



Secretarial Department

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The Manager, Listing Department National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 SYMBOL – FEDFINA	The Manager, Department of Corporate Services, BSE Limited, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 Scrip code: 544027
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Sub: Transcript of Earnings Conference Call held on Tuesday, April 29, 2025

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings conference call which was held on April 29, 2025.

The transcript of the earnings conference call shall be uploaded on the website of the Company at <https://www.fedfina.com/> under the section 'Investor Relations' in due course.

The above is submitted for your kind information and appropriate dissemination.

Thanking you,

Yours Faithfully
For Fedbank Financial Services Limited

Rajaraman Sundaresan
Company Secretary & Compliance Officer
Membership No.: F3514

Encl : As above



Fedbank Financial Services Limited

Q4 FY'25 Earnings Conference Call”

April 29, 2025

Management: Mr. Parvez Mulla – Managing Director & Chief Executive Officer,
Mr. C.V. Ganesh – Chief Financial Officer,
Mr. Shardul Kadam - Chief Business Officer (Small Ticket Mortgage),
Mr. Jagadeesh Rao - Chief Business Officer (Gold Business) & CMO,
Mr. Suresh Kumar - Chief Business Officer (Medium Ticket LAP & Business Loans)

Moderators: Mr. Shreepal Doshi - Equirus Securities

Moderator: Ladies and gentlemen, good day and welcome to Fedbank Financial Services Limited Q4 FY'25 Earnings Conference Call hosted by Equirus 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, sir.

Shreepal Doshi: Thank you, Manav. Good evening, everyone. We welcome you all to the earnings conference call of Fedbank Financial to discuss the Q4 Performance of the Company and the Business Update.

We have with us Mr. Parvez Mulla, MD & CEO of the Company, along with other senior management. I would now like to hand over the call to Mr. Parvez for his opening remarks, post which we can open the forum for question-and-answer. Over to you, sir.

Parvez Mulla: Thank you, Shreepal. Good evening, everyone. I would like to extend a warm welcome to all of you for joining the Q4 FY'25 and the full year FY'25 Post Results Earning Call.

I am joined by our CFO – Mr. C.V. Ganesh; our Chief Business Officer for Small Ticket Mortgage Business – Mr. Shardul Kadam; our CBO for Gold Business and CMO – Mr. Jagadeesh Rao; our CBO for Medium Ticket LAP and Business Loans – Mr. Suresh Kumar.

When we connected during our last quarter earnings discussion, I had briefed about our performance and highlighted certain challenges that required our immediate attention.

Elevated delinquencies in the small mortgage portfolio, collection infrastructure lagging behind business growth.

Furthermore, in the interactions, we had listed down our priorities,

We will allocate capital to high ROA/ROE business, and

Slow down the BL business and move to a more secured construct,

We will double down on our twin engine strategy of gold and LAP businesses,

Within LAP, we will focus on mix of high yield and low risk businesses,

To address the delinquencies, we would be investing in strengthening our collection infrastructure,

We had then appointed new leadership to rebuild our ST LAP business,

We will scale our MT LAP business with a focus on on-book and direct assignment,

Try and keep the credit costs up 1% in Q4 FY'25,

We will get more core income and lesser DA income.

With respect to these priorities, we have the following updates in Q4 FY25,

Senior leadership has been put in place in collections.

We have verticalized the collection structure to bring focus at product level. The middle layer and field level hiring is in progress and we expect to complete it by Q1.

We have added resources in call center to optimize the early bucket collections and pre-delinquency management and added resources in litigation team.

On the small ticket LAP business side, as announced, we have a CBO in place. We are in the process of strengthening the middle management as well as the frontline team. We expect to complete substantial part of the exercise by Q1.

As mentioned in Q3, the business has fully migrated to Salesforce and the new origination is happening through evolved BRE, requisite changes have been carried out in the policies and operating guidelines. With the new processes in BRE, our small ticket LAP disbursements for Q4 touched Rs. 270 crores, a growth of about 58% quarter-on-quarter. We still have to reach our full potential here.

We are in the rebuild phase in both ST LAP and collections and you will find us updating you over the next few quarters. In these two verticals, you will see stability in the numbers post the rebuild phase.

In the gold business, we had a fantastic year and quarter with our AUM growing 48% YOY aided by tonnage growth 18% YOY. Our LTVs on AUM stand at 66%. Our doorstep gold loan initiative has paid off really well. We have more than doubled our doorstep gold AUM in FY'25 and touched 15% of the total gold AUM.

The MT LAP business, the medium ticket LAP business, scaled up handsomely while maintaining stable yields.

Our credit cost for Q4 is at 1%.

