Capri Global Capital

Operator: Ladies and gentlemen, good day and welcome to the Capri Global Capital Limited Q1 FY27 earnings conference call. 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Hardik Doshi, Head of Corporate Finance and Investor Relations. Thank you and over to you, sir.

Hardik Doshi – Head Corporate Finance and Investor Relations: Thank you. Good afternoon everyone and a warm welcome to the Q1 FY27 earnings call for Capri Global Capital Limited. This is Hardik Doshi, Head of Corporate Finance and Investor Relations. Before we begin, let me read out a brief disclaimer for today's call. The discussion during today's call regarding Capri Global Capital Limited's earnings performance is based on judgments derived from the results declared and information on business opportunities available to the company at this time. The company's performance is subject to risks, uncertainties, and assumptions that could cause results to differ in the future. In that context, participants on today's call are advised to consider the same while interpreting the results.

The complete disclosure is available on slide 65 of the earnings presentation. Participants are requested to kindly take note of the same. The format of today's call will be opening remarks by the management team, followed by a Q&A. Let me now introduce the management team for Capri Global Capital present on the call today. With us we have Mr. Rajesh Sharma, Managing Director and Promoter; Ms. Divya Sutar, Executive Director of Business Strategy; Mr. Kishore Loda, Chief Financial Officer; and Mr. Sanjeev Srivastava, Chief Risk Officer. I would now request our Managing Director, Mr. Rajesh Sharma, to present his opening remarks on the results. Over to you, sir.

Rajesh Sharma – Managing Director and Promoter: Thank you, Hardik. Good afternoon everyone. I hope you all are doing well. We announced our unaudited financial results for the first quarter of FY27 on July 27. I trust you have had the opportunity to go through our earnings presentation, which is also available on our website. Before I move on to the financial and operational highlights, I would like to touch upon the broader operating environment and key developments during the quarter.

The uncertain global geopolitical situation, energy security, oil and gold price volatility, rupee depreciation, and a volatile capital market led to the overall macro environment being soft for the quarter. However, the Indian economy continues to be resilient and better placed among global economies, supported by its relatively higher GDP growth expectations, strong consumption-driven demand, a large employable workforce, and faster adoption of the rapidly evolving technology landscape. Amidst the soft macro environment, I am pleased to share that Capri Global has delivered yet another quarter of robust growth and profitability while safeguarding its asset quality.

One of the major developments on the technology front is that we have now collaborated with OpenAI to bring enterprise-grade generative AI across key business functions to transform the way we serve our customers, empower employees, and build an AI-native lending institution. Some of the other developments during the quarter included establishing our first GMTN program for a $1 billion global medium-term note, which will enable us to diversify our borrowing mix going forward. Besides this, to establish our brand presence and to support our expansion plans in South India, we have now collaborated with renowned actor Nayanthara as our brand ambassador.

With this backdrop, I am glad to share that Capri Global continued its track record of delivering strong performance quarter-on-quarter in Q1 FY27. We delivered robust growth while achieving our highest-ever quarterly profit after tax of 353 crores, a 102% increase on a year-on-year basis. Let me now come to the detailed business and earning performance for the quarter.

We continued our strong momentum across all our lending businesses in Q1 FY27. Our consolidated AUM stood at 40,112 crores, reflecting a robust 62% year-on-year and 10% quarter-on-quarter growth. Gold loans grew by an impressive 111% year-on-year, MSME grew at a healthy 24% year-on-year, while housing loans rose 42% year-on-year. Disbursements for the quarter rose 31% year-on-year to 11,114 crores on account of a growing customer base and widening distribution networks. Our growth remains granular, diversified, and retail-led, with our customer base now exceeding 7.6 lakhs.

For our gold loan business, we delivered a strong and well-balanced performance in line with our strategic objective of growth driven by geographic expansion and branch productivity, while maintaining a focus on effective risk management. Gold loan AUM showed robust growth to 19,179 crores, a sequential increase of 13% quarter-on-quarter, despite the correction in gold prices, primarily led by healthy customer demand and improving branch productivity. Collateral weight in custody increased from 19 tons to 20.2 tons, an increase of 6% quarter-on-quarter, and the number of active customers increased by 11% quarter-on-quarter. Following the addition of 89 branches in Q4 and 196 branches in FY26, our gold loan branch network during the quarter stood steadily at 1,000 branches, allowing those branches to mature and contribute to productivity.

