L&T Finance

May 06, 2025

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051.

Symbol: LTF

BSE Limited
Corporate Relations Department,
1st Floor, New Trading Ring,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

Security Code No.: 533519

Kind Attn: Head – Listing Department / Dept of Corporate Communications

Sub: Transcript of investor(s) / analyst(s) meet – Q4FY2024-25 and FY2025 financial performance and strategy update

Dear Sir / Madam,

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the investor(s) / analyst(s) meet for Q4FY2024-25 and FY2025 financial performance and strategy update held on April 28, 2025.

The above information is also available on the website of the Company i.e., www.ltfinance.com/investors.

We request you to take the aforesaid on records.

Thanking you,

Yours faithfully,

For **L&T Finance Limited**
(formerly known as L&T Finance Holdings Limited)

APURVA NEERAJ RATHOD
Digitally signed by APURVA NEERAJ RATHOD
Date: 2025.05.06 18:16:40 +05'30'

Apurva Rathod
Company Secretary and Compliance Officer

Encl: As above

L&T Finance Ltd.

Q4 FY25 & FY25 Earnings Call Transcript

April 28, 2025

Management Personnel:

Mr. Sudipta Roy (Managing Director & Chief Executive Officer)

Mr. Sachinn Joshi (Chief Financial Officer)

Mr. Karthik Narayanan (Head – Strategy and Investor Relations)

Moderator:

Ladies and gentlemen, good day, and welcome to L&T Finance Limited Q4FY25 and full year FY25 Earnings Conference Call. We have with us today: Mr. Sudipta Roy, Managing Director and CEO; Mr. Sachinn Joshi, CFO; and other members of the senior management team.

Before we proceed, as a standard disclaimer, no unpublished price-sensitive information will be shared during the conference call. Only publicly available documents will be referred to for discussions during interactions in the call. While all efforts would be made to ensure that no unpublished price-sensitive information will be shared, in case of any inadvertent disclosure, the same would, in any case, form part of the recording of the call. Further, some of the statements made on today's call may be forward-looking in nature. A note to this effect is provided in the Q4 and FY results presentation sent out to all of you earlier. 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 this 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 would now like to invite Mr. Sudipta Roy to share his thoughts on the company's performance and the strategy of the company going forward. Thank you, and over to you, sir.

Sudipta Roy:

A very good morning, everyone. I welcome you all to the Investor call for Q4FY25 and the close of financial year 2025. Today with me on the call are – our CFO, Mr. Sachinn Joshi and the senior management team of L&T Finance.

Similar to our previous calls, today’s call is divided into two sections, taken up sequentially by myself followed by our CFO – Mr. Sachinn Joshi, who will be talking about the overall business metrics & financial performance.

Post our commentary, we will be happy to take questions on the call.

Macro-economic outlook

Before we delve into the highlights of the quarter, I would like to give you some flavour of the current macroeconomic scenario and the sectoral outlook.

While in the global environment tariff and trade war are dominating the economic headlines, closer home in India we are looking at prospects of a strong recovery on the back of a very good monsoon last year, record Kharif and Rabi crop harvests and improvements in rural liquidity aided by tailwinds from lower inflation and easing of the interest rate cycle.

The growth outlook for India as predicted by IMF remains relatively stable at 6.2% in 2025, supported by private consumption, particularly in rural areas. Underlying momentum remains robust, driven by better consumer demand, higher exports growth, increase in government expenditure, and strong agricultural performance.

Rural demand is continually improving on the back of record kharif production and favourable agricultural conditions. Total kharif food grain production is estimated at 7% higher compared to last year and 9% higher than the average kharif production in the past five years. Estimates of rabi production are running over 5-year average levels as well. Along with expected better than average kharif arrivals and initial forecasts of a normal monsoon in the current fiscal, it will set the stage for further revival in the rural economy.

Strong rural demand backed by a rebound in agricultural production, an anticipated easing of food inflation and a stable macro-economic environment augur well for near-term growth outlook. Private consumption will also be supported by the tax benefits announced in Union Budget, higher budgetary allocations towards employment generating schemes and easing monetary policy by the Reserve Bank of India. The central bank's recent liquidity infusion measures and lower risk weights for non-banking financial companies will help transmit the benefits from a softer monetary policy to the broader economy. However, the impact of adverse weather shocks such as heat waves and altered rainfall patterns on agricultural output remains monitor able at this point. The recent trade tariff related measures have also exacerbated uncertainties, posing new headwinds for global growth and inflation. We remain watchful of the fast-changing global environment and believe that stronger domestic demand, benign inflationary conditions and sustained policy support, should help us navigate the volatile global environment.

Q4FY25 Highlights:

Coming to this quarter's highlights, I would like to share that the operating environment in the microfinance sector remained challenging during the quarter, with some state specific events like the Karnataka ordinance about which I will speak in greater detail during the course of the call.

However, despite the operating challenges, our diversified franchise has enabled us to achieve the highest ever annual PAT of ₹ 2,644 Cr, registering a growth of 14% YoY and the highest ever annual RoA of 2.44%. Our robust business model coupled with responsible growth across all retail segments led to an overall quarterly disbursement of ₹ 14,899 Cr in the current quarter, compared to ₹ 15,044 Cr in the corresponding quarter in the previous financial year. This was achieved despite the risk calibrated disbursement strategy followed especially in the Rural Business Finance and the Two-wheeler vertical.

The Retail book now stands at ₹ 95,180 Cr, a growth of 19% YoY, while the overall booksize reached ₹ 97,762 Cr in FY25, registering a 14% YoY growth. The growth reflects the strength of the Retail business franchise aided by a strong execution engine, proactive portfolio management and prudent risk management. We will continue to focus on making our retail growth trajectory sustainable & predictable.

I would take some time here to share an update on the various strategic and technology initiatives we have taken during the course of the year. Project Cyclops, our proprietary AI-ML based credit underwriting engine that was operationalized in Q1FY25 has now been extended to the Tractor business (currently live with 24 Scorecards), after a 100% scale up in Two-wheeler dealerships. We aim to implement it in the Personal Loans business in Q1FY26 and in SME Finance by Q2FY26.

We would like to update that in order to independently review the efficacy of our Two-wheeler underwriting through Project Cyclops, the portfolio was analysed through TransUnion CIBIL's proprietary Credit Vision algorithm. We are pleased to share that the analysis clearly demonstrated shift of origination to a lower risk portfolio underwritten through the Cyclops engine for the periods Aug'24 through Mar'25 as compared to a non-Cyclops legacy portfolio, with estimated credit costs paring downwards by an estimated 100-150bps. This drop in risk cost and subsequent improvement in overall asset quality will augment the overall profitability of the Two-wheeler portfolio going forward. We are hopeful the full impact of Cyclops on the Two-wheeler business in terms of improved all round metrics should be visible by Q4FY26, as the newly generated Cyclops portfolio replaces the old legacy portfolio.

Our next transformative technology initiative for FY26 will be operationalising the beta version of 'Project Nostradamus', a state of the art, first in industry AI driven automated real time portfolio and credit risk management engine leveraging traditional as well as alternate data. We estimate to bring it to production by the end of Q2FY26.

Additionally, we launched the beta version of the third generation of our mobile platform PLANET.

Update on Lakshya 2026 Goals

I would start with an update on the Lakshya 2026 goals:

- The first milestone was to achieve Retailisation of >95% by FY26. We achieved a retailisation of 97% in the last quarter and it remained at the same level this quarter, despite calibrated disbursements in the Rural Business Finance and Two-wheeler businesses. Other businesses within our robust retail franchise supported us well in these times in maintaining the retailisation trajectory, with a 16% YoY growth in Farmer Finance disbursements, a 42% YoY growth in Personal Loans disbursement and a 37% YoY growth in SME Finance disbursements. In the Home Loans business, we clocked a 27% YoY growth in disbursements, in spite of an overflow of close to ₹ 800 Cr of disbursed cheques to next quarter on account of delayed banking of cheques by customers, in line with the revised RBI guidelines.
- On the loan book growth front, despite consciously choosing to slow down disbursements in segments where risk reward was not in our favour, our Retail Book Growth stood at 19% YoY, a growth rate we are satisfied with, given the challenging environment that we witnessed in FY25. Simultaneously in other business segments such as Farmer Finance, Housing Finance, Personal Loans and SME Finance, we have maintained a healthy growth trajectory based on our confidence in our tech powered underwriting capabilities and the market potential. We continued to maintain our focus on shifting towards sourcing more prime and near prime customers, which led to the Prime customer share in our Two-wheeler disbursements increasing to 82% in the month of March 2025, which stood at 53% at the end of March 2024. Our journey towards building a prime-dominant portfolio which showcases resilience across business cycles continues with a strong focus on credit and risk frameworks.
- On Asset Quality front, while we maintained the Retail GS3 & NS3 levels closer to the threshold levels (GS3<3% and NS3<1%) despite the macro challenges and segment specific challenges in the microfinance segment, our Consol. GS3 stood at 3.29%, while NS3 was at 0.97% (below the Lakshya threshold of <1%).
- The fourth and last milestone on the RoA front, as you are aware, we have moved from tracking Retail RoA to Consol RoA in the range of 2.8%-3.0% as per our original Lakshya 2026 targets. We registered the highest ever annual RoA of 2.44%, up by 12bps YoY. This has been achieved despite microfinance industry challenges and risk calibrated disbursements across all lines of business. We remain committed to delivering the Lakshya RoA goals and the continuous improvement in RoA trajectory should resume as the segment headwinds in the microfinance sector dissipates.

