Piramal Finance

30th April 2026

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Rotunda Building, P.J. Towers,
Dalal Street, Fort,
Mumbai- 400 001
BSE Scrip Code: 544597

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
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NSE Symbol: PIRAMALFIN

Sub.: Transcript of conference call on the Audited Financial Results (Standalone & Consolidated) for the quarter and financial year ended 31st March 2026

Dear Sir / Madam,

In continuation of our letter dated 20th April 2026 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on 27th April 2026, on the Audited Financial Results (Standalone & Consolidated) of the Company for the quarter and financial year ended 31st March 2026.

The transcript of the said conference call is also hosted on the website of the Company Concall_Transcript_Q4FY26_Piramal Finance Limited_27th April 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
Company Secretary

Encl.: As above.

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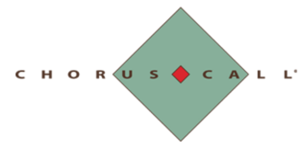
"Piramal Finance Limited
Q4 and Annual FY 2026 Earnings Conference Call"

April 27, 2026



MANAGEMENT:

MR. ANAND PIRAMAL – EXECUTIVE 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 Q4 and Annual FY 2026 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 touch-tone phone.

The results 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 change.

On the call today, we have with us Mr. Anand Piramal, Executive 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 of Investor Relations and Strategy.

I now hand the conference over to Mr. Anand Piramal for his 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 March quarter and full year FY26 results of Piramal Finance. As you all know, during the last few weeks of this quarter, geopolitical disruptions in the Gulf have created a volatile global macroeconomic environment. Crude oil prices have risen sharply. There have been also concerns around the availability of refined products such as LPG. We believe ongoing diplomatic developments and a potential de-escalation could limit the overall macro impact on India.

At this stage, the effect on India's economy and financial services sector appears contained, reflecting underlying resilience. Retail petrol and diesel prices have largely remained stable. This pricing discipline has played a critical role in containing near-term inflation, preserving domestic demand, and avoiding a spike in retail loan pricing.

The government's timely interventions to support exporters have helped cushion the impact from ongoing maritime challenges. Overall, while geopolitical risks remain a key monitorable, India's macroeconomic stability, policy responsiveness, and domestic demand strength continues to support the growth outlook.

Coming to our results, the company delivered a strong quarter and ended FY26 with several achievements. I am happy to report that we surpassed our targets we set for ourselves at the start of the year. Our total AUM grew 25% year-on-year and crossed the INR1 lakh crores mark.

We have completed our AUM mix transition with the Legacy book down 59% year-on-year to INR2,807 crores versus the target of reducing it to INR3,000 crores to INR3,500 crores. The Legacy book is now less than 3% of the total AUM versus 66% of our AUM four years ago. This has been perhaps the largest and fastest rundown of any wholesale book in our industry.

Equally unprecedented has been the scale-up of our retail business. In FY26, it grew 33% year-on-year to INR85,885 crores. It now forms 85% of total AUM. Ours has been the fastest scale-up of any retail business among NBFCs. We took four years in going from INR20,000 crores to INR85,000 crores, something that other retail NBFCs before us took 5 to 10 years to do. More importantly, while growing this book, we have sharply lowered our opex ratios and have kept a tight control on risk.

In Q4 FY26, the retail asset quality significantly improved across all products. Along with our Wholesale 2.0

AUM, which grew 38% year-on-year, our Growth AUM increased by 33% year-on-year versus the 30% target. Asset quality of Wholesale 2.0 continues to remain robust with zero NPAs in this book.

After breaking even in FY24, the Growth business has steadily been improving its profitability. In Q4, we exited at RoAUM of 2.1% versus 1.7% in Q4 FY25. For FY26, we have reported a consolidated net profit of INR1,506 crores versus the target of INR1,300 to INR1,500 crores. This was up 3x year-on-year.

In this quarter, both our domestic and foreign credit ratings witnessed a round of upgrades. Our domestic long-term debt is now rated AA+ by all three leading credit agencies versus AA rating at the last quarter end. In Q4, we received deferred consideration proceeds of $148 million towards the sale of Piramal Imaging.

We also concluded the stake sale of Shriram Life Insurance worth INR600 crores. We also added INR10,110 crores to our assessed tax losses, totaling total assessed tax losses to INR24,600 crores. Overall, in the last two years, we have been consistent in improving our profitability along with healthy AUM growth and stability of risk and earnings.

As an upper-layer AA+ rated retail-led diversified NBFC, we are privileged to serve over 5.7 million customers across semi-urban India, combining physical distribution with technology and AI in our processes. We remain confident in our ability to deliver steady and healthy earnings growth.

With that, I will hand over to Jairam to share more details of the results.

Jairam Sridharan: Thank you, Anand. Good evening, everyone. Earlier this year, you might recall that we introduced our framework for value creation and long-term alignment with our shareholders. To refresh our memories, the framework had three drivers of value creation: growth, profitability, and predictability. And supporting these value drivers, we talked about building a future-proof AI-native company.

I'd like to start my comments with an evaluation of our Q4 FY26 performance against this framework. Let's start with growth, which you can see on Page number 4 of our investor presentation. You see here that our AUM was up 33% year-on-year in our Growth book. On a consol basis, AUM was up 25% year-on-year and we ended the year at INR1,01,230 crores. We thus stay very much on track for our stated goal of INR1,50,000 crores by FY28.

