SEC/FILING/BSE-NSE/26-27/68A-B **May 04, 2026**

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Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department Exchange Plaza,
5th Floor, Plot no. C/1, G- Block, Bandra-Kurla Complex, Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the fourth quarter and financial year ended March 31, 2026.

Further to our letter dated April 24,2026, regarding the audio link of the investor's earnings call for the fourth quarter and financial year ended March 31 2026, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website **www.shriramfinance.in**

Thanking you.
Yours faithfully,
For **SHRIRAM FINANCE LIMITED**

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Date: 2026.05.04 16:15:21 +05'30'

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COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER
Encl.:a/a.

"Shriram Finance Limited

Q4 FY 26 Conference Call

April 24, 2026

MANAGEMENT: **MR. UMESH G. REVANKAR – EXECUTIVE VICE CHAIRMAN – SHRIRAM FINANCE LIMITED**
MR. PARAG SHARMA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SHRIRAM FINANCE LIMITED
MR. S. SUNDER – JOINT MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER– SHRIRAM FINANCE LIMITED
MR. SANJAY KUMAR – INVESTOR RELATIONS HEAD – SHRIRAM FINANCE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Shriram Finance Limited Q4 FY '26, Fourth Quarter Ended 31st March 2026 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 the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh G. Revankar, Executive Vice Chairman, Shriram Finance Limited. Thank you, and over to you, sir.

Umesh G. Revankar: Yes. Thank you. Good evening, friends from India and Asia. And warm welcome to all of you. Greetings also to those who joined the call from western part of the world. To present our Q4 FY '26 earnings call today, I have with me Managing Director and CEO, Parag Sharma, Managing Director; S. Sunder, Joint Managing Director and CFO; Sanjay Kumar, our Investor Relation Head. It has been a good fourth quarter year for result for Shriram Finance under current circumstances. Let us first look at the broad economic indicators.

The India's GDP growth slowed down to 7.8% in the third quarter fiscal 2026 down from 8.4% previous quarter. However, FY '26 growth projection has been revised to 7.6% from 7.1%. Despite the current volatility, the IMF have projected the growth rate of 6.5% for FY '27. The economic strength is attributed to resilient domestic consumption and investment. However, it faces risk of high oil prices and geopolitical tension.

India's retail inflation rose slightly to 3.4% in March 2026, up from 3.21% in February. This increase is mainly due to higher food prices influenced by external geopolitical factors, especially the ongoing crisis in West Asia. India's wholesale price-based inflation also accelerated over three years high, reaching 3.88% in March from 2.13% in February.

A key takeaway of RBI policies are as follows: repo rate unchanges to 5.25%. Policy stand remain at neutral. GDP forecast '26-'27 is at 6.9% against earlier projection 7.6% of '25-'26. CPI inflation forecast for FY '26-'27 is raised to 4.6%, up from 4.2% due to rising crude oil price and supply chain disruption.

India's rural economy is facing dual threat in 2026 from potential monsoon shortfall and elevated agro input costs driven by global conflict, both of which could weigh on agriculture output and farmers' income, rural demand and food inflation. The Southwest monsoon remains critical for Indian economic growth as strong kharif harvest boosts rural income, drive demand for FMCG tractor, automobile, 2-wheeler, jewellery and consumer durables.

As per the IMD forecast, the rains are likely to 92% of average rainfall as per IMD. This climate has projected Southwest monsoon of 94% of long-term -- long period average. The deficit is expected to weaken rainfall primarily in the second half of the season.

However, good rains during last two years above 100% has helped the reservoir being at a good level and also water table being high. These are the positive, and we expect that to help out the initial challenges in this current year. The GST collection grew by 8.8% to over INR2 lakh crores in March this year as compared to INR1.83 lakh crores in March 2025. Meanwhile, gross GST

revenue rose to INR2 lakh crores in financial year '25-'26, an 8.3% increase over to INR2 lakh crores recorded last year.

Overall, the OEMs had a good year this year. The total CV sales increased by 18.86 in Q4 FY '26, which stands at 3.25 lakh units as against 2.74 lakh units sold in Q4 '25. For the full year, the sales increased by 12.64% to 10.8 lakh units against 9.59 lakh units in FY '25. With CV, M&HCV recorded 21.2 in Q4 '26, and which stands at 1.4 lakh units against 1.5 lakh units sold in Q4 '25. For the full year sales, it increased by 12.86 to 4.23 lakh unit against 3.75 lakh units in FY '25.