Our aggregate branch productivity continued to see strong gains and has increased now to 19 crores per branch versus 17 crores per branch at the end of the previous quarter. Our branch expansion plan for the year is underway, and we expect to add 150 plus branches by the end of Q2, reflecting our commitment to expand our presence in Southern and Eastern India. On the employee productivity front, while our AUM has increased significantly, our employee base increased only by 14% year-on-year, resulting in a significant improvement in employee productivity to 3.4 crores AUM per employee versus 1.8 crores a year earlier.

Despite the gold price volatility during the quarter, our efforts in controlling asset quality proved effective, with gold loan gross NPA at 0.3%, among the best in the industry, underscoring our focus on portfolio performance for the gold loan business. Combined growth through capitalizing on the vintage of existing branches while maintaining discipline on asset quality amidst gold price volatility. Our MSME AUM grew to 6,779 crores, up 24% year-on-year, and disbursements stood at 616 crores for Q1 FY27, up 32% year-on-year, led by steady execution and network expansion.

The branches that opened in Uttar Pradesh in Q3 FY26 are scaling up well and have started delivering 18-20 crores disbursement per month. We are further expanding our footprint into Telangana and Karnataka, with 16 branches scheduled to become operational from Q3 of this year. Within MSME, our Micro LAP business, which enables us to serve emerging self-employed borrowers with smaller ticket size requirements, is seeing steady growth, with AUM rising to 876 crores at the end of Q1 FY27. In this segment, we implemented higher thresholds for sourcing and selection of customers, leveraging our data science capability, such as BIRI and bureau scorecards and gating criteria to disqualify non-eligible customers up front.

Our housing AUM stood at 7,815 crores, delivering year-on-year growth of 42%. We continue to see resilient demand across the affordable housing segment, where rising income levels and a low interest rate regime are driving demand for housing loans. Our expansion into high-potential Southern India states such as Andhra Pradesh, Telangana, and Karnataka, with 30 plus branches in the last quarter, is showing good traction, with disbursement volumes scaling up to 65 crores per month. This strategic expansion is a step towards geographical diversification, increased portfolio granularity, and risk diversification while supporting improvement in yield over time. Further, our yields in the housing finance segment have been improving as a result of our continued focus on the self-employed customer segment, which now comprises about 75% of AUM.

Our construction finance AUM saw healthy growth of 40% year-on-year to 6,332 crores, spread across 291 active projects with an average sanctioned ticket size of 41 crores and an outstanding portfolio ticket size of 20 crores. The book remains granular, secured, and well-diversified by geography, reflecting our focus on working with mid-sized developers in metro and tier-1 cities. We continue to emphasize discipline in underwriting through rigorous due diligence and escrow-based cash flow management, ensuring a risk-containment approach. Our total branch network remained steady at 1,433 branch locations in Q1 FY27, with plans to open around 400 branches for the current year. We will continue to invest in expanding our network and geographical footprint in line with our goal of becoming a large-scale Pan-India retail lender.

Coming to earning performance, let me now provide an update on our core earnings. Our blended yield and spreads on net advances improved further in the quarter to 17% and 7.8% respectively, driven by increasing shares of high-yield products, an increase in our gold loan yield, and improvement in the cost of borrowing. Our net interest income for Q1 FY27 stood at 736 crores, up 79% year-on-year, driven by strong loan book growth and margin expansion. In line with our focus on building a diversified and resilient earning profile, we continue to strengthen our non-interest income stream in Q1 FY27, generating recurring quality fee income. Non-interest income grew 20% year-on-year to 217 crores, contributing 23% to our net total income for the quarter. This strong increase was largely driven by growth in commissions on insurance and car loan distribution.