The second vector was profitability, on which I would like to direct your attention to Slide 5. The return on AUM of our Growth business increased further, as Anand mentioned, to 2.1% in Q4 versus the 1.7% we were at in the same quarter last year. Leverage, which is AUM to equity, also continued to increase and we are now up at 3.6x in Q4 compared to 3x same quarter last year. We continue to progress towards our goal of 4.5 to 5x.

The third vector in our value creation framework was predictability, on which I would like to draw your attention to Slide number 6. In the fourth quarter, the Growth business delivered a PBT of INR495 crores, keeping up the steady and predictable trajectory of the last eight quarters.

The stability and predictability are also visible in our credit risk outcomes, with retail 90 plus delinquencies down 20 basis points quarter-on-quarter to 0.6%. Growth business credit cost was also down marginally quarter-on-quarter to 1.5%. More importantly, as you can see on the page, the performance was extremely steady over the last 4 years. Let's now get into our specific business performance metrics.

Our retail AUM growth remains strong. We ended the fourth quarter with a retail AUM growth of 33% year-on-year. Disbursements in retail recovered from a moderate Q3 and were up 34% year-on-year to INR13,101 crores.

Our mortgage business comprising housing loans and LAP grew by 32% year-on-year to INR57,837 crores.

Mortgages account for 57% of the total AUM of the company and 67% of the retail AUM. If you look at Slide 24, we have provided this quarter some additional disclosure on sub-segments within our HL and LAP businesses. Over the years, we have expanded our presence in mass affluent home loans and larger ticket LAP plus products. With our rating upgrade, our ability to serve these segments is significantly higher.

Retail AUM growth was well-diversified across our product category, all growing at about 20% to 50% year-on-year. Wholesale 2.0 AUM was up 38% year-on-year in the fourth quarter, with both real estate and mid-market lending showing strong Y-o-Y trends. Growth AUM was collectively thus up 33% year-on-year to INR98,423 crores.

If you look at Slide 30, our retail customer franchise grew by 22% year-on-year to 5.7 million. As Anand referred earlier, we have crossed 5 million as our customer franchise this year. Our sourcing from cross-sell in unsecured disbursements is around 30%, which we expect to materially improve over coming years.

Our cross-sell portfolio comes with significantly lower opex as well as credit costs. During the third quarter call, we had guided towards opening 100 new branches in the fourth quarter across three formats. We have successfully delivered on that plan. After not expanding our branch network for seven quarters, we resumed branch expansion in Q4, for which I would like to refer you to Slide 28.

In this quarter, we opened 26 full-service branches, which we have now rechristened as urban branches. In addition to these, we have also opened 22 gold loan branches and added 60 rural branches, which we earlier called microfinance branches. We have now taken our rural network to 136 branches. In all, our total branch network has crossed 700 in this quarter and stands at 701.

As shown on Slides 25 and 27, we took meaningful steps forward in this quarter on gold loans and rural lending. Starting with Slide 25, we launched phase 1 of our gold loans business with 22 branches in Maharashtra and Telangana. As of today, 13 of these gold loan branches are disbursement active. We are innovating traditional gold loan product with unique tech and AI-based features.

We expect to open 180 more gold loan branches in FY27 to take our gold loan branch count to approximately 200. We are spearheading our emerging rural strategy with micro loans as the first product through our 136 rural branches, which you see on Slide 27. Our micro loans AUM was up 42% year-on-year from a small base to INR1,384 crores.

Moving on to margins, our consolidated level NIM expanded 20 bps quarter-on-quarter to 6.5%, which you will see on Slide 15. You will also see on this slide that the console NIM has been continuing to close the gap with our growth book NIM, which is 7%.

Cost of borrowing during the quarter declined by 11 basis points on a Q-o-Q basis to 8.84%. Along with actively working on our borrowing mix, the impact of credit rating upgrades should provide a tailwind to our cost of borrowing over the coming years. Domestic credit rating upgrade from AA to AA+ has the potential to lower our cost of borrowing by 50 to 80 basis points once we churn our current borrowing stack out and replace it with new borrowings. The AA plus rating also offers us access to certain parts of the lending market we could not access before, thus enhancing our ability to continue delivering industry-leading AUM growth. It can also aid expansion of return on AUM and potentially also allows us to lever our balance sheet higher versus what was possible with the AA rating. All of this could lift steady-state ROEs by 3% to 4% percentage points.

On retail income, total retail income as seen on Slide 21 grew by 35 basis points quarter-on-quarter to 15.5% of loan book. Our yields on loans were stable. The retail processing fee amortization continues to catch up to support the overall fee income. There was, however, a reduction in our insurance fee in this quarter due to a change in commercials with our partner Pramerica Life.

On opex, retail opex to AUM further came down by 21 basis points quarter-on-quarter to 3.6% per annum in quarter 4. You will see this trend on Slide 21. We have now consistently reduced our opex to AUM ratio for 3 years and have now entered the target range which we had indicated some years earlier. While we have restarted our branch expansion, the continued productivity gains for our employees and branches have the potential to take our retail opex to AUM a little bit lower than current levels over FY27.

Tech and AI have been key enablers of our growth and productivity enhancement. While we have been sharing in the past the impact of AI across five key business areas, we are now starting to share additional input metrics as well. I would like to draw your attention to Slide number 7.

