May 16, 2025

| The Manager,<br>Listing Department,<br>BSE Limited ("BSE"),<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai 400 001.<br>BSE Scrip Code: 532636 | The Manager,<br>Listing Department,<br>The National Stock Exchange of India Limited ("NSE"),<br>Exchange Plaza, 5th Floor, Plot C/1, G Block,<br>Bandra - Kurla Complex, Bandra (E),<br>Mumbai 400 051.<br>NSE Symbol: IIFL |
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**Sub: - Earnings conference call transcript**

Dear Sir/Madam,

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation regarding the earnings conference call for the quarter and year ended March 31, 2025, please find attached herewith transcript of the said earnings conference call which was held on May 9, 2025.

The same is also made available on the website of the Company i.e. https://www.iifl.com/iifl-finance/financial

Kindly take the same on record and oblige.

Thanking You,

For **IIFL Finance Limited**

Samrat Sanyal
Digitally signed by Samrat Sanyal
Date: 2025.05.16 17:40:42 +05'30'

**Samrat Sanyal**
**Company Secretary & Compliance Officer**
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The Signature, Building No. 13B, GIFT SEZ,
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"IIFL Finance Limited

Q4 FY25 Earnings Conference Call"

May 09, 2025

**MANAGEMENT:** **MR. NIRMAL JAIN –MANAGING DIRECTOR, IIFL FINANCE LIMITED**
**MR. VENKATARAMAN – JOINT MANAGING DIRECTOR, IIFL FINANCE LIMITED**
**MR. N. VENKATESH – MANAGING DIRECTOR, IIFL SAMASTA FINANCE LIMITED**
**MR. MONU RATRA – CHIEF EXECUTIVE OFFICER, IIFL HOUSING FINANCE LIMITED**
**MR. KAPISH JAIN – CHIEF FINANCIAL OFFICER, IIFL FINANCE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to IIFL Finance Limited's Q4 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to the management team of IIFL Finance Limited. Thank you and over to you.

**Kapish Jain:** Hi, thank you very much. This is Kapish Jain here. I am the CFO at IIFL Finance. I welcome everybody on this call today and for sparing your time with us. On this call today, I have Mr. Nirmal Jain, our Managing Director. Mr. Venkataraman, our Joint Managing Director and Co-Founder, Mr. Venkatesh, who is the Managing Director for IIFL Samasta Finance and Mr. Monu Ratra, who is the CEO for IIFL Home Finance.

I now hand over this call to Mr. Nirmal Jain to give a perspective on the overall macro sector and economy and also on the company's going-forward strategy.

**Nirmal Jain:** Thank you, Kapish and good afternoon everyone and thank you for joining us today. So let me begin with a brief overview of the macro environment. India continues to be among the fastest-growing major economies globally, driven by resilient, domestic consumption, a robust financial ecosystem and deepening credit penetration, especially amongst MSMEs and retail borrowers.

The NBFC sector remains a critical pillar in this growth story and although the regulatory environment has become progressively more stringent, pushing all of us to raise the bar on compliance, governance and risk management. That said, the past few days have brought heightened geopolitical tensions with Pakistan following serious cross-border hostilities. While the situation is evolving and we hope for a swift de-escalation, the immediate impact on the broader financial markets and domestic economy is difficult to assess.

Against this backdrop, I am pleased to say that IIFL Finance has demonstrated remarkable resilience and agility. After navigating the regulatory embargo on gold loans in the first half of the year that has gone by, Q4 has marked a decisive turnaround for us. Our consolidated profit after tax was INR 251 crores which is quarter over quarter up 208% and our AUM in aggregate rose by 10% sequentially to INR 78,341 crores.

We expect to see acceleration in profit and asset base in FY26 as well, towards the normal trend line that is our pre-RBI embargo levels. Gold loans saw a significant 40% sequential growth, reaffirming our customer loyalty and franchise while MSME loans, which is our strategic focus for the future, continued their steady rise up 18% year on year. Home loans also maintained healthy momentum, reinforcing our leadership in the affordable housing finance segment.

I am also very happy to report that asset quality has improved further with our GNPA declining to 2.2% from 2.4% in the previous quarter. Our capital adequacy as we computed for the consolidated is robust 29% at the group level, well above regulatory norms. However, we are conscious of the individual company-wise capital adequacy levels, especially for the parent entity, where we expect direct assignments and co-lending to pick up during the course of the year.

Most bank partners have held back awaiting RBI's final guidelines on co-lending, which we expect in this quarter. Our liquidity buffer of over INR 5,200 crores ensures that we are well prepared to meet our growth requirements as well. On the funding side, we mobilized close to INR 8,500 crores during the quarter, which included the MTN- the medium-term note dollar bond issue of USD 325 million, which was topped up by another USD 100 million, so USD 425 million in aggregate, and a successful domestic NCD placement of about INR 1,500 crores during the quarter.

