate into a lower pricing benefit to the customer. From that perspective, we will try to maintain our ROAs in 4.0-4.5% range. And NIMs will vary depending upon how the underlying risk is shaping up. But as of now, considering the current trend, we believe NIM should be around 14% range for some time. And then they may again revert basis the change in pricing.

**Moderator:** Our next question is from the line of Rajiv Mehta from Yes Securities.

**Rajiv Mehta:** Congrats on a very strong performance. Sir, my first question is on the new customer acquisition. That count is slightly even lower than Q2 and the industry has been continuously deleveraging. When do we see this new customer acquisition picking up for us? Because eventually, that number has to go up and keep growing for us to even grow higher in the JLG model? Because, I mean, as we see that the ticket sizes of the portfolio is increasing largely because of bulk of the growth coming from the renewals of existing customers. But eventually, in the longer run, this lever has to pick up of new customer acquisition. What is the outlook on that?

**Ganesh Narayanan;** Okay. I think new customer acquisition will pick up traction in Q4 itself. So, we believe we should see some significant improvement as we move ahead because you have cleared historical PAR now and the field level sentiments are a lot more positive now and people have more time to do new business. There are specific efforts that are targeted towards increasing these numbers. And I think in Q4 FY26 itself, we should be able to demonstrate that the run rate is picking up.

**Rajiv Mehta:** And can you segregate December disbursement number? And can we further build on that number as a run rate in Q4?

**Ganesh Narayanan:** Yes, we did INR 2,200 Crore worth disbursements in December. And we should hopefully do slightly better in Q4 because Q4 generally comes with our best performance. We will try and see if we can meet our historical Q4 numbers similar to those.

**Rajiv Mehta:** Okay. And just last thing on the credit cost. So, this quarter's credit cost did have some impact because of higher ECL provisioning rate, which I believe will remain. But you also had some balance or residual accelerated write-off of INR 187 Crore, which will not repeat in Q4, right? So that impact will not be there in Q4?

**Ganesh Narayanan:** Yes. We did accelerate write-off only in October. So it stopped from there, right? So we're not anticipating anything in Q4. However, we'll have...

**Rajiv Mehta:** Yes. Then the implied write-off for November, December, would that be the normal write-off run rate now?

**Ganesh Narayanan:** Yes. So, we should see Q4 will have similar credit cost as that of Q3. And it may take some more time to see where it stabilizes around.

**Nilesh Dalvi:** Yes. So, Rajiv, maybe I'll add a couple of points here. So largely, whatever new delinquencies, which came up in the first quarter, that is the month of April, May, June, those delinquencies will come for write-off in the fourth quarter because we do the write-off after 9 months. You may get some indicative trend. It may be in line with whatever the new PAR, which came out in the Q1, maybe 70%, 80% of that may come for a write-off in fourth quarter. But I mean, anyways, we have 70% provisions on that. The residual will come to the P&L. And yes, on the ECL front, as we had indicated in the second quarter call, we should see the Stage 1 provisioning inch up closer to 1.5%. So that should happen in fourth quarter.

**Moderator:** Our next question is from the line of Shreepal Doshi from Equirus.

**Shreepal Doshi:** Sir, my question was on the retail portfolio. So that portfolio is quite diverse in terms of the product bouquet. So, what is the kind of, let's say, the DuPont in terms of margins and credit cost and ROA on a BAU basis that we are trying to sort of reach to over the next 2 to 3 years' time period?

**Ganesh Narayanan:** Okay. I think we've discussed this earlier, Shreepal. Thank you for the question. So, most of these products are very close to the pricing of microfinance, right? So, except for housing, where the average disbursement rate is around 16.7%. And mortgage is anywhere north of 21%, similarly two-wheeler. So, all of them should have similar margins as that of microfinance. But as we discussed, over a period of time, it will actually be a little more contributing once it reaches a certain amount of scale and we are able to kind of see the benefit of opex plays in.

**Shreepal Doshi:** Got it. I'll just look at that aspect in the call. Just the other question was on the microfinance side. So, what is the range of ticket size disbursement that we are doing for more than 6 years and 3 to 6 years customer vintage?

**Ganesh Narayanan:** It starts anywhere from INR 25,000 to 35,000 depending on geography, and it can go all the way up till 1.75 Lakh depending on the vintage of the customer and the credit history.