Here we have tried to share a metric for overall use of GenAI techniques at Piramal. You will see that there is a strong growth in our total token usage across SLMs and LLMs in the course of this year, showing the high levels of AI adoption in the company. In Q4, our total token volume was at 178 billion tokens in the quarter versus 63 billion in the first quarter of this year. This compares well with the best of global elite enterprise-scale companies in terms of token usage for high-frequency agentic AI and processing of massive amounts of document data.

On Slides 32 and 33, we have shared some more details of our enterprise AI strategy, Piramal.ai. On Slide 32, we introduce a new dashboard on the progress of AI, particularly GenAI use cases across all key aspects of our business. As you can see, AI adoption cuts across sales, underwriting, collection, audit and compliance, CX and people management.

The next page Slide 33, covers our fourth quarter AI spotlight. Last quarter, we had featured collections in our AI spotlight; this quarter we feature operations. You can see on this slide that operations productivity has doubled in the last 2 years. Our AUM has doubled in this period, whereas our operations staff and headcount has remained roughly flat.

Moving to risk, the risk performance of the company was solid, with GNPA down 32 basis points quarter-on-quarter and Growth business credit cost down slightly quarter-on-quarter to 1.5%. Retail is 87% of our Growth AUM and it witnessed significant improvement in Q4 risk across all products. Asset quality in unsecured lending showed strong improvement in the last 4 months. Risk metrics here are broadly back to 2-year-ago levels. The micro loan portfolio has almost completely normalized, as you see in our 90 DPD chart that we share every quarter.

In our semi-secured business, which is used cars, after three quarters of elevated risk metrics, we saw a steep fall in Q4. In mortgage business, risk continues to be quite steady. We had earlier flagged a part of this business as potentially problematic given increasing risk levels. This was around smaller ticket mortgages with MSME customers. Over this last quarter, however, we have seen this segment stabilize and perform noticeably better than before. We will, however, continue to track the segment closely.

So as you can see, headline risk metrics are all stable to improving in Q4. However, we are closely watching segments that could potentially be vulnerable to the ongoing conflict in the Middle East. We had originally taken MSMEs in the F&B sector as the epicenter of potential vulnerability and impact, but we have since expanded our

watch list to include a broader set of sensitive sectors, including travel and logistics, textiles, gems and jewellery, food processing, etcetera. As of now, risk metrics here all appear contained. Bounce rates in these vulnerable sectors in April have come in at the same levels as March.

We used AI to rapidly scan and classify hundreds of industry sub-segments by their sensitivity to the Iran conflict, mapping direct impact first and progressively identifying knock-on effects across connected sectors. This use of AI turned what would have been weeks of manual analysis into near real-time exercise, allowing us to move quickly from portfolio diagnosis to targeted product-level action. We have thus tightened fresh underwriting in these sensitive sectors. We believe that customers from these sectors who also have moderate to high pre-existing leverage are likely to be the most vulnerable. That is the segment where we are taking most of our credit actions right now. Overall, we have not seen any visible impact of the conflict on retail risk metrics yet. We remain, however, watchful and ready to act as necessary.

On the liability side of potential impact of the conflict, we continue to maintain strong liquidity buffers. Our average quarterly LCR in Q4 was 450%. We have cash and cash equivalents of INR8,640 crores, equivalent to 8% of all our assets. CPs form less than 1% of our liability stack as of March end. This conservative position both minimizes our liquidity risk as well as maximizes the opportunity for us to benefit from falling rates at the short end.

Finally, let me come back to the overall company. Having met all our stated targets for FY26, which Anand referred to earlier, we have refreshed our targets for FY27, which we have listed on Slide number 17. We are sharing three pieces of goals and guidance for the coming year. We expect another year of approximately 25% growth in total AUM. We expect consol profits to also grow at approximately 50%, and we expect to exit FY27 with a return on AUM of approximately 2.5% versus the 2.1% we reported in Q4 FY26.

You will notice here that we have not called out a separation in language between consol and Growth. That's because given the relatively small size of the Legacy book, one should expect that somewhere along the course of this year, we would cease reporting Legacy as a separate segment. So you should expect that to happen sometime during the course of this year, though we are not calling out a specific date on that yet.

With that, I'll hand over the call to Yesh to discuss our wholesale business.

Yesh Nadkarni: Thanks Jairam. As at March 2026, the Wholesale 2.0 book stood at INR12,538 crores, which was a growth of about 38% year-on-year. Real estate to CMML mix stood at 73:27. Average ticket size of the book was INR53 crores and the average yield of the portfolio was stable at 14.4%.

Asset quality remained robust with zero NPAs in this book as Anand mentioned earlier. During the year, we disbursed INR9,292 crores with fresh sanctions across 135 deals. Repayments continued to be robust as we received INR5,859 crores or about 63% equivalent of the disbursed amount during the year.

In the fourth quarter, the repayments were particularly strong, amounting to almost 82% of the new disbursements. While strong rates of repayments continue to be a major growth headwind for us, it also highlights that the portfolio seasons very well and is performing well ahead of our underwriting.

In fact, due to these significant repayments, almost 50% of the contractual repayments due to us in FY27 have already been paid by our borrowers to us to date. On our Legacy book, we ended the book at INR2,807 crores, which was a reduction of 59% during the year. This is now a very small part of our balance sheet and we will continue to work on resolution of this book over the following quarters.