While we have taken focused corrective actions, we do expect some flows to come in in the near term, but normalized by the year end. With the continuous strengthening of collection and

focused execution, we believe we are well positioned to manage these risks effectively. We expect normalization to set in by the year end paving the way for more stable and predictable credit performance going forward. While we are focusing on rebuilding our ST LAP business in collection, our Gold business and LAP business have scaled up on the back of productivity improvements and give us confidence as we enter the year. Some of the key business numbers for the quarter are as follows.

Our AUM touched Rs. 15,812 crores and accretion of Rs. 889 crores in Q4 translating to a growth of 6% quarter-on-quarter and 29.7% year-on-year.

Gold reached an AUM of Rs. 5,880 crores, a growth of 13% quarter-on-quarter, 48.1% YOY. Tonnage growth for the year came in at 18% YOY reaching 11.3 tons. We have added 35,000 new customers in Gold loans during the quarter.

Mortgage AUM reached Rs. 8,062 crores, an AUM growth of 6.5% quarter-on-quarter, 29.7% YOY. Disbursals of Rs. 5,578 crores in Q4 FY'25 up 26.9% Q-on-Q and 28.6% YOY.

On the profitability and asset quality side, our net interest income grew 34.6% YOY to Rs.283.4 crores. Our operating profit grew by 20.9% YOY to Rs.131.2 crores.

Our gross stage 3 stands at 2% versus 1.8 quarter-on-quarter. A credit cost for the quarter stood at 1% versus 0.7% last year. Our net profit stood at Rs. 71.7 crores in Q4 FY'25 up 5.9% YOY.

I will now hand over to Mr. C.V. Ganesh to take you through the detailed numbers.

C.V. Ganesh:

Thank you, Parvez. Thanks everyone for your participation on the call. While Parvez covered the quarterly metrics, let me share some highlights on the year gone by.

Overall AUM was Rs. 15,812 crores as of March 31, 2025. This is up from Rs. 12,191 crores as of April 1. So AUM has grown 30% in this fiscal. And this is in spite of the discontinuation of new originations in our unsecured business loans. Out of this growth in AUM, gold loans have grown 48% year-on-year from Rs. 3,969 crores as of March 24 to Rs. 5,881 crores.

With this, gold now constitutes 37% of our AUM. Our medium ticket LAP grew 44% year-on-year from Rs. 3,045 crores as of March 24 to Rs. 4,394 crores as of March 25. Medium ticket LAP now constitutes 28% of our AUM.

Our small mortgage businesses had challenges during the year. However, it grew 16% year-on-year in spite of those challenges, up from Rs. 3,173 crores in March 24 to Rs. 3,668 crore in March 25. This business now constitutes 23% of our AUM. Our unsecured business loan AUM de-grew 9% year-on-year from Rs. 1,826 crores as of March 24 to Rs. 1,656 crores as of March 25 and now constitutes under 10% of our AUM.

On the gold side, the gold AUM per branch increased from Rs. 9.1 crore per branch at the beginning of the year to Rs. 12.1 crore per branch at the end of March 25. This is a growth of

34% year-on-year. Also, overall tonnage grew 18% year-on-year from 9.5 tons as of March 24 to 11.3 tons as of March 25.

We continue to realign our policy and processes around our ST LAP product. New originations gathered pace in Q4 and have grown to Rs. 270 crore, about Rs. 100 crore more than what we originated in Q3.

We had mentioned in Q3 that as we pivot to an even more secured construct of the balance sheet, we are going slow on the unsecured business loans and have decelerated originations. Consequently, in Q4, we have not originated any material new business in unsecured loans. This compares to Rs. 220 crore in Q3.

On the NIM and spread, on a daily average basis, our yields have increased by 43 bps over the fiscal. While on an average, our cost of borrowings have gone up by 30 bps. Consequently, we have seen a pure spread expansion during the year of 13 bps.

Our net interest income for the full year FY'25 was Rs. 1,071 crores and grew 32% year-on-year. Our net total income at Rs. 1,226 crore is up 30% year-on-year.

OPEX grew 28% year-on-year. Consequently, our pre-provisioning operating profit for the year grew 32% year-on-year to Rs. 520 crores.

Credit costs for the full year came to Rs. 216 crores at 1.8% of average total assets compared to 0.7% in the previous year.

Consequently, our ROA has come in lower for the full year at 1.8% compared to 2.4% in the previous year.

On the treasury side, we continue to have ample access to funds. On a quarter-on-quarter basis, our weighted average cost of borrowings has marginally gone up by three basis points from 8.69% to 8.72%. And this is primarily due to MCLR linked interest resets on existing borrowings. Our incremental borrowing cost continues to be less than this. About 89% of our total borrowings are on floating rate. Of these, about 47% are linked to MCLR and the rest are external benchmark linked. During the quarter, we added one foreign lender to the relationship. This takes our total relationships to 42%.