As you are aware, over the course of FY25, there have been operational and credit quality challenges in unsecured consumer lending businesses in India particularly in the microfinance sector owing to increased leverage and impact of macro events like prolonged heat wave, severe floods in several states & a temporary slowdown of cash flow for rural employment schemes during general elections. This led to increased credit cost in our Rural Group Loan & MFI (RGL & MFI) portfolio, thus warranting a case for utilisation of macro prudential provisions as intimated in the investor communication for last quarter. As guided previously, post approval by the Audit Committee and the Board, we have utilized a sum total of ₹ 400 Cr of macro-prudential provisions in FY25 (₹ 100 Cr in Q3FY25 and ₹ 300 Cr in Q4FY25). The actual utilisation of ₹ 400 Cr is at the lower end of the guided range of utilisation, which was possible on account of a relentless focus on restoring collection efficiency in the RGL & MFI portfolio. With this, we move into the next financial year with an adequate buffer of unutilised macro-prudential provision of ₹ 575 Cr.

Update on Karnataka Ordinance

The quarter witnessed an industry event in the form of an ordinance towards prevention of coercive practices for unregistered financiers in Karnataka. Due to this, in a ricochet effect, collection efficiencies of registered microfinance players also witnessed pressure in February 2025. Our Rural Business Finance team proactively took on-ground measures to protect our Karnataka portfolio resulting in the collection efficiency showing signs of steady improvement throughout March and April. We expect the Karnataka CE to stabilize to normalized levels by early Q2FY26. Please refer to Slide No. 38 of the Investor Presentation for improvement in our trajectory of our Karnataka Rural Business Finance collection efficiency (CE).

Over the weekend, we received information about a new bill being tabled in the Tamil Nadu assembly with an objective towards controlling unregulated lending. Prima facie, this bill, unlike Karnataka, seems to have a broader scope rather than an MFI focus only and exempts RBI regulated entities and is targeted solely at unregulated entities. Given our experience of Karnataka over last 3 months, we are confident that this will not pose any significant challenges for us in the operations of the RGL and MFI business in Tamil Nadu. Our March 2025 CE in Tamil Nadu was 99.6% which is 10 bps lower than our normalised trajectory of 99.7%. We are confident of maintaining this trajectory going forward though there might be a couple of months of adjustment period in-between, as in the case of Karnataka. Needless to mention, we are closely monitoring the situation and will work closely with MFIN and the industry participants to mitigate any possible impact to the fullest extent.

As I had mentioned the last quarter, I would like to reiterate that the onset of MFIN 2.0 guardrails (applicable from April 1, 2025) is an overall long-term positive for the microfinance industry which will ultimately lead to recovery of the credit profile of the sector, albeit at a marginal cost to growth. The impact of the guardrails in terms of credit cost for LTF, is expected to be limited as the leverage level of LTF customers has gone down since the proposed announcement as illustrated in Slide No. 22 of our investor presentation. We are hopeful of a return to normalized CE for the RGL and MFI business by early Q2FY26.

Double Click on the 5 pillars of execution

As mentioned earlier, I would now like to give a brief update on the 5 pillars of execution that we had enumerated over a year back and continue to be in implementation mode against the same.

1. **Customer Acquisition -** The focus continues to be on maintaining customer acquisition momentum both vertically and horizontally while proactively implementing credit adjustments to ensure sustained portfolio quality. To ensure focus on acquiring new non-leveraged MFI customers the team focussed on deepening reach into new non-covered villages. Hence the number of new villages / zero disbursement villages activated for Rural Group Loans & MFI (RBF) stood at 25,401 in Q4FY25, as against 19,975 villages in the last quarter, a growth of 27%. This has helped us in maintaining disbursement momentum to new non-leveraged customers in RGL and MFI business. We are also expanding our geographical footprint in Assam, Western U.P. and Rajasthan. This quarter we have added a total of 5.3 lacs new customers. Alongside this reach expansion, we performed calibrated channel optimisation in Two-wheeler with sustained focus on better quality and under-leveraged customer acquisition. Further details around customer acquisition and repeat share are available on Slides 16 & 17 of the Investor Presentation.
2. **Sharpening Credit Underwriting -** I have already spoken at length on the impact of our proprietary credit underwriting engine 'Project Cyclops' on the Two-wheeler business. It has now been extended to the Tractor Finance business (currently live with 24 Scorecards), after having been scaled to 100% Two-wheeler dealerships. In addition to this the Cyclops (Project Cyclops) underwriting engine will be implemented for the Personal Loans business in Q1FY26 & SME Business Loans by Q2FY26.
3. **Futuristic Digital Architecture -** We continue to work on upgrading our technical capabilities and our focus on continuously strengthening our IT framework remains unabated. I have already spoken about Project Cyclops, Project Nostradamus, and upgrades to our Planet app and we have also launched our new website (www.ltfinance.com).
4. **Brand Visibility -** We continue to focus on targeted engagement through multi-channel and multi-product brand building with Jasprit Bumrah as our brand ambassador. We also partnered with the L&T Group for the MMRDA Atal Setu L&T Marathon 2025. During the quarter, we launched an Integrated Marketing Campaign 'Business Loan – Aapke Business Ka Game Changer' for our SME Finance business, with targeted marketing campaigns for SME audiences in 7 cities- Mumbai, Delhi, Jaipur, Ahmedabad, Kolkata, Bangalore and Hyderabad. We also focused on airport brandings in multiple cities along with opting for branding in Air India's Namaste.ai in-flight magazine to enable us to engage with a captive audience base. As we move ahead, you will see a set of integrated marketing campaigns and targeted branding exercises for other lines of businesses in the upcoming quarters.

5. **Capability Building -** On the capability building front, as you are aware, we have taken a series of measures during the year. During the quarter, we institutionalized our annual long range planning process, about which I had mentioned in the last quarter. This process, launched across all verticals will ensure that each function develops aligned and forward-looking talent strategies linked to business priorities. In line with our 'Hire Right' strategy, we have hired a batch of talented and motivated Management Trainees out of which, 43% of the positions were closed from Tier 1 colleges, including top IITs and IIMs.

Speaking about employee initiatives, we launched employee engagement surveys, including reintroduction of the Great Place to work (GPTW) survey, to enable the management to effectively listen to the voice of its employees. Additionally, we focused upon providing Continuous Learning opportunities to our employees to excel in the organisation. In line with the same, we collaborated with Symbiosis School for Online and Digital Learning (SSODL) to offer employees access to high-quality, industry-relevant programs

Update on Wholesale Business

Now, I would like to give you an update on the Wholesale business and the related investments in Security Receipts with ARCs. The Wholesale book has been reduced from ₹ 5,528 Cr in FY24 to ₹ 2,582 Cr in FY25, reduction of 53% YoY. Security Receipts (SRs) book has also been reduced from ₹ 6,770 Cr in FY24 to ₹ 5,862 Cr in FY25, mainly due to monetization of assets driven by active stakeholder negotiation, completion of projects and subsequent sale of constructed units and recovery measures implemented through legal action.
With wholesale book reduction progressing satisfactorily, we will continue to work with ARCs focusing efforts towards reduction in security receipts.

Update on New Product initiatives

Now, let me take you through our performance in our new product initiatives as shared in the last call, where we have been successfully scaling our Micro LAP, Warehouse Receipt Finance and Supply Chain Finance products.

In the Micro LAP domain, we have expanded our geo presence across 6 states in Southern and Western geographies and further expanding footprint in Rajasthan & MP to scale up business. Asset book has crossed the milestone of ₹ 450 Cr in Q4FY25, on the back of strong credit underwriting to build a sustainable high yield secured portfolio.

Similarly, our Warehouse Receipt Finance business launched to address post-harvest needs within the agricultural value chain, uses a digitally-assisted process resulting in superior turnaround times for sanction, disbursement, and commodity release. This business under the Farmer Finance vertical has achieved cumulative disbursements of ~₹ 500 Cr in FY25.

Lastly, our Supply chain business, under the SME vertical was launched in Q3FY25, which offers dealer and vendor finance and while at a nascent stage, we hold a positive outlook towards its potential to scale profitably.

As you are aware, during Q4FY25, we announced LTF's foray into Gold Loans through acquisition of the Gold Loan business of Paul Merchants Finance Private Limited, on a slump sale basis. Our philosophy on inorganic growth has been guided by 3 considerations – firstly, addressing a critical capability gap, secondly, easily integrable business and people profile and last but not the least, available at reasonable valuations. Given a large number of our customers have been availing of gold loans, we had been keen to enter this segment to complement our existing product portfolio and also tap this significant cross sell and up sell opportunity.

The proposed acquisition of the gold loans business of Paul Merchants Finance Private Limited, on a slump sale basis, meets all 3 of our criteria outlined above. We signed definitive agreements for this purchase on February

7, 2025 and an integration plan and governance framework has been put in place to enable us to achieve a closing by Q2FY26.

We expect the Gold loan business to add significant value to our retail business franchise and the business to become a major secured high yielding revenue line for LTF going forward.

I will now request Mr. Sachinn Joshi, our CFO, to take you through the financial updates.

Business as Usual updates

Sachinn Joshi:

Thank You, Sudipta. As always, I will be walking you through the financial performance of the company. First starting with the quarterly.