Before handing over to Vikash, I will also say that we continue to monitor the impact of the Iran war on the real estate and CMML segments. Since the war broke out in Feb, to date our portfolio sales, collections, and other operating parameters have continued to remain very strong. We also feel good about the granularity and diversified nature of our portfolio, but will continue to monitor our credits proactively as we progress from here.

With this, over to you Vikash.

Vikash Singhla: Thank you, Yesh. Moving to our financial performance, in Q4 FY26, we reported consolidated net profit of INR502 crores versus Q4 FY25 net profit of INR102 crores. Full year FY26 net profit was INR1,506 crores versus INR485 crores in FY25. Proforma PBT for Growth business stood at INR495 crores in Q4 FY26, implying a growth of 61% year-on-year.

Growth business opex grew by 12% year-on-year versus income growth of 24% year-on-year. Operating profit thus grew by 37% year-on-year to INR850 crores. In Q4 FY26, we reported Growth business credit cost of 1.5% versus 1.6% in Q3. Our total GNPA and NNPA were down 30 bps quarter-on-quarter each to 2.3% and 1.6%, respectively.

Our net worth stands at INR28,191 crores. Our capital adequacy is very strong at 19.8% as on March 2026. Our profitability continues to improve and we also have investments that can potentially be divested to unlock capital. Just as we have done in the past, we remain committed to maintain a comfortable margin of safety over regulatory capital requirement. We will use all the available levers at our disposal to ensure that.

With these remarks, I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. We'll take our first question from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani: Yeah, hi. Thank you for the opportunity.

Jairam Sridharan: Hi, Shreya.

Shreya Shivani: Hi. I have two questions. My first question is on the consol NIM and the Growth NIM. The gap between these two has been narrowing, it's at about 50 bps as of fourth quarter, right? 6.5% and 7% or so. The Legacy book is now like very minimal. I'm assuming the Growth NIM is where the consol NIM will reach and then beyond that, what are the levers for expansion? I mean, I get your gold loan and MFI segment would be one of the major levers.

And my second question is on the Legacy book. I mean, that scale-down is quite impressive. Fair to say that majority of it is actually SRs and Stage 1. So how should we think about the Legacy book movement over the next 2 years? It's at about 3% or whatever, less than 3% of your AUM mix right now.

Jairam Sridharan: Yeah, thank you Shreya. So first question, where is the consol NIM headed? Obviously, consol NIM and Growth NIM will become effectively the same, hopefully it was the latter half of this coming year as the Legacy book becomes smaller and smaller. And Growth NIM of course today is about 7%.

What are the levers on the Growth book NIM itself? There are two main levers. One is exactly what you said, which is product mix on the asset side, which is increase in unsecured, which we have guided before we would like unsecured to be about 400 basis points larger, 400 to 500 basis points larger in our mix compared to where

we are right now, plus some of the new products that we are launching, particularly gold, which is secured, but has high yields.

So between the two of them, the mix story is going to be a little bit margin accretive. But even more importantly, on the liability side, the AA+ rating has not yet shown its effect on our cost of borrowing. And as I mentioned before, I expect the AA+ impact to be about 50 to 80 basis points over the course of the coming three years, because three years is the time of churn of our liability side book.

So that should come in as well. So those are the two big levers, one on the asset side and one on the liability side, which should help lift our NIMs on an overall consol basis once we've merged everything together.

Now, to your question on the Legacy book, we are at less than 3% of the portfolio here. If we are talking about Legacy book next year at this time, we would be very, very surprised. It will become irrelevant by the latter half of this year, by Q4 of this year, it should become kind of so small to be irrelevant. And that's why our statement earlier that you will just see us talk about one set of numbers rather than X of Legacy numbers by the end of this year.

Shreya Shivani: Okay, that's great to hear. Just a follow-up on the scale-up of the unsecured book. So fair to say the unsecured book scale-up would be equally across digital loans, which is aggregated loans. And your own sourced UBL book or one would take precedence over the other or you'd focus more on one?

Jairam Sridharan: It depends a little bit on risk performance, Shreya. Like as it happens, the last few quarters digital loans have performed super well. If you see Page 22, you look at the risk performance of digital loans, which is on the bottom left, it's been insane good. So currently, we are somewhat bullish on that segment. But if it turns, if that curve starts to turn, we'll be equally ruthless in actually starting to cut that and go even more towards branch business.

If you see the salaried PL chart on the same page, you'll see it's been rock steady, right? It's been really, really strong. So we love both our branch-based businesses as well as our digital-based businesses. Which takes precedence, that's a month-on-month, quarter-on-quarter call depending on what the risk curves look like. So we don't have a philosophical bias on one versus the other.

Shreya Shivani: But it's easier to scale up digital loans faster than the branch-led salaried PL or UBL, right?

Jairam Sridharan: That is true, but it also tends to be more volatile. So in bad times, you also cut it much more ruthlessly. So you might recall that when digital was going through its peak in FY25, we had cut it by more than 60%. So volumes also disappear there very, very quickly.

Moderator: Next question is from the line of Harshit Toshniwal from Premji Invest.

Harshit Toshniwal: Yeah, the question was two-pronged, sir. So one was on the other income - fee income for the Growth business itself. So you mentioned the statement about some change in arrangement with the life insurance partner, but like if in general I look at that number as a percentage of our retail growth AUM, that's now I think 0.5 for 4Q.

And obviously there was some amortization impact which was also going on, if I'm not wrong. But where we should look at this number because given our asset mix, ideally an 80-90 basis points, 70-80 basis points is something which is not unreasonable?