Our debt equity ratio has marginally increased from 3.98 in December to 4.03 as of March. On the capital conservation strategy, the Company continues to move forward in its policy of deleveraging the balance sheet through co-lending and direct assignment of installment loans. And we have multiple partners for the same.

During the quarter, our AUM grew by Rs. 900 crores. We moved Rs. 787 crores of loans off book which constituted a DA of Rs. 531 crore across the mortgage book and a CLM of Rs. 256 crores on the gold loan book. Through this, in spite of growing AUM at a rapid pace, we were able to improve capital adequacy levels by 30 bps from 21.6% to 21.9%.

Our off balance sheet book as of March 31, 25 stands at Rs. 3,973 crores, up 75% year-on-year from Rs. 2,276 crores in the previous year. Of this, gold loans held in partner books accounted for Rs. 1,131 crore, unsecured business loans securitized stood at Rs. 440 crores and mortgage loans accounted for Rs. 2,408 crores.

Our shareholders' equity as of March 31, 25 was Rs. 2,547 crores up from Rs. 2,464 crores in December 24. Our book value per share rose to Rs. 68.31 as of March 31, 25 up from Rs. 66.1 in December 31, 24.

With that, I hand it over to the operator.

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets only while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Renish from ICICI. Please go ahead.

Renish:

Hi, sir. Congratulations on a good set of numbers. Sir, just two things, one on this strategy front. We have always been sort of highlighting that the small ticket LAP Gold loan will be a road driver. And the rest of the products will be used as a cross-sell or enabler for customer acquisition. But when we look at 4Q, MT LAP has actually outpaced small ticket LAP growth. We just wanted to understand, is there any sort of change in strategy or this may be to offset, the kind of we are going through a rebuilding phase in ST LAP and hence we are just grabbing the opportunity wherever it is possible. How one should look at this?

Parvez Mulla:

Hi, Renish. Thank you so much for that question. Renish, the strategy remains same. The strategy is to focus on the ST LAP business and the gold business together. We have always articulated our twin-engine strategy. And last time also, I reiterated that we will be focusing on our ST LAP business and gold business and our gold business growth has come in on tonnage growth as well as price growth and it is healthily growing. There is an opportunistic growth there. But our ST LAP business, if you see, we had mentioned that we are going through an injury there and in Q3 I had mentioned about the challenges which we went through in disbursements and from there the disbursements have picked up. We are augmenting in terms of our resources also there. So you would have seen over the last quarter the disbursements have picked up. Our objective is to keep on picking up the disbursements on ST LAP side so the focus is completely there. In fact, I had also mentioned to you about synergizing between the ST LAP business and Gold business. We worked out a plan there too where in the next year you will see us using both these branches or co-locating these branches and sourcing these businesses together from the same branch. So the strategy remains same. You will see us seeing the growth in the ST LAP business will be substantial there. Right now, while we are going through the rebuild phase, you are seeing those mixes going slightly differently, but overall at the year end and next year you will see all these numbers falling in place.

Renish: Got it. It is very clear sir. And secondly, again on the asset quality front, of course, sort of in line with our expectation given the flows has largely come from this small ticket LAP. Now when we look at 1% credit cost in sort of Q4, FY'25, how do you see this credit cost settling in FY'26. I mean, given again the rebuilding phase in small ticket LAP, do you expect those to increase or sort of it will remain where it is currently and then maybe even in second half of '26 that will come down? I mean, how one should look at this 1% credit cost moving in FY'26?

Parvez Mulla: Yes, Renish, again, last time I had given you a broad idea about how I looked at that business. And that time had seen it through a shorter duration. I have had a longer duration to look at that business. And the way we see that business, we are very, very bullish on it. There is that elevated level of delinquency in one plus, which you have seen last time. The Stage 2 also you will see elevated this time. So there are likely to be flows in the quarters coming and we see those flows coming in the next two quarters. And thereafter I am seeing a plateau and then by year end we will normalize. But as far as the credit cost is concerned, I am expecting it to stay around 1% plus or minus 10 bps. So I am seeing the credit cost hovering around that range.

Renish: It is very helpful, sir. Thank you and best of luck, sir.

Parvez Mulla: Thank you so much, Renish.

Moderator: Thank you. We have our next question from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Thank you and congratulations on a very strong comeback. Sir, my questions are as follows. I will just ask them in sequence. First, you said that you are going to look at lower risk but higher yielding assets. It almost seems too good to be true. So where is the big change that is happening in terms of those kind of products? And in business loans, would you face any challenges in collections given the fact that they have slowed down the business? That's question number one. Question number two is there has been a positive opening up of operating income being greater than operating expenses growth. And that is a very positive trend. So do you expect that to continue given the fact that you have to make investments in the next year also? Lastly, Ganesh, sorry to annoy you with the same question, but is there any clarification on the RBI guidelines for bank on investing? Those are my three questions. Thank you.