In our insurance distribution business, we generated net fee income of 42 crores during the quarter. The continued investment in technology and digital transformation, established insurance partnerships, and distribution capabilities is helping us strengthen Capricare, our digital platform, as a scalable and customer-centric insurance platform. Capricare further expanded its product portfolio through the launch of 14 life and general insurance products in partnership with leading insurers, strengthening the platform's ability to offer comprehensive insurance solutions. A significant milestone was the expansion of the Capricare agent open-market insurance distribution platform. The growing POSP network has enhanced insurance accessibility beyond the lending ecosystem, providing seamless access to distributors, connectors, and partners associated with the Capri Group, enabling efficient onboarding, policy issuance, and customer service at great scale. Going forward, we will continue to increase our insurance offering for gold loan, housing, and MSME customers while expanding into cross-selling of retail health and motor insurance through digital channels. This digital-first approach is expected to drive higher insurance penetration and meaningfully enhance fee income contribution over time.

Our co-lending and DA AUM surged 74% year-on-year to 8,126 crores and 4% quarter-on-quarter, now accounting for 20% of total AUM. Reflecting our strategy of capital-efficient growth, co-lending volumes slowed down during the quarter and grew by 4% quarter-on-quarter on account of new co-lending guidelines coming into effect and the requirement of partner banks to move to the CLM1 model. Of our 11 partners, six banks have already moved to the CLM1 model. We have completed tech integration for new arrangements with CLM1 and we are in the process of migrating other partner banks as well. To further enhance capital efficiency, we are also leveraging direct assignment and PTC instruments, which are showing good demand given the higher share of gold loans and the PSL nature of our loan book. Our income from co-lending and DA for the quarter stood at 65 crores, down 8% year-on-year, driven by lower disbursement volumes.

Our car loan distribution business grew strongly with originations of 3,282 crores in Q1 FY27, up 43% year-on-year. With a growing footprint and deep relationships across 13 partner banks and financial institutions, we have built a scalable platform with a Pan-India network that has the potential to monetize further through the distribution of other products.

On the expenses front, our operating expenses remained flat quarter-on-quarter. This was mainly driven by only a modest increase in the number of employees by 156 on account of branch optimization. In line with our guidance and conscious effort toward improving operational efficiency, our cost-to-income ratio further improved to 44.2% in Q1 FY27 compared to 49.4% in Q4 FY26. This sharp improvement signifies the benefit of investment in technology, a maturing branch network, rising productivity, and improving operational leverage across our businesses. As a result of margin expansion, operating efficiency improvements, and strong traction in fee income, our pre-provision operating profit surged 171% year-on-year to 532 crores for the quarter. Further, we have continued our strong profitability momentum in Q1 FY27, delivering a robust PAT of 353 crores, up 102% year-on-year. Our return ratios considerably improved during Q1 FY27, with return on average equity at 19.1% versus 13% a year before and return on average assets at 4.1% versus 3.2% a year before.

Coming to asset quality, let's look at the trends. Our gross Stage 2 assets increased by 385 crores, largely driven by an increase of 373 crores in gold loans, which are low-risk in nature. As a result, our gross Stage 2 ratio for the quarter increased to 3.8% from 2.8% in the previous quarter. At a consolidated level, our gross Stage 3 ratio stood at 1.1% and the net Stage 3 ratio stood at 0.6%, which is among the top quartile in the industry. During the quarter, our gross Stage 3 assets increased by 74 crores quarter-on-quarter, mainly on account of a 31 crore increase in construction finance. Our gross Stage 3 ratio for other segments largely remained range-bound, with gold loans at 0.3%. Our impairment cost for the quarter stood at 62 crores, up by 16% quarter-on-quarter, and was 0.7% of average total assets, which is in line with our historical average of 0.6% to 0.8%. During the quarter, we increased the PCR on the construction finance segment to 70.5% and the PCR at a consolidated level increased to 43.3%. This is in line with our prudent provisioning policy of maintaining a healthy PCR across segments and keeping a buffer for evolving macroeconomic conditions in the form of management overlay.