**Shreepal Doshi:** Got it. Got it. I have more questions. I'll come in the queue. Thank you so much.

**Ganesh Narayanan:** Yes. But I would also like to add, customers with > INR 1 Lakh outstanding is less than -- it's almost in a single-digit percentage. It is generally not that high.

**Shreepal Doshi:** So more than 1 Lakh ticket size customers would be, as you said...

**Ganesh Narayanan:** Yes, more than INR 1 Lakh. Yes, yes.

**Shreepal Doshi:** So, it would be under 10% max.

**Sahib Sharma:** It will be in single digit, Shreepal.

**Shreepal Doshi:** Got it sir. Thank you.

**Moderator:** Thank you. Our next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

**Renish:** This is Renish here. Congrats on a great set of numbers. Sir, just 2 things. So one on the credit cost side, right? So if I refer to Slide #12, our credit cost adjusted for accelerated write-off and higher ECL provisioning is 0.96%, right? So very close to 4%, which we have been guiding for FY27, right, earlier. But this is again, I'm assuming this will be more because of the higher delinquency in October, November, and December credit cost ideally should have been much lower. I mean that's what our PAR 15 accretion trend suggest. So, in that case, our FY27 credit cost ideally should be lower than what you have guided for, right?

**Ganesh Narayanan:** Yes. So that's what we want it to be, Renish. But I'm just saying it's too early. It's just December and January, we've seen. We'll have to maintain the trend. So, if we are able to maintain the trend in Feb, March, April, we'll come back with a better guidance in May, right? So, it gives us a few more months of visibility to ensure that we are trending on the right direction. But it does look like there is a possibility that it can be lower than that, at this point of time.

**Renish:** Okay. Got it. So, it is fair to assume that at least the January first half trend is as good as December?

**Ganesh Narayanan:** Yes, it is as good as December.

**Renish:** Got it. And lastly, again, on the AUM growth side. Obviously, Q4 should be our strongest quarter. And in this quarter as well, we have seen book growth, right, versus the book decline in the last 2 to 3 quarters. So, what is the aspiration level for us in FY27? And if you have to break that into, let's say, JLG versus non-JLG, what are our internal plans in terms of AUM mix and AUM growth for FY27?

**Ganesh Narayanan:** Okay. Like I said, when we look at microfinance growth, early days, maybe 10% to 12%, so we'll have to finalize our business plans in a few months from now. But it does look like retail will have a stronger growth momentum, probably contributing. We should be able to reach something over 20% that we want to grow to meet our medium-term goals. That's something that we are working on. It will be a good mix of both retail and microfinance, but microfinance will be lower compared to historical levels for sure.

**Renish:** Got it. And may I ask one last question, if possible?

**Ganesh Narayanan:** Yes, sir.

**Renish:** Yes. So again, on this retail finance slide, right? So, I was just looking at the outstanding per borrower, which is steadily coming down, right? I mean it fell also by 40%/50% to INR 92,000-odd versus INR 1,68,000 earlier. So just wanted to understand what has been changed in last 3, 4 quarters, which is leading to this steep fall in the outstanding per borrower in the retail finance?

**Ganesh Narayanan:** Right. So, it's basically because of the second variant that I spoke about, which is called Vishesh individual loans, where we are seeing that the income has gone up beyond INR 3 Lakh. But we are not seeing the level of demonstrability of the income by the customer. That means we look at size of business, we look at cash flows, we look at whether we are able to see cash flows in bank statements. So, we underwrite about INR 3 Lakh in individual loans, but a smaller ticket size. So, average there is around INR 80,000 because of which your average ticket size has fallen. Otherwise, if you see our main graduation product, which is Unnati, the average ticket size is still around INR 1.7 Lakh. And mortgage loans average ticket size is around INR 6.5 Lakh to INR 7 Lakh.

**Renish:** Okay. Got it. So basically, you are highlighting that incremental growth in retail finance is actually coming from JLG customer…

**Ganesh Narayanan:** Yes. So around 10% of our customers every year will move or graduate into retail finance is our estimation at this point of time.

**Renish:** But in that graduated customer, the ticket size will be higher, no?

**Ganesh Narayanan:** Yes. There are 2 types of graduation. One is where there is clear demonstrability of the customer with respect to their cash flows. Business has to be visible, has to be a certain size. There are a few other credit parameters that are important where you underwrite a larger ticket size. If some of these are not available, but we still see the income is > INR 3 Lakh, then that's a smaller ticket size. So, we do graduate them, but with a smaller ticket size loan, that's the reason.