Parvez Mulla: Thank you so much, Vivek. Vivek, I will just rephrase or in my opening statement I said that within LAP, we will focus on a mix of high yield and low risk businesses. Our small ticket LAP business is a high yield business and our medium ticket LAP business which we do at a lower yield is the low risk business. Both these businesses for us are important as a bouquet for LAP, loan against property. We are one of the few companies which does loan against property as a first proposition. There are many other players who do home loans as a first proposition and also do loan against property. So that is why we double down on inside LAP. We do both these businesses. And our small ticket LAP business, we are picking up and the growth there is going to be substantially higher coming from where we were in Q3. We are picking that up, but in the next year and year after that, you will see growth there. Our medium ticket LAP business has

seen many cycles, and it has gone through multiple weathers, and we believe that it has weathered those storms for the yield and the kind of underwriting practices that we do there.

As far as the BL business is concerned, it is, we mentioned that we are slowing it down and we factored in the apprehension that you said and considering all that, we are still saying that we are expecting the credit cost to stay around 1%, plus or minus 10 bps. There is an expected rundown of the book that we have and there are certain focused collection efforts that we are doing on the BL side. The reason why we did the BL decision was to move to a 100% secured construct. If you remember, we said that our BL business was not giving us the ROE that we were expecting. It was a DSA run business. It was not fitting with our strategy. And we felt it was a strategic decision for us and the board supported us. And we believe that is the right way to do it and we will manage the credit cost within that range while doing this BL slowdown. Your third question was on the RBI guidelines. We had apprised regarding our stance on this. There is no change between Q3 and Q4. Our representation which we had sent in Q3 still remains the same and we are hoping that the regulator looks at it with a different eye because we are a listed entity. There has been a representation both from our parent and from our side. There are a few other companies which are in a similar board like ours because we are a listed entity. And we are expecting the regulator to look at our representation and then come out with the draft guidelines further or finalize those guidelines. So we stand at status quo.

Third piece, CVG, you want to pick that up? Operating income. I lost the question.

C. V. Ganesh: Vivek, again, thank you for the question. See, on the OPEX side, we are confident that we will be able to keep the core OPEX stable to reducing. And again, this intertwines with another question of yours. On the gold loan side, where we see opportunities and fantastic tailwinds to grow a 19% plus yield business with negligible credit costs. I think all hands are on the table there. So we are seizing every opportunity we can get. And it may mean lesser distractions in terms of something else we were doing, but that it makes sense there. So to add to that question in terms of OPEX, if we see opportunities there to expand our coverage, we will not hesitate. The idea is to be agile and not choose any particular metric.

Vivek Ramakrishnan: Thank you very much and wish you all the best.

C. V. Ganesh: Thank you, Vivek.

Moderator: Thank you. We have our next question from the line of Ajit Kavi from BNP Paribas. Please go ahead.

Ajit Kavi: Hi. Thank you for taking my question. I just want to ask you a few questions of provisioning expenses which are reported in P&L. The number is around Rs. 32.5 crore, out of which standard stage 3 ECL provision write back has happened around Rs. 11 crore. So in this you know that pro forma calculation I can find that there was around Rs. 40 crore of write-off was made, can you explain about it and what the Rs. 40 crore write-offs have done also?

- Parvez Mulla:** Ajit, I am sorry I cannot relate to the numbers you are mentioning.
- Ajit Kavi:** I am telling you. See, the total credit cost was around Rs. 32 crore where in stage 1 and stage 2 ECL provision, there was something provision built up of around Rs. 4 crore and in ECL 3 I can find, you know there was provision write back has happened of around Rs. 11.4 crore because earlier the ECL stage 3 provision was around Rs. 106.9 crore which came to Rs. 95.5 crore. Did you get it in Q4, so there was around Rs. 11.4 crore of write back has happened in ECL stage 3.
- Parvez Mulla:** Ajit, I am sorry, I am still unable to relate to the numbers. Why do not we, on this particular question.
- Ajit Kavi:** Can you tell me about the write-off numbers of this quarter?
- Parvez Mulla:** We have not done any write-off in Q4. If at all you have any questions on this particular point, please connect offline. We will happy to provide you.
- Ajit Kavi:** My second question is how you are seeing the net interest margin going forward?
- Parvez Mulla:** Ajit, we expect the net interest margin to be stable. As I said, so in the last call, we had highlighted that we will reduce the amount of DA income proportion in our earnings and focus more on core earnings growth. We will continue on that path. As I articulated, we have a large proportion of our borrowings which are on floating rate, which gives us confidence to maintain stability in margins on a continued basis.
- Ajit Kavi:** Thank you. These were the questions from my side.
- Moderator:** Thank you. We have our next question from the line of Sneha Ganatra from Star Union. Please go ahead.
- Sneha Ganatra:** Hello, just wanted to know what is your plan for the branch expansions and the employee total count on the employees decline on quarter-on-quarter basis. And if you would like to share any ballpark number on the growth you are planning to achieve for the next 2 to 3, any just rough cut numbers also on the growth side? And what are the expectations on the cost of funds considering we are into the declining interest rate scenarios? These are four questions from my side.
- Parvez Mulla:** So Sneha, just to rephrase, you asked on cost of funds, employee count, and the first was on branch expansion, right?
- Sneha Ganatra:** Branch expansion and the loan growth, if any numbers you would like to share with us. Just ballpark number.
- Parvez Mulla:** Yes. So Sneha, thank you. On the branch expansion side, we will look at the opportunities going in quarter one, and we should be able to update by quarter one. And as far as the AUM growth is concerned, see, we already have business loans in our base. So if you take that in the base,