Quarterly Performance:

- Consol NIMs + Fees stood at 10.15% vs 10.33% for Q3FY25 on account of conscious shift in disbursement and book mix due to a challenging credit scenario in RBF. This includes a negative impact of 23 bps on account of refund of ₹ 55 Cr of broken period interest to certain customers as per advice of RBI.
- There is also a one-off item of tax gain of ~₹ 35 Cr on account of closure of certain historical tax litigations
- Consol PAT for the quarter at ₹ 636 Cr.
- Quarterly retail disbursements stood at ₹ 14,899 Cr.
- Retail book stands at ₹ 95,180 Cr (up 19% YoY). Our Consol book stands at ₹ 97,762 Cr, up 14% YoY
- Consol RoA stands at 2.22%, up 3 bps YoY
- Consol RoE at 10.13%, up by 60 bps YoY

Annual Performance:

- Consol PAT at ₹ 2,644 Cr (up 14% YoY)
- Consol NIMs + Fees at 10.59%
- Highest ever annual retail disbursements, ₹ 60,040 Cr, up 11% YoY
- Consol RoA at 2.44% (up 12 bps YoY)
- Consol RoE at 10.87% (up 52 bps YoY)

Retail Businesses:

Rural Business Finance
The business registered quarterly disbursements of ₹ 5,114 Cr (down by 11% YoY), and annual disbursements stood at ₹ 20,921 Cr (down by 3% YoY), mainly on account of a risk calibrated disbursement strategy. The book size reached ₹ 26,320 Cr (up 0.3% QoQ and up 6% YoY) in Q4FY25.

Farmer Finance
In the Farmer Finance vertical, quarterly disbursements stood at ₹ 1,755 Cr in Q4FY25 (up by 15% YoY), while the annual disbursements stood at ₹ 7,935 Cr (up by 16% YoY). We had carried out multiple changes along with credit calibrations in this business during the year, which allowed us to take full advantage of a favourable monsoon and optimal rural liquidity, thereby leading to a double-digit growth. The book size reached ₹ 15,219 Cr, reflecting a growth rate of 10% YoY.

Urban Finance

The segment, which comprises Two-wheelers, Personal Loans, and Home Loans/LAP businesses, saw a 2% YoY jump in overall quarterly disbursements and 22% jump in annual disbursements. As a result, the overall book size increased to ₹ 45,897 Cr in Q4FY25, translating into a 27% YoY growth.

- **Two-wheelers:** The Two-wheeler Finance business registered quarterly disbursements of ₹ 1,857 Cr in the quarter (down by 26% YoY), and annual disbursements stood at ₹ 9,285 Cr (up by 8%). The book size increased to ₹ 12,321 Cr, up 10% YoY. Notably, 82%+ of Two-wheeler Finance disbursements in Mar'25 were in the Prime segment. This reflects our focus on quality growth and risk-adjusted returns.

- **Personal Loans:** In the Personal Loans business, we achieved our highest ever quarterly disbursement of ₹ 1,915 Cr translating into a growth of 98% YoY, and annual disbursement stood at ₹ 6,096 Cr (up by 42%) with the book size at ₹ 8,648 Cr, an increase of 34% YoY. The double-digit growth is due to the expansion of physical distribution through the DSA channel with focus on salaried prime customers and scale-up of the fintech partnerships, which now contributes ~22% of the quarterly disbursements.

- **Home Loans/LAP:** Moving on to Housing, we achieved quarterly disbursements of ₹ 2,332 Cr, down by 7% YoY, and annual disbursement stood at ₹ 9,582 Cr (up by 27%) with the book size at ₹ 24,929 Cr, an increase of 35% YoY, growth in the segment aided by newer partnerships and strong network of distribution channels.

- **SME Finance:** In SME business, quarterly disbursements stood at ₹ 1,528 Cr, up by 26% YoY, and annual disbursement stood at ₹ 5,000 Cr (up by 37%). The book stood at ₹ 6,524 Cr (up 67%). The growth in business volumes was aided through increase in direct sourcing and existing strong network of distribution channels.

Let me now hand over the call back to Sudipta to make his closing statements.

Sudipta Roy:

Thank you Sachinn. The year gone by saw considerable headwinds especially in the microfinance business, however we remained resilient while showcasing our ability to thrive even in a challenging environment. We are optimistic that FY26 will present a far more benign operating environment which will help us to scale up business momentum riding on the back of significant improvements across all five pillars of execution that the organisation has implemented in recent quarters.

Guidance for FY26

We expect our disbursement momentum to gain pace in FY26 especially in our urban businesses and our rural businesses in H2FY26. We are hopeful of 20%+ growth in booksize during the coming financial year. We are also hopeful that our RGL and MFI business will resume its growth trajectory from Q1FY26 picking up pace in H2FY26 on the back of an already forecasted better than normal monsoons. Growth in all lines of business will remain the primary agenda in FY26 after having completed the credit administration framework rehaul through full implementation of Cyclops (Project Cyclops) and introduction of Nostradamus (Project Nostradamus). Hence, we expect the growth momentum to pick up significantly from H2FY26 in a risk-calibrated manner.

In the backdrop of existing market conditions, we expect NIMs + Fees to trend in the range of 10% to 10.5% as yield changes made in FY25 reflect in the ongoing book mix realignment.

This year we will also be focusing on building opex efficiencies in our collections and credit administration verticals which will be a by-product of Cyclops (Project Cyclops) implementation. We also will focus on augmenting productivity of our sales channels through a concerted exercise, including the deployment of multi-product

Sampoorna branches. Operating expenses are expected to trend along the same lines as FY25 as LTF continues its investment in guided core technology related initiatives.

As the asset book subsequently underwritten by Project Cyclops and other structural credit policy measures implemented in our various businesses, we expect it to positively start reflecting decline in credit cost between Q3 / Q4 of FY26. This should in turn reflect favourably on the Return on Assets profile, ranging between 2.4% to 2.5% for FY26, with sequential improvement in H2 over H1FY26.

Having guided as above, we remain cautious about the emerging geo-political risks and would like to maintain that the above guidance does not take into account any unforeseen developments.

I would like to end by saying that as always, we remain committed to building a sustainable risk calibrated franchise that leverages technology and deep customer understanding to deliver consistent value to all our stakeholders. I would also like to put on record our heartfelt thanks and deep appreciation to the analyst and investor community for encouraging us through our transformation journey.

I thank you all for a patient hearing. We apologize again for the temporary disruption in between, which was completely out of our control. And the floor is now open to questions.

Moderator:

We will now begin with the question-and-answer session. The first question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

So firstly, on credit cost side, if you can just highlight with respect to the various product segments contributing to the overall credit cost of ₹ 600-odd crores. So last time, maybe MFI was closer to ₹ 160-odd crores. How much is the MFI this quarter? And even on Two-wheeler and consumer loans, you indicated that it will take a couple of quarters to see the full benefit. But how has the behavior been in 4Q on, say, Two-wheelers and consumer loans?

Sachinn Joshi:

Kunal, this is Sachinn here. As you are aware, we really don't give breakup product-wise on the call, but I can broadly give you a trend and it continues to be on the same lines as in the earlier quarters. We had mentioned on the call that, yes, Micro Loan (Rural Group Loans & MFI), of course, is the key business where we are looking at higher credit costs because of the reduction in collection efficiencies. So that is one part where we have also mentioned that we have utilized ₹ 300 crores to take care of that incremental credit cost. But apart from that, we have also seen credit costs emerging out of Farm. Directionally, it is slightly lower compared to the previous quarter. Then we have Two-wheeler and Personal Loan. These are the 3 businesses where we've seen a higher credit cost.

And as we had mentioned on the earlier call, I'm just reiterating that 1 or 2 more quarters and then we should be actually looking at H2, which will be much better in terms of overall credit cost directionally because Project Cyclops implementation on Two-wheeler is completed. In Q3 and Q4, we will start seeing the impact of that because the book will get seasoned. And we are also in the process of implementing it for Farm as we speak, followed by Personal Loans and SME. So directionally, H2 will be better than H1 in terms of the overall credit cost.

Sudipta Roy:

Yes. Kunal, I'd like to add to what Sachinn said. If you refer to Slide 26 of the investor presentation, where we have given the indexed representation of Two-wheeler portfolio bounce. You can see what was at 101%, 100%-

odd or 101% in April'24, the indexed bounce is now at about 85%. So, we see a significant cleanup of the Two-wheeler portfolio in terms of the portfolio metrics, like -- and obviously, the first metric you take into account is the portfolio bounce. And as I had spoken earlier, when we validated our Two-wheeler portfolio credit metrics, especially the ones that are sourced through the Project Cyclops engine through the CIBIL's Credit Vision algorithm. From a high-level perspective, the sort of the portfolio that behaves in a high risk -- a slightly higher-risk fashion in a non-Cyclops legacy portfolio was about 11%, which has currently dropped to a level of about 3% or 3% or 4%-odd when we underwrite it through the Project Cyclops portfolio. So that is giving us much, much better headline credit metrics. And obviously, our prime share in Two-wheeler disbursements is up to 82%.

Now if you look at Slide 27, our Farm Equipment, again, the net nonstarters (NNS), which is the first EMI bounce, from an index of 159%, which was in April'24, is down to 38%. That means if you had 1,000 customers, 159 customers out of the 1,000 customers sort of bounced their cheques. Currently, we have only 38 customers who bounce their cheques.

So basically, from 159 to 38, the journey in the Farm business has actually sort of given us a lot of leeway to sort of ramp up disbursements in a credit calibrated fashion. In our Personal Loans business, we continue to operate on the prime and near prime segments, especially the entire disbursement that is coming through our large partners, which is predominantly CRED, PhonePe as well as Amazon continues to be absolute prime customer, prime salaried customers.

