22nd July 2026

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Dalal Street, Fort,	Bandra - Kurla Complex, Bandra (East),
Mumbai- 400 001	Mumbai - 400 051
BSE Scrip Code: 544597	NSE Symbol: PIRAMALFIN

Sub.: Transcript of conference call on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 30th June 2026

Dear Sir / Madam,

In continuation of our letter dated 10th July 2026 and pursuant to Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on 16th July 2026, on the Unaudited Financial Results (Standalone & Consolidated) of the Company for the quarter ended 30th June 2026.

The transcript of the said conference call is also hosted on the website of the Company Concall_Transcript_Q1FY27_Piramal Finance Limited_16th July 2026.

Kindly take the same on record.

Thanking you.

Yours faithfully,
For **Piramal Finance Limited**
(Formerly known as Piramal Capital & Housing Finance Limited)

BIPIN SINGH
Digitally signed by BIPIN SINGH
Date: 2026.07.22 15:32:29 +05'30'

Bipin Singh
Company Secretary

Encl.: As above.

“Piramal Finance Limited

Q1 FY2027 Earnings Conference Call”

July 16, 2026

MANAGEMENT:

MR. ANAND PIRAMAL – CHAIRMAN

MR. JAIRAM SRIDHARAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR. RUPEN JHAVERI – GROUP PRESIDENT

MR. YESH NADKARNI – CHIEF EXECUTIVE OFFICER, WHOLESALE LENDING

MR. VIKASH SINGHLA – CHIEF FINANCIAL OFFICER

MR. RAVI SINGH – HEAD, INVESTOR RELATIONS, STRATEGY AND SUSTAINABILITY

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY 2027 earnings conference call hosted by Piramal Finance Limited. 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone.

The result materials are available on exchanges and the company's website, and you may refer to them during the discussion. Please note that today's discussion may include certain forward-looking statements which must be viewed in conjunction with the risks and uncertainties that the company faces.
These statements are based on management's current expectations and are subject to uncertainty and changes.

On the call today, we have with us Mr. Anand Piramal, Chairman, Mr. Jairam Sridharan, MD and CEO, Mr. Rupen Jhaveri, Group President, Mr. Yesh Nadkarni, CEO, Wholesale Lending, Mr. Vikash Singhla, CFO, and Mr. Ravi Singh, Head, Investor Relations and Strategy.

I now hand the conference over to Mr. Anand Piramal for his opening comments. Thank you and over to you, sir.

Anand Piramal: Good afternoon, everyone, and thank you for joining us today on this call to discuss the June quarter FY27 results of Piramal Finance. The company delivered another quarter of consistent performance on AUM growth, profitability, and stability of risk and earnings. Our Growth AUM, which include all our retail and wholesale AUMs, but exclude the discontinued legacy business, now stands at 98% of the total AUM.

For the last many quarters, these AUM have been growing at a growth rates in the 30s. In Q1 as well, growth AUM increased by 32% year-on-year. Total AUM grew by 25% year-on-year to Rs. one lakh seven thousand crores. Q1 FY27 ROAUM of growth business was at 1.9% versus 1.5% ROAUM in Q1 of FY26. For several quarters now, Growth business profits have driven our company profits. In Q1 FY27, our PAT was up 67% year-on-year to Rs. 461 crores with underlying Growth business PBT of Rs. 470 crores.

Asset quality was stable and healthy across both our retail and wholesale businesses, and we'll share more details later on this call. Along with Q1 results, the board also approved a fund-raise of up to Rs. 4,000 crores, which the company would plan to raise at an appropriate time post shareholder approval. Two Japanese credit agencies, R&I and JCR, have recently assigned us ratings of BBB / Stable. This is one notch below the sovereign rating.

As the youngest NBFC by some margin among India's upper layer NBFCs, we are privileged to be already serving about 6 million customers across semi-urban India, combining physical distribution with technology and AI in our processes.

With an AA+ rating and demonstrated retail-led diversified business model at scale, we are confident in our ability to deliver steady and healthy earnings growth. With that, I'll hand over to Jairam to share more details on the results.

Jairam Sridharan: Thank you, Anand. Good evening, everyone.

As you may know, we have aimed to deliver and we judge our performance against a framework of three drivers of value creation: Growth, Profitability, and Predictability.

Supporting these value drivers, we have talked about building a future proof AI native company. I'd like to start my comments with an evaluation of our first quarter FY27 performance against this framework.

Let's start with Growth. If you look at slide number four, you will see that our AUM was up 25% year-on-year to 1,06,940 crores. The underlying growth in our continuing businesses, the Growth business that Anand mentioned before, was 32% year-on-year. With AUM growth sustaining at these levels for the past several quarters, we stay on track for our earlier disclosed growth aspirations.

The second vector of our evaluation is Profitability. If you look at slide number five, you will notice that the return on AUM of our Growth business has increased in the first quarter to 1.9% from 1.5% in the same quarter last year. This 33-basis point improvement year-on-year was driven by a 57-basis point improvement in our OPEX ratio. Leverage, i.e., AUM to equity, also continues to increase as you can see on this page, and it is at 3.7x at the end of Q1. This compares to 3.2x in the same quarter last year, and we continue to progress towards our goal of 4.5 to 5x.

The third vector in our value creation framework is Predictability. If you look at slide number six, in the first quarter, we delivered PAT of Rs 461 crores, keeping up the steady and predictable trajectory of the last 8 to 10 quarters. The stability and predictability are also visible in our credit risk outcomes with retail 90 plus delinquencies at 0.7%, stable in a very narrow range of 0.6 to 0.8% over the last four plus years. In the wholesale business, our stage two and stage three assets are below 0.2%, and thus the overall Growth business credit cost has also been broadly stable at 1.6% per annum.

Let's now go one level deeper into assessing our business performance, starting with growth. Retail AUM growth remained strong. Financial year 27 started with a strong pickup in our disbursement trajectory. Disbursements grew 44% year-on-year in the first quarter versus 34% in the fourth quarter 26 and 31% in full year FY 26. Retail AUM grew by 32% year-on-year to Rs. 91,249 crores.