Coming to capital, liquidity position, and borrowings, let me talk about our liability side. Our borrowings increased by 73% year-on-year, and incremental borrowing sanction limits were around 3,868 crores during the current quarter. We added five new lender relationships during the quarter, taking the active relationships to 40 plus. We also continue to diversify our borrowing mix by raising funds through capital market borrowings such as non-convertible debentures and commercial paper, which now contribute about 10%. During the quarter, we raised 3,868 crores from bank borrowings and 1,271 crores from non-convertible debentures and commercial paper. As a result of our active efforts on repricing existing borrowings, MCLR reductions, and optimized ALM through changing the mix, our cost of borrowing has seen consistent improvement quarter-on-quarter. Our balance sheet remains robust with a comfortable leverage ratio of 3.7x. The capital adequacy ratio for both entities remains quite healthy at 24.7% for Capri Global Capital and 27.8% for Capri Global Housing Finance, providing headroom to support growth across business segments. Our liabilities are long-tenor and our assets are short-to-medium tenor, placing us in a favorable position on the ALM front with a cumulative surplus across all buckets. Liquidity remains comfortable with 4,037 crores in cash and bank balances, investments, and undrawn credit lines.

Coming to technology, this quarter marks an important milestone in our technology journey. AI has moved beyond being a capability we were building to become a capability that is delivering measurable business outcomes across origination, underwriting, collections, and customer engagement. Today, every customer interaction is analyzed by AI, not merely sampled. During the first quarter of FY27 alone, the platform analyzed 6.7 lakh customer calls, converting every conversation into structured intelligence beyond compliance monitoring. It identified customer behavior patterns, repayment intent, emerging risk signals, fraud indicators, and sentiment shifts, generating insights that strengthen underwriting, optimize collection strategies, improve customer engagement, and support targeted coaching for frontline teams.

Beyond digital interaction, we have also created a rich layer of physical intelligence during the quarter. Over 2.64 lakh geotagged field visits were recorded across sales, credit, personal discussions, technical evaluation, and collection activities. Every visit is digitally verified and location-stamped, creating high-quality field intelligence that strengthens fraud detection, validates process adherence in underwriting and collections, and provides a more comprehensive view of borrower behavior than digital interaction alone. Together, this creates a continuously expanding data ecosystem where every transaction and every field interaction feeds back into AI models. As transaction volume scales, the platform becomes progressively smarter, enabling faster decisions, stronger risk management, and improved operating efficiency, creating a compounding technology advantage that strengthens with every customer interaction.

Collection is where our AI platform delivers its most tangible financial impact. Kronos 4.0 is now deployed across the entire collection portfolio, continuously predicting repayment behavior, prioritizing customer outreach, and optimizing the next best recovery action through a self-learning decision engine. Every customer interaction feeds back into the model, making each subsequent intervention more precise and improving recovery outcomes over time. Supporting this is our in-house omnichannel engagement platform, whose throughput has increased more than threefold from 166 to 529 messages per minute, reducing campaign execution time by 53% in the first 12 days of June alone. The platform reached over 1.3 lakh customers with a 95.5% delivery rate for pre-due communication, demonstrating its ability to execute large-scale, highly targeted engagement with speed and consistency.

Layered on top is our multilingual AI voice platform, operating across nine Indian languages, which analyzes every customer conversation for repayment intent, sentiment, risk signals, and promise-to-pay while continuously enriching our collection intelligence. Field recovery has also become technology-led with our geotagged collection visits, providing complete visibility, stronger governance, and measurable execution on the ground. The business impact is already evident. Nearly 90% of inbound payments across the organization are digital, with MSME and housing finance exceeding 93%, reflecting a decisive shift toward more efficient, lower-cost, and data-led recovery journeys. Further, approximately 35% of collections across the MSME and housing finance verticals are now managed through technology-enabled solutions, and direct digital engagement with customers creates a scalable collection engine that simultaneously improves productivity, lowers service costs, strengthens risk management, and continuously enhances model performance as transaction volumes grow, creating a compounding operating advantage.

