MCSL/SEC/25-26/410
January 24, 2026

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001, Maharashtra
Scrip Code - 511766
Scrip Code (Debenture & CP) - 975282, 975513, 975662, 975739, 975982, 976006, 976146, 976183, 976213, 976233, 976282, 976363, 976458, 976806, 976898, 976933, 976965, 729231, 729236, 729732, 729733, 730251, 730770, 730789 and 730855

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051, Maharashtra
Trading Symbol - MUTHOOTCAP

Dear Sir / Ma'am,

Sub: Transcript of Conference Call pertaining to Unaudited Financial Results of Muthoot Capital Services Limited ("the Company") for the Quarter and Nine Months ended December 31, 2025

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a copy of the transcript of the Conference Call, with Investors, on the Unaudited Financial Results of the Company for the Quarter and Nine Months ended December 31, 2025, held on Thursday, January 22, 2026.

The same is also uploaded on the website of the Company and can be accessed through the following weblink:
https://admin.muthootcap.com/uploads/Elara_Sec_Muthoot_Cap_Jan22_2026_159e5a01e9.pdf

This is for your kind information and records.

Thanking you,

Yours faithfully,
For **Muthoot Capital Services Limited**

DEEPA GOPALAKRISHNAN Digitally signed by DEEPA GOPALAKRISHNAN
Date: 2026.01.24 16:25:58 +05'30'

Deepa G
Company Secretary and Compliance Officer
Membership No.: A68790

Encl: *as above*

"Muthoot Capital Services Limited

Q3 FY '26 Earnings Conference Call"

January 22, 2026

MANAGEMENT: **MR. MATHEWS MARKOSE– CHIEF EXECUTIVE OFFICER – MUTHOOT CAPITAL SERVICES LIMITED**
MR. RAMANDEEP GILL – CHIEF FINANCIAL OFFICER – MUTHOOT CAPITAL SERVICES LIMITED
MS. TINA MUTHOOT – WHOLE-TIME DIRECTOR – MUTHOOT CAPITAL SERVICES LIMITED

MODERATOR: **MS. SHWETA DAPTARDAR – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Muthoot Capital Services Limited Q3 FY '26 Earnings Conference Call hosted by Elara Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shweta Daptardar from Elara Securities India Private Limited. Thank you, and over to you, ma'am.

Shweta Daptardar: Thank you, Ikra. Good morning, all. On behalf of Elara Securities, we welcome you all to the Q3 FY '26 Earnings Conference Call of Muthoot Capital Services Limited. From the management today, we have with us Ms. Tina Muthoot, Whole-Time Director; Mr. Mathews Markose, Chief Executive Officer; Mr. Ramandeep Gill, Chief Financial Officer. We express our gratitude towards the esteemed management of Muthoot Capital to provide us the opportunity to host this conference call.

Without further ado, I now hand over the call to Mr. Mathews Markose, Chief Executive Officer, for his opening remarks, post which we can open the floor for Q&A. Thank you, and over to you, sir.

Mathews Markose: Thank you, Shweta. Good morning, everyone. First of all, let me start by wishing you all and your loved ones a very happy and prosperous 2026. We are happy to connect with all of you once again to announce our Q3 results. While I'll give the -- I'll let Ramandeep, our CFO, do the broad numbers, I would take you through all the things that happened in Q3.

Q3 was an extremely fantastic quarter for the entire automobile sector. With the GST rate cuts and the festive season coming together, it was a bumper quarter, and all vehicle segments saw a huge growth. Overall, for the calendar year, the year has ended with almost 10% growth with 2-wheeler and passenger vehicles leading the growth, both almost touching double-digit growth figures. So, all in all, it was a very good quarter for all the OEMs as well as the financials as well because the share of finance has also increased.

The new things that has happened in the credit industry is the emergence of the new to credit profile, which is the below 25 age group borrower segment. That has significantly increased. There is a Y-o-Y growth of almost 11% in that segment, and that is bringing in a whole lot of new customers into this credit space.

And as usual, Muthoot Capital Services always had a 50-plus percent share of NTC -- New To Credit borrowers and therefore -- and we've had the core competence of underwriting credit for such customers. So, we're proud to say that we've been instrumental in bringing a whole lot of new people into the credit segment -- into the formal credit as well as into the formal economy.

Because most of these people also open new accounts while taking loans with us, so we are actually inducting more and more customers every quarter, every month into the formal economy as well.

On the broad numbers, I think what has changed drastically for us this year and particularly this quarter is that we've shifted our focus from our -- earlier, it was a hybrid model where we used to do co-lending, BC as well as our own business.

However, our focus has drastically shifted towards the self-sourcing of Muthoot Capital Services owned business and through the businesses done by our group companies. So the share of group company business is constantly increasing, while the share of co-lending and BC partners is constantly reducing.

That is a strategic move to make our capital more effective because we are getting better yields on our own sourcing compared to what we were getting from the co-lending and BC partners. And therefore, we decided to reduce that share.

That has seen a slight drop in the overall numbers for us, where -- but if you look at the share more closely, we -- the MCSL owned business has grown by about 20%, 25%, whereas the share of the co-lending has come down drastically by about close to 70%. And that would see in the numbers. But as I said before, Ramandeep will take you through the broader numbers.

I will take you through the tech initiatives that we have implemented this quarter. We have collection as our main focus because after the credit underwriting part, most important component of this business is how effectively you can collect. And we have done a lot of tech investments in the collection piece.

So, we adopted a new collection app from our loan originator -- for our LMS, which is FinnOne, that's called the MCollect. And we've also started issuing it to the sales team. The first 6-month collection has been given to sales team, and therefore, they also use the MCollect app.

And then we implemented a strategy builder on the collection side, which can predict which customer should be approached through which medium because some of them respond to SMS best, some of them respond to WhatsApp best, some of them respond to calls best. And all of these was a manual process. The collection strategy almost was a manual process.

That has been completely automated now, and it's an AI/ML-based model, which predicts which customer should be approached through which mode, and that has seen a lot of improvement. Our slippages quarter-on-quarter has been coming down, and we expect to continue the same trend in Q4.