Jairam Sridharan: Yes, your point is correct. What we have in Q4 is low. It needs to go up, it will go up. There was a one-time event that we had in Q4 where we reversed some fee income in aid of our associate company, which is our life insurance company, for some technical reasons. I'd not like to go into that here, but it's a one-time adjustment which we did to help them out.

And it is a company where we own 50%, so there is value accruing eventually happening to us, so we're not particularly worried about it. But your point on where that fee income should head is absolutely correct and you will see normal service being restored very quickly.

Harshit Toshniwal: Got it, And the second question was that right now we are standing at 2.1% on the Growth AUM and this is with 1.5% credit cost. And probably if we plan to end FY27 with 2.5%, then just trying to marry these two facts that our credit cost in general you said that should be 1.9% to 2% as a steady-state one, which is 40 basis points higher than today's number.

So, are we expecting FY27 credit cost to remain benign because of probably, for whatever reasons, or do you think that it's the margin and the cost levers and fee income levers etcetera which is helping you stick on to the 2.5% number? Because the 4Q, 2.1% is on the help of that 40 basis points lower than sustainable credit cost.

Jairam Sridharan: Right, that's a great question, Harshit. And the answer is pretty much the second half of what you said. Yes, you're right that we have been surprised positively by how good the risk environment has been. I thought risk environment through the year was good, Q4 turned out to be even better.

So yes, we are mildly positively surprised. But you will also notice a fact in our presentation, and if you look at some of the new disclosures we have started, which is the sub-segment level disclosures on mortgages etc., you will see that over this year, we have started doing a little bit of more prime-like business, right?

You will see more of that coming forward, which will help our overall risk performance. Let's see how much we are able to do it etcetera. But importantly, see, there are three things that can change or that will change in our DuPont.

Opex to assets, which will continue to get better, we believe there's another 50 basis points of play there. Cost of borrowing, which as I mentioned before has 50 to 80 basis points over a three-year period, right? So that should get better on a side interest rate cycle adjusted basis, right? And then there is this credit cost, which will probably go in the opposite direction, which you know if my earlier expectations are correct, it would probably kind of eat away some of the delta. But we believe there is enough play in the first two that we can hit 2.5% by Q4 of the coming year, even if there is some normalization of credit cost.

Harshit Toshniwal: Great, sir. And last question, Jairam, was, so clearly Legacy book is frankly going to be very irrelevant right now. But still if I look at probably the write-offs of INR1,500-INR1,600 crores which we have used from our gains and another. So it's a INR3,000, INR4,000 crores book.

Should we in our minds expect some recoveries? It's going to be a bounty itself, but at least on the current INR2,800 crores, because I'm not sure we barring Shriram Life we will not have much more capital gains left. But in general, more from just the recovery point of view, other than recognition, should we hope for some benefit on that side?

And probably the last question just attached to this itself is on the capital adequacy. We are right now at around around 19.5. Now, you mentioned slightly in the opening remarks of some of the levers which can free us some

capital, but if you can help us elaborate that till what time we don't need capital with this kind of a growth?

Jairam Sridharan: Yeah, great questions, Harshit. On your first one, which is, should we expect, I'm just paraphrasing you, should we expect any sort of recoveries to come from all the provisions that we have made in the Legacy book? You're saying that hey, broadly we expect no further recognition issues and no further hits, so probably no kind of negatives to the P&L going forward, but are there any positives to be had?

The answer to that question is a qualified yes. We have been conservative in the way we have provided over the last few quarters because we had some opportunities and some one-off gains, we have used that. And it is reasonable to expect that as the unwind completes, between what we have on the book and a little bit of what we have off the books in the form of AIF etcetera., there are a few hundred crores, I will not specify an exact amount, I'll just say that there are a few hundred crores of potential kind of write-backs that you can expect.

But I'm not specifying a number nor a specific time period, but you should expect that. I think there is something there in what you said in terms of the way we have gone about providing over the last few quarters. Your second question was on capital. Again, a great question. We ended the year at 19.8%.

We have said in the past that while the regulatory requirement is 15%, if we get to the 17.5% to 18% kind of range, we will probably be looking at raising capital. In this quarter, if you see, our consumption has only been 50 basis points. Net consumption of capital has only been 50 basis points, which means we have some runway ahead of us even when we are at about 20.

So we have like maybe four quarters of runway, three to four quarters of runway depending on how you look at it and the kind of profitability we have in the coming year. We have some runway left. Let’s see what we need to do. We have some other levers as well to take care of capital needs if any. You know, never say never on any of these things, but our current levels are healthy and consumption rates are still relatively modest, and so we should be able to get through a few quarters pretty easily.

Harshit Toshniwal: Got it, perfect. Great, thanks a lot, sir. Congratulations.

Jairam Sridharan: Thank you.

Moderator: Thank you. Next question is from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Avinash Singh: Yeah, hi. Good evening. Thanks for the opportunity. A couple of questions. The first one continuing on the capital part. So if we were to see that, you know, the balance sheet leverage, it is still pretty much on the lower side. So from the net worth that is on the balance sheet, what all sort of adjustment on regulatory capital?

Because it seems a pretty big number. I mean, is it kind of the deferred tax asset, that up-fronted income? So, that's a pretty large number. So the balance sheet leverage is, I mean, asset to equity is not yet four times and the capital adequacy is relatively lower. So that's one, and particularly considering the fact that on the risk-weight side also you will have a mortgage side that will not be that risk, kind of a risk-weight intensive. So that's one.