LCV sales recorded 17.14 growth in Q4 '26. It stands at 1.8 lakh unit versus 1.58 lakh units sold in Q4 FY '25. And for the full year, sales increased by 12.5% to 6.57 lakh units against 5.84 lakh units. Passenger vehicle sales at Q4 '26 recorded 13.22% growth, which stands at 13.16 lakh units as against 11.63 lakh units in Q4 '25.

And for the full year, sales increased by 7.94% to 46.43 lakh units as against 43.02 lakh units in FY '25. Two-wheelers recorded growth of 26.39% with sales of 57.73 lakh unit in Q4 FY '26 at against 45.68 lakh units sold in Q4 '25.

For the full year, sales increased by 10.70 % 217.06 lakh unit against 196.07 lakh unit in FY'25. Three-wheeler's sales recorded a growth of 26.74 in Q4 with sale of 2.27 lakh unit sold versus 1.79 lakh unit sold in Q4 '25. For the full year, sales increased by 12.79% to 8.36 lakh unit against 7.41 lakh units. Tractor also recorded a growth of 22.87% with 2.86 lakh units sold as against 2.33 lakh units sold in Q4 FY '25. For the full year sales increased by 18.95% to 10.5 lakh unit against 8.83 lakh unit in FY '25.

Construction equipment recorded a degrowth of 16.02% with 29,289 units being sold as against 34,876 lakh units sold in Q4 '25. For the full year, sales decreased by 8.24% to 1.14 lakh units as against 1.24 lakh units in FY '25. EV sales, electric vehicle sales, the PV increased by 82.4% to 1.89 lakh units as against 1.03 lakh unit for the full year. Similarly, three-wheelers increased by 18.84% to 8.31 lakh units as against 6.99 lakh unit. Two-wheeler, the full year increased by 21.72% to 13.93 lakh units against 11.44 lakh unit.

On April 8, 2026 in terms of investment agreement dated December 19, 2025, the company achieved a transformative milestone by successfully completing preferential allotment of INR47,11,21,055 fully paid up equity shares of face value of INR2 each to MUFG Bank Limited at an issue price of INR840.93 per share.

This landmark transaction totalling INR396.18 billion resulted in MUFG Bank holding 20% stake in Shriram Finance on a fully diluted basis, which significantly bolsters our capital adequacy and provides a robust foundation for long-term strategic expansion. The Board of Directors have recommended a final dividend of INR6 per equity share for the face value of INR2 each fully paid, that is 300% for financial year '25-'26.

Subject to approval by members in ensuing 47th Annual General Meeting of the company. This is in addition to the interim dividend of INR4.8 per equity share declared on October 31, 2025.

With this total dividend for the financial year will be INR10.8 per share for INR2 each. I shall now ask my colleague, Parag Sharma, to take us through operational performance.

Parag Sharma: Thank you. Good evening, everyone and welcome to our Q4 FY '26 earnings call and I trust you had the opportunity to use our results and the related investor presentation, which has been posted on the website of stock exchanges. With regard to disbursement, our growth was 14.91% year-on-year. Our disbursement in Q4 FY '26 this year aggregated to INR50,952.30 crores versus INR44,340.57 crores in Q4 FY '25.

Our assets under management as on 31st March 2026, registered a growth of 14.85% over Q4 FY '25 and of 3.62% sequentially. Our AUM stood at INR3,02,273.75 crores as against INR2,63,190.27 crores a year ago and INR2,91,709.03 crores in Q3 FY '26. Our net interest income in Q4 FY '26 registered a growth of 15.58% year-on-year.

We earned a net interest income of INR6,994.08 crores in Q4 FY '26 this year as compared to INR6,051.19 crores in Q4 FY '25. Our net interest margin in Q4 FY '26 was at 8.61% as against 8.25% in Q4 FY '25 and 8.58% in Q3 FY '26. Our profit after tax grew by 40.86% in Q4 FY '26 over Q4 FY '25. We registered PAT of INR3,013.57 crores for Q4 FY '26 as compared to INR2,139.39 crores in Q4 FY '25 and INR2,521.67 crores in Q3 FY '26.

Our earnings per share for the quarter stood at INR16.02 as against INR11.38 in Q4 FY '25 and INR13.40 in Q3 FY '26. Our asset quality gross Stage 3 in Q4 FY '26 stood at 4.58% and net Stage 3 at 2.33% as against 4.55% gross and 2.64% net in Q4 FY '25 and was 4.54% gross and 2.38% net in Q3 FY '26.