On the other initiatives that we have taken on the tech side, we have brought in Agentic AI-based telecalling, which is reducing our physical strength of telecallers. And the cost has seen a drastic reduction, and the number of calls that we are able to make has drastically improved.

All the team that used to take about 1 month to reach out to the customers, can be done in just a matter of 1 day because of the bot is capable of making any number of calls. Also, of course, the proportionate cost reduction is an added advantage to that, which will accrue over the next quarters in our financials as well.

We were also able to launch a new product, which took baby steps in construction equipment finance. We had launched commercial vehicle last year. And at that time itself, we had said that we would be going the entire journey of having all the product -- all the products on wheels under our folio. And as a step towards that, we have launched construction equipment last month -- last quarter, and we've started taking baby steps in that business. Q4 onwards, that business also will start increasing.

And as I had mentioned before, the used 2-wheeler product is also ready and is under UAT. So hopefully, in January, we will be able to go live with that also. So, by the end of the calendar -- financial year, we will have all of these products offered over the counter from our staple, which is new 2-wheeler, used 2-wheeler, used car, used CV, used construction equipment and the loyalty loan, which is a top-up loan over and above our 2-wheeler customer base.

We also saw growth in our retail FD book as I had mentioned in the previous call that we have put up a retail liability sales team. So, our retail FD book grew by about INR26 crores in the quarter, and that has been the best growth for us. And we will continue leveraging on that growth story. And our aim is to cross INR100 crores by the end of March, and that is where we will be reaching.

So, I think all in all, the quarter was good for us in terms of both numbers, in terms of -- you are aware that the first two quarters were low in terms of profitability, but we've been able to cover all of that and show strong results in Q3, and we will continue to grow at a rapid pace in Q4 as well.

With that, I would hand it over to Ramandeep to take you through the broader numbers. Over to you, Ramandeep.

Ramandeep Gill: Thank you, sir. Good morning, all, and a very happy new year to all of you. Talking about the numbers. In this quarter, we did INR626 crores of disbursement. While doing that, we have added 64,458 customers, and we have taken our total live customer base to close to 6 lakhs now.

This has taken my total AUM to INR3,399 crores with a balance sheet size of INR3,944 crores. The borrowing for the company stood at INR3,198 crores, which took debt to equity of the company at 4.81x, and the CRAR of the company stood at 22.49 percentage. The GNPA of the company, on cost, we have reported 5.93 percentage, whereas NNPA 3 percentage.

The total growth from the quarter 3 of last year till now, the company has seen, wherein last quarter 3 of '25 financial year, the total AUM of the company was INR2,832 crores. That has gone up to INR3,399 crores in this quarter. Now when we say, in this quarter, what we have done, so last year, the MCSL portfolio -- I just wanted to give you a breakup of the portfolio between MCSL and the co-lending as our CEO, sir, has said.

Last year, at the same time, MCSL portfolio was INR1,911 crores. Now in this quarter, we are closing at INR2,712 crores, marking a growth of 42 percentage in the MCSL portfolio only. On the co-lending side, we have reached at a height of INR939 crores as a co-lending closing portfolio. Now that has been brought down to INR685 crores, marking a degrowth of 26 percentage in the co-lending portfolio on a year-on-year basis.

On the product side, the company has four products effectively, wherein 2-wheeler takes the overall share, whereas -- and that has been -- and there are two more products which have been introduced by the company in the last financial year, which are used car and CVs. On 2-wheeler side, the company has seen a year-on-year growth of 15 percentage, whereas loyalty loan, we have seen a growth of 149 percentage.

The products which were new to us, our 4-wheeler and CV, from 4-wheeler side, we have seen a growth of 84 percentage year-on-year, whereas on CV side, we have a remarkable growth of 476 percentage year-on-year.

Now talking about the NPAs of the company and what is the kind of impairment expense that we have incurred that people can also analyze in the financials as well. Product-wise, first, we'll talk about -- we have splitted it into these four products, which are 2-wheeler, used 4-wheeler, CV and loyalty loans. On my 2-wheeler, the AUM of INR2,308 crores. We have reported an NPA number of INR214 crores. Of that, the provisioning has been made as INR111 crores as a 50 percentage provisioning.

On used 4-wheeler, the AUM stood at INR136 crores, with NPA of INR2.40 crores. On that, the provisioning is INR2.81 crores. And on the CV side, the closing AUM is INR186 crores, with INR75 lakh of NPA. The provisioning here is INR2.5 crores. Loyalty loan, we are closing an AUM of INR50 crores, with an NPA of INR1.48 crores.

Provisioning is INR86 lakh, which is 50 percentage. On CV and used car, since these are new businesses for us, that is the reason impairment expense for this is higher than the NPA. So overall impairment for this, including Stage 1, 2 and 3, if we take on the NPA, it is more than 100 percentage.

Now talking about the business of the company. Last year at the same quarter, we did INR845 crores of business. In this year, we did INR625 crores. Primarily, the growth we can see in the MCSL portfolio. But yes, in the other portfolio, like partnerships, we have seen a degrowth here. Rating of the company in this quarter, CRISIL has upgraded us, like A+ was there. Now that has become A+ with a positive outlook, a positive outlook with the A+.

Now from the revenue side of the company, we can analyze from the P&L as well, the comparison has already been shared for the year-on-year. So for the first 9 months of the last year, the company has posted a revenue of INR336 crores. In the first 9 months of this financial year, the company has posted a total income and revenue of INR463.85 crores.

The finance cost of the company, which was for the first 9 months of the last year, stood at INR156 crores, that we have closed at INR237 crores, which can be -- which is basically a contribution towards the increase in the AUM.

The opex of the company, which was INR123 crores in first 9 months of the last year. Now in this year, we are reporting at INR163.76 crores. The impairment expense, which was only INR2.82 crores for the first 9 months of the last year. Now therein, we have seen it has gone up to INR54.59 crores, which has given us a bit of a hit in the profitability of the company for this year.

In this year, the -- taking the conscious call because we knew that from the Q4 of the last year onwards, slippages were happening in the NPA. So, company has took a conscious call of taking my LTV from -- which used to be 84.57 percentage, now that has been brought down to 79 percentage, as an LTV on which we are operating.