The second one is on this thing, the tax. Now given that, you know, the tax, accumulated tax losses are close to INR25,000 odd crores, what is the kind of a timeline by which you need to kind of consume it? So just to get an idea that okay, if that entire piece is going to provide you, you know, the tax relief. Thanks.

Jairam Sridharan: Yeah, thank you Avinash. Great questions. The first one, the deductions from capital. There are three main deductions from net worth to get to net owned funds. NOF is what goes into the numerator of CRAR calculations. Net worth is what you see on the balance sheet, INR28,000 crores.

So what are the three deltas from here to NOF? The three deltas are: there is one lot which is regular business-as-usual deductions which you will see in any lending company, so things like if we have, you know, cash position if we have for securitization, some unamortized DSA fees etc. or DSA pay-outs etcetera., some of that stuff will be sitting there, that's one element.

The second element is DTA that has been created. We have about INR2,000-ish crores of DTA, INR2,700 crores of total DTA that's on the balance sheet, that's number two. And the third deduction is investments, right, which is all this Shriram, General and Fibe and some of these other things, all those investments.

Those three things roughly equally distributed, about INR2,500 crores to INR2,700 crores each, right, is the number in all three of them. That's the delta between what you see as net worth and what you will calculate as net owned funds. Right? Of these three, the first is pretty normal, business-as-usual, even in the end stage you should always expect to see that.

The second one, which is DTA, exists in our case because we have so much accumulated losses etcetera, so we get the benefit of that from a PBT to PAT standpoint, but you have to pay for it a little bit in the form of capital. So that's the second one. The third one, which is the investment, is the one that can go away as we keep divesting more and more of the assets, that part will go away.

So the gap that you see between net worth and NOF will narrow to that extent. It will narrow by about a third of what it is right now. So that's as far as capital is concerned.

Your second question was on tax. So, see, the total we have about INR24,500 or so of accumulated tax losses. We have created about INR2,100 crores of loss-related DTA, right, carry-forward loss-related DTA. That INR2,100 crores is roughly equivalent to, make it 4x, that's INR8,400 crores. So if you net off that, essentially you have INR16,000 crores, give or take. Roughly INR16,000 crores of future profits of the company are tax protected as far as P&L is concerned. That's the simplest I can actually frame this. So however long it takes for us to consume INR16,000 odd crores, as long as that period is less than seven years, till about 2032, then we can keep using it. So next INR16,000 crores is tax protected the biggest point is this.

Avinash Singh: Okay, clear. And just one again on this. So, in a normal course of business as now your profits start to go up, so how will this carry-forward losses will move? It will keep creating DTA? I mean will this DTA goes on rising or kind of it will be offsetting? So how will the DTA be kind of typically assuming your 2.5% ROA trajectory?

Jairam Sridharan: Yeah, see, the way to kind of think about this is every quarter we will do an assessment of our virtual certainty of profits, which you will discuss with our auditors every year roughly. We will discuss this with our auditors and based on their advice, we will create DTA as necessary to offset.

But from a P&L perspective, the way you will see it is that effectively your PBT and PAT will be pretty close to the same except for some line items which are taxable, like some dividend line items etcetera. or some other line items might be taxable, but mostly you should see PBT equal to PAT for the foreseeable future.

And hence for the next INR16,000 odd crores of PBT, from a modelling perspective, you can keep an effective tax rate in your model at a very low number, you know, unless something dramatically changes from here. That

this is all with the current level of carry-forward losses that we have.

Any future carry-forward losses that get created will add on to this. And every time we get tax authorities approval on some carry-forward losses, they are valid from that point of time for eight years.

Avinash Singh: Got it, Thank you.

Jairam Sridharan: Thank you, Avinash.

Moderator: Thank you. Next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Hey, thanks for taking my question. Maybe you touched upon this already, but you know, in terms of cost of funding, you know, what is the difference between incremental and average cost of funds?

Jairam Sridharan: Yeah, so our stock cost of borrowing is about 8.8% in Q4. Our incremental borrowing cost for long-term money was 8.4%. We didn't raise much short-term at all, so I don't know, my guess would be that short-term will be like 7.25% right now if we went to the market and started raising short money. So then you can take any mix between short-term money at 7.25% and long-term money at 8.40%. That should give you a little bit of a sense of where our Q1 will be. We are currently not raising anything short-term. We have only been doing long-term over the last four, five months.

Nischint Chawathe: And in terms of your bucket, you know, what could be, I mean, if I have to just take a normalized bucket, how could that cost look like?

Jairam Sridharan: So see, this is still probably at the higher end of the entire AA+ range. If you look at the best-in AA+, they are probably 50 basis points better than this, maybe 60 basis points better than this on the long term.

Nischint Chawathe: Sure. So probably you touched upon this, but you know, now as your cost of funding comes down, you know, how does that really sort of feed into your asset-side strategy? Do you see the loan book composition changing?

Jairam Sridharan: Yeah, so two things there. We will take some of the delta into P&L and we'll use some of the delta to drive growth. So effectively, we will build some new businesses which we could not do, you know, when we were a AA, and that will help us actually drive growth. And the rest we will essentially feed through to our DuPont and get closer to our 3% return on AUM goals that we have shared with you all.