Beyond the numbers, we have made significant strides in fortifying our compliance framework in line with RBI's scale-based regulations for upper-layer NBFCs, and this includes tighter board-level oversight, automated compliance systems, proactive monitoring and reporting, and this reaffirms our commitment to governance and transparency. We are equally focused on leveraging technology for growth and efficiency. Our digital strategy is driving faster loan disbursal, superior customer experience, and smarter risk management.

With 4,900 branches now digitally integrated, our phygital model will allow us to scale sustainably, and we plan an aggressive investment in digital as well as AI technology in the current year to maintain our edge in the sector. Looking ahead, we expect to build on the momentum of Q4 and drive profitable growth across key segments. We believe that our strong balance sheet, our disciplined execution, and clear strategic focus will enable us to deliver sustainable value for all the stakeholders in FY26 and beyond.

With this, I hand over to our CFO for a detailed financial update.

**Kapish Jain:** Thank you very much, Nirmal. Ladies and gentlemen, for the quarter four of fiscal FY25, as mentioned by Nirmal, the consolidated profit after tax before non-controlling interest was INR251 crores. It was down 42% YoY for reasons already mentioned, and it's up 208% on a quarter-quarter basis, led by the growth that we have in our loan book as well, and at the AUM level as well.

We recorded a pre-provision operating profit of INR651 crores, which is down 35% YoY. However, it's up by 22% on a quarter-quarter basis. Going for the quarter, consolidated loan AUM, while it de-grew by 1% on a YoY basis, it was up by 10% on a QoQ basis at 78,341.

If I further dissect the AUM and talk about our core products, which is home, gold, MSME, and micro, on a YoY basis, it was flat at around 1% growth YoY and 10% growth on a QoQ basis, which is 76,654 as of 31st of March, 25. The mix stands healthy, with home taking a share of 40%, gold running back to its last share of around 27%, and microfinance has de-growth in line with the way the sector has performed over the last one year.

Our gross NPA has improved to around 2.2%, and net NPA, around 1%, which is down by 10 basis points and 15 basis points, respectively, if I compare with the same period last year. Our ECL provision is driven by IndAS, and our provision coverage ratio on our NPA stands at around 100%. Being quarter four and with the increase in momentum of our business, and as our assigned portfolio becomes more mature, then we see some momentum coming in in our assignment and co-lending asset book growth as well, which is marginally shown growth in this quarter, and the de-growth was more because the book was running down due to the embargo in the previous quarters. So the assigned loan book stands at around INR 12,789 crore, up 3% QoQ and down 22% YoY, and the co-lending book has gone up by around 15% Q-on-Q and is down 10% YoY basis at INR 10,606 crores.

A brief on our liquidity. Our cash and cash equivalent, committed trade lines from banks and institutions stands at around INR5,216 crores, adequate not just to meet our near-term liabilities but also to support our growth momentum, and we also find good traction in our conversation for new lines of credit from various institutions, including banks.

As always, we hold a positive ALM, whereby inflows cover or exceed the outflows across all our buckets, and net gearing standing healthy at around 3.4x. Our annualized ROE for the current quarter stands at around 7%, while ROA stood at 1.6%. So the basic earnings per share for the quarter was 4.9 per share. As of 31st of March, we hold a healthy capital adequacy of around 18.5 in the NBFC, housing finance at 47.2, and microfinance at 32.4%, well above the threshold of 15% regulatory defined.

With this, I come to the end of my presentation, and I hand over and open the floor for Q&A. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take our first question from the line of Sukriti Jiwarajka from Laburnum Capital.

**Sukriti Jiwarajka:** My question is on this MSME unsecured book that you're doing in the standalone entity. Now, I'm sorry if you've covered this before in previous con-calls, and I'm seeing the book has grown at 3x over the last two years, 21% yield, 8 lakh ticket size. I'm just not able to understand this category of loans. These are MFI yields almost. What sort of MSME is taking these loans and why?

**Nirmal Jain:** Yes, so these are the MUDRA loan for which government is also pushing banks to meet their target. And then there is insurance coverage on these kind of loans also. And our insurance coverage is effective from last quarter. Now, coming back, I mean, maybe coming sharply to your question, which is that what is the profile of these customers?

So these are typically small shopkeepers, ancillary units, you know, who borrow at these levels. So normally the higher working capital banks will be willing to consider application, but normally these small customers get ignored. So they are typically shopkeepers, traders, freight operators, small service providers, like professionals also. So these are the kind of customers.

**Sukriti Jiwarajka:** Are these working capital loans? What is the tenure?

**Nirmal Jain:** So tenure typically is between 12 to 24 months. And mostly, yes, you're right, these are working capital loans. I mean, some of them can take it for expansion also, for capex also.

**Sukriti Jiwarajka:** Okay. And a couple of follow-ups on this, right? Are you doing this from your own balance sheet or because you said banks have a requirement, is this a sell-down for PSL?