Our DSA channel operates on prime salaried customers. And we have seen a significant downward trend in sort of the through-the-door risk metrics, in our Personal Loans business as well. So as I maintained, as Cyclops (Project Cyclops) gets implemented, now it's getting implemented in the Farm business, it is getting implemented in the Personal Loans business this quarter and the SME business next quarter, as all of them get implemented and the overall portfolio quality becomes -- origination becomes far more cleaner and because of the much tighter credit metrics followed over the last 12 months across all lines of business, we expect a very normalized credit cost trajectory in H2FY26.

In H1FY26, there might be some residual impact from the flows that we have seen in FY25 from our RBF business. But we -- as I said, barring Karnataka, we saw a collection efficiency of 99.6% plus for rest of India. So, our -- I would say our Micro Loans (Rural Group Loans and MFI) business is also very strongly moving towards normalcy. And we expect a very normal BAU H2FY26, of which H1 and during H1FY26 with every passing quarter, you will see significant milestones for improvement in that as well.

Kunal Shah:

Sure. And the second question is on NIM plus fee. So obviously, you indicated that there was some impact of refund on the interest policy, which was there post the regulatory direction. But otherwise, maybe would there be further pressure as we look to maybe at least on the MFI side that portfolio would be coming off. So, could there be further risk to this NIM plus fee or maybe you are confident of the guidance of 10% to 10.5%?

Sachinn Joshi:

I think 10% to 10.5% guidance we stick to. We already gave clarification on what was the incremental one-time impact, which will go off. And as the disbursements in the Micro Loan (Rural Group Loans and MFI) fees start growing, as things come back to normalcy, you will start seeing that -- because it's now a question of change of mix within the retail. So, we have also made a mention that gold loan business acquisition also will happen in early part of quarter 2. That happening, Micro LAP business growing, Personal Loans growing. All these pieces put together, I think we have a fair visibility in terms of maintenance of NIM plus fee in this range. Whatever now this -- the range which has come down to this level, I think from the point of view of RoA tree, the positive impact will have to start flowing from the operating expenses, efficiencies that we need to bring in and the credit cost.

So, the overall RoA impact on the -- in the positive direction will happen more from operating expenses, the efficiencies we build in because the -- as Sudipta mentioned, we're also moving towards prime. So that would mean that anyways directionally, the NIM plus fee would remain in this tight range of 10% to 10.5%.

Sudipta Roy:

Yes. One of the things which is not always visible is that sometimes the cost of credit is also -- there's an invisible iceberg of credit administration cost that lies below the cost of credit. Now as the portfolio continues to clean up because we have taken significant efforts in FY25 in building those credit frameworks that sort of builds a very robust credit calibrated portfolio, we expect sort of some cessation in our credit administration cost also, as we move over FY26. And it will start getting visible as I have continuously maintained in H2FY26.

In terms of our growth momentum, to answer your question, I do believe that we have seen the bottoming out of the RBF business industry crisis. And as I mentioned in the call, I do believe that the impact from the implementation of MFIN 2.0 guardrails will be limited, especially for us because the number of leveraged customers that we have in LTF plus 2 segments is quite minimal now going forward. And we see the Rural Business Finance, especially the microfinance business gaining its disbursement momentum on the back of good monsoons as well as a good estimated good kharif crop this year as well. So again, we expect us to sort of get to normality by the beginning of the festive season of FY26.

We are also focusing on our high-yield secured businesses like Micro LAP, the integration of the gold loan business with 131 branches and we intend to sort of deploy another close to 100 to 150 branches depending upon how fast we can do it, over the period of FY26, we'll also add another high-yield secured portfolio to our entire disbursement mix.

Our personal loans business continues to grow strongly. You have seen that we have grown our personal loans business over 98% on a full year basis and about 42% on a quarter-on-quarter basis. Our big tech partnerships along with Amazon, PhonePe and CRED continue to scale. And we will add a couple of more other large big tech partners this quarter. So obviously, the funnel that is coming from these partners are mostly prime and near prime customers with a reasonable cost of acquisition and a very, very predictable risk cost profile at acceptable yields.

So overall, I expect the disbursement momentum in the Two-wheeler business. In the Home Loans business, obviously, we will take a calibrated view in the Home Loans business, moving more towards Loan Against Property and probably sort of tempering down the sort of the Home Loan disbursement process just to balance out the yields. So -- and overall, on the cost of funds side, also, we expect more or less a stable sort of weighted average cost of borrowing as compared to this quarter, at least being there for the next 2 quarters. And as the sort of the RBI rate cuts, we expect another 2 rate cuts to come on. And as that monetary policy transmission starts happening and if we get some movement in the cost of funds towards H2FY26, that will be anyway accretive towards our RoA profile. So we are -- in a nutshell to summarize, we are more or less confident of the guided RoA profile. Obviously, the caveat is that we are not sort of factoring in any cessation or disruption due to any emerging geopolitical risk, that is an entirely -- that is something for which we cannot forecast as of now. Things remaining normal at BAU levels, we remain -- we are reasonably confident of the outcomes that we have talked about in the call.

Moderator:

Next question is from the line of Rahul Jain from Goldman Sachs.

Rahul Jain:

I actually had two, three questions. The first one to start with is, can you just help us understand of this credit cost of 2.5% in this quarter or 3.8%, including the buffer. If you were to break it down between MFI and non-MFI that will be useful color to get.

Second is on a similar note, we see disbursal within the rural book across the board kind of declining. So, is this because of the change in business structure that we are doing, i.e., moving up the consumer cohort or you're generally cautious on the -- on some of these segments, for example, Two-wheeler disbursals are also down?

And third, sorry, I'm asking all these questions in one go, but there is MFI linkage. That's why I'm asking all these questions. Third is MFI, there's now back-to-back new states who are joining the chorus of putting out the ordinance. And there is a Central Government bill also that was put up for the public comments called as BULA, Banning of Unauthorized Lending Activities. So, if that gets also implemented, then what kind of an impact do you see for MFI? Do you see that if these things keep coming through, would you still focus on growing MFI? And how are you going to run the business in this volatile environment from the government side? So, these three questions, yes. Thank you.

Sudipta Roy:

Yes. So, Rahul, I'll answer the -- probably the last question first. I think again, the Tamil Nadu sort of bill, I think, as I said in my call, I think it's a more broader scope than MFI-only scope. And what it does is that it is probably aimed at restricting unregulated lending and also unregulated digital lending as well. So it impacts -- again, we have to see that what is the final statutes that finally get passed. But again, I do believe that while we have seen in Karnataka, this is probably a transitory impact, 3-4 months impact that we can see as we are seeing in Karnataka. In Karnataka, we saw the impact in February. But after February, with every passing month, our collections efficiency started improving by about 50-60 basis points every month. So, as I said, we expect Karnataka to reach -- get back to normal by end of Q1FY26. Tamil Nadu, as I said in the call, our collection efficiency is at 99.6%. And given the experience that we saw in Karnataka, I'm very, very hopeful and very, very confident that the industry will be very, very proactive in with dealing any fallout, having sort of learned from the Karnataka experience.

Rahul Jain:

That's helpful. Just on that point, so in that transitory phase, would you look to press the pedal again? Or you will wait to see how the response comes from the customer side?

Sudipta Roy:

So see, Rahul, again, during the period, if you look at our MFI disbursements between Q3FY25 and Q4FY25. Q4FY25, we had Karnataka. But in quarter 3, we did ₹ 4,462 crores of disbursement in RGL & MFI. In RBF, we did ₹ 4,965 crores of disbursement in quarter 4. So actually, on a sequential basis, our RBF disbursements have grown. And as we speak, we intend to maintain -- we intend to maintain a risk-calibrated trajectory. That means non-leveraged customers are customers who are exclusive to LTF or customers that have only LTF plus 1 and we assume that they are non-leveraged and non-credit hungry, we will maintain business as usual as well as I have said that we are expanding into Assam, we are expanding into Western UP, we're expanding into Rajasthan.

So, if there is a small squeeze in some part of the country, we have an enormously large franchise to compensate for that squeeze in other parts as well. And the fact is that in the other parts, the collection efficiencies are almost back to normal. As I said, barring Karnataka, our collection efficiency pan-India is at about 99.6%. So, I'm being very, very honest. Though the Tamil Nadu development is obviously concerning, we probably will not lose sleep over it because it is something that we have seen in Karnataka. We have seen the rapid improvement in collection efficiency that happened. And I believe that the impact probably will be not as widespread as we saw in Karnataka because this is not only MFI-only, but this is targeted at the entire digital lending universe. And obviously, RBI entities are exempt from it. So again, to go to the first part of your question, I probably don't fully agree with the statement that we are tempering our disbursements in our rural entities, rural businesses. For example, if you look at our Farm business, our Farm business grew at 16% on a year-on-year basis. Q4 generally is a sluggish quarter for the Farm business on the back of a very robust quarter that they -- see during Diwali. The tractor business, the biggest months, the biggest quarters are quarter 1 and quarter 2. These are the 2 biggest quarters followed by quarter 3. Quarter 4 in tractor is generally sluggish. So you will see on the back of a good monsoon and on the back of price increases that have been announced by most of the tractor OEMs, we are looking forward to a good disbursements in tractors.