So both of those will happen. You've seen some early signs of that. You saw some of our high-ticket LAP and some of our mass affluent housing disclosures this time. Those are more AA plus like businesses, right, which we've been in anticipation of what was to come. We've been building a little bit of that muscle and as you can see, we've made some decent progress and you could see a little bit more of that in the times to come as well. So we were a purely below-prime player in the past. Now you could see us pivot and have a little bit of our portfolio which is a bit more prime-like.

Nischint Chawathe: Got it. And the second question is, you know, walking the inorganic route. Is there anything that you are sort of planning? I won't say on the cards, but are you really thinking on those lines?

Jairam Sridharan: Yeah, so nothing has changed on this front. As we've said it in the last couple of calls, I'll repeat, like we are quite interested in M&A. The Piramal house has had a DNA of doing mergers and acquisitions and growing inorganically.

We continue to be interested. However, if you look at the history of the Piramal house, you will also realize that we are value based acquirers. We have limited interest in buying kind of perfect assets at fully priced in value. You know, we'd rather find something which even if it's a little imperfect, but it is at a value pricing, we'd prefer that kind of a story.

The market has not been conducive for that kind of M&A in the last few quarters and last couple of years, but we remain interested. We remain interested in the spaces of microfinance, gold loans, MSME, any of these spaces, you know, we remain interested and we do look at a lot of deals, but nothing's imminent.

So let me just quickly repeat. We remain interested in the spaces of microfinance, MSME, gold, etcetera. However, what we are looking for is an asset which is priced at value and not fully priced in. So, we are okay to look at slightly imperfect assets where we believe with infusion of management, we can actually make the assets work or take the assets to a better place. But it needs to be at value, which that strategy has not had much bite in the recent market because everything has been priced well, even assets in the MFI space.

So, which is not our style of M&A. So, we are still in the wait and watch mode, but we are looking at all transactions, but nothing is imminent.

Nischint Chawathe: And anything just on the promoter side, is there any sort of a kind of a holding thought process or threshold or something in mind?

Jairam Sridharan: The promoters have always held kind 45% odd. The promoter holding currently is 46%. We are perfectly happy with that situation and promoters remain fully committed to supporting the company in whichever way it needs to proceed. So no, there's nothing very specific to talk about there.

Nischint Chawathe: No, I was just referring to any dilution that could happen because of a potential M&A?

Jairam Sridharan: Yeah, but none of the M&As that would come our way in the segments that I mentioned are large enough to really merit anything like a percent here or there, man. Like it's not going to move things too much. We are not looking at transformational M&A right now. We don't need one.

Nischint Chawathe: Got it, Thank you very much and all the best.

Jairam Sridharan: Thank you, Nischint.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone. Next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yeah, good evening. Am I audible?

Jairam Sridharan: Yes, Abhijit.

Abhijit Tibrewal: Yeah, hi sir. So just two things. One is on slide 17, we have articulated a target which says that ROAUM for exit quarter Q4, we want to take it up from 2.1% to 2.5%. So just trying to understand the levers here. So, I mean, the question here is that as we speak, we have said in the past that we are working on improving the yields, whether that comes through a change in product mix or even existing products in mortgages where we are trying to increase the yields.

And at the same time, this credit rating upgrade will give us some benefit on the cost of borrowing side. I recall

you saying in your opening remarks anywhere around 50 to 80 basis points. In addition to that, opex is something which has been kind of coming down through a lot of concerted efforts. I recall you pointing that we'll now be adding more branches. In this presentation also you have shared that we've forayed into gold lending now and plans to add more gold lending branches.

So fair to suggest that large part of this ROAUM expansion that we're talking about will come from the margin side because your opex, I don't know how to think about it, might remain elevated given that you're already in that band, the guidance that you had put out even after lowering that band in your AI investor day. And credit costs, I mean, given how the environment is, I think 1.5% may be well-primed now, right, in terms of credit cost. So how should we think about the various levers here?

Jairam Sridharan: Abhijit, listen, so there you're pointing to all the three things, they are exactly the right things. You know, but I do think there is more play in opex to assets. I believe that we have another kind of, you know, 50 odd basis points that we can still do.

This is probably the last year or so that we can do this kind of opex narrative, but I think the opex narrative is not over. So, we will continue to see that. So, hold on to that, that will still be a meaningful part of the delta. The second big favourable delta of course is the NIM story, which as you rightly say is all going to be driven on the cost of borrowing side, from the liability side rather than on the asset side.

On the asset side, yes, we will have a little bit more of unsecured and a little bit of gold, both of which is yield accretive, but we also have a little bit of this prime thing that we will start to do. On the whole, yield should go up, but even more so, the margin will grow up a bit more than where we are as our cost of borrowing adjusts to the AA+ reality, which we have not yet started.

We have not borrowed even a single bond issue we've not done in the market ever since we became AA+ because the markets have not been conducive. So, over the next few years, you'll see us go there. So, you should expect to see the cost of borrowing and cost of opex are the two big areas of favourability and that's what will drive all the delta. On the credit cost side, even if there is a little bit of negative, i.e. 1.5% goes up a little bit from here, we'll still be able to absorb that through the first two that I mentioned and hence we feel comfortable guiding towards 2.5% for exit quarter.