**Nirmal Jain:** So we have been -- so as you rightly said, this is a relatively new portfolio and has accelerated in the last couple of years a lot. So banks have a good appetite for this. And we've been talking to various banks. They've been, you know, integrating our flow as well as basically we are negotiating with several banks. So maybe this year probably we'll see that there's a significant co-lending and DA in the year.

**Sukriti Jiwarajka:** Today that INR4,500 crores is on your balance sheet.

**Nirmal Jain:** Sorry, what did you say?

**Sukriti Jiwarajka:** Today this MSME unsecured is on your balance sheet, right?

**Nirmal Jain:** MSME unsecured is largely on our balance sheet.

**Sukriti Jiwarajka:** Got it. And how big, like you're saying you want to grow overall MSME at 25%, 30%. Honestly, this book is looking very risky to me. I just want to know if I'm not understanding this properly, because it's a little long for working capital, the tenure. And is this something that you want to grow at 30% as part of your MSME? How big can you take this?

**Nirmal Jain:** Our growth will be in the secured part of portfolio, which we had guided last year also, so our secured portfolio has been much smaller. And that is where we intend to grow faster. And so the unsecured growth will be primarily more driven by bank partnership. And if you really see, then in terms of target, we'll probably bring down our unsecured portfolio and focus more on secured.

**Sukriti Jiwarajka:** Any early warning signals in this portfolio? Because I think you've slightly reduced growth in the last two quarters.

**Nirmal Jain:** Can you please repeat?

**Sukriti Jiwarajka:** Sorry, any early warning signals in this portfolio that you're seeing, because I've seen that you've sort of flattened growth in this book in the last two quarters? So any early signs, early warning signals that you're seeing?

**Nirmal Jain:** So what has happened is, as I said, that unsecured is what we are slowing down. So if you would have seen that our unsecured portfolio is basically going down or not growing, or maybe will grow at a slower pace. Secured infrastructure, the team that we are putting in place for the last few months. So for secured portfolio, typically it's a LAP product for which you have a different set of people.

Then you build your network for title verification, technical, as well as sort of valuations, all those things. We were also doing -- some of these were also sourced by the microfinance company that also has slowed down in last year significantly. So we'll see a big, or maybe a significant ramp up in the secured portfolio in the next few quarters.

**Sukriti Jiwarajka:** Got it. And my last question on this is the insurance…

**Nirmal Jain:** Primarily MSME is more of a LAP or loan against property product. Average ticket size will go up over the next year, yes.

**Sukriti Jiwarajka:** Got it. And the insurance coverage, is it similar to how that CGFMU coverage works for MFI? For this?

**Nirmal Jain:** Yes. So there are two schemes which government has, but broadly similar. So in one scheme…

**Sukriti Jiwarajka:** So you get it after two years.

**Nirmal Jain:** Hello, sorry -- about 3%. So basically, but at least a significant coverage which government now provides for MSME.

**Moderator:** We'll take our next question from the line of Niharika Karnani from Capgrow Capital.

**Niharika Karnani:** My question is also on the MSME sector. So we have highlighted that we'll be growing our MSMEs by 25% to 30% and ROE from the current overall 3.4% to 16%. So just wanted to have an idea as to focus would be around what parameter? Would it be on growth or credit quality? What would be your focus?

**Nirmal Jain:** Credit quality is the focus, but also the gold loan growth, because we are getting our lost business. So last quarter, technically, we have grown by 40% quarter-over-quarter, but it's mostly we are trying to recoup and regain the lost customers. So gold loan will be a significant contributor to our profitability as well as growth, where we expect, you know, that we'll probably get back our earlier level and also exceed that and getting back on the trend line growth.

MSME is a new segment, for which, again, we will leverage our gold loan branches. We've been working on this segment for quite some time. Our distribution capacity is significantly higher. But last year, because of the gold loan and after that MFI and then certain other things, you know, we had held back. But on the low base, given our distribution capability, so you see the growth appears higher. But it's something which is within our capacity.

**Niharika Karnani:** And one more question here on the MSME part. What kind of ROEs expected here given will be going this book?

**Nirmal Jain:** So ROEs, we have given our guidance on an overall basis. And that also assumes that our co-lending and DA will continue at a level which historically has been there prior to ban and it can accelerate, or decelerate. So that's one. But it's primarily, you know, many of our overheads and costs are also combined. Because we use the same infrastructure, our HO and technology and many other functions are combined.

So we're not done the allocation to figure out ROE separately. Also the cost infrastructure is together. So we look at it holistically.

**Niharika Karnani:** Got it. And one last question here. Again, in the MSME sector. So what would be our focus there? Whether we'll focus on the cost part or will we try to reach out to as many possible customers there?

**Nirmal Jain:** No, first one was - we focus on which part?

**Niharika Karnani:** Cost. So it's kind of cost versus reach in case of MSME?

**Nirmal Jain:** No, in case of MSME, we leverage our infrastructure and also the DSA channel for that. But cost we are conscious of. But our advantage is that we already have infrastructure of branches across the country which we can leverage. So we don't have any plans to aggressively increase our cost base at this point in time.