Our credit cost on total assets for FY '26 stood at 1.68% as against 2.07% for Q4 FY '25 and 1.62% for Q3 FY '26. Our cost-to-income ratio was 25.32% in Q4 FY '26 as against 27.65% recorded in Q4 FY '25. Our cost-to-income ratio in Q3 FY '26 was 29.66%. The increase in cost to income in Q3 FY '26 was mainly due to incremental impact of INR196.95 crores on gratuity and long-term compensated absences, representing increase in past service costs because of change in definition of wages under new Labour Code.

On the liability side, this quarter the borrowing has been muted and overall liabilities have not grown compared to December quarter and liabilities stand at INR2,50,690 crores. The cost of liabilities have marginally come down compared to previous quarter from 8.69% to 8.59%. And as of March '25, it was 8.96%.

The incremental cost of fund is not relevant because we've not borrowed much, but still it was 7.2%. The liquidity coverage ratio for the company is at 323.17%, which was 335% in the December quarter. Now overall liquidity is at INR13,000 crores, roughly around INR13,000 crores and that is sufficient for more than 2 months of liability repayment.

The liquidity was slightly brought down because of anticipation of large capital funds being targeted for the first week of April, which was INR40,000 crores. The leverage ratio is at 3.82 times and that has slightly come down from the December quarter. And with this capital infusion, this will be in the range of 2.4% roughly. The capital adequacy ratio post this equity as of now

is 20.4% and post-equity infusion will be 34%. So with this, I hand it back to the operator for opening the forum for question and answers.

Moderator: Thank you very much, sir. We will now begin the question and answer session. Our first question is from the line of Renish from ICICI. Please go ahead.

Renish: Yes. Hi, sir. Thanks for the opportunity. My first question is on the segment-wise AUM growth right? So if we look at it except CV and farm equipment, most of the segments are witnessing capital growth specifically in Q4 and despite seasonally being the strong quarter and also benefiting from GST cut.

So how one should read this trend, I mean it is due to demand at ground level owning to external environment or do you see some stress building up in some product market and hence we might be calibrating growth in such segments. Also last quarter, we've been mentioned about we will start entering into high ticket size loans, new vehicle loans, etcetera. So any updates on that front also?

Umesh G. Revankar: Yes. Basically, if you look at the overall sales number, which I presented while giving you the note. The numbers have grown right from 10% to 20% in various category especially this increase in sales have happened post reform or post GST reforms or GST rate cuts. And therefore, the last quarter, especially Jan to March, you saw good progress in the new vehicle sales, and there is also equally demand in used vehicle in the both, I think, the demand is good.

And this year, we expect the overall growth to be muted. I don't see a big growth in this financial year. But since the demand for used vehicle is likely to remain strong, I think we will have a steady growth. And we also expect on the farm side, the tractor side, this year, since the monsoons are likely to be delayed and monsoons are likely to be weaker, we expect the demand to come down a little.

But however, it should not impact the used tractor financing. And on the new vehicle financing, as you asked us, there is a growth in our new vehicle financing, especially the customers who were otherwise going out to the competition, we are able to retain and finance them. And we are seeing good progress in the growth of new vehicle in our area.

Renish: Got it. And just a follow-up on that, sir. So when we are saying FY '27 growth to remain muted, so should we assume that it will be lower than FY '26 growth as well?

Umesh G. Revankar: I see we have ended the last financial year with around 12% to 15% growth in most of the segment. If you are able to have the same number of sales this year, flat growth, that in itself will be an achievement. So I think that itself will give us growth in all the segments for us because our penetration will go up and we'll able to retain our customers longer.

Renish: Got it. So the reason why I'm asking this is because when we hosted a call, when this deal was announced, I think our plan was to accelerate growth to 17%, 18% with entering to high-ticket loans, vehicle financing, etcetera. So I mean is this a transitory element because of external environment, hence we are seeing growth will be muted in FY '27. Is that the…?

Umesh G. Revankar: I'm not talking about companies growth muted. I'm talking about sales number is muted, but we will be growing at 18%. Yes. We will be growing at 18%.

Renish: So, for us, AUM growth, we'll be 17%, 18% is what you're saying?

Umesh G. Revankar: Yes, yes. We have projected and budgeted 18%, and we'll grow at 18%.

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

Shreepal Doshi: My question was, firstly, on the opex front. So that while Parag sir, highlighted that last quarter, INR190 crores was the one-off in the opex number. But in this quarter, we have seen sharp decline even on Y-o-Y basis, it is down by 2 percentages. So what explains that?

S. Sunder: There was some decrease in the operating cost, and it was also aided by a strong NII in the current quarter, which has resulted in an improved cost-to-income ratio. And as we have been earlier guiding, we should be in the long-term range, it should be around between 26% to 27%.