Abhijit Tibrewal: Got it. Thank you. And the last question I had was maybe just trying to clarify further while you've already spoken or answered a couple of participants in this call. This unsecured segment, basically unsecured business loans and PL, I find it a little difficult to understand that how is it that despite disruptions in various supply chains, I mean, you as well as other lenders who've reported until now have not seen any alarming impact of that.

So, I mean, should we then conclude that maybe some second order, third order effects of whatever disruption that we have seen from the West Asia war might come in the coming months, or do you think that customers and particularly self-employed and business customers are resilient and they have managed these disruptions very well?

Jairam Sridharan: The thing is, Abhijit, if the war continues for a while longer, it is inconceivable that you will see no effect. This cannot happen, the effect will definitely be there. But I think that is Q2 event. I don't think there was no chance of seeing it in Q4, I don't think you'll see it in Q1 either.

But in Q2 you should watch, because every client does have a little bit of a buffer, a little bit of a margin of safety. They can go on for a month or two, right, even after they start feeling effects of business slowdown, they will go

on for a month or two. After that, they will slowly become tardy in their repayments.

And then it takes them three months for them to actually flow into 90-day bucket. So, this all will take time. So, watching a 90 day delinquency metric, it is not going to move anytime soon. My guess is July-August is when you can actually see that outcome, if at all. And that's why bounce rates are important to watch.

That's why if you heard our earlier commentary, we said that in April, the bounce rates of the segment are the same as in March. Surprising but true. Let's we will keep watching it. Like we don't know and we shouldn't guess where, you know, this thing might hit. It is not our job to reason out why something is happening or not happening. It is our job to watch it like a hawk and react the moment we see something happening. So far, nothing much to report.

Abhijit Tibrewal: Yeah, this is useful. Thank you so much, Jairam sir. Wish you and your team the very best.

Jairam Sridharan: Thank you, Abhijit.

Moderator: Thank you. We'll take our last question from the line of Vikram Damani from Damani Family Office. Please go ahead.

Vikram Damani: Hi, am I audible?

Jairam Sridharan: Yes, Vikram, you are.

Vikram Damani: Hi, congratulations on a good set of numbers. I had two questions. First is, could you explain the INR900 crores, the two line items on the PL, the net loss on fair value changes at almost INR1,000 crores and the INR590 crores impairment that you've taken? And the second one was around your branch expansion. You've sort of gone from 570 to 700, now you're going to 880 as per your presentation. So, given that, any sort of change can we expect in the opex to AUM because new branches will take time to bring up to vintage? You've so far done very well. So, on these two things? Thank you.

Jairam Sridharan: Yeah, no, thanks for saying that, Vikram. See, on the first one, you point to two items which are write down, markdowns we took in this quarter to make good use of the one-time gains that we got. You might recall that there are two important one-time gains that we received in this quarter.

One was the deferred component of the Piramal Imaging sale and that was about INR1,300 crores or thereabouts. And there was a INR300 odd crores, INR250 odd crores gain on the sale of the Shriram Life Insurance business, right? So, we had that INR1,500 crores, we wanted to not take it through to P&L or we wanted to kind of strengthen the balance sheet appropriately now that we got that bounty.

What the line items you're referring to are our ways of strengthening the balance sheet i.e. identifying either areas where potentially in the future some losses could come and to pre-empt that and actually take, you know, roll that to now and then take the hits now itself, or areas where in being sort of prudent, it is appropriate to just put something away even though there might be a chance that some of it might come back to you in the future.

I don't want to go into it in any more detail than that, but suffice to say that this has helped us clean up the old Legacy book quite nicely and also created, you know, some pockets of conservatism in the balance sheet which can help us in a rainy day in the future.

Vikram Damani: So, can I assume that you've just broadly increased your buffer, more to do with the Legacy?

Jairam Sridharan: I think it's a fair way to talk about it. Or the way I'd say this is that the increase in our safety buffer is probably a third of the entire thing. The other two-thirds is probably stuff that would have come to us anyway but maybe over the next two years.

Vikram Damani: Okay, good to know. Thank you.

Jairam Sridharan: Oh, there was a second question on opex to assets and whether opex to assets is likely to increase because we're investing new in branches. The answer for next year is no. We have come up with our branch plan in such a way that our opex to assets will continue to fall. And let me restate something I've said I think in a previous call, that if it comes to choosing between a declining opex to assets ratio and putting up new branches, in this year our bias will still be towards the opex to assets curve. We want the opex to assets curve to come down for one more year. After that, we might be more comfortable for it to be stable, but we want it to come down for one more year.

So, I don't think it'll come to making that hard choice, but if it does come to making that hard choice, we will choose in favor of the opex curve rather than in favor of branch opening. Let me also add that the areas where we are adding branches are gold and rural lending. A gold branch takes about one-third of the operating expense of a regular urban branch on an annualized basis, about one-third.

A rural branch takes about one-tenth the level of investment of an urban branch. So these two categories where we are growing branches, they are actually much cheaper branches than what we regularly do in our full-service branches.

So, we should be okay, but if my math is wrong and if we end up seeing that opex curve start to move up, you will probably see us give up on the branch growth but not give up on the opex curve.

Vikram Damani: Very useful. Thank you so much.

Jairam Sridharan: Thank you.

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: Thank you very much, everybody have a great evening. Thanks for participating actively in our call. We look forward to hearing any more from you. If you have more questions, please do reach out to Ravi and the IR team and they'll be able to share more data with you. Thanks, 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 all for joining us today, and you may now disconnect your lines.