**Moderator:** We'll take our next question from the line of Deepak Poddar from Sapphire Capital.

**Deepak Poddar:** So just wanted to understand, how are we looking at ROA for this year, FY26?

**Nirmal Jain:** Closer to 3%.

**Deepak Poddar:** Closer to 3%. And I mean, because you are still guiding for a credit cost of 2.5 to 2.7%, right? Is that right? I mean, so at that level of credit cost, how are we maintaining still ROA of 3%? I mean, what will drive that? Because on your normal level of credit cost, it's little on the higher level?

**Nirmal Jain:** No. So last year, credit cost was 3.1. Our NIM will also improve because we see that the interest rate cost seems to have peaked down. And maybe, you know, in a liquidity type situation, we've paid higher price. And also, in the mix, when the gold loan is the significant driver, we'll see the NIM improvement. And -- Sorry?

**Deepak Poddar:** Yes, please continue. Please continue, sir.

**Nirmal Jain:** Yes. So I think there's a NIM improvement, there's a volume growth, and continued co-lending and partnership with the banks. So these are the three drivers.

**Deepak Poddar:** Cost to income also improve?

**Nirmal Jain:** Cost to income. You know, cost to income will also improve with the volume. But okay, we also have plans to make certain aggressive investment in AI and technology benefits of which will accrue over a period of time. But yes, cost to income will improve definitely compared to last year. But if we can bring it to FY24 level, I think that should be a good target.

**Moderator:** Thank you. We'll take our next question from the line of Anusha Raheja from Dalal & Broacha.

**Anusha Raheja:** Yes, congratulations, sir. On a good set of numbers. So yes, I want to understand on the strategy, you know, what will be on the gold loan side. Both, I think you have recouped the previous levels closer on, it used to be 24,000 odd, you are closer to 21,000 odd crores now. So how do we see the loan book growth over the next two years' time?

Also on the branch expansion side and the changes that you have done at the NBFC levels so that we are complying with the RBI norms, if you can highlight some of the important ones. And also the last quarter you had said that you are being competitive in terms of pricing the gold loans in order to attract the customers.

So how is the scenario right now? And at the margin level, how do we see, you know, margin spanning out for the gold loan?

**Nirmal Jain:** Yes. So gold loan growth will be fairly strong this year as well as next year. But underlying assumption is that the gold prices will remain firm. A significant part of gold loan industry growth is also driven by a significant increase in gold prices, which obviously increases your loanability against the same collateral.

That is one. So our margins will be inching up, we'll get back to our normal margins, you know, quarter after quarter this year as well as next year. We are competitive and market is very competitive, there's no questions about it. And you have to really make sure that operationally you are efficient and use technology to save costs to make sure that you make up for the competitive pressure on the margins.

So I believe that gold loan this year, next year will do well because for two, three reasons. One is gold prices are firm. Two, unsecured lending has become difficult and more expensive. So many a times if the, you know, gold loan NBFCs are lending at 18%, 19%, 20% and you have very aggressive set of unsecured lenders, sometimes FinTech, sometimes new NBFCs, then customers always get respected.

So I think that will also be one of the factors. And third is obviously the economic growth and the credit under penetration. So all these factors drive growth and if the growth is there, the margins are maintained.

**Anusha Raheja:** Okay. And so in terms of branch expansion?

**Nirmal Jain:** Branch expansion, see, at this point in time, we want to shut our existing branches and get them to productivity level, which is comparable with the best in class. So that's still some time away. But, you know, branch expansion still requires RBI's approval. And what we probably, you know, that has to be evaluated and how quickly we regain our lost business and start growth path from there.

But we are open to branch expansion, if not in the first half, then second half for next year. Maybe it's going to happen in the next six months, but if things go as planned, then we'll start expanding from, say, you know, later part of this financial year or next year.

**Anusha Raheja:** Okay. And so how much is the LTV now in the gold loans incrementally?

**Nirmal Jain:** Maximum is 75 and average is 66.

**Anusha Raheja:** At the origination?

**Nirmal Jain:** At the origination, it's around 70. Between 70 and 75.

**Anusha Raheja:** Okay. And on the asset quality side, you said that I just want to understand how the asset quality behavior is panning out across the segment in the MFI, home loans and on the gold loan side as well. And related question is the credit cost estimate is 2.5 to 2.7, right? So previously, it used to be close to around 200 basis points. Is it that you're assuming a pain in MFI to continue in this fiscal, in this entire fiscal? So I just want to understand the broad rationale for a higher credit cost estimate.

**Nirmal Jain:** Okay. There's some bit of pain in MFI that may linger on and unsecured MSME portfolio also can have, you know, I mean, because the high yielding portfolio, so it can always have slightly higher credit losses also. So these two factors are there primarily for the estimation of credit losses this year.

**Anusha Raheja:** And do we expect, normalisation in FY '27 on the credit cost side?

**Nirmal Jain:** Yes**..** As our MSME portfolio mix will also change in this year, we'll see that next year probably credit cost will get back to our earlier levels.