Underlining all of this is our API-first microservices architecture, processing nearly 70 million external API transactions every month and enabling real-time orchestration across origination, services, and collections. As transaction volume increases, our AI models continuously learn and improve, creating a compounding advantage rather than a static technology platform. Most importantly, these are not just technology metrics. This translates directly into faster turnaround times, lower operating costs, stronger control, and better collections—the four operating levers that ultimately drive profitability. Because every one of these systems improves as it processes more transactions, the advantage compounds with scale, making our technology platform an increasingly meaningful competitive differentiator for the business.

In addition, as part of our collaboration with OpenAI, over the coming months, we will explore the implementation of secured AI-powered deployments and workflow tools to enhance customer service, knowledge management, and operational processes across our branch network. In summary, four quarters ago, AI at Capri was about building capability. Today, it is delivering measurable business outcomes.

Before we open the floor for questions and answers, let me sum up. We are delivering a strong performance in Q1 FY27 with healthy AUM growth across our key lending segments, supported by a diversified and predominantly retail secured portfolio. Profitability improved further during the quarter, driven by all-around performance across all metrics: robust AUM growth, improving margins, strong growth in fee income, and operating leverage from our existing branch network. Asset quality remained resilient with a strong capital position and continued investment in technology and distribution. We are well-positioned to scale profitably and are confident in revising our AUM target upward to 65,000 crores by FY28, with a consistent return on average equity of 19% to 21% and a return on average assets of about 4.2% to 4.7%. We shall now be happy to take questions.

Operator: Thank you. We will now begin the question-and-answer session. Our first question comes from the line of Kiran Shah with KSA Shares and Securities. Please go ahead.

Kiran Shah – KSA Shares and Securities: Hello, congratulations on a strong quarter. I just had a couple of questions. On the Stage 2 increase, can you please split the 385 crore sequential rise by segment? Is it recent origination or seasoning on older vintages? Also, why has the coverage been cut from 11.8% to 9.4% while the pool grew by 47%? What changed in the loss estimate, and is there any mix shift into gold? Thank you.

Management: Thank you for the first part of your question related to Stage 2. Out of the 385 crore increase in Stage 2, MSME increased by 10 crores and Housing increased by 15 crores. Construction finance decreased by 13 crores. Gold loans increased by 373 crores, resulting in the total increment in Stage 2 of 385 crores. Gold loans primarily went up because gold prices were on the lower side; quarter-on-quarter, there was a 4% decline in the price, which resulted in more Stage 2 cases.

Kiran Shah – KSA Shares and Securities: Okay, thank you, sir. One more question on project finance. Regarding the 125 crores under DCCO extension, is it inside or outside the construction finance gross NPA? Is it real slippage or just the new norms?

Management: It is outside. DCCO cases are not considered as NPA; they are still considered as standard.

Kiran Shah – KSA Shares and Securities: All right, thank you so much and all the best for the next quarter.

Operator: Thank you. The next question comes from the line of Rushi Bagal with Kotak Bank. Please go ahead.

Rushi Bagal – Kotak Bank: Yeah, first of all, congratulations to Capri Global, one of the leading NBFCs. My question concerns a statement that a weak monsoon will impact gold loan increases. If the monsoon is weaker, does that impact the business?

Management: Yes, if the monsoon is weaker, some in the microfinance segment or marginal farmers will have requirements to meet their cash gaps by adopting gold loans. However, I think normal growth will keep coming. In any case, we have seen that on a steady-state basis, growing the book at 25% is absolutely possible. We will keep adding branches, so the addition of new branches will drive more growth. Growth will happen on two accounts: first, from existing branches in a normal case growing by about 25% (assuming no growth in gold prices), and second, the addition of new branches will further add to this.

Rushi Bagal – Kotak Bank: Okay, thank you.

Operator: Thank you. The next question comes from the line of Suhani Singh with Ross Capital. Please go ahead.

Suhani Singh – Ross Capital: Hello sir, good afternoon. I had a couple of questions. Earlier you had indicated plans to add around 350 dedicated gold loan branches during FY27. However, the branch additions in Q1 appear to be relatively modest. Could you provide an update on the rollout plan?

Management: Our rollout plan involves adding about 150 branches in Q2, and then by the end of Q3, we will add another 250 branches. Totaling 400 branches, we should be up and running by Q3. That is the plan, and I think the plan is on track.