The overall yield on which the blended yield on which the company is operating is 20.42 percentage, whereas incremental yield for the Q3 onwards, the sourcing that we have done for 2-wheeler, we are operating at 22.25 percentage. For CV, we are operating at 17.39 percentage. And for 4-wheeler, we are operating at 18.36 percentage.

Loyalty loans, we are operating at 24.92 percentage. So, this is -- and we have also seen an income in the form of insurance income, wherein we have taken a corporate agency at the start of this financial year. In this quarter, we booked the income of INR2.31 crores. The partners are Geojit, Lombard and Across Assist.

On the portfolio side of the company, the standard assets of the company stood at 93.55 percentage, and the remaining contribute to the Stage 3 asset, which including of interest comes at 6.45 percentage. Bucket-wise analysis we did. On my zero bucket stood at 83.77 percentage, which is fairly good as compared to the last quarters.

On the source-wise analysis, when we do, the dealer channel contributes 8 percentage of the NPA, whereas alternate channel is contributing 7.5%. And on the segment-wise analysis, when we do, our 4-wheelers, when we say used car, this is contributing 1.75 percentage of the NPA, and my CV is contributing only 0.40 percentage.

Our CEO, sir, has also spoken on the slippages. Yes, in the Q1, when the company has reported a loss at minus INR4 crores, wherein we can see the slippages -- when we say slippages, which means percentage of flow forward towards my standard AUM. It used to be 0.91 percentage. That has been gone down to 0.80 percentage in Q2.

And in Q3, we have reported at 0.65 percentage. So it's a good achievement, wherein basis on this, we can see that the worst which we have seen in Q1, that has been over. And in Q2, we have seen an improvement. And from Q3 onwards, we are onwards and upwards, specifically for the NPA side of the company.

When these slippages were so high, the rollback, the repo sale and the recoveries from those NPAs have been increased substantially in this quarter. So therefore, what we have seen -- we have taken a detailed study wherein we have taken help from the outside consultant to build an ECL for the company in Q2.

In that, we have seen, what is the LGD for the various product on which the company has to operate. So for 2-wheelers, since the company -- we have the data since inception, we have taken the total LGD of the company, which was coming to 28 percentage, on a conscious call, we have added 2 percentage extra there.

Now on my 4-wheeler and my CVs, wherein the company is not having enough information since we have started recently, we have taken a market study of that. On that, we have posted an

LGD of 40 and 45 percentage. That is what we have taken a feeler from the market, which is fairly high.

Therefore, keeping the entire view where the LGD of the company should operate at, we -- the PCR of the company was at 60 percentage, and that too, from last 12 to 15 months. And seeing the trend wherein the roll forward to NPA has also been brought down from 0.91 percentage to 0.65%. The company has taken a conscious call of bringing down the PCR from 60 to 50 percentage, and therefore, the release in the overlay has happened in this quarter.

Apart from them, one more change has happened. We have also analyzed the portfolio wherein the company is not getting recoveries from those portfolio, and DPD is fairly 450 days plus. So we have taken a portfolio of D3, D2 and D1, wherein no contribution is happening. And because of that -- because of no contribution is happening from this portfolio, the numerator keeps stagnant.

And when I said that MCSL portfolio is growing, whereas we are consciously taking efforts of not growing the other partners, co-lending and BBC portfolios are not growing, so which is basically giving me a hit also in my overall GNPA. This GNPA has not been created. Now it is basically -- it is basically coming from the pool of D1, D2 and D3. So therein, we have taken a call here wherein INR14.09 crores of the entire pool has been written off by the organization in this quarter.

So write-off call has been taken with the factors that, okay, the recovery is not coming from this pool from over a year or so and DPDs overly come from 450 days and plus. Before taking that call, what we have done, we have also analyzed the static pool, which I have also shared in the investor slide this time, the month 5 and month 6 month, 5 onwards to month 12, to month 18, we have analyzed that if a case is on the book, then the NPA trend, when it moves to Stage 3, what is the contribution? So when -- at month 5, we have seen it has gone to 1 percentage. At month 8, it has gone up to 3 percentage. In some period, it has gone up to 5 percentage as well.

Whereas for the sourcing that we have done from the last 12 months or so, we have seen that month 5 has almost become 0 now and month 8, which used to be as high as 4 to 5 percentage, that has been gone down to 1 percentage only. And month 12, which has reached to 7 percentage, has now been gone down to 4 percentage. So, with these factual things and seeing the improvement in the fresh flow, seeing the improvement in the Stage 3, the entire calls have been taken, which I have just explained.

Then there's one more thing we also compare if we take -- then what is my ECL versus IRAC of the company. As far as the RBI classification and following the RBI norms, IRAC norms, the company needs to have an impairment of INR72.93 crores as against still we are holding an impairment of INR120.91 crores, which is INR47 crores in excess from the IRAC norm. And we want to keep it unless we see a further growth in next -- further improvement in the NPA in next 12 to 18 months from now onwards.

The securitized pool of the company remained at INR554.34 crores, whereas the non-securitized pool, which is our own portfolio, it stood at INR2,824 crores. When I say securitized, it is basically contribution through PTC only. And DA is a very small portion, which is INR2.72 crores.

The ARCs, which company had done 2 years back -- now 2.5 years back, that is performing extremely well. We have been able to bring it down. Our first ARC, by 72 percentage. And second ARC, which we have done in September 2024, we have been able to bring it down by 40 percentage. Because of the calls that we have taken last year by doing this ARC, we have been able to bring our GNPA down.

And as I said during those calls that we want to attract more of PSU funding from the banks. The results are there in the entire financial year of last year. We have taken INR435 crores from the bank, wherein the first 9 months, we have taken INR740 crores from banks only. So therefore, the relying on the higher cost funds from the market has gone down. That has also helped us in bringing the overall cost of funds for us.

Now in this quarter, one more thing, we have closed the green bond also. GuarantCo, their transaction has also happened, that has also been shared in my investor slides as well, wherein we have taken a contribution from Axis Bank, INR150 crores, another contribution wherein we are closely working with another investor plus capital so that we'll be able to close this deal in next month itself. So that is something which is INR300 crores of fund that has been provided for a period of 6 years. So, on a vintage of 3 years of my portfolio, the churning will happen 2x.