**Anusha Raheja:** Okay. And so lastly, on the off book assets, so we have seen a good growth on the co-lending side. Can you just help us understand, it used to be closer to 40% of the total AUM.

So how do we expect the, co-lending and assignments to happen in the FY26 and I think that will definitely have a good impact on the P&L.

**Nirmal Jain:** So I think we are right now at 30%. Our endeavor will be to go back to 40%.

**Anusha Raheja:** In FY26, you say?

**Nirmal Jain:** That's right. So by the end of FY26, I can say.

**Anusha Raheja:** And within that, the share of co-lending will be higher.

**Nirmal Jain:** Yes, now RBI has come up with a new draft guidelines for co-lending, for which they invited for comments till, I think, 12th May, which is Monday. So let's see the final set of guidelines and then we'll know how co-lending will evolve.

**Anusha Raheja:** So model one is, that is not workable as per the new RBI guidelines. So you are on that model, right?

**Nirmal Jain:** See the -- it's like a little more complicated than that, but the thing is that for gold loans, you know, what happens for home loan mortgages, there's no problem because you have enough time. Gold loans are small loan products which are instant. So I'm sure that all gold loan companies will have submitted their feedback to RBI and also the industry association. So let's see the final guideline and then we'll figure out what will be the DA versus co-lending target for this year.

**Anusha Raheja:** Okay, fine. Got it. Thank you.

**Moderator:** Thank you. We'll take our next question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** Yes, good afternoon, sir. Thank you for taking my question. So first thing is, again, on this FY26 guidance that you have put out in the presentation, I just wanted to understand when we are guiding for interest spreads of 6.9% to 7% versus 6.7% in FY25, I mean, what are the underlying drivers for that? Basically, what I'm trying to understand is earlier during the call, we spoke about doing more secured.

We have also given a guidance that MFI is not going to grow very highly this year. You've guided for 5% to 10% growth. So is it coming from a change in product mix or is it some benefit of cost of borrowings that you are making in for a higher guidance on interest rates? That's the first question.

**Nirmal Jain:** That's a good question. So last year, because of gold loan ban, the relative share of gold loan has been significantly lower in the average assets as compared to the year before. We ended at 24%, but if you take the year average, then it was even lower because all the growth has come in last six months.

So the first six months of the declining trend and we had come down to almost 10,000, which is about maybe 12%, 14%. So the mix of FY25 is little skewed with much lesser share of gold loan than normal. So if you fix that, then also you see a slight improvement or like reasonable improvement in the margins. That is one.

Secondly, also we see that the interest rates have peaked up. In last quarter and after the gold loan ban was lifted, we have paid much higher interest costs because the liquidity requirement was faster as we are recouping our business than what we could really get from our usual traditional sources.

Also, till recently, now RBI has improved liquidity in the system very significantly, but still a couple of months back, liquidity was tight, NBFC money, cost of funds had gone up. So these factors played last year. Also, when we did the dollar bond issue, which was a significantly higher cost fully hedged, so if you adjust for that, then you see this improvement.

**Abhijit Tibrewal:** Okay, sir. Thank you. So the second question that I had was for Manu sir, more particularly on the housing finance business.

If you could just share two things. One is, what is the one plus DPD that we are seeing today in the housing business? And so I mean, last year, arguably was a very tight year, particularly for unsecured, but of late, we've been seeing some tightness in collections in the affordable housing side as well.

While we do a very wide spectrum of products, in the fourth quarter, we've reported a minor asset quality deterioration, which again, by any width of imagination is not bad. But I mean, what is your view? I mean, are we seeing early signs of some spillover from unsecured into the affordable housing segment now? Or is it just some seasonality, some weakness in government spending, which is leading into lower earnings in the hands of customers? And which is why some tightness in collections that we are seeing today?

**Monu Ratra:** Yes, hi. So I'll answer them. So I'll go one by one. Yes, there has been -- unsecured has gone through a cycle of the pain. And we did see that in our secured small ticket loans, the micro lap loan, we did see some spill coming out there. So that's why you see relatively, our growth in the secured MSME has been pretty flattish.

So we were cognizant of that. And I think we proactively looked at it to be more watchful of that portfolio is concerned. But I'm sure as things even out, we should start doing that business again, in a slightly different, moderate, slightly increasing the average ticket size, and maybe lead yield expectations to soften.

Barring that, as far as the overall asset quality is concerned, I think it's holding on well, except this micro lap segment, which we saw in the home finance business. And if I see this, our performance of our ex the secured micro lap business, actually, our asset quality is improved from the previous year as well. So I think the pain is behind us. And now we can expect a pretty consistent growth from here on. And we have become a sizable AUM of nearly 40,000 crores now.

**Abhijit Tibrewal:** Got it, sir. Thank you for that. The last question, rather two last questions that I had was one, again, for Nirmal sir. Just wanted to understand, I mean, who's heading our gold loan business now? And in gold loans, again, these draft guidelines that came out on gold loans, I just wanted to understand how are we positioned with regards to the LTV, more importantly, the LTV guideline, draft guideline that came out that the 75% LTV has to be maintained throughout the tenure of the loan. So, A, what is our readiness?