Suhani Singh – Ross Capital: Okay. So you are still confident of achieving the full-year branch expansion target, and should the additions be more back-ended?

Management: As we communicated earlier, we have now revised the branch expansion target upward to 400 branches, and that will be completed on or before December 2026.

Suhani Singh – Ross Capital: Okay, that helps. Gold loan yields have improved to around 18.6% this quarter. Do you believe the current rate is sustainable or should we expect some moderation if competition increases?

Management: As a change in strategy, we have focused on smaller ticket sizes and accordingly changed our incentive plan to bring attention to smaller ticket sizes where yield improvement is possible, which has taken place. I think next quarter we will also see some improvement in yield. The current improvement has brought it to about 18.5%. I think another 50 to 75 basis points of further improvement will happen in the yield.

Suhani Singh – Ross Capital: Okay, that helps, sir. Also, the cost of funds declined by around 10 basis points during the quarter. Given the current interest rate environment and your evolving borrowing mix, what scope do you see for reducing funding costs over the remainder of FY27?

Management: I don't see much scope for cost of fund reduction from this level in FY27. However, from a diversification perspective, we are already approaching public issuances of bonds, the capital market for raising commercial paper, and raising refinancing from institutions and bank borrowings. At some point, depending on market conditions, we can also access the offshore dollar bond market now that we have set up the GMTN program. There have been enough diversification efforts, and we will see the overall bank borrowing percentage come down, but as far as the cost is concerned, I think it will remain more or less stable during the remaining quarters.

Suhani Singh – Ross Capital: Okay, sir. Thank you so much and all the best.

Operator: Thank you. The next question comes from the line of Somya Raghuvanshi with Nirva Securities. Please go ahead.

Somya Raghuvanshi – Nirva Securities: Good evening. Thank you so much for the opportunity. My first question is on the gold loan mix. Gold loans now account for nearly 47-48% of the overall AUM. Considering the recent volatility and correction in gold prices, how do you see the optimal portfolio mix evolving over the medium term? Do you have an internal target for the gold loan contribution to the overall loan book?

Management: In the medium term, gold loans in our AUM mix should be about 55%.

Somya Raghuvanshi – Nirva Securities: Got it, sir. My next question is on the MSME portfolio. As a percentage of overall AUM, it has gradually declined over the last few quarters. Could you elaborate on the key reasons behind this trend? Is this largely a function of faster growth in gold loans or have you been relatively more selective in MSME underwriting?

Management: It was primarily because we were opening new branches in the gold loan segment and we wanted those branches to achieve profitability fast. All the credit line allocation of capital was directed toward the gold loan segment. Keeping the overall growth in the range of about 50-60% annual growth, we have kept the gold loan as a higher priority and, accordingly, maintained a very measured way of growth in the MSME segment.

Somya Raghuvanshi – Nirva Securities: Okay, sir, got it. That is all from my side. Thank you.

Operator: Thank you. The next question comes from the line of Nivedita Choudhary from ICICI Securities. Please go ahead.

Nivedita Choudhary – ICICI Securities: Congratulations on a very good quarter, sir. I have two questions. Firstly, earlier we had targeted an FY27 AUM of 47,000 crores. Now you have given 65,000 crores as the FY28 target. Is it correct to assume that we are also increasing the FY27 target, with an average of adding 3,500 crores each quarter?

Management: I think for FY27, we are on course to achieve 50,000 crores, and by FY28, 65,000 crores. You are right regarding the quarterly basis. It can be in the range of about 3,000 to 3,500 crores. However, the last two quarters are always higher than the first two quarters.

Nivedita Choudhary – ICICI Securities: All right. Can you please provide a product-wise breakup of the disbursements?

Management: We will provide those data to you offline.

Nivedita Choudhary – ICICI Securities: All right. Thank you so much, sir.

Operator: Thank you. The next question comes from the line of Kanaksh Gupta with SS Family Office. Please go ahead.