Our mortgage business, comprising housing loans and LAP, grew by 30% year-on-year to Rs. 61,199 crores. Mortgages account for 57% of the company's AUM and 67% of retail's AUM. Within our HL and LAP books, mass affluent home loans and larger ticket LAP Plus businesses have been growing in recent quarters at a faster rate. With our recent rating upgrade, our ability to serve these segments is significantly higher and you hence you should expect this recent momentum to continue.

With risk performance under control, AUM growth in our four unsecured product categories, personal loans, unsecured business loans, digital loans, and rural micro lending have all gained momentum. This category had an AUM growth of 45% year-on-year to Rs. 21,412 crores. These form 20% of the company's AUM and 23% of retail AUM.

Wholesale AUM was up 27% year-on-year to Rs. 13,238 crores. The mix between real estate and mid-market lending in our wholesale book stands at 70-30 at the end of this quarter.

If you flip to slide 25, you will see that our retail customer franchise grew by 24% year-on-year to 6 million. Our sourcing from cross-sell in unsecured disbursements was at 28%, which we expect to materially improve over the coming years. Our cross-sell portfolio comes with significantly lower OPEX and credit costs.

In the first quarter, we saw a net addition of 79 branches to our network to end the quarter at 780 branches. You will notice that our branch expansion has been focused on gold loans and micro lending, while we consolidated some of our full-service urban branches during the quarter. From our first 22 branches opened in Q4, our gold loans network expanded to 67 branches at the end of Q1. We have now started launching the phase two of our gold loans network, and we aim to take this business to 200 branches by the end of March 2027.

On the rural side, our branch network expanded to 178 branches versus 136 in the previous quarter. In Q1, we closed eight full-service branches to end the first quarter at 535 urban branches overall.

Moving on to margins, our net income margin was flat quarter on quarter at 6.5% as you can see on slide 44. You will now see more and more convergence between consol. NIM and the Growth book NIM, which stands at 6.8%.

Cost of borrowing during the quarter declined marginally by four basis points quarter on quarter to 8.80%. Even as the wholesale funding markets were a bit dislocated in the first quarter, ample liquidity on our balance sheet and minimal CP exposure cushioned the impact of dislocated markets on our liability strategy. The benefit of our domestic credit rating upgrade from AA to AA+ should provide further tailwinds to our cost of borrowing over the coming years.

On the income side, if you look at slide number 16, you will see that the total retail income to loans was down 26 basis points year-on-year to 14.7%. This is in spite of the fact that yield on loans was quite stable in the 13.2 to 13.4% range. The reason for that reduction in the total income line on a YOY basis was a considered strategic choice in this quarter that we took to perform fewer direct assignment transactions. This resulted in a lower other income line during the quarter.

Moving on to OPEX, the retail OPEX to AUM came down further by 10 basis points quarter on quarter to 3.5% in Q1. You will see this on slide number 16. We have now consistently reduced our OPEX to AUM ratio for three and a half years. While we are now in the target range of retail OPEX to AUM, the ratio continues to move downwards. The continued productivity gains for our employees and branches, we believe, have the potential to take our retail OPEX to AUM further lower through the course of FY27.

Our company's cost to income ratio was at 53% in the first quarter of FY27. This is down from 66% in the first quarter FY26 and 72% in the first quarter FY25, thus showing continuous and strong improvements in operating efficiency in the business as we get to scale.

Tech and AI have also been key enablers of both our growth and our productivity enhancement. We have shared a number of AI-related metrics which we have been sharing with you in the past and which you can see again in the presentation on slides number 7, 27, and 28. The strong growth in our AI token usage, which represents in a very crude way the total use of generative AI strategies in the company, continued in the first quarter as well, with token volume usage of 320 billion tokens in the first quarter. This compares to 178 billion in the fourth quarter and 63 billion in the first quarter last year. In some ways, this compares with the best of the global elite enterprise-scale token usages for high-frequency agentic AI and for processing of massive document data through generative AI engines. Despite the exploding token usage, we have been able to keep our token costs flat, with shifting the mix more in favour of homegrown SLMs versus purchased LLMs and also towards strong open-source models.

Slides number 27 and 28 show more detail on our enterprise AI strategy, Piramal.ai. On number 27, for example, our dashboard shows progress of AI use cases across key aspects of our business, such as sales, underwriting, collections, audit and compliance, customer experience, and people management.

In a new announcement that I want to make today for the investor and analyst community, today we are also launching our AI powered investor assistant named Pia. Pia is now live on the investor relations page of our company website. Pia is an AI agent trained on our quarterly results presentation, our Excel data pack, and all prior earnings concall transcripts. Of course, this particular concall is not yet in the training data set of Pia, but should be there by tomorrow. Like any human analyst, Pia can handle both data queries and qualitative questions, such as those related to management commentary, etc. We have been doing a little bit of a beta test of Pia over the last few weeks and initial feedback on response accuracy has been positive and encouraging. We will keep adding more data sets for Pia to expand her coverage to an even wider range of queries. We believe that Pia is the first of a kind tool being offered to an external audience by a company. It is a powerful example of the utility of AI when used in a context specific manner.
On slide 28, which is called Credit.ai, we cover and put an AI spotlight for this quarter on the massive progress our credit team has made on artificial intelligence. You will notice that credit underwriting in the AI world is much more scientific and nuanced than before. You will also notice that in a world of much more complex bank statements post UPI, etc., productivity of our credit staff has increased 50% in the last two years. In earlier quarters, we had similarly featured collections and operations in our AI spotlight.