And if at all there is any impact that you see here. And lastly, for Venkatesh sir, just trying to understand, I mean, last quarter, Q3, we had taken very high credit costs in the microfinance business. This quarter, again, I mean, while the credit costs have come down, how should we look at the credit cost trajectory from here on? How are we looking at credit costs for the full year FY26 in the microfinance business? Thank you so much.

**Nirmal Jain:** So, Abhiram is heading the gold loan business. And what was the other question? LTV, yes, actually gold prices are up significantly. So, instead of 75, say, you bring it down to 70 or whatever, then more or less will be covered throughout.

But then that just will recalibrate the loanable value if these guidelines become effective. And, to my mind, you assume that, okay, gold prices are not INR1 lakh, but say INR90,000 or INR95,000 which they were just a few days back. And of course, the business at that level was also healthy. So, I think the gold prices are firm, strong. So, that probably will allow the industry to mitigate this change in the LTV competition process.

**Abhijit Tibrewal:** Got it.

**Nirmal N. Venkatesh:** With regard to the microfinance credit cost for the FY '26, the guardrails one was implemented in July 1st and the guardrails two came in on April 1st. I mean, if you look at the present book has been performing well. So, hopefully, most of the things would be done and dusted by this quarter. And we are looking on an average credit cost of around 5% for the FY '26.

**Abhijit Tibrewal:** We got it. And lastly, this Tamil Nadu bill that came out, TN bill, are you seeing any early impact? Just like we saw maybe in Karnataka earlier when that ordinance came out, while I appreciate it is not applicable to registered and regulated entities. But anything that you're seeing some disruptions in Tamil Nadu because of this being that was passed recently in Tamil Nadu?

**N. Venkatesh:** Yes, vis-a-vis Karnataka to Tamil Nadu, there was a huge buildup in the media with respect to this. And post that the bill was introduced in the assembly and it happened. But abruptly, the bill was in, I think in the Tamil Nadu, which even many of us were not even aware of it. By vis-a-vis to Karnataka, we had a lot of preliminary discussions with the various government departments and all those things. But nothing has played out so far in the Tamil Nadu case vis-a-vis what we saw in Karnataka. So Tamil Nadu has remained status quo.

**Abhijit Tibrewal:** Got it. So it's fair to say that Tamil Nadu collection is still holding up well. Nothing outright alarming that we're seeing in Tamil Nadu just yet.

**N. Venkatesh:** Yes, that's right. It's holding up well.

**Abhijit Tibrewal:** Great, sir. Thank you so much. And I wish the team at IIFL the very best.

**N. Venkatesh:** Thank you.

**Moderator:** Thank you. We'll take our next question from the line of Harshit Khadka from RoboCapital. Please go ahead.

**Harshit Khadka:** My question is already answered. Thank you.

**Moderator:** Thank you. We'll take our next question from the line of Abhishek M from HSBC. Please go ahead.

**Abhishek M:** Hi. Good afternoon, everyone. So, Nirmal, one question on this gold loan. Now, last couple of quarters, we've ramped it up back to INR21,000, INR22,000 crores. And on a quarter-on-quarter basis, are we likely to see this kind of a ramp up now? Or are we back to a level where we are comfortable and we can grow more at a, you know, equal pace or even pace rather than, you know, just trying to recover lost ground?

**Nirmal Jain:** Yes, actually, the market seems good. And we'll have a growth momentum continuing. Even after we have recovered our lost ground. So, I think the momentum seems good in this year.

**Abhishek M:** Okay. And then, you know, following up from that. So, if you look at your Tier 1 and then, you know, parent entity, it has come down very sharply last couple of quarters because, you know, you've ramped up the portfolio. And you saw this reverse effect last year when, you know, the portfolio ramped down, your Tier 1 went up. But if you continue this kind of growth momentum, this 13.8 can fall pretty sharply. So, at what level do you, you know, do you say that now it's urgent to raise capital or infuse capital at the parent level?

**Nirmal Jain:** So, Abhishek, you know, this, I think we'll focus on one is that the portfolio sell down, which is DA, as well as colending, which, you know, because of the RBI guideline, most of the banks have put on hold. And other than that, we should also look at subordinate bond. But for Tier 1 also, we are open. Let's, you know, at appropriate time, we can look at it for sure. That's something which the board and shareholders have to make an assessment. And we will do that every quarter to see where we stand.

**Abhishek M:** Right. Because if with this kind of growth and maybe even 1.5% percent depletion, you're back to 12.5, 12.4 kind of level where you were earlier before the ban. And that is also...

**Nirmal Jain:** So, that's what I said in my opening remarks that we are conscious of that. So, we have to work on. So, if you look at our historical trend and our current off balance sheet asset, they are significantly lower. So, the real question that I said first is that if we get back to that level, then we should be safe.