then you will see around 12% to 15% growth. If you remove that from the base, you will see about 25% to 30% AUM growth is what we are targeting. On the employee count side, yes, there has been reduction. And we are working over the next year on the OPEX side. There are some things which I had articulated last time in my last call. There will be work which we will be doing on the manpower side, on the technology side, and on the premises side, trying to optimize and see what is the trajectory we can take there and specific initiatives which we want to do. But as CVG said, we will be investing for growth, investing in for collections and we will be opportunistically looking at branches. But if we do look at branches, you will see us trying to synergize between the MSE branches and our gold branches. So there will be an effort to synergize these two not only in terms of cross-sell but trying to co-locate them. So by quarter one I should be able to give you some specific updates in terms of what we doing there and how we want to scale that up. And your question, CVG, on the cost of funds?

C.V. Ganesh: Yes. So Sneha, on the cost of funds, as I said, we intend to reduce the proportion of DA income contribution to the net interest income gradually. I think the reduction in cost of funds should help us cushion that journey and which is why we guided on a constant spread. That's where I leave it.

Sneha Ganatra: One more question regarding the mention of the Doorstep Initiative, which has been forming around 15% of the Gold AUM. Any internal target that you would like to achieve on that, or just maybe focusing more on this new initiative of the Doorstep initiative? Can you just highlight further on that front?

Parvez Mulla: Sneha, there is a disturbance, so I'll just rephrase the question you were asking about are Doorstep gold loan initiative, right?

Sneha Ganatra: Right.

Parvez Mulla: Yes, so this Doorstep gold initiative for us is a very, important initiative. We have scaled it up this year and over last year. It's a very, very targeted scale up. Today it has touched about 15%. We want to, our branch led gold business has grown handsomely and the doorstep gold business has grown more handsomely than the branch business. That is why you've seen the percentage increase. In the next one year to two years, we want to take it up by 3% or 4% points. That means you will see that 15% number going to about 18% to 22% in the next one year to two years. So you will see that business growing much faster than our branch business, and our branch business will equally grow faster. But as I'm saying, the percentage composition of doorstep will increase. So it's a focused effort from our side.

C.V. Ganesh: So I'll add to that, Sneha. See, the Doorstep gold loan business in absolute grew by 500 basis points in terms of share, from about 9.6% to about a little under 15 now. Now, what we are also cognizant of is the increasing amount of RBI circulars and draft circulars coming around gold loans in particular which is why we will watch how this evolves and then we will be able to give a better guidance.

Sneha Ganatra: Okay, got it. Thank you and all the best.

C.V. Ganesh: Thank you.

Moderator: Thank you. We have our next question from the line of Mayank Mistry from JM Financial. Please go ahead.

Mayank Mistry: Yes, hi sir. My question is on the gold loan book. So you just highlighted that the gold loan growth is now currently driven by the rising prices of gold. But even then our LTV is so high at 72% like we are running on the edge at 75% regulatory requirement. So I mean how are you evaluating the LTV against such a high LTV against the gold loans? That is my question, sir.

Parvez Mulla: Yes, so Mayank, slight correction. Our gold loan growth has seen tonnage growth as well as price growth. Our tonnage growth is almost 18% growth YOY. And so if you see the 48% AUM growth, out of that almost 18% has come from tonnage and then the rest has come from price. So that is a very, very healthy growth on tonnage. We have also added 35,000 new customers. So that growth is coming from new customers. On the LTV side, see our average LTV on the book is about 66%. In fact, when the new draft guidelines had come in, we had corrected all our processes and our sourcing LTV had dropped and most of the growth in Q4 has come with the reduced instructions on LTV and complying with the guidelines. So we have seen growth in Q4 complying with the guidelines. And I will ask my Chief Business Officer, Jagadeesh to add further on what I said. So Jagadeesh, you want to add?