**Renish:** Got it. But then in that case, the customer will come in centre meeting or I mean, how you will treat that customer...?

**Ganesh Narayanan:** For individual unsecured products, the customers have access to the centre meeting as a payment point, but they are not a part of the JLG structure.

**Renish:** Got it. So basically, we will move her out from the JLG part?

**Ganesh Narayanan:** Yes.

**Nilesh Dalvi:** So, Renish, just to add, so see, largely -- hello?

**Ganesh Narayanan:** Go ahead.

**Nilesh Dalvi:** Renish, what we assess is basis the customer profile, maybe every year around 4% to 5% customers may move into the mid-ticket individual loan, which is the Vishesh loan, and maybe 2% to 3% moves into the high ticket Unnati loan bucket. So, we should see that 5% to 7% transition happening from JLG to retail. So that's where the balance 10% to 12% growth comes from retail and overall, we cross 20% growth. So that's the scheme of things.

**Renish:** And I'm assuming interest rate will be about 20%?

**Nilesh Dalvi:** Yes, it will be.

**Renish:** Yes. Got it. Okay, good. Thank you and best of luck sir.

**Nilesh Dalvi:** Thank you.

**Moderator:** Our next question is from the line of Manav Bhavin Shah from Spiral Consultancy. Please go ahead. Manav, your line has been unmuted. You may proceed with your question. As we're not receiving a response from the current participant, we will move to the next participant. Our next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.

**Chinmay Nema:** Hi, sir. Good evening. Sir, just wanted to confirm, firstly, did I hear correctly the growth target for FY27 would be 20%?

**Ganesh Narayanan:** Like I said, maybe we will give some more clearer guidance in May. However, we need to do at least a 20% growth every year to reach our medium-term goal. And hence, things getting to normalcy, we believe that even next year, we should be able to, but we'll have to come back with a confirmed guidance in May.

**Chinmay Nema:** Understood. And secondly, sir, I just wanted to understand, if I look at the QoQ trend in PAR 90-plus, so while 0 to 90 has come down QoQ, there has been some stickiness in 90-plus. So basically, how should one interpret this increase in slippages in Q3?

**Ganesh Narayanan:** Okay. Basically, it means that customers who are going to Stage 2 and Stage 3, that flow forward rate has remained the same. However, the new PAR accretion is reducing, hence, what will flow forward, going forward will also reduce. I hope I answered your question, right? So new PAR accretion rate is important to note because even if you see our PAR 15, we provide quite heavily after PAR 15, right? So that is basis a historic experience that once the customer does not pay for 15 days, then it does move to the next stage predominantly.

That's why you provide around 60% to 65% in that case. That means that so far, PAR accretion rate was also quite high. So all those things are moving forward. But the new PAR accretion for the last 2 months is quite stabilizing, so that means going forward, it will stabilize. And that is what we've tried to show in the second graph in the PAR sheet. You will see that the early buckets have started dropping. So hence, going forward, you will also see drop in the late buckets.

**Chinmay Nema:** Got it. Thank you.

**Moderator:** The next question is from the line of Jay from NBIE. Please go ahead.

**Jay:** Hello, sir. Thank you for the opportunity and congrats on the good set of numbers. Sir, just one question on the retail book. Sir, can you just help me what is the percentage of your loans coming from below Tier 3 cities?

**Ganesh Narayanan:** Tier 2, Tier 3. Predominantly, because we are doing business only in our catchment, right? So we are not in any Tier 1, Tier 2. We are not even present much in Taluk headquarters. Most of our business will be in Tier 3, probably some bit in Tier 2 and lesser.

**Jay:** Okay. And sir, one more follow-up on the same. Where do we see your overall retail finance book going? So currently, we are at 14%. Do we see somewhere around 16% to 18% in the medium term? Or this is where you would like to be?

**Ganesh Narayanan:** See, at the current growth rate, it does look like that. But then like I said earlier, it is also looking at 14% now because your microfinance book has dropped. Once you start showing microfinance growth, it will moderate a little. But like I said, we had guided around 15% for FY28, but I think we will inch up a little further to that is what we will.