On coming to the tempering of our Two-wheeler and I'm glad you asked this question. On the Two-wheeler business, as I told you, we have implemented Cyclops (Project Cyclops) fully for the Two-wheeler business from December 13. That is when all our dealers cut over to Cyclops. Now what Cyclops (Project Cyclops) has done, if you see a legacy non-Cyclops portfolio as per CIBIL's Credit Vision algorithm, a legacy non-Cyclops portfolio tended to have anywhere between 10% to 13% of high-risk customers. Now what we have done is that we saw in Q4, which is in January, February, March, that 10% to 13% high risk -- relatively higher-risk customers have shrunk to 3% whereas the share of the medium risk and the absolutely low-risk customers have actually increased. So what has happened is that this shrinkage of 10% to 13% of high-risk customers to 3% has shaved off about ₹ 100 crores to ₹ 110 crores of our monthly disbursements, leading to a tempering of ₹ 300 crores of disbursements across the quarter. That is the drop that you are seeing, but we are very happy to let it go because this cohort of customers come with anywhere between a projected of 11% to 12% loss rate. So, this, we are very happy to let go. Having said that, now that the entire model has stabilized and we know that from a third-party validation, we know that the entire engine is working well, the entire team is now working to scale up disbursements in prime and near-prime segments in the Two-wheeler segment because we are very, very sure of knowing what we are doing. So this slight decrease in volume of Two-wheeler disbursements is intentional. And you will see the recalibration of this upwards over quarter 1 and quarter 2 FY26. Personal Loans anyway we have said that we are growing very, very strongly. SME finance, we have grown 37% on a year-on-year basis. Our gold loans business will come in, gold loans has been the strongest growth asset class category last year.

So overall, we are very, very confident that FY26 will be a reasonably strong growth year for us, especially in H2. H1, we will still be a little careful because as we see the last tail end of the MFI sort of industry issue. And we are very, very confident that if we have a good monsoon, H2 is going to be a very, very decent half in terms of growth rates.

Rahul Jain:

That's very helpful. Can I just ask one more follow-on question?

Sudipta Roy:

You asked about a question on credit cost. You asked a question of credit cost, sequential credit. So that Sachinn is answering.

Sachinn Joshi:

So, Rahul, on the credit cost, I already responded to Kunal. It's the same question that you have asked. I would just reiterate that as far as credit cost is concerned, this quarter, we have perhaps seen the worst as far as Micro Loans (Rural Group Loans and MFI) is concerned. And that's why we also utilized that ₹ 300 crores. This quarter was also the -- it was -- we were in fourth quarter and it was time for us to revisit our ECL models. And hence, I would like to go and go public with the statement that vis-a-vis previous quarters, we had mentioned that we will have 3 to 4 quarters of higher delinquency levels in Farm, Two-wheeler and Personal Loans. This quarter, we have seen that Farm, the credit costs have stabilized and actually have gone down a bit. On the Personal Loans, they have stabilized at the previous quarter level. And in Two-wheeler, we will still need 2 more quarters to actually come to the normalcy.

And hence, we mentioned that because 52% of the overall book now is prime. Next 2 more quarters, and we will be out of the slightly higher level of credit cost on the Two-wheeler piece. So, taking these into account...

Rahul Jain:

I purposely asked this question because I recall you had given an estimate of about ₹ 1,000 crores of loan losses for the MFI portfolio in fiscal'25. So, did we stay within that? Would you want to give some more colour?

Sachinn Joshi:

Yes, yes. So our overall credit cost is well within the ₹ 1,000 crores that we had stated when we had also met up on the Digital Day. We have stuck to that number. And we believe that, in fact, this was perhaps the worst. Of course, Tamil Nadu already Sudipta mentioned about, but looking at our Karnataka experience, we don't really see any major impact coming out of it, which will worsen our situation compared to Q4.

Rahul Jain:

Very helpful. Sorry for stretching and adding one more question, if you may. What is the normalized credit cost, Sudipta, you're looking at as a result of Cyclops and MFI being -- you're calling fiscal'25 being the worst year for MFI. What kind of normalized credit cost that we can look at in 2H of this year? And also, I think aside, at what stage you start to see benefits of Cyclops coming through in terms of the scale and the operating leverage that the company might start to derive?

Sudipta Roy:

Yes. So, Rahul, first thing is that we're not doing Cyclops (Project Cyclops) on MFI (Rural Group Loans and MFI), we are doing Cyclops (Project Cyclops) on all other businesses because MFI (Rural Group Loans and MFI), the digital footprint is very low for the customers. So, it's difficult for the machine to work. But overall, for the year, we are looking anywhere between 2.3% to 2.5% of credit cost outlook. And next year, as most of the sort of initiatives that we are doing because Nostradamus (Project Nostradamus) is yet to come, will be in Q2, September FY26 is when it goes live, the automated portfolio management engine, we are looking at about 2% steady-state credit cost going forward. So that is what our target is.

Rahul Jain:

That's including the -- any further rundown in the macro prudential, 2.3 to 2.5 % credit cost?

Sachinn Joshi:

So, it will be -- Rahul, it will be more directionally towards 2.3 because we -- if there is any utilization required. We continue with ₹ 575 crores. We will have to see how quickly -- we are at 99.64% (CE) if you exclude Karnataka. So we are very close to normalcy if you exclude Karnataka. We will see what comes out of the TN bill. And without taking into account anything on Tamil Nadu because it's just come out, we are looking more towards 2.3% and taking into account if there is anything incremental which comes in terms of roll forwards because you still are away from about 30-35 basis points, from 100%. So that 30-35 basis points roll forwards, which will happen will have to be dealt with in some way. Part of it will be taken through the macro prudential provisions if need be and the balance will be the normal credit cost. So that's how it will be.

Sudipta Roy:

So Rahul, here I will add to what Sachinn said and delving on my experience over 25 years in this business in sort of our lending businesses. What happens is that typically after a credit cycle, when a credit cycle starts, lenders push upwards the credit lending guardrails. And typically, a credit cycle mostly in unsecured takes a period of anywhere between 9 to 15 months to run through. And during this process, the lenders take upwards their credit guardrails. So, what happens is that after a credit cycle runs through, you actually have a period of lower than normal credit costs because during the period, you have taken your guardrails up and the bad portfolio washes off. So suddenly, for a period of 12 to 15 months you have, where you have lower than normal credit cost, till credit cost again picks up and normalizes. So, this industry will go through the same trajectory as well. So that is why we are reasonably confident of what we are guiding. Obviously, our caveat is that any geopolitical fallouts, any geopolitical, we just not factored that into this.

Moderator:

Next question is from the line of Nischint Chawathe from Kotak.

Nischint Chawathe:

Just curious why was there some slowdown in the urban businesses, I believe, in the home loans and LAP.

Sudipta Roy:

Home loan and LAP, we haven't had a slowdown.

Nischint Chawathe:

And disbursements are down over the year.

Sudipta Roy:

No, no, no. See, Nischint, what happened was that we had ₹ 800 crores of disbursed cheques, which we couldn't -- which the customers had not banked. And the new RBI guideline says is that you onboard the loan on system, only when the cheque gets banked. So basically, ₹ 800 crores of unbanked cheques -- disbursement unbanked cheques were not included in this quarter's disbursement.

Nischint Chawathe:

Okay. So there is no slowdown per se is what we're trying to say?

Sudipta Roy:

No, there's no slowdown. See, what has happened is this is the first quarter that this has come into being. Now what will happen is that now this will become a quarterly relay race. Now this ₹ 800 crores will move to next quarter. Next quarter, we will have some flow over to the next quarter. So, this will happen. So, for the first quarter, we took a hit this quarter.

Sachinn Joshi:

It's sort of onetime impact actually.

Sudipta Roy:

It's a one-time impact.

Nischint Chawathe:

I got it.

Sudipta Roy:

There is no slowdown.

Nischint Chawathe:

Got it. Have you called out the -- sorry, the second question is, have you called out the portfolio in Tamil Nadu in Micro Loans (Rural Group Loans and MFI)?

Sudipta Roy:

Called out in the sense that what is the portfolio size we have.

Nischint Chawathe:

That's right.

Sudipta Roy:

The portfolio size in Tamil Nadu is about, ₹ 6,000 crores we have is our portfolio size in Tamil Nadu, right. So -- and our collection efficiency continues to be 99.6% plus. So, that's our portfolio.

Nischint Chawathe:

Yes. Sure. Third question -- small question. In the farm business, you said that we had a higher credit cost. But if I look at the industry trend and I think even your delinquency trend, it sort of seems to suggest that farm actually had a good quarter, and I guess that's a consistent trend across players.

Sachinn Joshi:

Nischint, I mentioned that this quarter, Farm has actually improved. So, Farm has improved compared to the previous quarter. The Personal Loans has been about the same, which means it has stabilized. And Two-wheeler has been -- Two-wheeler, we need a couple of more quarters to get out of this.

Nischint Chawathe:

Sure. And one final question in terms of..

Sudipta Roy:

I would like to put on record that our Farm credit metrics have been cleaning with every passing quarter. The metrics are looking good. We have -- we are anyway in terms of when we look at the industry representation, our industry representation, our Farm credit cost is, I think, is about 85% of which slide, 87%. It's about 87%. And if you look at Slide 27, our Farm net nonstarter (NNS) rates are like at an index basis, what it was on April'24, it is at 38% of that. So, our Farm business have been rapidly cleaning up in terms of their credit metrics with every passing quarter. In fact, we are very, very confident about this business right now. And the structural readjustments that we had to do, both from a sales perspective, from a collection perspective and from a credit perspective, we have done, it's finished, and it has started delivering results. So, if we have a good monsoon this year, which is projected, I think the Farm business will do very, very well this year.