Jagadeesh Rao: Yes, hi. So just to add with this, on the LTV front, as Parvez articulated, our overall LTV at the top level is at 66%. It is not 71.7%, 71.7% is our origination LTV. So just to add, we also have periodic stress test done. We have a robust test done here. Plus we have put in place a proper margin called mechanism at a LTV level which is regulated by RBI at 75%. So there is no risk that we see because of this process.

Mayank Mistry: Yes sir, but can you just, I mean differentiate what is the difference between the average LTV that you are seeing at 66% versus the origination. So is this a daily average, mean how is this calculated?

Jagadeesh Rao: Average LTV means as on 31st March 2025, the overall outstanding gold loan book, the tonnage of the outstanding gold loan book and its market value against the total outstanding of gold loan which includes principal plus interest.

Mayank Mistry: This is for origination?

Jagadeesh Rao: No, no. This is on the outstanding book.

Mayank Mistry: On book, okay.

- Jagadeesh Rao:** Origination means for the quarter Q4 we have originated X amount of Gold loan and 72% is the average origination LTV. So if you go to slide 22 of the investor deck you will be able to see the trajectory, we have brought it out in slide 22.
- Mayank Mistry:** Okay, sir.
- Moderator:** Thank you. We have our next question from the line of Abhishek Agarwal from Lalit Agarwal and Co. Please go ahead.
- Abhishek Agarwal:** My first question is on the gold loan origination yield. So I was going through the quarter three investor presentation as well, and there the origination yield is at 15% and this quarter the yield is at a 19.7%. So just wanted to understand are these two numbers comparable and why the big jump? And the second part to the question would be we have seen in gold loans a lot of competition coming in, so how confident are we that these origination yields are going to be maintained in the future?
- Jagadeesh Rao:** So the first part is the correlation between the onboarding yield which we have shown in the last quarter, right? That's basically an origination yield of the quarter. So we onboard a customer at a particular rate and this is the weighted average rate of that rate. When we say 19.7, that is the weighted average rate of the portfolio. So these are the two differences.
- C.V. Ganesh:** So just to add to what Jagadeesh said, yes, you are right. Those two numbers are not comparable, Abhishek. We were having a similar confusion like you had, where people were mistaking our often quoted origination yield on gold loans with the portfolio yield. So we wanted to clarify that, which is why only for gold loans in that slide, we have put a mark there, asterisk there and we have clarified that that is a portfolio yield.
- Abhishek Agarwal:** Understood and the second part was on how confident are we of maintaining these yields given the competition in the gold loan business?
- Jagadeesh Rao:** So we concentrate on the retail book and we do not see much of a competition coming there from the customer's requirement or need. We are, are confident to maintain these yields.
- Abhishek Agarwal:** Understood. And just one more question on the cost to income ratio. So this quarter we have had only one branch added and we have seen a headcount decline as well, but the operating expenses have risen. Now, you have talked about how we are going to be investing in manpower in technology. So that is understandable. But I just wanted to get a sense of the cost to income ratio, which is now above 59 after a few quarters. what directionally, what do you think in the next one, two years? Do you think this is the highest level of cost to income that we have seen and so we are going to taper from here? Or do you think this is going to continue for the next 2-3 quarters until our branches ramp up?
- Parvez Mulla:** See Abhishek, when we are looking at this business strategically, as I said, the priority is to allocate capital to higher ROE businesses and look at businesses which are not doing well on the ROE metric to slow down. So that is priority number one. Revive the ST LAP business is priority

number two. Then scale up our LAP business and gold business opportunistically is priority number three. And collections revival is priority number four. And giving you guidance on the credit cost is priority number 5 or 6. And so, if you look at the number of priorities that we are looking at and to get decent guidance on the ROA, these are the priorities that we have listed, and this is how we believe that step by step we will be able to give impetus to the businesses that we want to focus on. In that metrics, these are the metrics which will change. On the cost to income side, I will request you to look at us a year down the line, although there will be initiatives which we will be putting and cost to income typically for our organization has remained sticky over the past 4-5 years, there is a structural component which we are trying to change and I don't want to give you a guidance over the quarter because it will not be correct. But I definitely am telling you that directionally there are a lot of things which we are doing and also investing in the growth side for the branches as well as investing in collections. But if you look at the cost to average total assets, there could be a dip there. But on the cost to income side, because we are investing, it could be a number which you can ask us in quarter one or quarter two, but we will try and figure out how many reduction items we can do for the investment.

C.V. Ganesh: So I will just add to what Parvez said on that aspect. See, there is always going to be some amount of spend in the OPEX line, which is building muscle. And we will not shy away from that. What we are trying to tell on this call is that the part of the OPEX which is BAU, which is maybe flat or just a going on kind of cost, that consciously we are trying to put it on a downward trajectory. That being said, when we cite an opportunity, we will continue to have tactical investments in growth. This could be in terms of beefing up capacity, either in terms of people or branches. We are in it for the long run. So we will not be driven by short-term tactical goals. We will be driven by longer-term sustainable return enhancing objectives.