Talking about the shareholding pattern of the company, the promoters stood strong till now. They are at 63.33 percentage. The retails standing at 26.31 percentage, and remaining is contributed by the corporates. Additional facilities, which the company has borrowed in this quarter, stood at INR437.44 crores, with an ROA of 8.82 percentage. That INR437 crores has a breakup of short term of INR55 crores and long term of INR382 crores.

So, by -- during this year, we -- and we always compare from quarter-to-quarter only, and this is a comparison which I want to say for quarter 2 and 3, whereas if you see the changes in the new NCD raised by the company, the rate has been gone down by 0.53 percentage. In my new CPs, which have been raised by us from quarter 2 to quarter 3, it has -- the overall rate has been brought down by 0.60 percentage.

The PTCs have been brought down by 0.4 percentage. Whereas working capital demand loan from the bank in Q2, that has been brought down by 0.06%. And in Q3, it has been brought down by 0.13 percentage.

On the fixed deposit side of the company, the company has made a remarkable growth in Q3 as compared to Q2, wherein the growth stood at 243 percentage. We have raised INR25.81 crores from the fixed deposit of the company, taking the total book at INR67.28 crores, with the aim to close at more than INR100 crores by the end of this financial year.

Talking about the structured liquidity and the ALM that has been filed by us to RBI, we can clearly say that there is no cumulative mismatch as of now. The liquidity of the company remains firm, wherein we are always reporting an LCR of -- the requirement from the RBI is 100 percentage.

We are hovering somewhere around 115 to 125 percentage, which is a very, very good sign. The term sheets and the sanction on hand will -- has already provided us enough strength to say that we'll be able to maintain this LCR for the next 2 quarters as well.

So now -- and then the overall investments and the overall yield, which the company does in terms of my PTC investment, SLR investment, the fixed deposits that we have with the bank, we are carrying an overall yield of 7 percentage. In quarter 2, wherein I had a borrowing cost on my ROI at 9.66 percentage.

In quarter 3, I'm reporting this as 8.82 percentage, which is a very significant change, a drop. And the XIRR of 10.30 percentage, has been reported at 10.09 percentage. It is also a very significant drop.

With this, I would like to hand over the call to Shweta to take the questions. Thank you so much.

Moderator: The first question is from the line of Amit Mehendale from RoboCapital.

Amit Mehendale: My first question is on loan book. Sir, how do you see loan book in FY '27 and '28? And also, there was a discussion last time on 2% ROA on the last call. So how do you see that? Do you see you hitting ROA of 2% in next year?

Ramandeep Gill: Mathews, sir, do you want to take loan book question first?

Mathews Markose: Yes. Okay. I'll take the loan book question. So this year, we should end up closer to INR4,000 crores as against our initial estimate of close to INR4,500 crores, and we've kept it lower because after seeing the Q1 numbers on slippages, we brought in a lot of changes in our underwriting policies, and some of the locations which were deemed as higher risk, we put some curbs there.

And that is what Raman had explained that the average LTV has gone down from about 86% to about 79%. So those are -- all of those are part of the credit intervention. But having done that and seen the results on the existing portfolio and how the new portfolio that has been created this year has behaved, we are confident to go along with the growth path.

So, the earlier guidance that we had given as a part of our strategic objective is to become a INR10,000 crore AUM company by 2028. We are not revising our guidance. So according to that, we will calibrate our -- so next month, when we go into our budget session, we will build our budgets around that number so that we don't miss that 2028 mark of INR10,000 crores.

So that's the broad guidance. This year, we should close with around INR2,500 crores of disbursement. And next year onwards, we should look at anything close to INR4,000 crores as additional incremental disbursement. Raman, you can take the question on the ROA.

Ramandeep Gill: Yes. Second thing -- okay, thank you so much for asking this question. So as I said in last quarter also, which I missed saying when I was initially speaking to you, I have also said one more thing in last quarter that we'll be doing a DA, right? And that was also a part of the plan, which we wanted to execute in Q3.

Two reasons stopped us. Number one, the portfolio growth has to come. Now we know that overall portfolio, because our partnership is not growing and doing a DA at the same time, the growth will not come, number one.

Number two, the deals that we wanted to do, we wanted to do a fairly large ticket wherein the overall cost of the company has to go down. So that is the reason all those trends which I have shown, okay, my Stage 3 asset trend in month 5 to month 12 is going down. That is all helping me in securing a deal now.

So, with that, the overall costing of the company can also be saved. So, we have tried that, but the deal size and the rate of the deal have not matched as well. So, in this quarter, we want to do that. This will help us in bringing up my overall ROA for the closing year.

Second thing, on the next year, then, what will happen is based on my Q3 results, wherein I have seen the slippages improvement, I'm expecting the same slippages to continue, right -- sorry, I'm expecting some -- same slippages, which means 0.65%, will become -- either will stay 0.65% or lower, but the overall denominator will grow, so which means the total NPA and the GNPA of the company would be much lower.

So those numbers also we have received internally. We are just working on it, how it will look like. With this trend, I am expecting a good ROA for the upcoming year as well. But most importantly for us, that how we close this FY.

So based on all the workings that we are having, we are trying to close one transaction of DA with a good NPA numbers at the end of next 2 months. So, we are -- we people will be able to communicate the exact ROA numbers, which will be close to, at the end of next quarter call that how we are going to go in the upcoming financial year.

Amit Mehendale: Sir, if I may look at the quarterly numbers, if your NII, for example, Q3 is about INR74 crores and opex is about INR58 crores, so if I do basic math, it leaves us with about INR60 crores a year. And if I take a steady state 2% provisioning on the loan book, that also gives me about INR60 crores. So, I don't know how you're calculating, but I don't see any number anywhere close to 2%. And maybe you can correct my numbers, quarterly numbers, that will help.

Ramandeep Gill: Yes, yes. So, I'm just opening that file only now. So when you say NII for this quarter, you have seen INR74 crores -- wait a minute, I am just opening that as well. Yes. So NII is at INR74 crores...

Amit Mehendale: NII is INR74 crores and opex is about INR58 crores.