Nischint Chawathe:

That's good. And just finally, going forward, in FY27, what kind of growth rate are we really looking at microfinance business? Is it going to be higher than the industry -- sorry, company level growth? Or would you want to kind of -- from a risk management point of view, keep it at a lower level?

Sudipta Roy:

Nischint, the question is for FY27 or FY26?

Nischint Chawathe:

That's right in FY27.

Sachinn Joshi:

In FY27.

Nischint Chawathe:

FY27 yes. Structurally, how do we see growth in this business, yes?

Sudipta Roy:

See, Nischint, what we have guided is that we will grow between 20% to 25% overall as an organization basis. That is what we will grow at. Now, some businesses might grow at 30%; some businesses might grow a little slower. Overall, I believe the safe speed for the growth of the MFI business is, somewhere between 15% to 20% is the safe speed. Because you try to grow at any speed more than that, you end up with asset quality issues, etc, which I'm sure many of our competitors would have realized by now, and the industry will settle to such growth rates. So, I see in FY27 anywhere between a 15% to 20% growth rate for the MFI industry. Some might grow much -- on a lower base might grow faster. Some -- we are very large. So for us to maintain that growth rate is a task in itself. So, we will try to achieve those growth rates in FY27. But I think the FY27, the growth rate that we'll get in FY27 will in general be visible from end of -- from H2FY26. Q4FY26 will be generally indicative of the growth rates that will be achieved towards FY27. Again, for our business, rainfall becomes a major criteria. So again, that remains the joker in the pack. So that is -- that caveat notwithstanding, I do believe a very, very normal year in FY27 as well.

Nischint Chawathe:

But directionally, we seem to be kind of moving a little bit more skewed towards urban businesses than rural. I think that's my like broad reading.

Sudipta Roy:

True in the sense that the share of urban businesses have grown primarily because we have tempered disbursements in the Rural Business Finance business. And also -- but the fact is that if you see the gold loan business when it comes in and because we have -- our MFI (Rural Group Loan & MFI) customers have borrowed ₹ 15,000 crores worth of gold loans, suddenly you might see the rural component of the gold loan might suddenly become quite large. And the Micro LAP business, which is primarily semi-urban rural also might start growing. So, it will continue sort of calibrated in calibrated ratios. We are very, very clear. We are not seeking a particular urban rural split or etc., we are not seeking it. What we are seeking is risk-calibrated growth. And wherever risk-calibrated growth is available, whether be it urban or rural, we'll chase that.

Moderator:

Next question is from the line of Harshit Toshniwal from Premji Invest.

Harshit Toshniwal:

Sir, the question was on the tie-ups with Amazon, PhonePe, etc, for the Personal Loan sourcing. Now if you can give some -- because I think when we look at the different players, people have struggled to grow this book and maintain the credit cost simultaneously. I agree to your point that we are very focused on the prime segment customer itself. But if you can also guide some color on the arrangement that like who bears the credit cost, the kind of cost of sourcing this business? Is there a sharing in the credit cost, etc.? And some more colour on the nature of the business on those personal loan sourcing?

Sudipta Roy:

Yes. So, I'll give a color to the extent I can. So, this is a multiyear arrangement, where most of these partners act as origination partners. There is no sharing of credit costs.

Harshit Toshniwal:

Sorry, pardon.

Sudipta Roy:

Over the one that we do.

Harshit Toshniwal:

Sorry, I missed the last line.

Sudipta Roy:

There is no sharing of credit costs. The one on -- with CRED is on a co-lending model with 90-10 co-lending model. The one with PhonePe and Amazon is only purely origination basis. So, the way we do this is that we have a strong customer profile in mind and the target risk cost in mind. What we do is that we overlay this customer profile, and we have -- that is the science that we do. We have certain metrics or certain, what I call, signals, which are available for these customer types. And when this is overlaid on their customer basis, they come up with a set of target customers. And then those customers are targeted through their digital platforms, which obviously goes through the conversion funnel through us. Just to give you some sense, our average ticket sizes for this is about ₹ 2.5 lakhs odd. Our average yields are close to 16% on this platform and our average processing fees range anywhere between 1.5% to 2% depending upon the platform. As of now, we have done about close to ₹ 600 crores of disbursements. And if you see the scale-up between January, January, we did ₹ 99 crores and we did ₹ 215 crores odd in the month of March. So, you can see that in 3 months, the volumes have doubled in this platform. In fact, we can do more, we are going slow because we want to be absolutely risk calibrated. So, what we do is that once the origination comes in, we look at what's the risk, what are the gross nonstarters, what are the net nonstarters. And I'm happy to sort of inform you that the net nonstarters in the portfolio generated so far is close to nil because we maintain a very, very close watch on the quality that we are onboarding. Having said that, we will be -- and this is -- please understand that still we have not implemented Cyclops (Project Cyclops) on top of this. Cyclops (Project Cyclops) is going to get implemented on the Personal Loans portfolio this quarter. And we have seen the scorecard and how they are working. So, we are deeply optimistic about this. And last but not the least, having -- I in my previous stint -- have worked with Amazon for 5 years. So I have a deep understanding of the nature of the portfolio and what works and what doesn't work. So, we are very, very confident of scaling up in a very risk-calibrated fashion and taking wind in our sales from the distribution power of these massive platforms. Correspondingly, what we also want to do is that as this platform scale up in a risk-calibrated fashion in the prime segment, we will also temper our disbursements in the other segments, where we might not have a favorable risk reward. And we are -- the ultimate goal is that in our Personal Loans business, we want to mirror a private sector bank's personal loans business, which is largely salaried and very high income self-employed. So, between this. We really do not want to play in the STPL segment. We really do not want to -- because what happens is that in a credit event, the losses from these segments become unmanageable. So -- and that is the philosophy of LTF overall. We want to move to a very predictable risk cost regime because what people -- what is not visible to people is that when things start tanking, they not only tank on the credit cost side, they also tank on the opex side, which is normally not visible because your cost of credit administration is equal, if not more than your credit cost. So, the hidden icebergs are always not visible. So obviously, our focus is to make sure that we build a very, very -- to use the word, a bulletproof portfolio in terms of credit cost over a period of time.

Harshit Toshniwal:

Got it. Sir, just two questions there. One is the yield, which you mentioned, 16% and maybe some processing fees, if I just add all then it's like 17%-18% yielding books. And so, if you can also that for the customer segment, which we are trying, I mean, is this -- how are we being able to manage this yield? And the second is that, is the tenure of the product very small, which is what allows us to maintain that yield? Or how should we look at this part?

Sudipta Roy:

No. See, two things. The tenure of the product has averaged 28 months, if my memory serves me right. So, 28 months to 30 months. So these are prime personal loans. So, you have to understand two things. Customers like journeys, which are less friction so it has to be well-oiled journeys. The beauty of working with these platforms is that you are able to build very intuitive journeys, where most of the heavy lifting on credit underwriting has been done previously and the customer has just to go through the KYC hoop to get the loan. So typically, the speed of disbursements have -- the customer has a premium -- pays a premium of about anywhere between 100 basis points to 150 basis points in terms of rate on a trade-off of speed of disbursements. So typically, you will see that digital channels, if administered well, tend to get anywhere between 100 basis points to 150 basis points yield of the same customer if you were to come through a physical channel, where he has the wherewithal to negotiate with the DSA, etc, and all that stuff. So we are able to maintain the yields. As of now, we are able to maintain the yield, and we are able to maintain it quite tightly. And the opex on these channels are also quite low because, obviously, we do not have any sales force deployed, and we have a reasonable origination cost agreed with some of the channels, some of these partners.

Moderator:

Harshit, I request to come back for a follow-up question, please. Next question is from the line of Shweta from Elara Capital.

Shweta Daptardar:

I'm referring to Slides 16 and 17 of the presentation. Sir, you partially answered to the previous participant. But I was looking at personal loans to existing customers. Now in a challenging year of FY25, where people have been -- where most of the players have been focusing on or curtailing NTC customer cohort, we are seeing this consistent decline in existing customer profile penetration. Also, you mentioned that a lot of leverage operational efficiency benefits will flow through fintech partnerships. But again, most of your peers have been scaling down the fintech partnerships, especially on the personal loans front. And from the similar slide, so while you categorically called out risk in MFI segment, even in your opening remarks and also especially with guardrails in order, then why rural group loans and MFI businesses have exhibited substantial surge in new customer acquisition. I mean, especially when you also mentioned that implementation of Cyclops (Project Cyclops) is sort of not feasible in this particular customer profile and naturally so. So yes, these are the 2 questions.