Abhishek Agarwal: Understood, that's really helpful. Thank you and wish you all the best.

Moderator: Thank you. We have our follow up question from the line of Renish from ICICI. Please go ahead.

Renish: Hi, sir. Thanks for the opportunity again. Just a few clarification. So you have said that our AUM growth will remain at 12%-15% including BL, which means our LAP and gold loans will grow at 25%?

C.V. Ganesh: Yes, that's what I said. Without the BL base, they will grow at 25% to 30% on the AUM side.

Renish: Okay, so 25 to 30, not 20 to 25. Okay. And again on this gold loan yields, right, so when you say it's a portfolio yield means including premium interest and charges, right? I mean, versus origination yield of 15. I mean, that's the difference?

Jagadeesh Rao: No, the structure of the loan is like you originate at a particular rate and the customer has the option to pay interest at different intervals like monthly, quarterly, half yearly. So it's up to the customer to serve the interest monthly and get an onboarding rate continued for the entire tenor or pay a higher rate if he's servicing quarterly or half yearly or monthly. So that's how the

structure of the loan is. And that's the major difference between the onboarding yield and the portfolio yield.

Parvez Mulla: Renish, just to specifically address the question, the penal charges does not come in the yield line. It comes in the fee line.

Renish: And penal interest?

Parvez Mulla: There is no penal interest. RBI has discontinued penal interest.

Renish: Got it. It is tenure premium, right?

Parvez Mulla: It's a kind of penal charges which comes separately.

Renish: Okay. Got it. So basically, these are tenure premium.

Parvez Mulla: Yes. So, see, there are two elements here. One is a tenure premium. Also, whenever we do a CLM, there is a yield enhancement on the existing book which happens, right? So, that also you need to factor. See, we are allocating capital very dynamically, right? So, it's basically helping in the yield enhancement on gold loans on what is on the balance sheet.

Renish: Got it. No, this is very helpful, sir. Thank you very much,

Parvez Mulla: Thank you.

Moderator: Thank you. We have our next question from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi sir. Thanks for the opportunity. Sir, my question is on credit cost. So, the flows into stage 2 and stage 3 have increased, but we expect the credit cost to be in the range of 1%. So should one expect the PCR to go down going forward?

Parvez Mulla: Hi Aditya, yes. The answer is yes because if you remember last time when we had done a discussion our PCR had jumped and the jump had happened because of a one-time provision that we had done and we had given a direction saying that our PCR would not go as low as what it was earlier but won't remain as high as it was then. So it will stabilize somewhere in between, depending because, see, the incremental flows will happen at a incremental different PCR, like whatever the model suggests. So this was a one-time PCR which we had done. And going forward, we will be looking at how our businesses and what cycle we have reached to stabilize at a particular PCR.

Aditya: Understood. Sir, the next question was on small ticket LAPs. So you mentioned that disbursement should keep on increasing from here. But if you look at your GNPA, that has increased, majorly because of small ticket LAPs. So I just wanted to understand what is ... and you also mentioned that you have to invest further in the collection infrastructure. So I wanted

to understand, what is giving us this confidence to increase the disbursement in small ticket LAP?

Parvez Mulla:

Again, if I will refer it to our previous quarter call, we had said that our assessment of our challenges were more in terms of investing manpower in collections. And this kind of a business, our affordable small ticket LAP business, requires collection efforts at a grassroot level. And these are deep, we are deeply invested there. And that investment is what is required and if you see our customer, he has an average income of about Rs. 5 lakh so you could sense he is about a Rs. 40,000-Rs. 50,000 per month customer and you have a Rs. 20,000 EMI. So if there is a one EMI default from the second EMI to third EMI falling down to the NPA is slightly faster, that is why we require a collection infrastructure which needs to meet the customer at a pre-delinquency stage or at a bounce stage or an ex bucket stage. And these are important timelines where the customer needs to be met by the collection infrastructure, which is the resources that we are putting in either through the call center or through our manpower. That's why we were...our analysis told us that we have a localized problem, and that localized problem needs to be addressed with localized resources. We are seeing some encouraging signs there. And wherever we are seeing flows, we are guiding you accordingly that there could be flows there. But we know that if you put the resources there, and you also understand putting resources in Q4, people don't move organizations in Q4. It's typically joining happens in Q1. That's why, once we have the joining happening at a grassroot level, we have already put the leadership in place. The middle is 50% done. And the grassroot level people also should join in. That is where we are saying it's a collection challenge which we need to address. And that's why we growing our book, because we believe we understand that business. We are going through its life cycle. We put leadership who understands that business in terms of competition as well as the market. And that's where the growth is and we see an opportunity there and we know how to run this business through the underwriting side and the growth side.