Ramandeep Gill: Yes, yes, you're right. Sir, 2 things will contribute to this NII, which I have also tried and shown there, but I will explain during -- with the maths only here. The incremental ROAs, I am at 20.42 percentage, which I have said in my call. And my incremental ROA has become 22.79 percentage.

So that ROI is something which is contributing towards the top line. Number two, my cost of funds are going down. And number three, the impairment cost, which is -- which you have taken at 2 percentage, I am -- as of now, it's 1.25 percentage on the entire book. And this is what we want to continue with the same.

So with that, I'm expecting good numbers because when you see that your overall top line will increase by 2 percentage on a business of around INR2,600 crores, which is a basic average business, when you take the 2 percentage growth, the INR52 crores would be additional on that, right? And then you see that 0.50 cost -- 0.50 percentage of your cost of funds will also go down. And that is evident from the trend that we are seeing right now, right?

We are expecting a good number, like even if we raise, say, INR1,300 crores for next year, on that, we -- 0.50 percentage would come around -- if I'm not wrong, it would come around INR7 crores to INR8 crores as a contribution towards -- from the finance cost as well. So this is what we are expecting. And I hope I'm able to answer some bit of your question.

Amit Mehendale: So just to clarify, so 2% on the entire book, you're expecting, yield to go up?

Ramandeep Gill: True. Yes. Our entire new book. I'll tell you, I'll tell you. So next year would be a beta on the 2 percentage of the book that has been created for 16 months, 12 months for next year and 4 months for this year, okay? So the average yield was...

Amit Mehendale: So as you are disbursing now currently for this quarter, the new disbursements are at 2% higher yield. Is that correct?

Ramandeep Gill: Yes, yes. Yes, yes.

Amit Mehendale: Okay. I think that's great. My second question is, which is also a follow-up on this, is that 1.2% assumptions, I'm not sure how sacrosanct this is because if you look at, we're adding INR40 crores as an NPA addition. And I don't see much recovery as well. So any color on how you are taking 1.2%? Also, if I look at steady state for many years, at least it is 1.5%, 1.6%, if not 2%.

Ramandeep Gill: Yes, I'll tell you. So, we have taken 1.25 percentage as my cost towards the impairment. So why I have taken them? So, there are 2 parts to it. Number one is how my Stage 3 NPA will behave. So, when we say that earlier, it used to -- at month 5, month 8, it used to flow at 2 to 4 percentage. Now it is at 1 percentage, right?

So that is something which is -- which will help us. Number two, from the yearly -- from the -- since inception, when I -- as I also said in the call, we have also built a model, where that, what sort of LGD that the company is operating since inception till now.

So there are recoveries, much recoveries from the NPA that we are seeing. How those recoveries are coming, even if you see that the portfolio that we have sold to ARC 3 years back, now from that, 76 percentage recovery has also come. I mean this is the fastest-moving ARC portfolio, which you will also appreciate that fact.

The portfolio which we have sold 2 years back to ARC. On that, also 40 percentage recovery has also come, right? So it is just like wherein we -- if we are able to trace the HYP customer or if we are able to repossess that vehicle and all, so therefore, the chances of taking recoveries from those customers multifolds at the same time.

So therefore, I am expecting on the old book, yes, whatever happened in Q1 and Q2, wherein we have to provide impairment expense at a higher cost, on that, slowly, the recovery will start coming. And that hit we have already taken in the account. So when that hit, we have already taken that, impairment expense will get reversed over a period of time. And that is how we have seen in the past as well.

Mathews Markose: I would like to add to what Raman has said, when you are talking about a steady state impairment, you are only considering 2-wheeler as a portfolio. But if you look at our incremental portfolio, we are adding more from the other businesses where the delinquency per se is much lower than the 2-wheelers.

So if 2-wheeler at 30-plus at an industry level, it's about 7.6% to 7%, these products have a delinquency of less than 3%, okay? So the incremental book that we are building are on a -- and that was precisely the reason why we wanted to diversify into multiproduct and products which are much safer from a lending perspective. So that book is increasing, and obviously, that will result in lower impairment and lower slippages going forward. So that will add.

Secondly, after the corporate agency license that we've already started billing insurance income as a steady state stream of income. And plus the fact that we've also added roadside assist as an additional product for cross-sell, all this cross-sell will also add to our top line revenue.

Amit Mehendale: Right, sir. I have one quick suggestion before I end. It will, I think, help if the management commentary at the beginning is limited to 10, 15 minutes so that each -- many participants get an opportunity to ask questions. Typically, all of us, all the analysts look at the PowerPoint before attending the call. So maybe just a suggestion from my end, and that's it from my end.

Moderator: The next question is from the line of Rohan Mandora from Equirus.

Rohan Mandora: So, I just wanted to understand, when you're talking about INR4,000 crores of disbursements next year, current run rate is around INR600-odd crores. So, like what are -- what will lead to the step-up in the disbursement run rate to almost INR1,000 crores quarterly? And 3Q being a good quarter where vehicle sales were good, why did we not see an uptick in the disbursement run rate in 3Q?

Mathews Markose: Okay. I will take that question. So, we had a steady disbursement of -- so last year, if you look at, we disbursed INR2,900 crores. This year, because of -- as I mentioned, we had done a policy correction and it took some time to stabilize, we will end up with about INR2,500 crores of disbursement.

With the market expected to grow at around 10%, this number is imminently possible. I don't see that as a huge jump from the current levels. And these numbers are easily achievable. In fact, we were heading towards that number this year till we put on the brakes in Q2. Otherwise, that number wouldn't have been a challenge at all.

Plus the addition of new products, which are at a much higher ticket size. So, our principal product used to be 2-wheeler for a long time, which had an average ticket size of INR85,000. Our car loan average ticket size is closer to INR5 lakhs, CV is around INR8 lakhs. And CE that we have recently introduced has an average ticket size of closer to INR15 lakhs. So, the higher ticket size products and the portfolio growing there will naturally help us increase our disbursement numbers.

Rohan Mandora: Right, sir. Sir, ticket size angle is right, distribution on the connect, how can you originate these incremental loans? Some color around that? And specifically also on the policy correction part that you said, if you can touch upon what were the specific measures that you took?