Shreepal Doshi: Sir, but on the opex front, like not talking about the CI ratio, but on the opex front alone, this improvement is...?

Umesh G. Revankar: Compared to the previous quarter.

Shreepal Doshi: Yeah, compared to the last year. Yes, compared to 2Q FY '27.

S. Sunder: Okay, compared to Q4 '25, it's a long-term thing. I would suggest that we'll compare with the December number. December number, as you are aware at INR196 crores of additional cost was incurred for providing into the new labour code requirement. So that increased the staff cost, that is not there in the current quarter. And there has been a muted. We were not very aggressive in the increasing the headcount. It has been compared to the previous year, if you see from 79,000 odd employees, we are at 76,000 employees.

And that has also contributed to a lower staff cost in the current quarter, which, going forward, we again want to increase it closer to 80,000 in the next couple of quarters. So that is one. And on the other opex, the current quarter, we spent less on our branding expenses and other advertisement cost.

And also there was one change in the accounting estimate wherein the expenses related to the two-wheeler DSA payout. As until December 2025, we were charging it upfront, now this is to align with the Ind AS requirements, we have decided to defer it over the tenor of the contract. And hence, there has been a dip of around INR50 crores on that account.

Shreepal Doshi: My second question was on the GS2 plus GS3 print. So on a sequential basis, we have seen an uptick there, and it is visible across CV, PV and MSME, which are our key segments. So have you seen some deterioration in that business segment. Are you experiencing any customer profile specific or geography-specific issues sir?

Umesh G. Revankar: See, we are into retail segment. There will be some fluctuations in the cash flow of the retail customers. So we can't construe that it is an ongoing. It keeps moving from Stage 2 or Stage 3

sometimes and even between Stage 1 and Stage 2 and come back. So there's nothing like one specific geography. So there are some segments of MSME had some impact. But I think it is now reasonably well controlled.

And we also have reduced our MSME growth just to keep a watch on this segment, and we are very careful about it. And most of our MSME loans are against the mortgage of property. So we have nothing to really worry about it.

Shreepal Doshi: Got it. Sir, just a follow-up there. Within PV, we have seen highest GS2 increase. And also in CV, it is up by almost 17 basis points on a sequential basis. So anything like while you highlighted within MSME, there are two segments within CV and PV also, like if you could give some more details?

Umesh G. Revankar: So this also, again, we are into extreme retail individual operator kind of lending, where there will be fluctuation in the incomes. So we have anticipated this while lending itself. Our business model itself recognizes this fact and the credit cost is factored in our lending rates. So we have nothing to really worry about it. When you look at our asset quality, overall, it is more from gross Stage 3, 4.55 to 4.58 only 3 basis points year-on-year.

Shreepal Doshi: Got it. So sir, given that like you highlighted that our customer segment is relatively retail, extremely retail, now given that the geopolitical situation as well as oil prices going up, it exposes us significantly. So are we looking at a higher let's say, building in a higher credit cost number for FY '27? Or you're trying to or in the current quarter, have we tried to create some buffers?

Umesh G. Revankar: See, overall coverage, we have increased a little. But right now, we cannot comment on that, because fuel prices have not gone up. Unless the fuel price goes up and to what extent it goes up, we can't build a model on what is the likely credit cost or the -- ultimately, whatever the increase in the fuel price, the operators will pass on to the customer. It is not absorbed by the transport alone or part -- even part. It passes down to the either shipper or the customers. So that his business model does not get disrupted.

Shreepal Doshi: Got it, sir. Thank you so much for answering my question and good luck for the next quarter.

Moderator: Thank you. The next question is from the line of Sanket Chheda from DAM. Please go ahead.

Sanket Chheda: Hi, sir. So my question was that as you mentioned that maybe in some quarters the GS3 moves up. But in Q4, it is usually unlikely that it does moving up. So was there anything specific?

Umesh G. Revankar: No, Q4 gone up what?

S.Sunder: Marginally.

Umesh G. Revankar: 4.58 it is from 4.55 to 4.58.

Sanket Chheda: Yes, it has gone up 17 bps, not a big increase, but just taking into context that is the Q4, where we usually see improvement across other vehicle financials?

Umesh G. Revankar: No, we are not seeing any kind of what we call challenging situation. Things are quite normal. And since it's we are lending to all the retail customers. Cash flow mismatches will be there.