Moving finally to credit risk. The big news on retail risk was that at an overall portfolio level, we did not see the seasonal deterioration in retail metrics that we often see in Q1. Risk largely stayed flat to Q4 levels. In secured lending, risk saw a mild uptick in mortgages, going back to Q3 levels and stable over the prior quarters. However, this was offset by continued strength and improvement in unsecured credit risk. Risk in unsecured is now at the best levels we have seen in the last two plus years. Car loans risk was similar to Q4 and much lower than the Q1 to Q3 period last year. On rural lending, micro loans continue to show dramatic improvement in risk and ratios are now back to all-time best levels.

The West Asia conflict has had so far no visible impact on our portfolio. Vulnerable segments continue to have bounce rates similar to or even better than prior levels. With the impact of AI looming and some job cut announcements in recent times, the IT sector is one we are watching very closely. We are seeing some signs of increasing stress in this segment in recent months. Surprisingly, the stress is a bit more visible in secured products at present. Unsecured products seem to be still relatively flat on risk from this sector. We will keep tracking this closely and share with you if there is any anything worth sharing.

Finally, coming back at the overall company level, Anand mentioned earlier about Piramal Finance being the youngest company among India's upper layer NBFCs. Our lending operations started about 12 to 13 years ago, and the retail phase shift began just about five years ago after the acquisition of Dewan housing. That youthful energy along with our large scale, diversified business mix, budget customer focus in Bharat markets and our balance sheet strength, we believe is a unique combination in our industry. That also sets the context of our journey and the opportunity of profitability expansion in the coming years.

With the strong start we have made in Q1, we are confident of meeting our original guidance that we provided last quarter for FY27 on AUM growth, profit growth, and return on AUM by the end of the year. With this, I hand over the call to Yesh to discuss our wholesale business. Yesh?

Yesh Nadkarni: Thank you, Jairam. As at June 2026, the wholesale book stood at Rs. 13,238 crore, which was a growth of 27% year-on-year. Real estate to CMML mixed stood at 70-30. Average ticket size of the book was Rs. 56 crore, average yield of the portfolio was 14.2%, which has moderated marginally due to a favourable shift in rating mix, particularly in the CMML book. During the first quarter, we disbursed Rs. 2,604 crore across 73 separate transactions, including 38 new transactions and 35 transactions which were sanctioned in the in the past but were partly disbursed during this quarter.

Repayments continued to be elevated as we received Rs. 1,932 crore or 74% of the disbursed amounts during the first quarter. Due to high rate of prepayments to date, about

61% of contractual repayments due to us in FY27 have already been paid by our borrowers to us as of today.

The strong prepayment trend continues as we have seen over the past few quarters as well, and is providing to be a major growth headwind for our wholesale business, but it also highlights robust portfolio performance. Separately, our legacy AUM decreased by Rs. 355 crore, leading to an AUM of Rs. 2,452 crore of that book, which is now just 2% of total AUM. With that, I'll hand over to Vikash.

Vikash Singhla: Thank you, Yesh. Moving to our financial performance. In Q1 FY27, we reported consolidated net profit of Rs. 461 crore, which is up 67% year-on-year versus Rs. 276 crore in Q1 FY26. Pro forma PBT for Growth business stood at Rs. 470 crore in Q1 FY27 versus Rs. 294 crore in Q1 FY26.

AUM grew by 25% year-on-year to Rs. 1,06,940 crore. Our NIM was at 6.5%, which is up 47 bps year-on-year and flat quarter-on-quarter. Growth business NIM was at 6.8% versus 6.9% in Q1FY26 and full year FY26.

In Q1, we choose to reduce our DA sell-down and that mostly explained this slight moderation of NIM. Total income thus grew 37% year-on-year to Rs. 1,693 crore. Operating expenses growth was contained at 10% year-on-year. Our pre-provisioning operating profit grew by 89% year-on-year to Rs. 804 crore.

Growth business credit cost was at 1.6% versus 1.5% in Q4 FY26. In Q1, there was additional provisioning in legacy book because of higher stage 2 PCR and hence the company's overall credit cost was at 1.8%. Our total GNPA and NNPA were at 2.4% and 1.6%, respectively.

Our net-worth stands at Rs. 28,906 crore with capital adequacy at 18.85% as on June end 2026. With these remarks, I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Your first question comes from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani: Thank you for the opportunity. Congratulations on a good quarter. I have two questions. First is a very interesting comment that you made about the salaried customer segment, and I had thought that the strong disbursement in salaried personal loan means that probably we have bigger comfort over there.

So some more clarity around if you feel salaried customers are seeing more stress than the unsecured book, then us scaling up in the salaried PL that rapidly, some comments about that. Second is on the digital loan book. So the asset quality movement there is quite comfortable, but I just wanted to understand that we scaled up once back and then we slowed down when we saw the stress, and now we are again scaling up and we are at an all-time high in terms of AUM disbursement, etcetera.

So is there a different kind strategy this time, maybe the ticket sizes, customer segments, any update that you can give on that front? Yes, thank you.

Jairam Sridharan: Thank you, Shreya. Good questions both. On your first one, my discomfort is not with salaried segment overall. It's a little bit pointed towards IT sector salaried customers, particularly in South markets. So some of the statistics I was telling you before about seeing some increased stress, particularly in the secured segments is all related to the IT sector customers in Southern India. The rest of the salaried segment is actually performing quite well.

So our comfort level with respect to PL risk, etcetera is extremely high right now. I have no problems kind of growing that sector. The area with sub-segment within that which I'm watching is the IT sector, which forms about 13% of our salaried base in unsecured, right? So that's the part that I'm actually a bit anxious about given everything that's going on in the tech sector and the impact of AI and layoffs, etcetera., etcetera.

But even there, so far unsecured seems to be behaving well. It's the secured segment, which is a bit surprising, but it's the secured segment where that population seems to be having slightly higher bounce rates, which is the point that I flagged for your attention. The second part that you asked on the partnerships business or the EF business is an absolutely valid point.

There is a significant increase in recent quarters in terms of volumes in the partnerships business. This is going to be a bit cyclical, Shreya. This is not a business which is a very stable business. It depends a little bit on what the environment is in terms of level of activity of Fintechs. Remember that 80% plus of this business that we do is under the FLDG framework, so essentially the credit risk impact on our portfolio is minimal.