Kanaksh Gupta – SS Family Office: Hello, sir. A very good afternoon to you. Just a question on organizational continuity. As we have seen over the past few years, we have observed a fairly elevated level of leadership transitions across the organization. Could you help us understand how the board thinks about leadership succession and retention, and whether the current phase of organizational evolution is now largely behind us? What gives you the confidence that the company has reached a point where investors should expect greater stability and continuity in the senior leadership over the medium to long term?

Management: If you see in totality, all the business heads who drive revenue are quite stable. If you look at our corporate presentation on the website, it clearly shows that the gold loan business head has been there since the day we started. The construction finance business head has been there for more than 9 years. The housing finance chief business officer has been with us for almost 10 years. Regarding MSME, the earlier business head was here for about 7 years, and after he transitioned elsewhere, we found a replacement. So we cannot say there was churning on the business side. On the risk side, the head of credit has been with us for more than 7-8 years. Our CRO, Sanjeev Srivastava, joined almost 3 years ago. Barring one or two positions, 10-20% churning in leadership is quite normal and natural.

Kanaksh Gupta – SS Family Office: Sir, can the board state that these leadership transitions were unrelated to any structural issues?

Management: No. Our head of internal audit, CCO, and CFO transitioned because when our housing subsidiary achieved scale, we had to comply with RBI regulations. For example, once you achieve 5,000 crores AUM, you must have a separate CCO in housing finance. We internally transferred those roles from the parent NBFC to the HFC. It is not that they moved out. You have to look at it in totality. Taking into account these internal transfers, there are very few positions compared to the industry or otherwise.

Kanaksh Gupta – SS Family Office: In the last couple of years, we have seen multiple CEOs churning, and the position is still vacant. When can we see a CEO coming in for the long term?

Management: There is no CEO position vacant, and there is no plan to bring in any CEO.

Kanaksh Gupta – SS Family Office: Okay, sir. Thank you for answering. All the best for the future.

Operator: Thank you. The next question comes from the line of Santosh Shetty with LGC Capital. Please go ahead.

Santosh Shetty – LGC Capital: Good evening, sir. You previously guided toward achieving a medium-term ROA of 4.2% to 4.7% and ROE of 19% to 21%. With ROA already crossing the 4% mark in Q1, could you share the expected timeline for achieving these targets on a sustainable basis?

Management: By FY28. I think we are quite confident to deliver this on a consistent basis despite remaining in the expansion phase of adding 400 to 500 branches a year.

Santosh Shetty – LGC Capital: Okay, sir. Another one: while the car loan business continues to report healthy year-on-year growth, origination volumes moderated sequentially during the quarter. Is this primarily driven by a strategy of prioritizing profitability over growth, or are you witnessing some moderation in demand or increased competitive intensity? How do you see this business evolving?

Management: In car loan origination, we distribute car loan sourcing through our employee and dealer network and pass it to banks via a technology platform. We follow unit economics there. We are not increasing volume at the cost of profitability. There are some players who do a cash burn to grow their volume, but we follow a philosophy of not doing cash burns. Every transaction should result in profitability, and we will not chase growth alone. Growth has to be for profit, and keeping to that philosophy, our growth in car loans is happening to an extent that is not causing us any kind of loss. You will see these margins improve in the next couple of years because at some point, we are going to launch a used car loan product, first as a pilot and then full-fledged. We are not growing the book just for the sake of numbers.

Santosh Shetty – LGC Capital: Okay, thank you so much, sir.

Operator: Thank you. The next question comes from the line of Piyal Sharma with DDT Group. Please go ahead.

Piyal Sharma – DDT Group: Hello. Congratulations on a good set of numbers, sir. Spreads have expanded to approximately 7.8%, which is significantly above historical levels. Should investors consider this a sustainable level, or is there still scope for further improvements through product mix optimization and lower borrowing costs?

Management: We believe the spread will remain in this region, in the range of about 7.8% and maybe around 8% at some point when the gold loan proportion crosses 52-53%. It should stabilize around that level.

Piyal Sharma - DDT Group: Okay, sir. My next question is related to the cost-to-income ratio. It has improved meaningfully as operating leverage continues to play out. With significant branch expansions planned during the year, how should we think about the trajectory of the cost-to-income ratio over the next 12 to 18 months?