Sanket Chheda: Okay. So second question was, sir, now post this MUFG infusion, we are at the same level as far as the stake is concerned between you and MUFG and as far as the deal is concerned there was a point wherein MUFG will not be able to say, buy from secondary market for 24 months. So does that stay or maybe there is a possibility that there could be some same increase before that also by MUFG. So anything on that, that you would like to say?

Umesh G. Revankar: See, this cannot be spoken here because nothing has been discussed. So they have just come in and you are already talking about something futuristic. I think this is not a very appropriate question at all.

Sanket Chheda: No. So just wanted to get a sense because there was a, say, condition that there won't be secondary market that is what you are trying to?

Umesh G. Revankar: See, this was part of the agreement. Okay. So, you cannot speak immediately on the arrival, what will be the next stage. You can't speak about it.

Sanket Chheda: So it's too early, you were saying?

Umesh G. Revankar: You have to understand, it's not even one month.

Sanket Chheda: Correct. Sure sir. I get that. And lastly on the growth, we had said that maybe this year, at the start of the year you were saying 15% we will grow, but around the GST cuts and the positive impact of that coming in Q3, we had expected that we might do 16%, 17% or slightly higher than 15%. But we are closing this year at 15%. What gives you the confidence that 18% in FY'27 would be achievable considering some impact in Q1 as far as growth is concerned. So what really gives you the confidence that 18% would be really possible?

Umesh G. Revankar: See 18% is the budget we planned. And looking at the current situation, we need to relook at it, but not now because you would like to wait for the situation to be understood fully. We would like to know which are the segment has an impact. Right now as of today, since fuel price have not increased, the monsoon conditions are not known. We can't predict anything. So April month is normal April month for us. We have not seen any challenges. Going forward, what is going to happen that we need to see. But definitely, after the first quarter, first three months, we will relook at our budget. Then probably give guidance.

Sanket Chheda: Sure, sir. That was really helpful. Thanks a lot.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Good evening, sir. Thank you for the opportunity. The first one is slightly clarificatory. This 18% growth you are talking about is on the AUM or the disbursement? Second, what is our growth guidance or maybe a cost to assets guidance growth guidance for opex or cost to asset guidance.

Third is, sir, how do we look at the credit cost, do we want to increase our provisioning given there are certain headwinds and uncertainties. And fourth is around the new directors we have on Board the Japanese Directors. How do we look at the executive team from a 3-year perspective? Would we see any changes at the executive level?

Umesh G. Revankar: See, the 18% is on AUM growth opex cost will be on same level at around 26%, 27%. The credit cost as of now, we don't see a big challenge there. But we will be revisiting the number after the first quarter result, looking at the market condition and the challenges we are facing. And it will be mostly dependent on how the higher fuel price as and when it is declared is going to have an impact on the inflation.

And if the inflation impacts the consumption and the manufacturing, what will be the ultimate impact on the transporters. So that will take some time for us to understand. But as of now, we feel there is no change in our estimation on the credit cost. And the new directors have joined the Board and there is no change in the way management is functioning. Management has continued to function. And the Board also has recommended Mr. Parag Sharma to continue for approved continuation for next 5 years. And it is going to be AGM for the shareholders' approval.

Shubhranshu Mishra: Sir, what I meant is that presently there on the Board, would we see more of Japanese people on the senior management personnel as well in executives roles in management roles?

Umesh G. Revankar: No. Right now directors have come in the Board. We have some people coming in the executive role, but not in the senior management role.

Shubhranshu Mishra: Understood, sir. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes. Good evening, sir. Am I audible?

Umesh G. Revankar: Yes.

Abhijit Tibrewal: Hi, sir. Sir just one thing. A few times, we talked about fuel prices and the fact that, I mean, given that state elections might now get over, there could be an increase in fuel prices. Just wanted to understand this fuel price increase leading into inflation, which may consequently feed into some impact on consumption and eventually the loan truck operators get. When something like this happens, do we first see this impacting asset quality or first, the impact comes on growth?

Umesh G. Revankar: See, basically, what happens is when these things happen, the transporters pass on the cost to the customer. They don't absorb the cost. So they don't have any challenge on their net earnings. Net earnings of the customers do not get impacted at all. The impact will be when the economy is closed down.

When there are not enough activity in the economy, when the vehicles are not fully engaged, then the impact comes. So it happens over the period. So if the economy revives or keep growing

at the same rate, even when the prices go up, the transportation prices, nothing happens to the credit cost or to the transporters business.