The business here depends on level of activity in the Fintech sector. After multiple quarters of being kind of down in the dumps, in the last two quarters, Fintech activity is really picked back up. And that is what you're seeing reflected because our economics have been actually quite attractive in this business, we've been happy to do more business on this.

However, if the situation shifts, if the risk curve, for example, as you rightly mentioned, risk in digital today is about the lowest it has ever been, but if it ticks back up, I have no problem cutting it back down, right, cutting the volumes back down. So this is a business which is going to be a lot more kind of a lot more agile in terms of total volumes based on the risk performance. As it happens, right now it's at historically good risk and hence we are doing historically high volumes.

Shreya Shivani: Right, that's useful. Just a follow-up on your mortgage book. I'm assuming the elevated cost of fund you would have passed something on to those customers given the home loan would be floating rate, etcetera. Has that panned out for your book in this quarter or maybe if you plan to do it in the coming quarters given that the cost of fund is something which can be under pressure for quite many quarters?

Jairam Sridharan: Yes, but nothing has happened to our cost of borrowing yet. Like our cost of funds has actually been if anything down. And in this down part of the cycle, which has lasted over the last year and a half, we have actually not reduced our prime lending rate in this entire down part of the cycle.

So we have to keep that in mind as we enter the up part of the cycle now. We want to be fair to the customers and want to reduce the kind of the rate volatility to the customer. So in general, yes, in floating rate products, customers will see up and down of their rates, but the amplitude of the cycles will be lower both on the way up and on the way down.

Shreya Shivani: Okay, that's fair. Yes, those were my questions. Thank you and all the best.

Moderator: Thank you. The next question comes from Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Good evening and thank you for taking my question. Jairam, so this thing that you mentioned that IT sector forms 13% of the salaried base in unsecured loans. So I mean, are we doing anything there because like you said, it's very counter-intuitive. In the past, we've seen stress spill over from unsecured to secured. This time, we've seen higher bounce rates in secured. So are we doing anything to ensure that at least these customers who are bouncing today, and like you mentioned, particularly IT sector salaried customers in the Southern markets, and I'm guessing some of it could also be cross-sell to the same customers here. So, are we doing something to ensure that things are taken care of?

That is the first question I have. The other question is we're starting the year at RoAUM of 1.8% and then you've guided for this RoAUM to move to 2.5% by exit Q4. So, if you could just elaborate what are the levers which will be there?

And lastly, I think in the opening remarks I heard that the repayments continue to be very elevated, kind of prepayments in our wholesale business, which is a major growth headwind. So, I mean, are these refinancings happening by other players or how should we read it? I'm sure this is not personal equities that those customers are bringing in.

Jairam Sridharan: Yeah. Thank you, Abhijit for your questions. On your first one, on kind of IT salary. Again, I don't want to make too big a fuss about this point. It's a new and emerging insight in our minds as well. It's just in the last few weeks that we have noticed this. So, take it as kind of breaking news rather than as kind of some foundational shift. We don't know enough to state that. However, as always happens in our company, the moment you come across any insight, immediately some actions go into place, some changes in underwriting strategy etc. get implemented. So that has already happened and we have taken kind of appropriate measures internally to slightly add to the level of caution that we have on this segment, but it's not a 0-1 game, it's a Bayesian approach of like you, there is a strong prior which is that salary segments are good and IT segment is good, but that prior has been challenged a little bit with the recent data point, but we are not going to give up on that prior, we're just going to update it a little bit and that's exactly the way we have operated and actually changed some of our underwriting strategies on the margin.

On your question on return on AUM, I'd like to point your attention to slide number five, where we show our multi-year trajectory on return on AUM. And as you can see here in the left-hand side of the chart, Q1 is always the seasonal low on return on AUM and Q4 is kind of the seasonal high. Last year you saw that delta of about 60-70 basis points going from Q1 to Q4.

This year, we've started at 1.9% or 1.8% if you remove POCI and kind of we've guided for 2.5% for Q4. I feel pretty strongly, pretty good about our ability to kind of hit there. I have no issues on that front. Generally that tends to happen by just having a larger book that is that that you've originated through the course of the year. But essentially the same people costs now because all the people cost, kind of increment increases etc. all come into play in Q1, but then beyond that, the stock of people that you have, you're not going to see any further increase in staff costs. Only the incremental staff is actually going to increase your OPEX. So that dynamic is going to continue to result in better performance going from Q1 to Q4, which is exactly what happens every year. This year is going to be no different on that.

Your last question on wholesale and where are we seeing the kind of repayments from? I'll give you an answer and I'll invite Yesh to speak as well. On both real estate and on CMML, we are seeing very strong repayments. In CMML, the source is either one of three things. Refinance is a strong source. There is a lot of refinance that's happening and banks are taking us out. The second is raising money from either from the capital markets, either debt or equity, both of those are taking place. And the third is operating cash flows just being stronger than our underwriting case. All three things are happening in that order. I think the order is a little different in the real estate business, but I'll let Yesh speak to it.

Yesh Nadkarni: Yeah, I think it's predominantly the operating cash flows being way ahead of our underwriting which is causing this prepayment phenomena in the real estate book. In real estate particularly the underlying assets generating cash is trapped and since these are not operating companies, rather asset monetization which funds the repayments and therefore, in a way we incentivize the borrowers to prepay should they be running ahead of underwriting and that's what's happening. More so than capital markets related or refinancing related exits.

Abhijit Tibrewal: Got it. Thank you for that. Just wanted to squeeze in one last question. Jairam sir, you mentioned that our portfolio is not seeing any visible impact of West Asia conflict. So, in particular this unsecured business loans that we do, while we can see the 90+DPD, the portfolio continues to behave well, right?

