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May 6, 2025

The Secretary
National Stock Exchange of India Limited
Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013
NSE SCRIP CODE: CHOLAFIN EQ

The Secretary
BSE Ltd.
1st Floor, P.J. Towers
Dalal Street, Fort,
Mumbai 400 001
BSE SCRIP CODE: 511243

Dear Sir / Madam,

Sub.: Transcript of Earnings call for the quarter and year ended March 31, 2025

Further to our letter dated 28 April, 2025, informing you regarding the upload of the audio recording of the Earnings Call for the quarter and year ended 31 March, 2025, we enclose the copy of the Transcript of the Earnings Call, which has also been uploaded on the Company website today in the following link:

https://www.cholamandalam.com/investors/call-transcript

We request you to take the above on record.

Thanking you,

Yours faithfully,
For Cholamandalam Investment and Finance Company Limited

PANGURAYIRATH SUJATHA
Digitally signed by PANGURAYIRATH SUJATHA
Date: 2025.05.06 12:45:32 +05'30'

P. Sujatha
Company Secretary

“Cholamandalam Investment and Finance Company Limited

Q4 FY25 Earnings Conference Call”

April 28, 2025

MANAGEMENT: **MR. VELLAYAN SUBBIAH – EXECUTIVE CHAIRMAN – CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED**
MR. RAVINDRA KUNDU – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED
MR. ARUL SELVAN – CHIEF FINANCIAL OFFICER – CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

MODERATOR: **MR. NISCHINT CHAWATHE – KOTAK SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '25 Earnings Conference Call of Cholamandalam Investment and Finance Company Limited hosted by Kotak Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Nischint Chawathe from Kotak Securities. Thank you, and over to you, Nischint.

Nischint Chawathe: Good morning, everyone. Welcome to the earnings conference call of Cholamandalam Investment and Finance Company Limited. We have the senior management with us today to discuss the 4Q FY '25 performance of Chola and share industry and business updates. Let me welcome Mr. Vellayan Subbiah, Executive Chairman and Executive Director; Mr. Ravindra Kundu, Managing Director and CEO; and Mr. Arul Selvan, Chief Financial Officer. I would now like to hand over the call to Vellayan for his opening comments, after which we will take the Q&A.

Vellayan Subbiah: Nischint, thanks so much and good morning, everybody. We will just go through the results for the quarter and the year ended 31st March 2025. Disbursements were at INR26,417 crores for the quarter, which is up by 7% and INR1,00,869 crores for the year which is up by 14% year-on-year. The total AUM stood at INR1,99,876 crores which is up by 30% year-on-year.

The net income for the quarter was at INR3,758 crores which is up by 29% year-on-year. And for the year, it is at INR13,570 crores which is up by 36% year-on-year. The PAT is at INR1,267 crores for the quarter, which is up by 20% and INR4,259 crores for the year which is up by 24%.

Just give you some quick performance highlights. The vehicle finance disbursements were at INR14,430 crores in Q4 as against INR12,962 crores in Q4 FY '24, which is a growth of 11%. And disbursements for the year were at INR53,922 crores, as against INR48,348 crores in the previous year, which is a growth of 12%.

For LAP, Loan against Property, we disbursed INR5,539 crores in the quarter, as against INR4,273 crores which is a growth of 30%. And for the year, disbursements were at INR17,913 crores as against INR13,554 crores, which is a growth of 32%. The Home Loan business disbursed INR1,983 crores for the quarter as against INR1,747 crores, which is a growth of 14%. And for the year, it is at INR7,404 crores as against INR6,362 crores which is a growth of 16%.

SME disbursed INR1,733 crores as against INR2,136 crores and the disbursements for the year were at INR7,763 crores as against INR8,106 crores. The drop in disbursement is due to a conscious decision to slow down on lower ROTA products such as supply chain finance.

Consumer and Small Enterprise Loans disbursed INR2,328 crores as against INR3,301 crores. And for the year, it was at INR12,552 crores as against INR11,281 crores, which is a growth of 11%. And the drop in disbursement is due, again, to like our decision to progressively exit from some of our partnership-led volumes.

The Secured Business and Personal Loans disbursed INR404 crores as against INR366 crores which is a growth of 10%. And for the year, it was INR1,316 crores which is a 23% growth over INR1,074 crores in the FY '23-'24.

AUM stood at INR1,99,876 crores as compared to INR1,53,718 crores which is a growth of 30%.

PBT growth in Q4 was at 19% and for FY '24-'25 was at 25%.

PBT ROA was at 3.6% for the quarter and for the year it is at 3.3%.

ROE was at 22.2% and for the year, it was at 19.8% in Q4FY24.

The company continues to hold a strong liquidity position with INR15,267 crores of cash balance including INR5,866 crores held at HQLA for LCR purposes and shown under investment. The total liquidity position was INR15,712 crores, including undrawn consortium lines. The ALM is comfortable with no negative cumulative mismatches across all time buckets.

Our consolidated PBT for Q4 was at INR1,698 crores as against INR1,428 crores in the quarter, which is a growth of 19% and for the year it is at INR5,741 crores as against INR4,605 crores, which is a growth of 25%.