**Jay:** Thank you so much and best of luck.

**Moderator:** Our next question is from the line of Rajkumar Vaidyanathan from RK Invest. Please go ahead.

**Rajkumar Vaidyanathan:** Hello, can you hear me?

**Moderator:** Yes, sir, you're audible.

**Rajkumar Vaidyanathan:** Thanks for the opportunity. Sir, just a couple of questions. First one is on the ROA guidance of 4.0% to 4.5% that you mentioned. That is the annualized ROA we are looking at for FY27 or it's going to be more an exit ROA?

**Ganesh Narayanan:** Yes. We are talking about annualized guidance for next year, the indicator is somewhere around that. So, we will come back with guidance in May is what we are seeing. But at least it looks like a stable period of credit cost stabilizing. Our normal guidance is also that we will be in that range, right? So, with no extraordinary event present, we should be in similar range, but we will have to come back to you in May.

**Rajkumar Vaidyanathan:** Yes. Sir, but you had already done 3.8% in current quarter. So, your guidance looks very conservative given that you will not be having a significant credit cost going forward. So, is it fair to assume that it's a conservative number? Or you want to kind of grow your volume rather than the ROA in the absolute...

**Ganesh Narayanan:** So, it's not like that like what Nilesh answered.

**Nilesh Dalvi:** Yes.

**Ganesh Narayanan:** Okay. So, what we are saying is that our principle is that our ROA will be around 4.5%. Hence, even though there's an opportunity, there could be a momentary increase for a quarter or 2 more than the estimated return. But if you're actually making more returns, we would moderate our pricing is what we are saying, right? So, you should assume that as a company, we'll be in the range of around 4.5% ROA even in a good time.

**Rajkumar Vaidyanathan:** Okay. Yes, sorry to labour on the same question. So, my question is you want to have kind of fix the ROA between 4% to 4.5%, but then have a larger volume. Is that the preference you would want or you would still shoot for a higher ROA?

**Ganesh Narayanan:** I didn't understand it. Can you just help me understand this a little more?

**Rajkumar Vaidyanathan:** No, no. I'm asking the question is you want to improve the absolute bottom line number, higher bottom line number, but however, maintain ROA of 4.0%- 4.5%. You don't want the ROA number to go up significantly.

**Nilesh Dalvi:** See, Rajkumar, the way we are looking at it is that if you see historically, we have done a cross-cycle ROA of 3.5% and ROE of around 15%. So going forward with a better ability to price the risk, we would want to do a cross-cycle ROA of 4% and ROE of around 16%-17% on a cross cycle. Maybe in a good year, it may cross 4.5% and ROE may inch closer to 20%. And in a bad year, like what we have seen in this year and the previous year, RoA may be in the range of around 2.0%. If the ROAs cross a certain range, like, for example, you may see a couple of quarters, wherein it reaches closer to 5%, then obviously, we have to revisit our pricing because at any point in time, we always ensure that we give the best pricing to our customers.

From that perspective, pricing is always a derivative of our credit cost, operating cost and borrowing cost. Now growth is a different parameter. We have already defined that we will be looking for 20% plus growth. So both the parameters will go hand in hand. And yes, I mean, we have not reached a stage wherein we have to cut pricing to do higher growth because the segment where we are operating, there's a lot of scope to provide formal sources of credit. We do see there is good potential for growth whilst maintaining our margins and profitability.

**Rajkumar Vaidyanathan:** Sir, if you permit me, can I ask one more question?

**Nilesh Dalvi:** Please go ahead.

**Rajkumar Vaidyanathan:** Yes. Sir, this question is on the unique customers that you added. You have added significant customers, that's what the presentation states. So my question is what would be the age profile of those customers? Are they all very young customers or they are middle-aged people? Because the reason for asking this question is if they are really unique -- I mean, new to credit, then there should be really young people, right?

**Ganesh Narayanan:** Yes, I understand. But unfortunately, I don't have this data in hand. We'll share it across with you.

**Rajkumar Vaidyanathan:** Yes. Okay sir. Thank you so much.

**Moderator:** Ladies and gentlemen, we have no further questions at this time. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

**Ganesh Narayanan:** Thank you. Thank you, Deepak. Thank you all for being a part of this discussion, and we are hopeful of closing Q4 once again with a strong performance and move towards a good normal year next year. And we'll see you in the next quarter. Thank you so much.

**Moderator:** Thank you. On behalf of HDFC Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.