Jairam Sridharan: Yes, I didn't get the last part of your question, but I'm guessing you're talking about the unsecured business loans portfolio in light of the kind of Middle East war situation. Yes, it has surprised me a bit, honestly. It has surprised me how little impact we have seen. Risk continues to look good, collection efficiencies are strong, kind of resolution rates are strong and my conversations on the ground with small business owners continues to suggest that there is ongoing strength in their revenues, footfalls, etc. So, yeah, the situation continues to be quite encouraging. I don't know whether there's going to be a lagged impact, so we will wait and see. But at least as things stand right now, small businesses in India continue to be in a pretty strong place and the Middle East crisis has not impacted their cash flows much at all.

Abhijit: Okay, thanks a lot for answering my questions and I wish you and the team the very best.

Jairam Sridharan: Thank you, Abhijit.

Moderator: Thank you. The next question comes from the line of Suraj Das with Sundaram Mutual Fund. Please go ahead.

Suraj Das: Am I audible?

Jairam Sridharan: Yes, Suraj.

Suraj Das: Yeah, hi sir. Thank you for the opportunity. Three questions. First, if I look at your slide 48, the retail disbursement yield and AUM yield number for the last let us say 8, 9 quarters, the disbursement yield has been around 14, 14 and a half, while the portfolio yield has remained more or less range bound at around 13%. And at the same time, I think the retail portfolio mix has also changed and the share of low yielding housing has also come down. So, ideally the portfolio yield should move up, right, over a period of time, which is not happening. So, where is the mismatch? So, that is question one. Second, sir, if I look at your slide 24, where you present this income band of the customers acquired at urban branches. So, if I look at your ticket size of home loans and LAP, it looks like only 14, 15% of the customers contributes to your entire home loan and LAP AUM, which is roughly 60% of the AUM. So, is this understanding correct or if there is any mismatch here?

And the last question is sir, as you have highlighted that there are some signs of, you know, stress in the IT salary segments which you are seeing. But I think more or less overall 30% of your unsecured disbursement comes from the cross sell to let us say existing customers. Any signs of stress there in that 30% cross sell segment? Yeah, those are my questions.

Jairam Sridharan: Yeah, thank you, Suraj. Thanks for asking some really hard questions. I'll try and answer them to the best of my ability. First, your question on the delta between disbursement yield and portfolio yield. In general, you're going to always see this, Suraj. Disbursement yields are always going to be higher than portfolio yields because portfolio yields depend on AUM and disbursement yields tend to be higher on shorter duration products. So, they tend to run off. So a lot of those products will be overrepresented, high yield products will be overrepresented in disbursements compared to AUM always. So, on a systematic basis, you're going to see the AUM yield to be lower than disbursement yield. It's just mathematical based on the duration.

Ravi Singh: On the same table we have disbursement mix by loans and AUM mix, you can see that secured has a lower share in disbursement.

Jairam Sridharan: Yeah, exactly. The point Ravi is making, you can see the secured versus unsecured disbursement mix and on the on the same page, page 48 and you will draw that. So that that funda is always going to be true that there is always going to be a gap between disbursement yield and the and the AUM yield. The question to ask is, if disbursement yield goes up, eventually the AUM yield will also go up. That part is true. So, directionality will hold, but the gap will not get bridged because of this math.

Your question on slide 24, which is on the on the customer profile thing, I actually didn't understand the point about concentration in HL and LAP that you mentioned because that's not actually true. The page 24, when it actually shows the profile of customers, which is for all branch-based customers. So that is HL, LAP, UBL, UCL, personal loans, everything put together. So because personal loans, UBL etc tend to be smaller tickets and much larger number of customers. So by sheer number of customers, those will dominate actually on these pie charts. The HL customers will be much smaller number. That is always going to happen because HL is the largest ticket retail product we have. So it will always have the smallest number of customers. Beyond that, there is no insight. There is no concentration risk in HL if that's where you're headed, because it is a fairly granular product. There are no customers who are a big part of our HL portfolio.

Your third question on the cross sell. Yeah. your point is right, 28, 29% of our business is cross sell. Your question was what is of the unsecured is cross sell and your question was what is the signal? Is risk increasing, decreasing, what's happening? Risk in our cross-sell business is stable to decreasing. So we're feeling pretty good about our cross-sell business and the credit impact has not been on a stock basis, it obviously has lower risk than the new to Piramal business, but even on a flow basis, it's actually getting better and we're not seeing kind of any deterioration signals in the cross-sell business. So it continues to be a key focus area for the future.

Suraj Das: Sure sir got it. I have a couple of follow ups but probably I'll come back in the queue or take it offline. Thank you so much.

Jairam Sridharan: Thank you.

Suraj Das: Okay, sir.

Moderator: Thank you. The next question comes from Avinash Singh with Emkay Global Financial Services Limited. Please go ahead.

Avinash Singh: Yeah, hi. good evening. Thanks for the opportunity. One question on your co-lending arrangement, particularly if I see from the disclosures, it's mostly on the personal loan side. And there if I see, I mean, you know, the ticket size would be slightly on the lower side as per kind of your PL mix. So nearly 2,700 odd crores worth, 99% in kind of a standard asset. Generally I would expect this to be typically high yielding and slightly higher credit cost and maybe a bit worse kind of a, you know, the asset quality matrix here. So can you just help us in terms of what kind of partner they are where you have co-lending arrangement, FLDG arrangement kind of a thing and how sort of you know, really the accounting works. I mean, is there something that typically you write off immediately or something because 99% plus kind of a, you know, the number in this co-lending PL, it looks quite impressive.

Jairam Sridharan: Yeah, no, you've answered yourself. What you're saying is absolutely correct. That's exactly what's happening. See, basically the way our co-lending business works is with mostly it's smaller ticket, short duration, and it is mostly on an FLDG basis, 80 plus percent of it is on an FLDG basis. When an account gets to 90 plus, within 30 days, we recover the money from our partner and hence the delinquency goes back to zero, right? And if any amount is remaining at the end of that period, by 150 days we make the 100% provision on that case. So basically, not much remains in the account, immediately either the money collects within 30 days. Because that's the FLDG norm that you have to collect from your partner, which we do, or we provide for it pretty quickly and that's why you don't see the delinquency build up.