Abhijit Tibrewal: Got it. So sir, I mean in that case, if fuel prices indeed go up and we'll have to see by what amount it goes up. And if that leads to some slowdown in the economy, you see that the growth might slow down, not the number of vehicles sold might slow down, but there is no direct impact on collections and credit costs and asset quality like you mentioned.

Umesh G. Revankar: Yes.

Abhijit Tibrewal: Second thing is sir, I mean, almost what, 55 days into this West Asia war. In the last maybe one week or so or maybe, not one week, maybe last one month or so, have you seen some supply chain disruptions on the ground where truckers are not getting adequate loads. Basically, what I'm trying to understand is, are we still at a point in time on 24th April today where this West Asia conflict has had no impact on the economic activity?

Umesh G. Revankar: See as of now, we don't really see that, because there are delays in getting raw materials. This is a challenge of supply, but as far as the transportation slowing down, our customers not getting enough growth, there are no indication as of now.

Abhijit Tibrewal: Got it sir. And then, sir, lastly, I just wanted to understand, we have, reported a very strong Y-o-Y and Q-o-Q growth in the profits in this quarter. Just trying to understand was taking any contingent or continued provisions or management only contemplated in the Board meeting earlier today?

Umesh G. Revankar: There were discussion on the same. But we thought, unless we have a realistic picture on the, either the fuel price or the monsoon situation. We'll not be able to assess. So the discussion will be definitely there. But since it is not accessed, they not really acted on that. But we always have a conservative approach and we do have some additional cover.

Abhijit Tibrewal: Got it, sir. And then, sir, my last question is for Parag sir. Sir, given what has been happening to the bond yields and the fact that we are also active in the debt markets while you mentioned in your opening remarks that we did not borrow a lot in the last quarter. How were incremental cost of funds trending in March compared to, let's say, Jan and Feb and how are they today in April?

And lastly, for us, when I talk about our liabilities and our cost of borrowings, we all know you will see some benefit in your cost of fund because of a credit rating upgrade. But if you were to just remove that element out, do you think that the cost of borrowings and especially the incremental cost of funding has started moving up if we just take out the element of the credit rating upgrade benefit that we have?

Parag Sharma: Okay. One, I think capital market, we have not borrowed in the last quarter. But if I look at what we borrowed in December quarter compared to rates at which we might have borrowed at the earlier rating levels. We did around 7.5 was the last bond issuance we did in the December quarter. If we had to borrow in March quarter, I think we would have borrowed at close to around

770, 775 level. So that could have been around 25 basis point increase in the bond rate. But yes, this is at the AA+ rating level, and we have now been upgraded.

So, we have to test the waters with AAA rating. We are, as of now, not in a hurry because of the excess liquidity and maybe looking at borrowing only after maybe four or five months. We'll have to look at the market situation at that point of time. But at the earlier rating level, yes, in a quarter, there has been some movement in the volume.

When it comes to other borrowing instrument. I think we are more comfortable because bank, the risk weight comes down to rate should definitely improve. We have reduced our deposit rates. Overall, I think we should look at lower cost of borrowing in the coming year.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Congratulations on the quarter. Just continuing on the previous question, how much of the cost of funds benefit will be passed on borrowers in terms of yield pricing? In another way, are we targeting a NIM at current levels? Or are we targeting the NIM at, say, 9, 9.2 sort of levels?

Umesh G. Revankar: See, we would like to protect the NIM and keep growing the business. It all depends upon the market situation. And if at all, we need to pass on some benefit to the customer to grow our business, we will do it. So how much, we can't really park it separately and do it. As and when it matters, it keeps happening. So, ultimately, our aim is to retain our existing customer. And when, as and when he grows for larger ticket or new vehicles or new machinery keep funding it.

Piran Engineer: Okay. Sir, if I asked this question in another way, in your budgeting today, where you budgeted 18% AUM growth for next year. What have we budgeted for margins?

Parag Sharma: Interest Margin 8.5.

Umesh G. Revankar: Interest margin, we have budgeted 8.5 only.

Piran Engineer: 8.5 only? But sir, why would you budget that?

Umesh G. Revankar: Pardon?

Piran Engineer: I mean why wouldn't you budget a higher NIM because of the cost of funds benefit we are going to get.

Umesh G. Revankar: As and when the cost of benefit comes, we'll keep doing it. The Q-on-Q it will vary. You can pinpoint and put this as a number.

Piran Engineer: Understood. Understood. Okay, sir. Sir, secondly, just on MSME lending, what percentage of this book is unsecured? And what signs should we see to sort of expect growth to come back?

Umesh G. Revankar: See mostly all large tickets, we have a mortgage. Only the small ticket, we do not insist on the mortgage of property. So exact numbers, we will pass it on through Sanjay.