Management: Over the next 12 to 18 months, the cost-to-income ratio should remain in this range. It will not go further down, keeping in mind that we are going to add more branches. The expenses of the more recent branches will be offset by the larger volumes from the older branches. If we are able to maintain 44-45%, I think that is a good achievement and it will support a better ROE and ROA.

Piyal Sharma - DDT Group: Great, sir. My last question is, given the recent corrections in gold prices and the possibility of further volatility, how do you assess the potential impact on gold loan disbursements, AUM growth, yields, and asset quality? What risk management measures are in place?

Management: Gold loans are short-term in nature, and gold prices do not fall 10-20% in one go. There is an automated system-driven margin call alert. At some point, when the LTV breaches beyond a level of 85%, auction notices are issued. With that mechanism in place, it has proved to be well-controlled when gold prices have fallen. We have seen gold prices remain very volatile in the last 6 months. Even on a quarter-on-quarter basis, there is a fall in gold prices. We do not see any risk on the asset quality side despite the fluctuations. A further fall in gold prices might affect growth to some extent, but as we are operating 1,000 branches and intend to add more, I think it will not impact us beyond a point.

Piyal Sharma - DDT Group: Thank you, sir.

Operator: Thank you. The next question is from the line of Lakshya Inguran with Shareindia Securities. Please go ahead.

Lakshya Inguran - Shareindia Securities: Congratulations on the good set of numbers. My first question was regarding the loan-to-value ratio for our gold loans. Secondly, to what extent are we protected from a fall in gold pricing?

Management: The average loan-to-value ratio on a disbursement basis is about 71%. If you look at slide 7 of the earnings presentation, that is displayed there. This 29% margin is a good enough buffer from a risk perspective.

Lakshya Inguran - Shareindia Securities: Thank you.

Operator: The next question is from the line of Siddhant with SK Securities. Please go ahead.

Siddhant – SK Securities: Hi, can you hear me? My question is regarding asset quality. There was a deterioration in the construction finance book, where the gross NPA increased from 0.3% to 0.7% this quarter on a quarter-on-quarter basis. Can you please elaborate on the reason for that and the outlook on asset quality going forward?

Management: In construction finance, one particular account slipped into NPA and we have taken a provision of about 70% for that account. That is the reason the asset quality changed this quarter. We have seen the cycle in construction finance, and within 6 to 9 months we are usually able to recover these accounts, as they are backed by strong collateral or projects. We find another project developer to take over the project and we exit the account. We have shown this repeatedly in the past. Even in the current quarter, we have seen strong recoveries of about 30 crores from old NPA accounts. This is normal, and on a steady-state, long-term basis, I do not think we will see volatility in construction finance. During interim periods, some accounts slip into NPA and are then recovered, and then sometimes another account slips. It is a continuous process of management and recovery.

Siddhant – SK Securities: Thank you, sir. Regarding the overall asset quality of the loan book, what is the outlook for the remaining quarters of this financial year? Are we seeing stress in any particular segments like MSME?

Management: Since we are in 100% collateralized, secured segments, we have seen very good collection efficiency in the last few quarters. The company has invested heavily in its own collection team of 525 plus people, and we invest in technology and data science. Culturally, we have built a very strong collection culture in the company. We believe there will not be many surprises on the collection side. Current gross NPA is about 1.1% and net NPA is about 0.6%. These are very good numbers and we do not see a reduction from here, but given the yields we are landing in these products, our own benchmarks for gross NPA are about 2% and net NPA 1%. We are currently much below that, which reflects our performance in asset quality and collection efficiency.

Siddhant – SK Securities: Okay, sir. Thank you for answering my questions.

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

Management: Thank you for participating in the earnings call today. I would reiterate that we are committed to delivering strong and consistent performance quarter-on-quarter and are glad to revise our AUM guidance upward to 65,000 crores by FY28 at a 30% plus CAGR, with a return on average equity of 19% to 21% and return on average assets of 4.2% to 4.7%. Should you have any questions, you can reach out to us or our IR advisors and we shall be happy to answer your queries. Thank you once again and have a happy week ahead.

Operator: Thank you, sir. On behalf of Capri Global Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.