Mathews Markose: Okay. So, we did two things broadly. One was a location risk scorecard, which is -- we've categorized locations into high risk, low risk, medium risk, severe risk, etcetera. And based on that, then we also work with CIBIL to build a customer level scorecard. So CIBIL gave us a color coding of every customer instead of just giving a point-in-time score of 750, 700, whatever.

CIBIL looks at the 36-month track on the bureau and is able to color code the customer into a green, yellow, orange and red category. Green is very low risk, yellow is medium risk, orange being high risk and red being severe risk.

We outright reject the red categories. And on the green, yellow and orange, we marry that with the location scorecard, where green across the board will get certain LTV, certain rates and all that, whereas an orange will vary with the risk of the location per se. So, if an orange customer in a low-risk location comes, maybe we are -- we tend to give them a higher LTV and a lower rate, whereas orange in a high-risk location, we'll give a much lower LTV. We -- the gate criteria gets increased significantly so that only the good customer who genuinely want to come on board will come on board. And not anybody who just wants to try their luck. So that's what we've done on the credit side.

Rohan Mandora: Sure. And sir, you also alluded to 50% of the new originations are new to credit customers.

Mathews Markose: Yes, 50%.

Rohan Mandora: So, sir, I just want to understand like in terms of your filtration criteria, like other than, say, the location or the cohort from where he's coming, like one, what is the profile of these customers that is a sweet spot for us? And secondly, like are there any customer-specific parameters that we look into while underwriting these customers? And how has been the portfolio behavior of NTC versus existing customers -- existing to credit customers in the last 2, 3 years?

Mathews Markose: Okay. So, one more change that we have done other than the ones that I've already spoken about is that we used to have some 90-plus schemes. And any particular customer taking -- opting for one scheme, irrespective of the location, irrespective of the customer profile will get the same LTV, same rate, etcetera, across the country. That was our previous model.

Now we have reduced these schemes only into 3 categories: income, asset and no income. So, income customer is one who has a credible income source, who is able to show an income document and based on that, we do the underwriting.

An asset customer is somebody who has an own house proof, which we verify with an online document, which can be verified online. So here, it is not considerably enhancing the credit profile of the customer. However, we know that the customer is contactable because he will not run away.

He has his own house, which is worth some amount, which is much, much higher than the loan that we are giving. And therefore, he's not going to run away. He is contactable. And therefore, at some stage, at an eventuality, we will be able to either do a settlement with the customer or do a repossession so on and so forth.

And the NIP is the riskier segment where we have consciously reduced our LTVs to ensure that only the right profile who has some equity to give will get onboarded. When the customer has -- in this business, the biggest part is about how much the equity customer is willing to put. If the equity is very low, the interest in servicing the loan becomes lower.

But if equity is substantial, one, we don't incur a loss if we have to finally take a call or reposition. And two, the customer, since he has an equity put in, he also ensures that even if there is a slight default, he continues to pay the loan and close the loan. I hope that answers.

Rohan Mandora: Yes, sir. And lastly, we have seen a 10% Q-on-Q drop in PCR versus historical trend of 60%. So, any specific thought process here?

Mathews Markose: I think Raman had explained, we did a complete redo of our ECL model, and it was done by one of the big 4s. And they looked at last 8-year data and looked at our LGD, it was coming to only 34%. So, when that was at 34%, we didn't see a reason to keep PCR at such a high level, and that was a conscious call that we discussed internally and with the Board and finally decided to take that call to bring it down to 50%.

Rohan Mandora: Incrementally, we will maintain it around 50%.

Moderator: The next question is from the line of Vinod Krishna from Avendus Wealth.

Vinod Krishna: Sir, if you can -- because your -- although you are getting into new loan products, its percentage is still small. So, when you say in 2 years, you're going to -- FY '27 '28, you're going to go to INR10,000 crores or INR8,000 crores, do you think really that kind of a step-up can happen in non-2-wheeler loan, sir?

Mathews Markose: The step-up can -- this market is very big, okay? So actually, we have not even scratched the surface of the opportunity. These products, we wanted to see how it is going to shape up in the first year. So, we went in a very, very calibrated manner. So, the credit policies were kept very strict.

So, if you see this year across the industry, on CV, passenger cars and 2-wheeler, there was an uptick in the incremental delinquencies, but our delinquencies on these products are sub-1%. And that is because we kept the gate criteria very, very strict. So now that we have some comfort, our RC pendencies are -- in these products, are the lowest in the industry.

So, all of those structural things which is required for this business to grow are currently in place. The credit team is in place. The business teams are in place. The SBUs are clearly verticalized. There is a separate P&L being monitored.

The business heads are accountable for the P&L. So those structures, which is required to scale up or, basically, to say, a foundation has been clearly laid. Now how much high the superstructure has to be built is up to us because the foundation is pretty strong. And the market is huge. So both these factors put together, we don't see a challenge in scaling up these businesses.

Vinod Krishna: And if you see in the last con call, you have guided INR800 crores on the conservative side, but we have still only disbursed INR600 crores. Any reasons, sir? And how do you see about your year-end guidance of reaching INR4,000 crores?

Mathews Markose: Okay. So, thanks for asking that. So, two things. So, if you look at our last year quarter 3, we did INR842 crores. And based on that, our estimate was that. But in that, co-lending was INR243 crores. This year, in this INR624 crores, the co-lending is only INR40 crores. So somewhere this year, we took a conscious call for two reasons.

One, if you look at our leverage, we are already at 4.8%. We had to conserve our capital, and we didn't want to do it at a low-yielding product, which was co-lending. Two, our co-lending partners are not able to match up with the FLDG requirement. And therefore, we said, no, no, I didn't -- this is not the right way to go ahead.

So, we curtailed that business, and that is what has impacted. So, it was a very, very calculated call. We could have gone beyond INR800 crores by increasing the co-lending share, but we decided not to do that. It was a conscious call in the interest of the investors and the company.

Vinod Krishna: So what would be the revised disbursement for Q4, sir? What do you think we'll end up at?

Mathews Markose: We want to -- without taking any co-lending, we want to restrict it to INR600 crores for Q4.

Vinod Krishna: But next year, you will go to around INR1,000 per quarter?