Piran Engineer: Okay. And sir, just on growth?

Umesh G. Revankar: On growth?

Piran Engineer: Like when do we, like last two years, growth was 25%, 30% in MSME after the merger with SCUF happened? Last year, it has moderated to 10%, 12%. Some part of it could be cautioned. My question is next year, should we see this scale back up? Or are we continuing with our cautious view?

Umesh G. Revankar: We'll be cautious, because, one, we slowed down because of the U.S. tariff, now because of West Asia. So we will be looking at reviewing the situation and keep working on it. So as of now, we'll be conservative. We'll be looking at around 13% to 15% growth. But as situation improves, we'll increase our lending.

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

Rajiv Mehta: Congrats on good numbers. My first question is on the very strong growth seen sequentially in CV portfolio. So if you can give some color whether the new CV financing you picked up on? Or was it used, which kind of increased its momentum. And whether in use, did we increase our market share in our core vintage segment of 5 to 8 years or 5 to 10 years? Can you give some color about why this high growth came about in this quarter in the CV portfolio?

Umesh G. Revankar: The new financing has actually gone up. It has improved significantly because sales also has improved. If you look at the quarter-on-quarter sale year-on-year quarter, nearly 20% growth is there in the CV sales. So that also helped us. Our new vehicle financing has gone up significantly. Meanwhile, our used also is growing, because we are able to create more penetration in the deeper pockets. That also is growing.

Rajiv Mehta: And in terms of market share, did we increase market share in used?

Umesh G. Revankar: You mean the new vehicle market share?

Rajiv Mehta: No, no, used vehicle, used CV market share, in financing.

Umesh G. Revankar: Used Vehicle. Yes. That is, we are the largest player in the second-hand vehicle. More the penetration, we are able to grow our business. So it is increasing and the rural demand is also quite good for CV now.

Rajiv Mehta: Sir, why did the used CV financing portfolio slowed in this quarter? I mean sequential growth rate is very tepid, whereas I think we were in a very good momentum for the last two, three years. But suddenly, in this quarter, we have seen the momentum kind of come down significantly. And I mean, generally, what did you see in the market to slow down so much?

Umesh G. Revankar: There's no slowdown in CV. I don't see, actually, we have grown in the CV.

Rajiv Mehta: No, PV, PV, sir. Used PV financing.

Umesh G. Revankar: PV, passenger vehicle. The passenger vehicle, there's nothing to say that. But maybe the focus was more on the CV. But I think we'll be able to grow that back. And we'll be growing strongest in this financial year. You will be able to see more than 20% growth in passenger vehicle.

Rajiv Mehta: Okay, this year?

Umesh G. Revankar: Yes, this year.

Rajiv Mehta: And sir, you said that in April collections are, I mean you said that April there has been no impact so far, which means that can you presume that collections are going steady? That's number one. And secondly, again, just circling back to the asset quality when I look at the flow forward and the movement in Stage 2 and Stage 3, especially in Stage 2 also, in CV and PV, there has been an increase in a usually strong quarter of collection.

So I just want to understand, was there something specific somewhere in these two portfolios, which led to slightly lesser collections than what you have budgeted and which is why there was a slight significant increase in Stage 2 and Stage 3 in this quarter.

Umesh G. Revankar: See, in the retail lending, if somebody moves from the 0 bucket to 30 bucket, 30 to 60, we normally don't know very take a stringent action on the customer. We also understand cash flow mismatches are quite common.

There could be some reason and marginal increase in these buckets doesn't really bother us because we are financing asset earning asset, which has a good resale value. So, if it is unsecured, then we should be worried or if it is a personal loan, we should be worried.

These are all the asset which has a good value and we normally fund conservatively for used vehicle at around 65% of the value. And new vehicle, we financed around 80%, 85% of the value. So, we don't have really a rush to make a collection. But we do take the we do reach out to the customer to remind. So, we are not unduly worried about it a small increase in the Stage 2, we don't get upset.

Rajiv Mehta: Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Thanks for taking my question. So, when we look at it in terms of the disbursements, what has been the proportion of this new vehicles now? And where do we see it going through over the next 18 to 24 months because we have been saying that the new vehicle will start contributing to the growth. But just want to gauge in terms of the proportion of disbursements, how it's scaling up?

Umesh G. Revankar: No, I'll give the exact number through Sanjay. But actually, our new vehicle proportions are increasing in our disbursement. And I believe this is going to become norm over the period, because both in passenger vehicle and the commercial vehicle, new vehicle proportions are increasing and the exact number will be given through Sanjay.