Avinash Singh: Got it. And the second question will be, that in the initial part of your presentation, you made a statement that now with this rating upgrade, your ability to go slightly on the higher ticket size home loans increases. Now, but if I see, it will also have certain impact on the yield, I mean, of course, not immediately, but gradually if that is a direction, the yield will come bit under pressure. Also by that nature, it makes any sort of a change you know, the way you are looking eventually the stable asset to equity ratio of 4 and 4.8 to 5x kind of a number. Now given that typically if you go more into relatively low yielding, high ticket home loans, typically, I mean, it will have some, you know, pressure on your margins. Do you see that okay, that I mean, going more into high ticket secured home loan allows you to sort of a tweak the medium term, you know, the leverage kind of a, you know, target or something in order to improve your ROEs or just 4.8 to 5 times kind of a remains upper cap?

Jairam Sridharan: Yes, I think, again your question contains the answer. You're absolutely right that lower risk but a larger ticket businesses allow us to move up on leverage. The 4.5x to 5x leverage that you see on page number five, the goal that we had set out, was a goal that we had set out more than two years ago, as you know. We've -- continued to just show that as the kind of long-range goal, but that was in a time when we were AA rated.

Since then, we have become AA+ rated and our portfolio continues to shift in the direction of better risk. So, at some point in time, we will update this trajectory and hopefully we will, as you know, as you truly become an AA+ lender, today we are still an AA lender. As we become an AA+ lender, our ability to get to higher leverage will certainly increase. That is true.

On a more tactical short-term basis, as you well know, if as long as you know, there is I'm able to make kind of you know, positive marginal ROA on these businesses, because I'm not incurring any incremental cost, it is always going to be better for the overall profitability of the business. So right now it's a little bit of a no-brainer for us to actually just move slightly up. It will you know, with no incremental cost, it will actually get us kind of higher earning assets and there is very little downside.

And of course, the improvement in the credit risk profile over the medium term is the icing on that cake.

Avinash: Got it. Very clear. Thank you.

Jairam Sridharan: Thank you, Avinash.

Moderator: Thank you. The next question comes from Piran Engineer with CLSA. Please go ahead.

Piran Engineer: Yeah, hi team. Congrats on the quarter and thanks for taking my question. Firstly, just kind of coming back to this question on leverage. Since we are anyway comfortable on leverage, why are we considering this capital raise?

Jairam Sridharan: Yeah. so, there are two different things here, Piran. Like there is this leverage metric as we show here, which is AUM to equity. Then there is a regulatory capital adequacy. If you see our regulatory capital adequacy, which we have in our deck on page 39, you will see that our capital adequacy entered the quarter at 18.85%. As we've spoken in the past, like if you purely go from the leverage metric to get to capital or if you just look at our net worth number, which is about 29,000 crores and our AUM which is about 1 lakh 6,000 crores, you might get a little bit of a feeling that capital adequacy should be more in like the 25% kind of range, but actually, if you see regulatory capital adequacy, it is 18.85%.

Why does that delta come? That delta comes because of three main reasons. One is BAU stuff, like which happens with all lending companies, which is about one-third of that delta, about 3,000 crores of delta, you know, comes from BAU things like unamortized revenue line items, etc., which are deductible from net worth. So that's BAU, that'll never go away. But because we have all these DTAs, etc., and those tax benefits, that creates a Rs. 3,000 crore delta from our net worth to regulatory capital. And another Rs. 3,000 crore delta comes as we look at our investment book, which is the whole Shriram book and the Pramerica Life Insurance book, etc., All that stuff together constitutes another Rs. 3,000 crores. So Rs. 3,000 + Rs. 3,000 + Rs. 3,000, there's a Rs. 9,000 crore delta between our net worth and our regulatory capital.

Our regulatory capital today is at about 18.85%. Last year on average, we consumed about 63 basis points on average per quarter. So basically, we have mentioned to you all in the past as well that while regulatory requirement on capital adequacy is 15%, as a management team, we would feel a lot more comfortable if we stayed above 18%. Since we are at 18.85% right now, we thought this is a good time to seek an enabling resolution to be able to raise capital as and when necessary, through the course of the year.

Piran Engineer: Got it. But sorry, this entire 18.85% would be tier one, right, for you all?

Jairam Sridharan: Yes, we do not have any tier two.

Piran Engineer: So then why not just do tier two?

Jairam Sridharan: That is a way to go, but the tier two market today is very shallow, and the rates are not great, and it is in the long run, the math is not working out for us. This is actually seeming and let's see, we might like right now we're taking an enabling resolution, we will take all sorts of we have kept as you see the number of instruments that are listed out there in the enabling resolution, we have kept lots of things open. We will see.

Piran Engineer: Got it. And sorry, even just getting back to this, when the DTAs as and when they get used, then that will be part of your regulatory equity capital.

Jairam Sridharan: Correct. You're absolutely right. And similarly, as and when we are able to sell some of the investments, that capital will also get released. So, you're right, there is a lot of regulatory capital in the balance sheet which will all get released with events in the future, but those events are going to be a little bit more out in the future, not in the next two or three quarters. And but they will come, all that will get unlocked over time.

Piran Engineer: Understood. Okay. Secondly, out of our Rs. 900 crore quarterly opex, how can we think of how should we think about how much is fixed versus variable? Because a lot of the thesis also rests on operating leverage playing out. Yeah. But then a lot of these businesses grow only when you add more money to it, right?

Jairam Sridharan: Right. But see, in the business, like I'm not a big fan of the fixed versus variable kind of split because it's not super clear exactly what is fixed. Is branch cost fixed? I don't know if you know, beyond a point, like to grow, you'll need to add more branches. Are people cost fixed? I don't know. Like today's people cost are fixed, but then you'll have to add more. It's not clear exactly what is fixed, right? In a growth market, nothing is really fixed. The other way, the way I would actually think about it is how we have been able to move core line items as AUM has grown. So how has kind of staff opex grown, how has kind of IT cost grown, you know, how have rentals grown, etc. because everything grows, but are they growing at the same pace as AUM?