We are also launching the Gold Loan business in select geographies.

Our Gross Stage 3 assets representing 90+ dues, decreased to 2.81% as of March '25 from 2.91% as of the end of December '24. GNPA as per RBI norms decreased to 3.97% as against 4% in December '24. The NNPA as per RBI norms also decreased to 2.63%, which is well below the threshold of 6% prescribed by RBI as a threshold for PCA.

The Capital Adequacy Ratio of the company was at 19.75% as against regulatory requirement of 15%. Tier 1 capital was at 14.41% and Tier II capital was at 5.34%.

The Board has recommended a final dividend of INR0.70 per share, subject to approval of the members of the company at the ensuing AGM. This is in addition to the interim dividend of INR1.30 per share for the financial year '24-'25, declared by the company on 31st Jan 2025. So, Nischint, I will stop with that, and we will be happy to turn it over to the audience for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Dhaval from DSP Mutual Funds. Please go ahead.

Dhaval: Yes, hi. Thanks for the opportunity and congratulations on good performance. I had two questions. First relates to overall growth. Could you just highlight the growth expectation for next year? Last time, you had mentioned 25% for next year as well as medium term. Could you just re-highlight that? And specifically, if you can touch upon the home loan business growth.

Earlier, you had commented that we accelerate, stabilize, and again accelerate on this business. So, we have seen a 16% growth in disbursement this year, whereas the capacity growth is much higher. So, should we expect significantly better growth in FY '26? And any comment around that would be useful.

And the second question relates to credit cost. On the newer businesses, we have seen an increase in all the three businesses, the CSEL as well as SBPL and SME business. Could you highlight like are these at peak-ish levels and we should see improvement across all businesses or any comment around credit cost in the newer businesses for FY '26 would be useful?

Vellayan Subbiah: Okay. So, in terms of overall growth, at the AUM level, we still believe we have always guided in the 20% to 25% range, and we still believe that will hold. In Home Loans in specific, I will let Prashant take that question.

Prashant Kumar: So, for home loans, we are seeing around 15% to 20% growth. That is on disbursement side and book will be growing at the rate of 30% plus for next 2 years.

Ravindra Kundu: Yes, so the credit cost, we have delivered 1.4%. And in the case of Vehicle Finance, we are at 1.6%. So, Vehicle Finance will reduce the credit cost in this year. So, if they reduce it by 20 basis points, the company will get benefited by 10 basis points because they are 55% of the overall book.

In terms of the CSEL and SME, these businesses will reduce the credit cost by the year-end. And we need to factor Q1, Q2 where the credit cost goes up and then Q3, Q4 credit cost goes down. So, what I am talking about the full year is our expectation in terms of SME and CSEL. If they come down by 50 basis points and they are 10% of the book, so they can reduce it for the company by 0.5%.

And for HL and LAP, which is basically at rock bottom level, we need to –see all three businesses, SBPL, HL and LAP, if they goes up by 10 basis points and they are 35% of the book, they can actually increase it by 0.35%. So, net-net, what SME and CSEL reduction can get adjusted against the SBPL, LAP and HL.

And then the vehicle finance reduction can reduce the credit cost by at least 10 basis points for the company. So, we are expecting 1.4% to go down to 1.3% in the next year as far as the credit cost is concerned. As the overall growth is concerned, as boss said that we are targeting 20% to 25% always we have mentioned that. For that, we need to achieve 30% growth in non-vehicle and 20% growth in vehicle. 30% growth in non-vehicle is easily possible. Now we will try vehicle finance to deliver 20%.

Dhaval: On the growth question, if you could talk a little bit around these newer segments that are getting added, should in the medium term, should this be additive to the overall growth profile of 20%, 25% or this should help us sustain these levels of growth? Any comment around that would be useful?

Vellayan Subbiah: Yes. I will just say from a guidance perspective; we have always said that range of 25%. So that includes the new segments, right? So, we will manage the mix within that, but that is what we will get to as a delivered number for the company.

Dhaval: Got it. Thanks, and wish you all the best. Thank you.

Moderator: Thank you. We will take the next question from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Hi, good morning and thanks for the opportunity and congrats on the 4Q performance. I have a few questions. One, just for clarification purposes, did you say that AUM growth for Vehicle Finance will be 30%, in FY '26, is that 25%? Is that what you said? Sorry, I may have misheard it?

Ravindra Kundu: No. Vehicle finance asset growth, we said 20% and non-vehicle 30%. So that 25% can be achieved. But this 25% is at a higher level. Our stand is that we will be targeting 20% to 25% growth. All depends on how monsoon takes place because the last year monsoon was good and post that, things have started improving. This year in Vehicle Finance, we have disbursed almost 12% for the year and we are likely to increase the disbursement from 12% to 15% to 17%.

So, it depends on the second half. And that is the reason we are slightly conservative in terms of disbursement growth, and this has been our stand for the company, it will be 20% to 21%.

Raghav Garg: Understood. And sir, I was looking at your 4Q numbers for the vehicle finance segment, there seems to be some seasonality in the vehicle finance yields. In fourth quarter, it tends to increase about 30 to 40 basis points quarter-on-quarter every time in fourth quarter. Why is that?