Sudipta Roy:

Yes. So, thanks, Shweta, for the question. I'll answer your first question, why Personal Loans in Slide 17 has gone down from 49% to 40%. So, in a percentage sense, it has gone down. In the absolute amount, it has not gone down because what has happened is that the acquisition of new to organization customer from some of our digital channels has gone up. So, from a percentage point, it has come down. So that is the reason for this. So basically, it's just a denominator effect, where it has gone down. So -- but the quantum of disbursements in terms of actual value of disbursements has actually not gone down. So that's the first answer to that question. The second -- and again, to answer your question, why we are doing NTC when others are scaling up NTC and fintech partnerships, etc. So the fact is that we are -- see -- we are very, very clear that our target segment, we do first things. We don't do STPL. Our average ticket size on Personal Loans even through all our partners is above ₹ 2 lakhs. Average is about ₹ 2.5 lakhs, with a 28 month to 30 month tenure. So we really do not do the small STPL personal loans. We don't do that. And the second thing is that if you see, look many of our partners, for example, Amazon, we are the only provider. And the fact is that in Amazon also, we are very, very clear that we go above the absolutely pristine customers. And given the fact that -- and the fact is that -- we really do not do any new to credit customers. We do new to LTF customers, but most of those customers have a significant bureau track, and we are able to underwrite them vis-a-vis a significant bureau track and with Cyclops (Project Cyclops), we're not only using the bureau track, we'll be using the entire alternate data track to underwrite them. So we are very, very confident of what we are doing. We cannot comment on what others are doing or what has been the experience of others. As I said, we have done about almost close to ₹ 600 crores of origination in our large partners over the last 4 months, and the delinquencies are close to NIL. So we are very, very certain of what we are doing, and we know what exactly we are doing. In terms of the RBF customers, as I said, one of our objectives is that when the entire industry is going through an asset quality issue, one obviously -- is that one obviously has to look at non-leveraged customers. Because if you look at most of our competitors, especially in the microfinance industry, their book sizes have shrunk over last year. We are probably one of the -- maybe as per information available with me, we are probably the only player whose book size has grown by about 6% on a full year basis, in the Microfinance business (Rural Group Loans and MFI). So, we have to go to segments, where we get non-leveraged customers. So that is why our new village coverage, we have increased by about 25% on a quarter-on-quarter basis. Because if we do not go granular into distribution, we will not get the new non-leveraged customers. And anyway, we are expanding our funnel into, our hitherto non-distributed areas like Western UP and Rajasthan. So -- but -- and there is no deviation from our core underwriting philosophy and the core guardrails that we have been following in the RBF business since 2022. So, we are actually not really deviating from anything. We are just making our distribution more granular and more sharper in search of non-leveraged customers. And if we get non-leveraged customers that pass through a credit guardrails, we will do that business. We will not shy away from that business because finally, we have to deliver growth. We cannot suddenly say that we shut this business, and we run away. We cannot do that. Within a difficult circumstances, we have to operate. We have to look at opportunities of growth within difficult circumstances, and that's exactly what we have done.

Sachinn Joshi:

Just in terms of numbers, Shweta, we have 2.9 lakh new customers, and the addition has happened from new markets. This is Western UP, Maharashtra, Andhra Pradesh and Telangana. The total amount of disbursements here is ₹ 1,112 crores. So clearly, these are all low leverage customers, and we will not lose this opportunity. In fact, after being the best in the industry, it doesn't make sense for us to just keep worrying about we identify the right set of customers and actually go ahead in the place. In fact, this is going to be one of the key advantage for good players, who have been the least impacted. We will be able to buck the trend and actually get up and grow faster. Because the opportunity for good players will be much higher, competition will be very low going forward.

Sudipta Roy:

In fact, I would like to add to what Sachinn said, our AP (Andhra Pradesh) and Telangana collection efficiency is 100%.

Moderator:

Next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal:

Just one clarification. You spoke about the SR book in your opening remarks, which has declined by almost ₹ 900 crores from March to March. Two things I wanted to understand. One is, I mean, in bringing down this book, what is the hit that we had to take? And out of this residual ₹ 5,900 Cr of net SRs that we have on the balance sheet, over what time period will this run down? And what is the impact that is expected? When I say impact, I am trying to understand both the things, either it could be a P&L drag or you are actually expecting recoveries from this SR book, please help us with that as well?

Sachinn Joshi:

Yes. Sachinn here. So first thing is, yes, this quarter, we have -- this quarter on a year-on-year basis, we have seen a reduction. And the overall reduction actually for the year is about ₹ 900-odd crores. The -- your question was on whether it will have any impact. See, this -- our average balance is about ₹ 5,800 crores -- yes, ₹ 5,800 crores is net carrying value on the book, which is covered about 58%-59%. So, it is sufficiently provided. Now this money is stuck. The resolutions will happen. We don't expect any significant resolutions happening in FY26. But FY27 and FY28, we will see a lot of reduction, which will release capital and hence the impact on the interest cost because there is an interest cost element sitting over there, at least 30 basis points to 40 basis points is the cost, which will actually come down, as the full book starts getting released. We have also seen our wholesale book coming down from about ₹ 5,500 crores to ₹ 2,500 crores year-on-year basis. That also is releasing capital. So yes, wholesale book now is the issues that we used to have, they are coming down significantly. And I think it will -- only as the resolution start happening, we should -- as mentioned in the earlier calls also, there should be some good news also coming up in FY27, FY28 in terms of release of some provisions.

Abhijit Tibrewal:

Got it, sir. And sir, just one more clarification. Earlier during the call, a couple of times when we guided for credit cost of 2.3% to 2.4%, what kind of macro prudential provision utilization are factoring in for the MFI business.

Sachinn Joshi:

Yes. That -- sorry, can you repeat the question.

Abhijit Tibrewal:

Sir, I'm saying earlier in the call when we guided for 2.3% to 2.4% of credit costs in FY26, what is the quantum of macro prudential provision utilization from the MFI business that we are factoring in?

Sachinn Joshi:

See, we have not -- actually, we have to wait for how things pan out. There is no point in making an assumption. Once the Karnataka collection efficiencies come back to some kind of normalcy, we will be having better visibility. And we have also now to look at Tamil Nadu. But all I can give you in terms of assurance is ₹ 575 crores is much more than what we may actually end up needing. So, we -- from your point of view, in terms of modeling, you can safely assume that 2.3-2.4, whatever is the credit cost -- it will not come and hit the P&L.

Abhijit Tibrewal:

Got it. Got it. And lastly, so whatever impact that we saw in Karnataka in the month of February, they will actually start hitting the P&L sometime in the first and the second quarter, if at all there is some disruption in Tamil Nadu. Suffice is to say that whatever we see in 1Q will actually hit the P&L of the microfinance business in 2Q and 3Q.

Sudipta Roy:

No, I would like to clarify this. The Karnataka sluggishness in collection efficiency was not because of leverage issue or not -- was not because of customers did not have money. It was because customers had a clarity issue. Customers were confused about whether the regulation is applicable to them or not. There will -- collections will happen in the Karnataka business, but they will come with a delay. So it might be possible that there -- some portion might flow, but they will come with a back-ended strong recovery. This is what our belief is. And that is why your collection efficiency, if you see, is improving by 50 basis points to 60 basis points with every passing month in Karnataka. I believe -- and this is -- I believe that the Tamil Nadu impact will not be as widespread or as problematic as the Karnataka impact because if you look at Karnataka, Karnataka already had trouble brewing in this industry before the legislation came in. It is because of the trouble that the legislation came in. We had serious issues in Gulbarga. We had serious issues in the part of North-western Karnataka. There was already some issues that was visible. In Tamil Nadu, as of now, there is no major issue in any district or in a sub administrative area. But there can be -- we are not denying the fact that there can be some impact. But given the fact that the guideline has a far more, wider scope as whatever the preliminary reading understand, obviously, it's evolving, so you have to understand it much more fully. So we will have to -- we -- it is my belief that probably we'll have a much more smoother landing in Tamil Nadu than what we saw in Karnataka. Sachinn wants to add something.

Sachinn Joshi:

Just to add, I'm just referring to the bill, the draft, which has come. It is actually mentioned that this act shall apply to all money lending institutions, except banks, non-banking financial institutions registered with RBI. That is point number one. Number two is by way of limitation, the categories of this act relating to compulsory action against the borrower shall apply to banks, NBFCs registered with RBI. Now this part is, I believe, clarification is being sought by MFIN because this compulsory action has not been defined in the bill. So that's where we stand at this point of time. But in terms of behaviour of customers and all, Sudipta already mentioned how we expect. And this being the second state, I think better sense will prevail because they have -- the customers also realize that non-payment would mean that the bureau scores worsen and then there is a challenge when they want to seek finances going forward.

Moderator:

Next question is from the line of Avinash Singh from Emkay Global.

Avinash Singh:

Sir, just a question again on the securitization part. So I mean, you started with ₹ 6,700-odd crores, ended at ₹ 5,800 crores. So if you can help with the sort of the flow because if I see in the year, about ₹ 776 crores of 8 loans you have sold to ARC. So some bit of that SRs would have got added. So what was the quantum of existing SR that got resolved during the year? And on this -- that NPA sales, I mean, could you help with the kind of underlying assets, of course, it looks from the wholesale book? Because the reason why I'm asking the net book value of these loans were ₹ 550-odd crores, whereas the consideration for the sale to ARC is some ₹ 833-odd crores. So I mean, that is where, again, I'm getting a bit confused that, okay, what kind of loans were there? I mean, that you're getting kind of a transfer at a higher than book value?

Sachinn Joshi:

So the net SRs, as they stood on 31st March'24 were about ₹ 6,800 crores. And what has actually got resolved on a net basis is about ₹ 900-odd crores, okay? So that's how we have this ₹ 5,900 crores coming.

Avinash Singh:

No, no, sir. But in the year, you had addition and this addition because you have some 8 loans sold to ARC. So of course, this -- there would have been addition. So that's why I wanted to know that like from the existing book, how much got resolved and what sort of amount you received? And the addition for these 8 accounts, I wanted some more colour because when I see in the disclosure, these have been sold to ARC at a value much higher than the net book value of loans. So that I wanted some more colour on what sort of..