**Abhishek M:** Fair enough. Okay

**Nirmal Jain:** Now, this question arises, if you are not able to sell down the assets or get the colending partners for the growth. So, I believe that we should be able to do that. And that is what our first priority is.

**Abhishek M:** Okay. And in gold now, you know, we've started off with slightly lower yields than earlier, basically, again, to recover the ground. But now, do we see that normalizing? Now, should we incrementally do we do business at higher yields just to -- just from a profitability perspective? You know, now that we are back to INR21,000, INR22,000 crores.

**Nirmal Jain:** So, yield has started improving. If you see this quarter is up by 20 basis points on the portfolio level. And it's okay. There are competitive pressures which we cannot ignore. So, it might improve at a slow pace, but still, it has some more room to improve.

**Abhishek M:** So, at the ground level, have you increased deals? That's the question. Or will you increase deals? Or will you keep it where it is and just run?

**Nirmal Jain:** We have. So, we don't, as of now, we don't have any product or any scheme less than 1.2% per month, which typically, most of the gold companies will have 99% paisa or 83% paisa also, which is equivalent to 9%, 10% or 12%. As of now, we are not doing new loans of less than around 15% or so. We can look at the reduction on a tactical or a strategic basis. But the boarding itself is higher at this point in time.

**Abhishek M:** Okay, okay, okay. The other question is on microfinance. In 4Q, is there any kind of write back? Because when I see the provision number, it's actually quite low QoQ.I don't know, maybe I missed something.

**Nirmal Jain:** No, what you said is right. So, there are a couple of things. One is that we had a sell down to ARC in which there are some gains or a write back. Two is, we also reduced our stage 3 coverage from, I think, 88 to 70. And trying to bring it to more realistic levels. So, these are things that I had.

**Abhishek M:** How much would have been the write back due to the ARC sale?

**Nirmal Jain:** I think INR50, INR60 crores.

**Abhishek M:** INR50, INRR60, okay.

**Nirmal Jain:** Yes, I don't know. And if I see, it should be in that range, yes.

**Abhishek M:** Okay, okay. And even if I, on your stage 3...

**Nirmal Jain:** So Q3, on stage 3 is 87.9%. We have brought it down to 70.5%.

**Abhishek M:** Yes, correct. So, around 18. So, that would be around INR60 crores, you know, if you were back at 87-88. And another INR60 crores here, so, INR120 crores. You would still be lower than your 3Q provisions. Whereas, you know, most of the MFIs, if I see, the 4Q provision is pretty much similar to 3Q. So, it's because of better experience, better recovery. Can you, you know, throw some light on that?

**N. Venkatesh:** Yes. I mean, if you look at how it's spanned out and post-October, how the collection things have improved, we have -- that's what -- whatever the management overlay we had, we have actually, that rollback is based on that. And that's the reason you can see the change in the provisions, what we have done.

**Abhishek M:** Okay. So how much is the…

**Nirmal Jain:** So, our management. INR125 crores.

**Abhishek M:** Overlay, which was...

**Nirmal Jain:** Which has been released, yes.

**Abhishek M:** Okay, okay. So, around INR125 crores. That's what you said, right? Just to get the number.

**N. Venkatesh:** Yes, that's right.

**Abhishek M:** Okay, understood.

**Nirmal Jain:** Yes, you're right.

**Abhishek M:** Yes, yes, exactly. So, now it is pretty much similar to last quarter, which, yes, that's fair. Okay. And in 1Q, do you expect, like 1Q, 2Q, how do you expect this credit cost to trend in MFI?

**N. Venkatesh:** The credit cost, if you look at it, I mean, actually, if you look at it, as I explained earlier, whatever the lending, post the guardrails, the things have improved, the asset quality has improved. So, we are almost seeing -- we are at the fag end of it. If you look at our zero bucket collection percentage, also, it's increased. And we are seeing the forward flow has decreased considerably. So, we are going to see an improvement in -- I mean, quarter 2 will be much better. Quarter 1, we may have slight thing, and quarter 2 from onwards, we'll have a better trajectory.

**Abhishek M:** Okay. Venkatesh, one more question. Sorry, just squeezing it in. In Karnataka, 4Q saw a very quick recovery, right, especially in March. How have April, and so far may have been, have collection efficiencies fallen below levels which you would expect normally, or they have just fallen in line with seasonality, or they are stable? How has that moved?

**N. Venkatesh:** No, there's not much of anything fallen. We are maintaining, and in some states, we are seeing improvements. Karnataka fell down to whatever we had in the month of March.

**Abhishek M:** Okay. April is similar to March.

**Venkatesh:** Yes.

**Abhishek M:** And how much would that be, the number? Which would have been how much?

**N. Venkatesh:** Both, we would have hit around 96% in collection efficiency in Karnataka.

**Abhishek M:** Understood. Right. Thank you so much, everyone. Thank you, Nirmal.

**Moderator:** Thank you. We'll take our next question from the line of Hitaindra Pradhan from Maximal Capital. Please go ahead. Hitaindra, can you please unmute your line and go ahead with your question, please?