Ravindra Kundu: No, I did not understand. Once again, repeat it.

Raghav Garg: No, I am saying that in the fourth quarter, your Vehicle Finance yields tend to increase quarter-on-quarter by 30 to 40 basis points. And then in the following quarter, which is the first quarter, it comes.

Ravindra Kundu: Yes. So, your point is that the Q4, our overall income goes up like from Q3 level, it has gone up to, say, 15.2% to say, 15.6%. Last year, it went up from 15.1% to 15.4%. This is related to the collection efficiency because in the last quarter, always our collection efficiency improved and that improves overall collection, including the EMI collection like recovery collection, shortfall collection, other charges collection. So that includes the income, and that increases the income in the Q4.

Raghav Garg: Understood. And sir, just one of the last questions from my side. Has the cost of hedging on foreign borrowings gone up in recent months? What is your observation?

Arulselvan: Cost of borrowing or cost of hedging?

Raghav Garg: Cost of hedging on foreign borrowing, has it gone up for...

Arulselvan: It has gone up in Q1 now, but it was good in Q4. We managed to get good deals in Q4, but we will be always selectively watching and doing deals. So, we could strike deals in Q4 at fine rates, fully hedged.

Raghav Garg: That is all from my side. Thanks.

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

Abhijit Tibrewal: Yes. Good morning, everyone and thank you for taking my questions. Just two questions trying to understand first thing from Arul sir. Sir, this year, how are we looking at our cost of borrowings getting repriced? With the assumption of maybe one or two more rate cuts in the coming quarters, how would you look at cost of borrowings coming down? And to that end, given our home loan, LAP and SME book, our floating rate, what proportion of it will be passed on eventually? What margin expansion can one build in this fiscal year?

And the second question is for Ravi sir. Sir, just trying to understand, I mean, very clearly, there is a tightness in terms of collections, which is evident also showing up in credit costs. This year, all 4 quarters, credit costs in absolute terms, all were in a very tight range. So, when we say next year, the credit costs will be lower, what has to change from where we are today, what we saw last year? And what has led us to where we are today? So, from here, what has to change for the environment to improve and credit costs to come down next year? These are the two things I wanted to understand.

And I will just squeeze in one last question. We have already announced the launch of our gold loan business. If you can give some colour around, how are we approaching the gold loan businesses, which geographies we will target and the ticket sizes that we will be looking at? And eventually in the next 1 or 2 years, what proportion of the loan mix can gold loans become?

Arul Selvan: Okay. Let me address the first question on the cost of borrowings. Around 20% of our borrowings are linked directly either to the repo or the treasury bill. So that we are seeing the benefit coming through as and when there are reductions. A large part of our borrowings, which is around 50% plus is linked to banks. We must wait for those MCLR reductions to come for this benefit to pass through.

However, marginal borrowings, we can negotiate finer rate, both from market as well as from the banks, considering the reductions that are coming into play. So, we should see overall for the full year around 10 to 15 basis points reduction, net of what we need to pass on to the floating rate book for us. So NIM should improve around 10 bps is what I would right now consider.

Ravindra Kundu: And regarding the credit cost, as I mentioned earlier also, see, there are 3 areas where the credit cost must be improved. One is vehicle finance, second is CSEL and the SME. Now CSEL credit cost will come down by running down the Fintech book, where the proportion of the credit cost is higher than the traditional book. And that will start happening from the third quarter onwards. So first two quarters, we need to bear with the credit cost, whatever they are delivering, and the book is also going down.

In fact, in the beginning, the percentage will look higher. And then after that, once the book is completely run down, the credit cost which is coming from the partnership book will go down. And therefore, the NCL, by the end in CSEL will start showing a reduction. In SME, it is a term loan, which is similar to LAP, where the SARFAESI is there on many cases and is going on and the progress is very good and likely to basically get the result again in the second half, and that will start reducing as LAP has reduced over the time. In the case of vehicle finance, we are depending on monsoon, we are depending on reliable performance and capacity utilization of small commercial vehicle, light commercial vehicle.

We have seen that this has improved from quarter 4 onwards. And quarter 3 also, the NCL did not go up. So, if that gets continued and we get a good monsoon this year also, again, we will see the NCL of vehicle finance from 1.6% level to go down, which will improve the overall NCL of the company. As far as the gold loan is concerned, we have studied not only gold loan, consumer durable.

We have studied our customers, in which 45 lakh customers are taking gold loan from the market close to INR1,000 crores per month and almost INR1,000 crores disbursement is happening from the consumer durable. So, both the products we have initiated. In the beginning, we will be slow and cautious, and we wanted to do it in a much-advanced manner.

And therefore, we are taking the benefit of the technology available to ensure that the goals are secured, and those things are getting developed. At the beginning, we are launching 120 branches in South and East. And we are having a plan to pilot it and see that how it is working. And in this fiscal year or maybe 1.5 years' time, we will try to achieve INR2,000 crores and see the performance of gold loan, how it is working based as against the plan. Once it is doing very well, then obviously, we need to reach out to our customers who are actually going there and taking the loans.