Kunal Shah: So broadly, would it be in the range of like 10, 20 today? And do we see it scaling it up to like 30%, 35% over a period because that's something which can drive the growth by 3, 4 percentage points, okay? So just wanted to gauge where we are and how you would look at over the next 18 to 24 months in terms of the proportion?

Umesh G. Revankar: Yes, it's around must be around 15% now on yields 15% to 20% now. But it may not go to 30%, 35% of the proportion. I know where you are arriving at Kunal, you want to arrive with the overall growth where it comes from. But.

Kunal Shah: Yes, broadly, also maybe if you can just give this breakup of maybe the projected growth?

Umesh G. Revankar: 15% to 20% it may go by 5 to 10, another 5 to 10 % over the next two quarters.

Kunal Shah: Okay. So, 15% to 20% of disbursements might go up by another 5, 10 percentage points on the new side?

Umesh G. Revankar: Yes.

Kunal Shah: And when you project is growth of 18% odd, if you can just highlight in terms of across the product segments, how we are projecting. It may be on the commercial vehicles, on the passenger vehicles, MSME, you indicated it will be 13% to 15% odd. Maybe tractors will come down from the base of 32. So, what are the numbers when we look at the overall projected growth of 18%, yes?

Umesh G. Revankar: See, in CV, it will be around 15% to 18% overall growth. And on the passenger vehicle, it will be more than 20%. Goal definitely is in the, our basis is small, the growth will be more than 30%. So MSME as I have put 13% to 15%, but we may change the gear in the MSME as the situation normalizes.

It all depends on quarter-to-quarter. 18% is broad for full year. So, this particular quarter, the growth may not be 18%, it will be a little lesser because we are very watchful. And as the situation becomes more positive, then we'll increase our growth rate.

Kunal Shah: Got it. Perfect. And margins, you are still saying maybe even though there would be the equity benefit, which might flow through, we are still not seeing an improvement because any which ways we are not borrowing hugely. And you said like we would not need to borrow, okay, over the next few months from at least from the debt market side. So then shouldn't it actually contribute to the overall NIMs in terms of the equity contribution itself?

Umesh G. Revankar: It will be definitely, yes. The NIM will definitely expand. But for the budget sake, we have put it a conservative budget. And as we told in the beginning itself, some benefit will be passed on to the customer and some benefit will accrue to the bottom line.

Kunal Shah: Got it. Yes. And lastly, in terms of the GS2 plus GS3 on a year-on-year basis, it's still been flat, okay? We have not seen any deterioration as such. Maybe quarter-on-quarter, there is still some increase out there in a few of the segments. But when we look at next year, given this kind of a situation of below average monsoon plus the geopolitical conflict should we see the increase and

maybe even on the credit cost side, would we see compared to what we have been earlier guiding for? Would there be a risk to that number?

Umesh G. Revankar: See, it depends upon how long the situation continues. So, imagine if the, if you have seen last quarter, last week, Friday, the Brent price came down to 85. By Monday morning, it crossed 100. So that is the situation. So how do you predict? So, it is difficult to predict. But as you rightly said, there are challenges.

The cost of the manufacturing will go up. Cost of the products will go up; the cost of the food prices will go up and it will have some impact. How much impact and whether it will contribute to the slowdown of the economy.

Because if the economy is still growing, when the prices go up and if it's if they're able to pass on to the customer, then it will be a normal situation. It will not lead to any credit cost increase. But if the economies closed down, then only we have a challenge.

So, I believe the it all depends upon how the economy will shape after two months when the monsoon arise if the monsoon is reasonably decent, all these things will be normal for us. But monsoon plays prompt, and then you have a challenge.

But this also will be reflected mostly after November, December, not immediately. Because immediately, there will be a festival period, the demand will come back. Nothing will be seen. Post November, December only, we will see some stress.

Kunal Shah: Perfect this is very helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Arun Antony from JM Financial. Please go ahead.

Arun Antony: My question was actually already answered. Thank you.

Moderator: Ladies and gentlemen, as this was the last question for today. I now hand the conference over to Mr. Umesh G. Revankar for closing comments.

Umesh G. Revankar: Thank you for joining our call today. And as the last quarter was a very good quarter for us. And we hope to come out with similar good numbers next quarter also. However, there are a lot of ifs and buts in this quarter. First quarter of this financial year is going to be most difficult to predict, but we are quite hopeful to come out with good numbers. Thank you very much for joining.

Moderator: Thank you. On behalf of Shriram Finance Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.