Aditya:

Understood, sir. Just to clarify, the current issue is majorly due to lack of info in collection infrastructure and not in the underwriting process?

Parvez Mulla:

Majorly that. Obviously, it's not a very precise science to say that this is how it is. There will be some underwriting issues, there will be some sales issues, but the predominant issue is the collection side manpower.

Aditya:

Understood. Next question was on medium ticket LAP. So, sir, if I am not mistaken, the customer profile segment is organized and would have valid documents like an IT return, GST return. So, I just wanted to understand what is the edge for FedFina in this business because there are small private banks and small finance banks also operating in this segment of such ticket size who might have lower cost of funds than us. So what is the edge for FedFina in this business?

Parvez Mulla:

See, one is, as I said, we are looking at the small ticket LAP business and the gold business along and we are saying that we want to be a Company which is focused on LAP. It's a proposition for us that a customer at a various life cycle from a 5 lakh ticket size to a 30 lakh reaches out to us

on the ST LAP side from a 30 lakh to 3 crores reaches us to a medium ticket LAP size. So that is one in terms of proposition. Two, in terms of the kind of yields that we are operating in and the kind of markets that we are operating in along with the underwriting guidelines and the kind of delinquencies that we are seeing, we believe we are managing the book better than many other players in this and that is why we have a healthy ROE here. Along with that, we have a good appetite when we start looking at DA income and when we look at the other organizations like NBFCs or banks who are interested in this kind of profile and we have a healthy ROE coming from here. So these are our primary reasons we believe we have a proposition. This particular book will remain in the range of 20% to 25% of our AUM. It is a healthy book, it is a stable book for us and that's why we believe it's a good asset in our composition. We have Suresh here who is our CBO in this business. Suresh, you want to add anything?

Suresh Kumar: Yes. The arbitrage that we have is, these customers, they understate their income. They inflate the expenses and all that. So what we do is we combine the declared and derived income and then make a fair assessment of the customer's requirement. So that is where we have a play. So that is niche for us.

Aditya: Understood. two questions here. What would be the share of DSAs for medium ticket LAP?

Parvez Mulla: See, this will be run through DSAs or partners. This business across the industry runs in a similar fashion. There has been experimentation on a direct sales team model, but I don't think any organization has succeeded in building that model. We will also keep experimenting with it, but we today don't have any story there. It is run through a partner channel.

Aditya: Got it. And in terms of ROAs, would this be making Company level ROAs of around 1.7%-1.8%?

Parvez Mulla: We are doing better than that.

Suresh Kumar: So we do not give out product specific ROAs, but it is making, I think, reasonably more than the numbers you mentioned. See, we do this product on a collaboration basis through a collaboration with other financial institutions, including banks, right? Which is why it is very light on the balance sheet.

Aditya: Understood sir, So those are my questions. Thank you for answering them.

Moderator: Thank you. We have our next question from the line of Patanjali from Chinta Govind Capital. Please go ahead with the questions.

Patanjali: Two questions from my side. One is on guidance for ROA for FY'26. Any light on that? And the second question is on impact of these draft guidelines on gold loans. Any impact for FedFina and your view on growth or cost?

Parvez Mulla: So as far as the guidelines are concerned, in fact, in Q3 also, we had a similar environment where I had answered that question on whatever draft guidelines had come and how would it impact us

and you've seen the growth in Q4 that has happened. These particular guidelines, I think, are very, healthy in terms of the clarifying on the LTV side. Earlier there was a lot of confusion on the interpretation of LTV. Now these draft guidelines are clarifying it and making it a level playing field for everyone. And that's very healthy. The other guidelines too, I think if at all the guidelines come through, there will be a transition period which each organization will go through. But I think it will be a level playing field for everyone, especially for the gold side, it's just a transition period which each organization will go through. And I think it will be back to a new normal and I don't see a major effect over the years. It will be just a short-term blip for the transition period. I'm sorry, I missed your first question.

Patanjali: ROA guidance for FY'26?

Parvez Mulla: I think I've given credit cost guidance and I've given you the cost to income guidance and I have given you that the NIMs will hold. I think it's just a calculation.

Patanjali: I think that one aspect which is remaining is the cost of income.

Parvez Mulla: Yes, we guided on it in the sense of the rebuild phase and the investment in growth. So that's where and I said on the average assets basis, you can look at a 5 to 10 basis points there.

Patanjali: Understood.

Moderator: Thank you. Since there are no questions, I would now like to hand the conference over to Mr. Shreepal Doshi for closing comments. Over to you, sir.

Shreepal Doshi: Thank you, Manav. And special thanks to the management of the Company for giving us the opportunity to host the call and thanks to all participants for being there on the call. Thank you, and have a good day. Thank you, sir.

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