Abhijit Tibrewal: Got it, sir. This is all from my side. Thank you and wish you all the very best.

Moderator: Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Good morning. Thanks for the opportunity. My question is on opex. I mean, in this Q4, if we see opex as kind of the growth of opex has materially slowed down. I mean that is a bit typical of Q4. So, what were the reasons? And going ahead with some of part of opex seeing increase with launch of gold finance and all, how do we see opex to trend over the next year?

Arul Selvan: See, generally, opex increases a bit in Q4. This year, we have kept it under control, primarily because we have moved in all the cost relating to the new businesses, which we introduced over the last year. Most of it has been completed. As we move into next year, we will see a little bit of opex coming because of the Gold Loan. But beyond that, there should not be any further increases. Target is to keep it in the 3, 3.1 to asset ratio. We will endeavor to follow that trend.

Avinash Singh: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Yes. Sir, this is on the assignment income. So, we had that last quarter, and we also have it this quarter. Just wanted to check that is this now a consistent strategy going forward that we will do some assignment because this is something which we have been doing only in last 2 quarters?

Arul Selvan: Yes. We had some opportunities, and there have been some slowdown in the securitization market because most of the banks have sort of got saturated with the securitization requirement. So, we had kept certain assets available, and we thought we should continue with that program. So most probably, we will do one or two more deals. Post that, we will again slowdown be depending on market.

But basically, there should be some income coming through either the securitization or the assignment route, some disposal of assets or sale of assets that we will target. So accordingly, we will plan as we move forward into the current financial year.

Harshit Toshniwal: Got it. Sure, sir. And sir, on the Vehicle Finance, I think the guidance you mentioned that we would want to increase the disbursement growth to maybe 15% to 20% from the 12% Y-o-Y we saw this year. But if you can give some color as to what segments you want to focus this year, where do you see the green shoots? And in the context of economic recovery also, are we building some of that into our guidance?

Ravindra Kundu: So first, just to clarify, 15% disbursement growth, 20% asset growth, which we are targeting this year. And this will happen only when the light commercial vehicle and small commercial vehicle picks up, and we continue to do what we are doing in terms of used and passenger vehicle and other products. The monsoon has been good last year; therefore, tractor and 2-wheeler sales has also picked up.

We have also done the disbursement. But still some scope is there to do more tractor and more 2-wheeler. So, across all product segment, we are focusing across the country to achieve 15% disbursement which will take us to 20% asset growth in terms of vehicle finance.

Harshit Toshniwal: Sure. Got it. Okay sir. Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: First, just to check on the home loan, we indicated that the growth should improve both in terms of disbursements as well as AUM, almost like 15%, 20% disbursement. So, what ideally would lead to that kind of an improvement? Maybe this year, the overall disbursements in home loan has not been that great. And secondly, on LAP, when we look at it, in fact, it has been growing quite well. So, would we see some kind of a normalization coming in LAP or maybe the growth traction in LAP should still continue?

Ravindra Kundu: No. First of all, what Prashant said that the 15% disbursement growth will take him to 30% asset growth, which is at a similar level where we are as of now in the home loan business. In the case of Home Loan, when we do 15% disbursement, it comes to 30% asset growth because we have grown in the new geography: East, West, and North. And around 60% of disbursement of Home Loan is still coming from South, but we are cautiously increasing the disbursement, and this is enough for achieving 30% growth. That is also one reason.

So, we will continue to have this 15% disbursement and 30% asset growth. But after some time, we need to do more than 15% to achieve 30% asset growth. By the time, we will learn newer market very well, and we will get established there as the Home Loan department has done it in South.

As far as the LAP is concerned, they are now almost expanded across the country. And therefore, the disbursement growth and asset growth are almost at same level, almost 30% asset growth and 30% disbursement growth. Maybe in the coming year, we are targeting between 25% to 30% disbursement growth, which will be enough to deliver 30% asset growth. And I have mentioned that non-vehicle will try to basically deliver 30%.

Kunal Shah: Yes. So particularly LAP, you are still saying it might continue with 25% to 30-odd percent. There are still like maybe the opportunities available and the levers available to continue at that pace.

Ravindra Kundu: Correct.

Kunal Shah: Okay. And on new businesses, when do we start seeing the pickup, maybe would it be after the first half where we will see maybe the credit cost also normalizing or maybe now that has also almost bottomed out in terms of growth and we are getting confident, particularly on the SME and the other segments because otherwise, disbursement growth this quarter has not been that great in the new businesses?

Ravindra Kundu: No. See, one, the disbursement growth is not there because we have taken some decision in terms of CSEL, where we have come out from the Fintech partnership business. And that gets compensated through the consumer durable and our traditional TL, BL business as well as our in-house digital lending business. But that is not possible to completely reduce it and compensate immediately. So, over the period, which will get compensated.

In the case of CSEL, our asset growth is slightly lower for this financial year, but we will catch up next year. As far as the credit cost is concerned, since the asset rundown in terms of Fintech book is very fast, but the net credit cost in absolute value remain as it is. So, first half, this will basically remain at the same level. And only in the third quarter or maybe fourth quarter, we will see that the NCL will start coming down.