In the in this Q1, for example, you will see that our book grew let's say 25%, our revenue lines grew something like 40 odd percent, and our opex line grew 10%, right? So you can see that our opex is growing significantly slower than our revenues are growing. And that's the trajectory we need to continue to maintain as we keep showing in that opex to AUM trajectory, we've been showing now for a two and a half years, every quarter we keep updating that that chart which is on slide 16 on the right-hand side. That is our go-to page for ensuring that we are actually making progress on operating efficiency and you will see that that continues to be downward sloped and hence I believe another 40, 50 basis points of value can be extracted from here over the next four to five quarters.

Piran Engineer: Got it, thanks. And just out of curiosity, your token usage of 320 billion, would that be costing like single digit, few, low single digit crores per quarter?

Jairam Sridharan: Yes.

Piran Engineer: Got it. Okay. Yeah, that's it from my end. Thanks, and wish you all the best.

Jairam Sridharan: Thank you.

Moderator: Thank you. The next question comes from Nishchint with Kotak. Please go ahead.

Nischint: Hi thanks for taking my questions. One was essentially the asset quality trend, the 90 DPD trend that we are seeing in LAP. There is a small sequential rise. You know, is there anything that one needs to read into it? And likewise, for the 90 DPD 12-month book performance of digital loans this quarter.

Jairam Sridharan: Yeah. So, it's a good question on LAP. You know, Nishchint, you might recall that two quarters ago, I was worried a little bit about LAP, and I'd called that out on the call as well that you know, there's something going on. But then last quarter came in very, very strong. So, our kind of fears got allayed a little bit. But in Q1 again, you see a small uptick. I don't know, is the honest answer. Like I don't know whether there is anything worth kind of you know, worrying about. Right now, I know the exact cases and there are four cases which have caused this uptick. I know exactly what those cases are and you know, one of them is a medical situation, the customer had cancer, another one, the customer is you know, has been sued by his partner and there's an issue. There are some there are very kind of idiosyncratic situations, but that's how credit cycles sometimes come. Well, it seems like a series of idiosyncratic things, but then it becomes a cycle. So, let's say my seat belts are very much on in the LAP business, and we have to keep watching. Let's see. You know, the second quarter has started well for this business, and if what we saw in this July continues, then we'll probably have a better situation by the end of the second quarter. But yes, Q1 has taken away some of the sense of comfort that I had developed in Q4, that's for sure.

Nischint: Would you compare this, I mean, I'm just comparing this with UBL, right? I mean, would you expect a similar trend, although I can see that the UBL performance has improved significantly in the last two quarters. But still would you be kind of feeling something.?

Jairam Sridharan: No, in UBL when situation was worsening, I mean, it was very, very clear the situation is worsening. And all the collections guys were up in arms, and we could hear the feedback that, you know, customers are stretched, that there is an issue, etc. That situation is not there in LAP currently. In LAP you know, there are kind of one or two odd cases here or there that are kind of giving us some pause, but systematically we are not hearing any anxiety or concern from the ground level.

Nischint: Actually, the second part of my question was also on digital loans, the 12-month pool performance?

Jairam Sridharan: Yes, for sure. Digital, see, it has been a very, very strong last few quarters in digital. And as I mentioned to one of the earlier questions, the way you should think about our approach to digital is that our volumes in digital can move up or down quite meaningfully based on what we see in the risk levels. So, this is one business where the beta is actually quite high.

Nischint: And this is largely embedded finance, right?

Jairam Sridharan: Yes.

Nischint: Got it. And just one last point on this, on the IT sector stress or not stress, but rising delinquencies down South. Is this a kind of an infant mortality or is it something which is for the seasoned pool that you are seeing these trends?

Jairam Sridharan: No, no. It's more for the seasoned pool, but these are early-stage risk. So, I'm not talking 90+ or something. I'm talking kind of bounces from current. So, these are very early risk signs. These are not deep delinquency signs. But yes, we are seeing early signs.

Nischint: Got it. And if just a last one if I can squeeze, why is branch penetration low in salaried PL?

Jairam Sridharan: See, salaried PL, I mean, we want to make it higher. We are on it. Currently, the choice we had originally made is that we will staff the branches with PL staff, and that requires a certain assessment of a basic level of PL business volume that is doable in the branch for it to be economically viable.

But increasingly we are moving to some other people models which will help us actually increase penetration. My intention is to get to 100% branch penetration on PL over the next two to three quarters. You should expect to see significant improvement in that number in the next two quarters.

Nischint: Got it. Those were my questions. Thank you very much and all the best.

Jairam Sridharan: Thank you, Nischint.

Moderator: Thank you. Your next question comes from the line of Anand Dama with Nuvama. Please go ahead.

Anand Dama: Hi, thank you for the opportunity. My question was on the mortgages. We have seen competition actually going up, particularly from the banks, the other NBFCs as well. Do you see price competition coming up very strongly in that space? And if you look at this quarter, your Growth NIM has actually come down by 20 basis points quarter-on-quarter. What do you attribute that to? Is it a portfolio mix or anything else, can talk about that?

Jairam Sridharan: So there are two parts to your question. One is on mortgages and what's happening, and the second one is on a quarter-on-quarter NIM trajectory and what has happened to NIMs and why NIMs have compressed from Q4 to Q1. Let me take the first one, I'll give you a broad answer on the second one, and I'll also ask Vikash to share if he has anything extra to what I'm saying on the second question.

See, these two are not related. What's happening in mortgages is, you know, in terms of competitive intensity, it might feel to you from the outside like competitive intensity is increasing a lot. Actually, it's not increasing honestly. Like it is the same number of players that have been there.