Mathews Markose: Yes, we will start scaling up from -- yes. So obviously, not from Q1. So the INR600 crores can go to, say, the INR750 crores, INR800 crores in Q1. But then Q3 is the biggest. So next year, Q3, we will really go hammer and tongs. That's the plan. And by this time, all these new products like construction equipment, used 2-wheelers would have stabilized, the teams would have stabilized, and then we will be able to scale up.

Vinod Krishna: So, any ROA targets that you can give for next 2 -- 1, 2 years, sir? And how you will reach there?

Mathews Markose: Raman, will you take that question?

Ramandeep Gill: Yes, yes, I'll take that question. So, guidance for this year, as I said in the last question as well, we want to see how the Q4 turns up for us. If we see a good number in Q4, both in the kind of sourcing and -- most importantly, the NPA of the company is going down.

Obviously, the -- I am -- right now, for 1 quarter, I have to provide for an impairment of INR15 crores to INR18 crores. If that we are able to save, then I will be able to save around -- for 4 quarters, I'll be able to save INR60 crores, INR62 crores from that expense only. That is something which will decide that where we are in terms of that.

See, so in Q3, we have seen a good glimpse of my NPA going down. In Q4, I'm expecting the same number. If that's going to happen, then obviously, that 1 percentage, 1.5 percentage, which I am right now focusing on my impairment, that will get released, and that will be something which would be a bare minimum, number one.

Number two, I have also told that my incremental ROA is going up. So therefore, I am expecting a good contribution of 2 percentage on the entire book of 15 to 16 months in the next year. And number three, my cost of funds, which is going down that we have seen in this year, the first 9 months, I'm expecting the same trend to continue for the next 12 to 18 months.

So, with taking all these three crucial parameters for the entire business, so we can analyze the ROA at our end, that yet it's going to be good only. I will not commit one number at this point of time, but at Q4, I will be having a good view on the ROA for the next year as well.

Vinod Krishna: Sir, just a follow-up question on this, my last question. Sir, if you see in the last 8 years, we have not gone -- not able to keep up our guidance and especially on the underwriting part. So, can we say now that we have done the repair work in terms of our underwriting collections, partnerships and whatever technology, and you're confident that at least 3% ROA will come at INR10,000 crores? Or are there anything more that you have to do in terms of teams and if you can -- because we have not got our guidance right in a big way…

Ramandeep Gill: Sir, I missed your question. Last 8 years, what?

Vinod Krishna: The last 8 years, if you see the track record, we have not -- we have changed our -- of late, post-COVID, especially we have changed our underwriting, we have put a new tech, new teams. So, because we are not getting our guidance right, so are we like very sure that -- have we done all the things that we have to do to make sure that the INR10,000 crore journey will be much smoother than what we had in last 6, 7 years?

Mathews Markose: So, I don't know about the last 8 years a bit because last to last year, we were at INR2,000 crores. And today, we are at INR3,400 crores. And on the AUM, last year, we had committed INR3,000 crores as our exit AUM, and we met that exit AUM.

This year, we had committed a little over INR4,000 crores, but we've curtailed a bit to reach closer to our INR4,000 crore AUM. So, I don't know -- yes, ROA, there's been -- see, as we are a largely 2-wheeler player and you know what happened in the, what you call, microfinance segment and the sectoral issues, there was a spillover. So, these are all kind of black swan events which you can't predict.

But broadly on our numbers in terms of delivery, we've been able to meet up with our delivery numbers. So, I don't completely agree there on the fact that last 8 years have not met our numbers. Yes, there are blips which come because of these kind of events, and we are strong enough to -- and/or resilient enough to live through those not so comfortable time and still come out strong. So, I think that's the strength of the company.

Vinod Krishna: No, no, sir. My point is if you see black swans are happening at much, much more frequency than can be called black swan. So, are we ready in terms of the systems and processes that -- that was my question? That's what I was…

Mathews Markose: We are ready, and we will continue to invest in all the right technology, all the right platforms. That's -- at a group level, the decision is very clear. So, we will be up the curve on all the new interventions that come in at various points in time.

Moderator: The next question is from the line of Tejas Khandelwal from Prudent Equity.

Tejas Khandelwal: Yes. So, sir, I've been tracking the company for many quarters now. And asset quality pressure has been building consistently. And in every earnings call, each time I have asked about it, the response has been very confident that things are under control, DAs are going to happen and our profits will come from -- God knows and whatnot.

And sir, even in the last quarter, the guidance which you had given about INR60 crores PAT for second half, that was very unrealistic. And this Q3 result is very disappointing because, sir, without that big provision release of INR20 crores, the result would have looked very horrible.

And sir, on the growth side, with -- while the 2-wheeler sector showed very massive numbers this quarter, but our advances grew just 3% quarter-on-quarter. And if you look at disbursements, so those are down by 26% year-on-year. So, sir, honestly, we feel very misled by the repeated optimism that has not matched the numbers. So, I have one question that are we going to keep getting the same unrealistic positive commentary? Or can we expect a more realistic outlook from here?

Mathews Markose: So, I will take on the growth part. Thanks for putting this question. Very clearly, since there was a deterioration in our credit quality, as any company which is wise would have taken the call, we have also taken a call to calibrate our disbursement. It was not meaningful to continue with the same pace of growth without putting some checks and balances in place, and that is what we have done. So therefore, it has seen an impact on our overall numbers.

And that is also a result of why our ROAs have also gone down. One of the commentary that we had given last time is about we will be able to close a DA, which as our CFO clarified that the DA transaction did not happen because our overall AUM did not grow to the extent that we had anticipated or we curtailed the growth.

We had to take a call not to do that DA transaction. But we -- all the structural part, we have put in place, and we continue to believe that we are on the right trajectory. There could be some shortfall on a quarter-on-quarter basis. But overall, we remain committed to the broad numbers of growth and ROA that we are giving to our investors.

And we will ensure that -- like as I said -- the previous gentleman, who had asked the question, said that 8 years we've missed. So that is not the case. From INR2,000 crores to INR3,400 crores, we have grown in the span of 1 year and 9 months. And so that's been, I think, a very significant achievement for a company which was only a 2-wheeler loan company.