As far as the SME is concerned, we have again taken one decision that supply chain finance will be reduced because the ROA in the supply chain finance is very low. And in that place, we will actually do the small term loan and equipment finance. So again, that product, which we are doing it is getting good traction. And this year, we will basically see that the disbursement also in the case of SME goes up.

And because of the term loans are longer tenured book, 30% asset growth is possible, and we will try to do that. In the case of the SME, the net credit cost is higher because the cases which have gone into Stage 3 are in SARFAESI and likely to get resolved in quarter 3. And therefore, we said that in the case of SME also, we are expecting their NCL to go down in this financial year.

Kunal Shah: Perfect. That helps. Thank you.

Moderator: Thank you. We will take the next question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. Firstly, in the new initiative, if you look at three businesses, all three have shown deterioration in asset quality, slowdown in growth, some recalibration in terms of strategy. So, what has actually gone wrong in terms of strategy in that business? In all three of them, we are seeing a bit of similar trends.

Ravindra Kundu: No, it is not like that. SBPL has delivered 7.6% ROA in quarter 4. And for the full year also, they have delivered 7.6% ROA. And their growth has been good. They are growing at 70% just because of the small base. So SBPL is one book which is doing very well. Now coming to the SME, as I mentioned, in the SME book, by nature, if the term loan goes into the NPA, it takes 1 year time to reduce the NCL.

We have seen that in the case of LAP also in the past that initially it goes up. And then once it starts solving the problem, then automatically, the reversal will start happening. So, this SME book is also growing at a rate of 33% for the full year and their net credit cost is at 1%, which will go down.

Our targeted ROTA in this business is 2.5%. We have delivered 1.9%. It is just a difference of 0.5%, 0.6%, which is going to be coming from the NCL, which we are very, very confident about delivering it next financial year. Now in the case of CSEL alone, where we have done two businesses. One is that in-house DST, DSA, PL, BL business and Fintech business. In the case of Fintech business only, we have seen that there is a delinquency high. And that delinquency also went up because the FLDG rule has got changed.

And after that, the amount of FLDG we were getting it earlier, we were not getting it. And therefore, we decided not to pursue that business. And that is the reason there is an increase in NCL and drop in the business in the case of CSEL. So, I will accept that CSEL, when we started doing Fintech business, this FLDG norm of 5% cap was not there. And when it got introduced, not only for us, for the entire industry, it has become a problem. And therefore, we have also decided to go slow.

And finally, we decided to exit from the Fintech digital business. As against that, we have developed our in-house digital lending book, which is doing very well. Their ROA standalone is actually more than 6%. So, we will slowly grow that business.

Nidhesh Jain: Sure. Thanks for the explanation. What share of our CSEL book will be Fintech as of March '25?

Arulselvan: Fintech is 1.5% of the overall Chola book.

Nidhesh Jain: Okay sure. And then secondly on the gold business do we have standalone branches specifically on gold only or the gold only or the gold will also be offered through the same branches from which we have been doing vehicle finance, etcetera?

Ravindra Kundu: No, gold loan will be stand-alone branches. We are planning to roll out 120 gold loan branches in this quarter. And we have already created infrastructure. It is just a matter of some more time; it will get rolled out.

Nidhesh Jain: Okay, sir. Thank you. That is, it from my side.

Moderator: Thank you. We will take the next question from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Hi, thank you for the opportunity. Sir, just a follow-up on the previous question. You mentioned that you will be rolling out a separate branch for gold loan. Can you just explain the rationale behind that? Because until now, the other businesses that we have been scaling up, we have tried to utilize the existing network and also some of our peers have been using, say, the existing branches to do the gold loan business. Just the thought process there?

Ravindra Kundu: No. In the gold loan, you need to have a separate vault, separate RFID. And we are also basically introducing some more control where who is entering inside the branch, who is taking out gold. All those things are getting tracked from head office. That is possible only when you have stand-alone gold loan branch. And gold loan branches also require a specific location to operate from. And that is also another requirement. So, these two requirements can be fulfilled only when we go for standalone gold loan branches.

Viral Shah: Okay. And sir, just as a corollary to that, the opex guidance that Arul gave, it kind of breaks in all this branch expansion that you will be doing and also some bit of pickup in the disbursement that will happen in the overall business because we are saying that in vehicle finance that the disbursement will pick up, so will our incentives. So just wanted to get a sense on that?

Arul Selvan: Yes. Broadly, they should. We are still endeavouring to keep it in the 3% to 3.1% as we would call it because the count of gold loan branches will not be very high in the first year.

Viral Shah: Okay, sir. Got it. Thank you so much and all the best.

Moderator: Thank you. We will take the next question from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes. So just wanted to get a sense more quantitatively on what could be the disbursement growth in SME lending next year because while this quarter was down because we have slowed down in supply chain, if I look at the last five, six quarters, it has been flattish. So, I just wanted to get a sense on that.

And then the next question is, what is like the TAM in terms of number of branches you can do LAP and home loans from, like we are already at almost 800 branches in LAP and 700-odd in-home loans. Could that go up further or now growth will be a function of just improving branch productivity rather than branch expansion?