I'm not seeing a whole lot of new HFCs being created. Yes, more HFCs are now listed or more of the companies are now actively talking about this strategy. So, to an investor or public markets investor, it might appear that there is a lot of competition that is increasing. But as operators on the ground, we have not actually seen that.

Like we see the same guys that we saw a couple of years ago, the same people are operating. We're not seeing any new name, like whom we didn't see before. If anything, if you talk in the affordable segment, which is less than 35 lakhs housing, people might say that the big increase in competition is the emergence of Piramal over the last, you know, four-five years.

Our emergence as a player who's operating at the 12.5% range in that segment is probably the big new item that has happened in that market. So if anything, we are the disruptors and have been over the last four-five years in that market. On a quarter-on-quarter basis, I'm actually not seeing that much incremental, you know, competitive intensity. What is true, though, is that organically the demand levels are low in small ticket housing.

And hence you're seeing all the small ticket-oriented housing kind of companies either struggle a little bit for growth or look for growth in LAP or in larger ticket, right? And you see that in our numbers as well. The smaller ticket organically just the growth numbers are just not there. At an industry level, the growth -- the industry is growing very low single digits or even in some pockets negative.

And that's just the reality of what's happening in small ticket housing loans right now. On NIM, there's a very minor delta between Q4 to Q1. A lot of it is optical, there isn't anything real. Corny as it sounds, because in retail we are on an EMI-based model where the interest level applicable is the same every month. Kind of, you know, 90 days versus 91 days in the quarter tends to make a difference in terms of what the published percentages are on yields and NIMs, and that delta is itself about 10 basis points in this quarter.

So the 90-day versus 91-day story is a 10-basis point story within retail because of the EMI structure. But Vikas, you want to say something else on NIM from the quarter-on-quarter basis?

Vikash Singhla: If you see slide 44, our NIM for growth book is in the range of 6.9% to 7%. In this quarter, as I said, we chose to do lower DA. That has an impact of roughly 17 to 20 bps in this quarter.

Jairam Sridharan: Yes, that's a great point. So basically, the slowdown in DA also reduces NIM. And that's a choice we exercise. Sorry, just to be super clear, how much DA we do is a little bit of a choice. DA is a pinch hitter. You bring the pinch hitter in when you need it. You don't need the pinch hitter in every innings. In this innings, we didn't feel the need for that, so we didn't do much DA.

Anand Dama: Yes, sure. And secondly, the capital raise that you're planning to do, you very well explained that, but is there a possibility that we could look for some kind of an inorganic acquisition once we have capital in place? And if so, maybe, you know, though it is an enabling resolution, I think we might go for it?

Jairam Sridharan: There is nothing imminent. We have said in the past as well that in theory we remain open for inorganic opportunities. The Piramal house has consistently used M&A for active value creation for shareholders in the past. We remain open, but these two things are not related. We're not on the cusp of anything, we're not trying to fund any particular inorganic opportunity, etcetera.

You know, as I said before, we've taken an enabling resolution to raise capital for growth, and our growth is pretty rapid right now and we will see what the best instrument and the best timing is to raise that capital. And along the way, during the course of the year or next year, if there are some appropriate inorganic opportunities that come up where the valuation is also right, we will actively consider it, but nothing is imminent.

Anand Dama: Sure. Lastly, you know, you talked about the salaried IT segment where there is some stress. We also picked up something similar what you said from our channel checks, and we picked up that, you know, in the early buckets, the delinquency has actually gone up by about 250 to 300 basis points.

But can you just sort of talk about what's the flow rate into the next bucket? You see this as more of a transitional impact or possibly this could lead to some kind of stress building up into our digital or the salaried PL segment for us?

Jairam Sridharan: Right now, too early. We have not seen any flow, actually. It's the metrics we're seeing are still at the very early buckets. We have not seen actually flow happening down to later buckets or into NPA, etcetera. So, we are watching it closely. I mean, what I shared with you is kind of you know, fairly hot off the presses, kind of news. I want to caution everybody against making too much of it.

Sometimes these signals come and they just fade away, we don't know. But there is an important signal given all the narrative around AI and what it is doing to India IT sector, etcetera. I thought it might be a soundbite worth sharing with you all, but I don't want to make too much of it yet. It's too early.

Anand Dama: Understood. That's super helpful. Thanks, thanks.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Subramanian K with ITUS Capital. Please go ahead.

Subramanian K: Congrats for the good set of numbers. My question is on the PCR. So, it is actually gradually improving in the last two quarters. So how do you think it will be going forward?

Jairam Sridharan: Yes. See, in an Ind AS framework, PCR is not a metric that one targets. PCR is an output, not an input to our decision-making. The reason PCR has increased in this quarter is that we have chosen to actually increase some of our ECL model assumptions and some of the kind of, you know, minimum floors on provisions in the quarter, partly inspired by RBI circulars which were targeting banks. And we asked ourselves the question, if such a thing were to be applicable to NBFCs as well, you know, would there be an impact on us? And if so, maybe we should just do that even though the circular is not applicable to us. That kind of thing is all embedded in why you're seeing PCR increase, but it is not something that we are specifically targeting. It will be driven by what our ECL models suggest, what our LGD assumptions are, and most importantly what the product mix is.

If the stage three is dominated by housing, your PCR will be low. If it is dominated by unsecured, PCR will be high. And if we keep writing off the unsecured, then again PCR will become low, right? So, these are management choices. Specifically looking at PCR metric without having the full context of the mix, etcetera, is likely to be more misleading than useful.

Subramanian K: Okay, thank you.

Jairam Sridharan: Thank you, Subramanian.

Moderator: Thank you. I now hand the conference over to Mr. Jairam Sridharan for closing comments. Thank you and over to you, sir.

Jairam Sridharan: Hi, thank you everybody for your time and your great questions. I look forward to hearing more from you offline if you have any other questions for us. Our IR teams are open for any additional information you might seek. Thank you very much for attending and have a great evening.

Moderator: Thank you, members of the management. On behalf of Piramal Finance Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.