Now we have expanded. So multiple areas that we have given a commitment on, we've been able to deliver. Number one, diversification, which is on -- from a 2-wheeler loan company to today a multiproduct company. Number two, on a geographic expansion, which was a very, very Kerala-, Karnataka-centric business model to a pan-India presence.

Number three, on AUM growth, which we've shown that we've almost grown by 50% last year. This year also, we'll end up on an AUM growth of closer to, I think, 30%, 35%, which will still be better than the industry.

Yes. On the impairment part is the only place where I think we have missed the budget. So I tend to disagree with you on that because I think -- but for that impairment part which we have -- which actually pulled us down. And that is a very, very critical -- because of which we had to curtail many other things on the periphery. But other than that, I think we have been very, very conscious on the commentary that we give, on the commitments that we give, and we try to meet up those numbers. And it's a very, very genuine effort towards meeting those numbers.

That much I can assure you, we can have blips based on certain sectoral issues and things like that. But on the commitment part, we stand very, very strongly committed. The group stands very, very strongly committed. And as a group, we are a group which has a whole lot of credibility, and we will continue to keep those credibility impact.

The current management is completely committed towards keeping the integrity and the credibility of the group, and we will not fail the investors. That's a very, very strong and firm commitment from our side. However, we may have those blips, which are -- some of them are way beyond our control. Some of them are in our control, but maybe we could have done better.

So those things happen in business, and I fully accept as the person in charge of the management, I accept the shortfalls, and I'm willing to correct that. However, I don't agree on the fact that we have not met any of the commitments where -- I have a complete disconnect on that. I hope I'm able to answer your question.

Tejas Khandelwal: Yes, sir. So, one of the few commitments which you have made is on the growth side. So I agree that the AUM is growing and our top line is growing. But sir, this is profitless growth and I think which is not for the shareholders because the company has shown a very weak underwriting...

Mathews Markose: Which I agree. But then, see, you are not giving time to the management also. So for instance, we were trying to fix multiple things, okay? So we've been fixing many of those things. Some of the places we have slipped, and I admit that.

But you have to give some time to the management because if we've been able to show growth in so many areas, like diversification of geography, diversification of product, increase of AUM, then you have to believe in us saying that, yes, we will be able to show the last mile also on the profitability, and we are fully committed to that.

Yes, yes, when you are trying to fix too many things together, there will be 1 or 2 things which may slip, and I take full accountability of that, and we are committed towards that.

Tejas Khandelwal: Yes. That, I agree. But sir, since last many quarters, sir, you have spent so much on technology and restructuring your underwriting framework, still your NPAs have gone from 2.2% to 3.6% just year-on-year, net NPAs. And without that write-off, sir, the gross NPAs would have also looked very bad.

Mathews Markose: So, I agree again with you there. So, I think one and the only factor which we have gone wrong is the curtailment of NPA. And again, as you say, technology is not something that you deploy today and you see the results tomorrow. It takes some amount of time for the technology and the scorecards to work and the machine to learn and then give us guidance on what is the future. So that's a work in progress, and I can assure you that's a very, very genuine work in progress.

This is the only thing, if I have to agree to that. The only thing that we have missed on curtailing is the NPA cycle, which I had told in our previous calls also, it was not just about of technology or something. We also had problem with people. There were people in -- we expanded in the North, but we did not get people or we have higher attrition in the north.

And therefore, North is where -- if you look at my standalone portfolio in South, it's extremely good. It's one of the best in the industry, I think it's -- comparable to a private sector bank also. That's the reason. Because there, we already had a collection setup.

But then in the North that the slippages happened, it hit us very hard, and it hit us very fast also, which we took some time to go back and work on. But then, everything that is required to be done has been done and we will continue to do. So that's the commitment from the side of the management.

Tejas Khandelwal: Okay. Okay, sir. And the other expenses part, which other expenses has reached INR28 crores this quarter. So where can this stop? I mean, where can we expect this to settle at on quarterly basis?

Mathews Markose: Raman, do you want to take that?

Ramandeep Gill: Yes, I'll take that. So, if you compare the quarter versus quarter, yes, you might see that other expenses has gone up. And wherein the other expense is basically towards the function of that what all we are investing towards all the technology, towards my software, wherein the expansion side of it has already been stopped now, wherein whatever we wanted to incur for the expansion side, that has already been done.

We are very conscious now whatever -- even for a single rupee that we have to do for -- towards the expansion, towards the tech or whatever we have to do, so that is something we are keeping in mind right from the start of this financial year as we suffered a loss in Q1. And now we know that whatever we will be spending on the other expense side also, that is something wherein we'll be -- we are answerable to each and everything on that.

So, this is something we are expecting that this kind of expenses are not growing that much. If they are growing, then they would be having a direct impact on the sourcing or top line. This is what we are expecting from it. And we have started taking a view of -- started taking a review on it as well.

Tejas Khandelwal: Okay. And sir, what growth can we expect in 4-wheeler and CV segment in FY '27?

Mathews Markose: So, our focus area is on the 4-wheeler and CV. We should next year try to close INR1,000 crores plus disbursement on both these products put together. And there, the runoff is very, very slow because the AUM is just building. So as of now, whatever I disburse is closer to what I add on the AUM in these two products. So, it should be in that range.

Tejas Khandelwal: Okay, sir. So those questions from my side. And sir, I just hope that you do some changes in your underwriting space because the company has shown very poor underwriting?

Mathews Markose: Pardon?

Tejas Khandelwal: No. I'm saying that -- I just hope you do some changes in your underwriting space because the NPAs are rising like anything?

Mathews Markose: Yes, yes, we are doing that. We have already done that also. So, you will see the results in the coming quarters on that.

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

Mathews Markose: Yes. Thank you very much all of you for coming on the call. And as I have mentioned before also, you continue to challenge us in terms of your questions, and we stay committed to the commitments that we are making. As I said before, we have been able to surmount many of the challenges that we have, and we have fixed a lot of those things.

And I think one area that we still need to fix is the collection efficiency and the NPA bit, which we are putting all efforts to do that. And I want to assure all the investors on behalf of the management that you will see results on that in the quarters to come. Thank you so much for your continued support and patronage, and we really appreciate that. Thank you.

Moderator: Thank you very much. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.

Mathews Markose: Thank you.