Ravindra Kundu: Yes. First of all, this SME, the disbursement will be, again, even for this financial year also, it is going to be flat only. We are not going to increase disbursement significantly because we have brought two products. One is small term loan and also equipment finance as against the supply chain finance. Supply chain finance was a big chunk, which we have cut down.

So therefore, initially, the disbursement is not going to go up, but we will maintain the asset growth, which is at 30% level, which is going to be there because of the disbursement we are doing in the case of term loan and which is a long tenured book. And therefore, asset growth is not a problem.

As far as the LAP and HL is concerned, as I mentioned they are already into three zone where they are operating only for last 3 years, and their disbursement of three zone put together is lower than South Zone because of the productivity and because they have introduced only 3 years back. So, they are continuously improving the productivity and operating expenses and likely to increase also a little bit. So, both LAP and HL will continue to do that.

But the number of branches expansion is not very high in the current financial year. Current financial year, the productivity focus by LAP and HL is high. And then subsequent year, maybe LAP and HL will think about going to another 100 branches.

Piran Engineer: Okay. That answers my question. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Renish from ICICI Securities. Please go ahead.

Renish: Just one question from my side on this Tamil Nadu bill, which sort of table over the weekend. And given our major exposure would be in high state. So how confident we are about sort of sustaining the growth rates or even credit cost? And maybe if you can just tell us about the reality at ground post this bill. I know it is too early, but what is your assessment, sir?

Ravindra Kundu: So actually, the similar thing is there in Karnataka, Telangana, Andhra Pradesh. And this is more related to private lender and also microfinance. And this was actually going on in many places. And you know that we are quite compliant in terms of our collection approach to the market. And therefore, we do not see any impact coming on vehicle finance or which is deep-rooted in Tamil Nadu as well as the home loans and LAP.

Balraj Menon: It is very clearly mentioned, the legislation will not apply to banks, nonbanking finance companies.

Ravindra Kundu: And it is also not applicable to us, first of all. Registered with RBI, cooperative banks, and cooperative societies.

Renish: Yes, correct. But in Karnataka, we have still seen sort of players getting impacted because it takes time at borrower level to fully understand the bill, et cetera. I know MFI or maybe a small ticket loans will be more vulnerable. But do you think, I mean, in your portfolio, any of the product is vulnerable?

Ravindra Kundu: No, nothing like that. Actually, we are also approaching the market in terms of collection very peacefully. So therefore, across the country, our approach has been very soft. We have been following up but not harassing customer.

Renish: Got it. Okay. That is, it from my side. Thank you.

Moderator: Thank you. We will take the next question from the line of Pranuj from JP Morgan. Please go ahead.

Pranuj: Thank you for taking my question. So just one question on HL, the delinquency rates have risen up to 0.6%. So, is there any concern out over here? And second is a clarification, Arul sir, that 3% to 3.1% opex, that is opex to assets?

Arul Selvan: Yes, it is opex to asset.

Prashant Kumar: So as far as actual delinquencies are concerned, we are maintaining a 0.40% for the year. If you compare with the last quarter, this quarter, it was slightly up and last year, there was a release in terms of Stage 2 and Stage 3. This year, we are maintaining at 0.40%. And going forward, we foresee that it will be at similar levels. Already our Stage 2, Stage 3 are in good shape. And that is what we are focusing on the fresh bucket to ensure that the same level of delinquencies continues with the increase in the book size.

Ravindra Kundu: And also, as I mentioned in the beginning itself, that LAP and HL are basically very tightly maintaining their net credit costs. So, if at all the increased 10 basis points, which will only impact 0.35% as against the SME and CSEL going to reduce it by 50 basis points, will release 0.5%. So, we will get netted off. And Vehicle Finance will basically reduce it, which will improve the credit cost by 10 basis points. Now HL, as I mentioned, they do not have SARFAESI.

So, their resolution takes time. And they do it mostly through arbitration because small ticket size loan, less than INR20 lakhs. Therefore, resolution takes time. So those cases, which has gone into the NPA last year, will start getting resolution by the end of the year.

Pranuj: Understood. So, on a full year basis, you still expect to maintain that 0.4% for FY '26?

Ravindra Kundu: 0.4% to 0.5%.

Pranuj: Understood. Thank you, sir.

Moderator: Thank you. The next question is from the line of Shweta from Elara Capital. Please go ahead.

Shweta: Thank you, sir for the opportunity. Sir in the vehicle finance portfolio, have you seen any write-offs? And if you could provide any color on the sub segments that you might be closely monitoring or seeing vulnerability?

Arul Selvan: No, only the normal levels of write-off, which is relating to repossession of vehicles and the sale of vehicle that has continued, and there has been no different change in the trend. So, we will continue to have this. As you know, there is a little bit of a higher proportion of used vehicles, et cetera. To that extent, there would be some skewness. But other than that, there will not be any high levels of write-offs in Vehicle Finance.

Ravindra Kundu: So, the write-off has not been done. Only the reposition and sale of vehicle only been done.

Shweta: Okay. And sir, how about bounce rates and early on delinquencies for DPD book in the vehicle finance, how is that faring?