Sachinn Joshi:

So in terms of gross value, about ₹ 1,350 crores is what got resolved and the net SRs, which have got added is about ₹ 400-odd crores. That's how the net amount of ₹ 500 crores comes. So resolution has been much higher. I mean, if that's what your question is.

Avinash Singh:

Yes, yes. And this was -- around this sale to ARC that happened at a much higher value than your net book value. So what was the sort of underlying reason behind that?

Sachinn Joshi:

Yes, there was just one asset, which I just gave you the number. The number is too small compared to the resolutions, resolutions of ₹ 1,400 crores and addition of about ₹ 400. So that's right.

Moderator:

Next question is from the line of Zhixuan Gao from Schonfeld.

Zhixuan Gao:

My first question is on the growth outlook. So for Two-wheeler and MFI for FY26, what kind of rough range of growth should we look at?

Sudipta Roy:

MFI for growth for -- you want for only MFI for FY26.

Zhixuan Gao:

Yes, MFI and Two-wheeler. I just want to understand what kind of growth should we expect.

Sudipta Roy:

MFI for FY26, we have to see how Q1 goes. But we think in MFI in FY26, we'll end up with a growth somewhere between 10% to 15% growth for the full year is what we are hopeful as of now, between a 10% to 15% growth. And for the Two-wheeler business, we are hopeful of a growth between 15% to 20% is what we are hopeful of on the Two-wheeler business.

Zhixuan Gao:

Got it, sir. And I just want to reconcile that with our NIM plus fee guidance, right? Because these 2 are the higher-yield products, and we are guiding overall growth of 20%, so there's still a negative mix happening in FY26, plus within Two-wheeler, your disbursement prime is 82%. And if I'm not wrong, you're saying that on the book mix is about 50% prime. So what are the levers to prevent our NIM plus fee to further fall or offset this negative mix in FY'26?

Sudipta Roy:

See, we are -- obviously, we'll be scaling up of our gold loans business. So our gold loan business is coming in. As you know, gold loan business is a very high yield secured product. We'll be scaling up of our Micro LAP business as well, which is also a high yield secured product. Our Personal Loans business will scale up. Our Personal Loans average yields between the DSA and is -- DSA and the large partnerships is upwards of 17%.

So the Personal Loans business will also be scaling up. And throughout the year, we'll also be working on certain fee-generating initiatives. We'll be starting working on fee generation -- generating initiatives. As of now, you know, I would not like to elaborate on that. And as and when we are ready, we would like to elaborate on that. So overall, we expect that -- and again, the 10% to 15% growth rate that we have guided on MFI, etc, is obviously on a conservative basis because we are very, very -- we do not want to grow that business at a level, which is far, far higher than what is sustainable and again, adds into a lot of leverage. And then the Two-wheeler business, we are very confident of growth provided the segment -- the industry also grows strongly. For example, if we see a very strong growth of the industry in FY26, I'm sure there's a 15% to 20% that we can guide it, can be more. But however, right now, we would like to guide at about 15% to 20% growth in there, in our Two-wheeler business. And again, we have certain fee-generating initiatives, which we have in store that we'll be working on for the year.

Overall, I do believe, and as Sachinn has guided, through a mix of high yield secured products, through a mix of our existing growth products as well as a little of tempering down of our Home Loan disbursements and focusing more on LAP, as well as some space that we might get from the 2 rate cuts that we might come in will help us sort of maintain the NIMs and fees in the guided range.

Zhixuan Gao:

Got it, sir. And if I look at 2-3 years now is, let's say upper end, let's say, 10.5%, is 10.5% a medium-term range we should think about as well?

Sachinn Joshi:

I think we will have to wait for the mix to settle down because there are a few new products. We'll have to see what kind of growth trajectory they pick up. We have Personal Loan, we have SME. We are also wanting to get into secured SME. We have gold loan business, which will be coming up and then Micro LAP plus the growth in Micro Loans (Rural Group Loans and MFI).

Sudipta Roy:

There are new fee products...

Sachinn Joshi:

And the new fee product that we are working on, which will get implemented in the beginning of next financial year. So there are lots of opportunities and options that we can -- we will work on. And we will have to wait because we are still in the process of stabilizing the book once we stabilize with the right kind of mix because we also need to ensure that the secured, unsecured piece also works for us. So, it is not just going to be NIM plus fee in isolation. We will have to also look at what is the kind of impact it has on our operating expenses, which have to trend downwards and the credit costs. So whatever impact, if we are going to continue in the prime range -- prime range of customers, then naturally, the operating expenses and credit costs would tend to be lower -- much lower than possibly what you see currently.

Zhixuan Gao:

Got it. And just last question is, you have been very helpful guiding us on FY25 MFI credit costs before. So if we assume FY26 -- sorry, 2HFY26 to be normalized MFI credit cost, what kind of first half FY26 MFI credit costs before using buffer that we should think about? Any rough range that we can expect there.

Sachinn Joshi:

So we will get back to you on this because we have to first wait for the market to actually stabilize a bit. But normalized credit cost, I mean, there -- like I can just give you our example. In FY24, we had an overall ₹ 88 crores of credit cost compared to that in FY25, we have anywhere between ₹ 900 crores to ₹ 1,000 crores. So expecting -- assuming that things come back to normalcy, the credit cost requirement will be low. Actual credit cost requirement will start tapering down. But I think we need to factor in about 2% to 2.5% safely too, as the normalized credit cost, which will -- and that's what we had done earlier to create a macro prudential provision of ₹ 975 crores.

Moderator:

Next question is from the line of Chintan Shah from ICICI Securities.

Chintan Shah:

So sir, just harping again on the credit cost. So just wanted to understand on this macro prudential buffer of ₹ 575 crores, is it only -- that is only for MFI and not for any other segment, right?

Sudipta Roy:

That's only for MFI.

Chintan Shah:

Yes. Sure. And just again, just to clarify, that 230 bps to 250 bps credit cost assumption doesn't -- that doesn't include any utilization from macro prudential. So if we utilize anything from macro prudential, that would be over and above that 230 bps to 250 bps guidance.

Sachinn Joshi:

No, no, no. This will be -- we are factoring in some utilization, of course, but we -- the percentage utilization is expected to keep coming down. As I mentioned, the collection efficiencies ex-Karnataka are at 99.64%. So the actual requirement will come down, as we progress into the future months. And hence, it's very difficult for us to give -- point out a particular number. But since we have the macro prudential provisions, we also have sort of comfort from the Audit Committee and the Board that since the nature of this event is such that it qualifies for utilization, we will utilize further if there is a need.

Chintan Shah:

Sure, sure. Just one thing. And actually, sir, lastly, on the opex front, so opex, probably this year, we believe that has been relatively on the lower end as compared to FY24 opex to assets, particularly due to slow business. So that could that see some pickup in FY26, as we pick up on the loan growth front?

Sachinn Joshi:

No. In fact, Sudipta mentioned in his initial call transcript, if you look at, very clearly, the operating expenses will be one focus area for us this year. We will try to increase the productivity. And whatever steps we have taken in FY25 and the work that is happening on Project Cyclops and the work, which has begun on Project Nostradamus, all these things are going to actually help us in terms of bringing down the operating expenses. One of the key component of this operating expenses is collection cost, and there is going to be a huge amount of rationalization, which will happen over there. No doubt, there will be some investments, which will happen in the technology space, as well as growing the branch network, but that will actually also help us in terms of increasing the top line. So yes, the operating expenses increase on investments will start giving us returns partially. Some of it will be in the form of capital expenditure. And on the productivity front, we will start seeing efficiencies coming in and the operating expenses should remain in control.

Moderator:

Ladies and gentlemen, we'll take that as the last question. I will now hand the conference over to Mr. Sudipta Roy for closing comments.

Sudipta Roy:

Yes. Thank you, everyone, and we really appreciate the time spent by all of you with us. FY25 was a challenging year. FY25, I think the entire L&T Finance team worked really, really hard to deliver an acceptable outcome even through these difficult circumstances. As we speak, though there are certain sort of issues regarding geopolitics, etc., and overall global trade and tariff-related issues, but we do believe that closer home, I think given things remaining constant, FY26 will be a year in which we will see restoration of normalcy in most lines of business. And on the back of a good monsoon, sort of an accommodative stance taken by RBI as regards monetary policy, as well as improving liquidity, improving consumption sentiments, as well as an overall sort of tempering and cessation of the sort of the overhang on credit that had built on the economy, I do believe that FY26 will be a year of calibrated growth for the entire financial services industry, of which obviously, we will also be a part.

Many of the initiatives that we have started in FY25 are almost towards the end of completion, and we'll see the fruits of that sort of coming through in numbers. And as I've maintained in meetings with many of you is that it will be -- start becoming visible in H2FY26. Our team remains growth focused. Our team remains execution focused and extremely credit-minded with a focus on bottom line.

The distribution alignment that we have done with the introduction of the regional business head structure also makes sure that our granular distribution on ground is far, far more stronger than it was ever before. Through the year, we'll be working on scaling our new products, especially maintaining our supremacy and leadership in our existing fulcrum line of products.

We are also working on a set of new products, obviously, with the objective of improving our fee lines. I'm hopeful that the numbers that we have guided for, everything remaining constant and the environment remaining constant will be something that we should be able to achieve. Thank you, again, and wish all of you a good day.

Moderator:

Thank you very much. On behalf of L&T Finance Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.