**Hitaindra Pradhan:** Yes. So for the microfinance business, can you give us your SMA 1 and 2 numbers for quarter 3 and quarter 4? And also your gross and net slippages for quarter 3 and quarter 4…

**Nirmal Jain:** There are there on slide 19, Hitaindra.

**Hitaindra Pradhan:** Okay. I'll have a look. And also, you know, in terms of your overallOPEX, do you have any guidance of how, this should trend in the first half and the second half as we sort of, grow our...

**Nirmal Jain:** Overall what did you say, capex?…

**Hitaindra Pradhan:** Opex. The C/I ratio in the first half and second half, are they going to be meaningfully different given that you also mentioned some investments that you are planning in the next side?

**Nirmal Jain:** It will not be materially different, because we'll have some other cost savings also and these expenditures will be spread out.

**Hitaindra Pradhan:** Okay. And for the new proposed gold loan regulations, so in case we have a sort of falling gold prices scenario, then do you see that as a big sort of an impact on your gold loan business?

**Nirmal Jain:** So if the gold loan prices fall significantly, I think there'll be impact on the industry as a whole.

**Hitaindra Pradhan:** Okay, sir. That's all from my side. Thank you.

**Moderator:** We'll take our next question from the line of Mohit Jain from Tara Capital. Please go ahead.

**Mohit Jain:** Yes. Sir, I wanted to just have a clarification in terms of the microfinance management overlay that we are carrying of INR125 crores. So we have exhausted the entire overlay and going into next year, we are not having any overlay left, sir?

**N. Venkatesh:** No. I mean, if you look at the things we have, we have a thing of around 70%-odd right now. And given the historical things, we are still much ahead. We have around 7% overlay over there.

**Mohit Jain:** So because my understanding was that ECL is based on the recent data. And if I am reducing the rate last year, the rates, the losses on the ECL rate would have been much higher. So it's very surprising to see, because if it is an overlay, we could use it. But it's very surprising to see the model throwing a lower loss rate, for this year?

**Nirmal Jain:** We had taken conservatively up significantly last year. They were increased. So now they are brought back to normal level.

**Mohit Jain:** And this is done for both Stage 2 and Stage 3, because in stage 2 also we are seeing a lower rate as compared to previous quarter?

**Nirmal Jain:** Yes, there's a slight lower rate for Stage 2 also.

**Mohit Jain:** Okay, sir. And just one thing on the home loan part, you said the increases in the NPA in stage three is because of the micro-lap. How much of our home loan portfolio, in the home loan portfolio, how much proportion is the micro-lap out there? What is the share?

**Monu Ratra:** Yes, Mohit, out of this total book which we have, it's about INR2,400 crores.

**Mohit Jain:** Yes, okay. Thank you, sir.

**Moderator:** Thank you. We'll take our next question from the line of Aswin Balasubramanian from Franklin Templeton Mutual Fund. Please go ahead.

**Aswin Balasubramanian:** So I just wanted to check in terms of the standalone balance sheet, your borrowing mix has moved much more towards, the market borrowing. I just wanted to just understand the last 3 months, what would have been the [inaudible 51:05] beyond March we are [inaudible 51:15] bank borrowing with them?

**Nirmal Jain:** Ashwin, your voice is a little not audible, but if I understand then you're saying that the borrowing mix has changed. Yes, so we are trying to reduce our dependence on the term loans which are primarily from banks. Going forward, we'll try to make it more and more balanced.

**Aswin Balasubramanian:** In terms of the liquidity on the balance sheet would you be sort of increasing that especially on the standalone book considering that the mixes were to move over to market borrowings?

**Nirmal Jain:** Yes, in standalone probably we'll increase our liquidity a little more from current levels.

**Aswin Balasubramanian:** Okay. So just to understand with regard to my first question, would we be, I mean, in this quarter would we have got till [inaudible 52:20]?

**Nirmal Jain:** I can't hear you?

**Aswin Balasubramanian:** Would we have got any bank lines since March?

**Nirmal Jain:** Yes, okay. Of course, we got -- we're getting new bank lines and I think we've given some data in the press release also. So there's a continuous process. April is generally a slack month. Normally people wait for the full year results, which is today. But there are quite a few things in pipeline. The bank liquidity has improved and there's a really positive response from the bank to all our loan applications.

**Moderator:** Thank you. We'll take our next question from the line of Gokul Raj from Bavaira Industries Group. Please go ahead.

**Gokul Raj:** Hello.

**Moderator:** Please go ahead. I'm sorry, the participant's line is disconnected.

As there are no further questions, I now hand over the call to the management team for closing comments. Over to you, sir.

**Kapish Jain:** Thank you very much for all the participants and their active participation during the call. For any further questions, please reach out to our Investor Relations team and we'll be happy to address all your further queries in case anything is remaining. Thank you very much.

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