Ravindra Kundu: Non-starter is actually lower than the last year March '24 to March '25. The non-starter has come down. The early default also has come down over the December and September quarter, but it is still higher than the March '24 numbers.

Balraj Menon: Slightly higher. But non-starter is much lower, lowest in the last 18 months.

Ravindra Kundu: So that is the trend that we are improving our portfolio quality, but it requires better monsoon even this year also. And then only we can see better NCL in this financial year.

Shweta: Very helpful, sir. Best of luck. Thank you.

Moderator: Thank you, sir. We will take the next question from the line of Mahrukh from Nuvama. Please go ahead.

Mahrukh: Hello. Good morning, sir. I have one question only on asset quality. So, you answered -- you replied to Shweta partly, but this time, the fourth quarter seasonality was not strong, and you had already been guiding to that. So, does that mean that the 1Q weak seasonality will also not be as pronounced? Is that a fair takeaway in vehicles, especially?

Ravindra Kundu: So, quarter 1 is basically like if you are specific to Vehicle Finance, if you're asking the question very specific to vehicle finance.

Mahrukh: Yes.

Ravindra Kundu: Last year, quarter 1 was 1.9 and so we are at actually 1.6. So, from 1.6 actually, in the case of vehicle finance, it will not go to that level, so we will definitely see Q1 to Q1 reduction.

Balraj Menon: Q1 to Q1 reduction, yes.

Mahrukh: Okay. That was my only question. Thank you, sir.

Moderator: Thank you, sir. The next question is from the line of Alok from UBS. Please go ahead.

Alok: Yes. Hi, good morning, sir. Sir, did I hear correctly that you said 1.5% of your book is Fintech-driven partnership AUM?

Ravindra Kundu: 2%.

Arul Selvan: 1.5% to 2%.

Ravindra Kundu: INR2,000 crores is our Fintech book and INR2 lakh crores is our AUM. So, 1% you can say that.

Alok: Okay. So, sir, are we saying that first half of the year, NCLs will still be high in CSEL primarily because of this Fintech book. So, on this remaining INR2,000 crores AUM, we are expecting another INR500 crores, INR700 crores of credit cost. Is that fair to say that?

Ravindra Kundu: No. We have never said. We are saying that the CSEL NCL, which is actually where we are as of now, will be remaining at the same level in terms of absolute value. So, for example, I will tell you the CSEL number. It is actually per quarter, it is INR210 crores to INR230 crores to INR240 crores, which is delivering. This number remains as it is in quarter 1 and quarter 2. And after that, when the book will get run down, then INR230 crores, INR240 crores of per quarter NCL will go down.

Arul Selvan: This INR240 crores is on the 8% CSEL book, not on 1.5% of the Fintech book.

Alok: No, that is fair. Yes. And sir, in this quarter you have done some extra provisioning in CSEL. Could you give that number?

Ravindra Kundu: INR35 crores.

Alok: INR35 crores. Okay, got it. Thank you.

Ravindra Kundu: It is actually INR220 crores, which is actually similar to quarter 3. Quarter 3 was also INR210 crores. Now it is INR220 crores. And we have created another INR35 crores, INR36 crores, which is actually taken up to INR256 crores. This number in absolute value will remain as it is for another two quarters. And once the book gets run down, then the corresponding NCL will go up and then the percentage will go down.

Alok: Sure. Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta: Hi, good morning. Just one question on vehicle finance. So, there is a clear pickup in new LCV and HCV financing in the past two quarters. So, if you can comment on that. And second, when

I look at your growth in car and UV financing also, you are significantly outperforming the underlying industry sales. So, what is driving this? Have we tied up with more OEMs or otherwise for more models?

Ravindra Kundu: See, Chola growth of light commercial vehicle has been 4% as against the industry growth of 3%. It is there in Page #37. And in the case of small commercial vehicle, the growth is basically slightly lower than the industry. Industry degrew by 9%, we degrew by 6%. We are slightly conscious. We are conservative in small commercial vehicle and reduced our market share.

In the case of light commercial vehicle, we have increased our market share slightly higher than the industry. But in terms of heavy commercial vehicle, our growth is better than the industry. That is because now the customer, as we maintained in the beginning that initially, the captive user and big fleet operator, medium fleet operator will buy and then slowly the retail customer will come into the market.

So now our customer segment has started buying heavy commercial vehicle. And therefore, our HCV sales has gone up, and it has increased our market share from 2.9% to 3.5%, so slight increase. In terms of growth, in terms of unit, it is looking higher. It is there in Page number 38 industry degrew by 3%. We grew by 21%.

Balraj Menon: And in passenger vehicle, we have grown in terms of market share. Our reach of having larger number of branches in Tier 3, Tier 4 cities are helping us. And in fact, our market share in Maruti has gone up substantially. So, in passenger vehicle, we have been able to grab our market share, increase our market share, especially in the Maruti segment.

Rajiv Mehta: Yes. That is, it from my side. Thank you.

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

Shubhranshu Mishra: Good morning Kundu sir. Two or three questions. The first part is on the number of people we deploy in collections across businesses and if we can split that into soft bucket and hard bucket. That is first. Second is that I saw a notes to account with this Chola Home Finance. So just for clarity, we are running the home loan business in that subsidiary. And third is that the LAP is growing at a strong level of 25%, 30%, and that is the guidance as well. Do we foresee seasoning and in that seasoning, we will also see higher credit cost? These are the three questions?

Ravindra Kundu: So, in the case of headcount, we have 30,700 people in sales and 22,000 people in collection and almost 10,000 people in credit ops and 1,600 people are our business enabler sitting at head office. In the case of loan against property, I think Suresh, you want to say that what is your plan?

Suresh Kumar: Yes. So, if you look at LAP, we have improved our number of branches to 800 branches, and we have significantly invested on the people side as well. And that is what has resulted us in the growth for the last few years where we are consistently growing our disbursement as well as book.

And we still feel there is a lot of market opportunity, but the key focus for the current year is our improvement in the efficiency of the existing manpower. And we are pretty confident, and we are convinced that with the market opportunity available, we can continue to grow at this level of 25% to 30% of disbursement growth, resulting in about 35% of book growth.

And we definitely see the opportunity in India for the SME segment, especially for the LAP segment. And with all the manpower and the branch structure in place, we are confident that we will continue like this. As far as Chola Home Finance is concerned, we do not have anything in that.

Arul Selvan: Yes. Actually, the Chola Home Finance, we created thinking that we can move and create a home finance company. The arbitrage between home finance company and NBFC has narrowed down significantly. So, we have already decided not to pursue this and keep the Home Loans in the main company itself. And we have renamed the company as Chola Leasing Company so that they will start looking at leasing operations with the various products we have. But that is in a very nascent stage right now. So, we will look at it as we move into the next financial year or thereafter.

Shubhranshu Mishra: Sir, my first question remains un-answered. How many people in collections, business-wise sir?

Arul Selvan: Business-wise collection, we will not be able to share. We have given you the overall numbers at the business level. Business-wise manpower collection of these is not publicly available information and we keep it within the company.

Shubhranshu Mishra: Sure, sir. I will come back in the queue. Thanks sir.

Moderator: Thank you. The next question is from the line of Dhaval from DSP Mutual Funds. Please go ahead.

Dhaval: Yes, thanks for the follow up. Just a quick one on the profitability. So overall, what we are saying is for FY '26, we are expecting margin improvement, opex improvement and credit cost improvement, which should mean that, that 3.5% PBT ROTA that we were guiding to should be a target for us?

And if yes, then is that a sustainable level from there on or we further invest back in the business and therefore, we'll see some bit of volatility in coming years on the PBT ROTA like just directionally, with this change in the business model, diversification, et cetera, is the 3.5% now a sustainable number or not? That is what I wanted to get through?

Arul Selvan: We will be working towards a 3.4% conservatively to look at in the coming year and then move on to 3.5% because we still have gold loan-related opex coming up in the current year. And we will have to also look at how all of these will pan out. So, I do not want to count the chickens right now. Let us wait for it to move on.

Let us cross the first half, and then we will know because that is a crucial part when reality of the monsoon becomes more certain. So, we will do it as we move on. Right now, conservatively, we will improve from the current level. But certainly, there will be improvement. But whether we will reach all the 3.5% or somewhere midpoint is what we need to see as we move into the current year.

Dhaval: Got it. And just a clarification, in terms of new businesses, apart from gold loan and consumer durable lending, what are the sizable opportunities do you think we can tap in the next few years? I think directionally, would the consumer side of the business be a big focus. I am just trying to understand where the investments would be incrementally in the coming years.

Ravindra Kundu: We will continue to focus on this existing and new business or whatever we have rolled out for near term. I mean, 3 to 4 years, we do not see we can go beyond gold loan and consumer durable because SBPL, CSEL itself is even SME also. There are five new businesses we have rolled out during this post-COVID. So, all five need to be groomed and we must make it as big as vehicle finance LAP and HL in time to come. So, we will focus on this only.

Dhaval: Got it, sir. Thank you and wish you all the very best. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take the last question for today from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Thank you, sir for giving me the opportunity. Sir, my question is why have we moderated our growth in the supply chain financing? Is there anything that the regulator has indicated or anything of that side?

Arul Selvan: No. It is not actually by the regulator. It is primarily a low ROTA product. And here, what we see is there is much faster churn. So many times, it is less than a month that the asset stays on the book. So, you have large disbursements, but it really does not count to your AUM and real income that comes into. So opex becomes burden. So, at a very low yield, it becomes not our targeted level of ROTA expectation. And that is the reason.

Shreepal Doshi: Got it, sir. Most of my other questions have been answered. Thank you and good luck for the next quarter.

Ravindra Kundu: Thank you.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to Mr. Nischint Chawathe for closing comments. Thank you and over to you, Nischint.

Nischint Chawathe: Thank you everyone for joining us today. We thank the management for providing us an opportunity to host the call.

Arul Selvan: Thank you.

Ravindra Kundu: Thank you.

Moderator: Thank you, members of the management. On behalf of Kotak Securities, which concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.