

March 13, 2026**To,****BSE Limited,**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001**National Stock Exchange of India Limited,**
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051**Scrip Code: 544699****Symbol: AYE****Sub.: Transcript of Earning Conference Call for Q3 FY 26**

Dear Sir/ Ma'am,

With reference to our earlier intimation dated March 6, 2026, regarding the submission of Audio recording and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of the Earning Conference Call conducted on Friday, March 6, 2026, to discuss Unaudited Financial Results for Q3 FY26.

The aforesaid transcript is also being made available on the Company's website at <https://www.ayefin.com/disclosures/material-events-disclosures>

This is for your information, records and appropriate dissemination.

Thanking You.

Yours faithfully,

For **Aye Finance Limited**
(formerly known as Aye Finance Private Limited)**VIPUL**
SHARMA
(Vipul Sharma)
Company Secretary, Compliance Officer & CCO
M. No.-A27737Digitally signed by VIPUL
SHARMA
Date: 2026.03.13 13:24:49
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“Aye Finance Limited
Q3 FY26 Conference Call”
March 06, 2026



MANAGEMENT: **MR. SANJAY SHARMA – MANAGING DIRECTOR – AYE FINANCE LIMITED**
MR. NIRAJ KAUSHIK – DEPUTY CHIEF EXECUTIVE OFFICER – AYE FINANCE LIMITED
MR. SOVAN SATYAPRAKASH – INTERIM CHIEF FINANCIAL OFFICER – AYE FINANCE LIMITED
MR. GAURAV SETH – HEAD INVESTOR RELATIONS – AYE FINANCE LIMITED

MODERATOR: **MR. VAIBHAV SHARMA – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to the Aye Finance Limited Q3 FY26 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Sharma from Nuvama Wealth Management Limited. Thank you, and over to you, sir.

Vaibhav Sharma: Thank you, Steve, and good afternoon to everyone. On behalf of Nuvama Wealth Management, I welcome you all to Aye Finance Q3 FY26 Earnings Conference Call. We have along with us Mr. Sanjay Sharma, Managing Director, Mr. Niraj Kaushik, Deputy CEO, Mr. Sovan Satyaprakash, Interim CFO, and Mr. Gaurav Seth, Head Investor Relations. We are thankful to the management for allowing us this opportunity and I would now like to hand it over to Mr. Sanjay sir for his opening remarks. Over to you, sir.

Sanjay Sharma: Thanks Vaibhav and good afternoon to everyone. So, welcome to our maiden earnings call for quarter 3 of financial year 26. And let me just mention that Aye Finance is a lender to the unorganized micro-scale businesses and these could be businesses in manufacturing, into trading, dairy or service sectors.

Our performance in quarter 3 and the numbers have been shared with you, it clearly demonstrates the robustness of our business model and indeed the robustness of our customer segment. We provide loans for business needs as opposed to consumption lending, and this segment has performed with a better credit resilience than the typical consumption lending segments.

As this is the first earnings call, please allow me to share some context to our business model before I touch upon the financial and key operational metrics. It's a different or differentiated lending model and I think it's important to understand some of the nuances around the model.

The borrowing need of over 67 million unorganized micro-scale enterprises across India are primarily unaddressed by the banks or NBFCs and primarily the reason is that it's difficult to underwrite this segment and their need is a very small business loan. Aye Finance has targeted exactly this customer segment and it is transforming these businesses at the micro-scale while building a scaled lending model for itself.

This segment of micro-scale businesses is the real employment generating engine in our economy and it contributes as much as 90% of the non-agri employment. Hence addressing their business needs is important and Aye has taken up exactly this challenge. So, clearly this is a need of the country and of the businesses in Bharat and this is what we address.

As you can see in slide 15, you can get a sense of where does our customer lie. I think the primary thing to learn is that if you look at our customer, they come from a segment number three which is the unorganized micro businesses which are into trading, into manufacturing, dairy and service, whereas when you look at micro-lab or MFI, they have customers coming in from

marginal wage earners also, from marginal self-employed people like plumbers, carpenters, etc. So, I think this is where our targeting of customer is different. We look at our customer primarily from a lens of whether they run a business and they generate employment.

So, in a way, you could say that our customer is someone who owns a business, it could be manufacturing, trading or service enterprise or dairy. He is not a self-employed worker like a plumber, carpenter or not a salaried employee. This is an unorganized space, which means that they typically don't have the financial records like GST returns or indeed income tax returns or bank statements that show business transactions, and hence is usually new to formal business loans.

The third thing about our segment is that our customer is not linked to the organized industry supply chain and hence effects like oil price change or tariff, etcetera, do not affect this segment. And therefore, this asset class is quite insulated from many of the effects of the organized industry. So, this is what makes it a very interesting asset class to look at because it behaves very differently from what a normal asset class in the organized industry are.

On the next slide, slide 16, you will see that we have a comprehensive product offering to the micro-scale MSMEs. What we mean here is that if the requirement is small, we can give them a small hypothecation loan. And if the requirement is larger, we can give them a property-based loan.

22% of the portfolio is secured by property-based loans of which 21% comes from mortgage loans which are the typical LAP like loans given against self-owned residential property or self-owned commercial property. The remaining small percent of 1.6% are smaller loans given against plots and power of attorney titles.

The remaining 77.5% of our portfolio is secured by business assets like machine, inventory, finished goods, etcetera, which are the hypothecation to us. And within this hypothecation loan, 40% of loans have hypothecation of assets where the values of these assets have been assessed by us to be more than 120% of our loan value.

These we call as secured hypothecation loans and the balance 37.5% of the portfolio is again hypothecation of working assets, but where the value of the hypothecation assets can only provide part cover for the loan amount. These we classify as unsecured hypothecation loans.

The important thing is that all these loans are business loans, they are not of consumption in nature and even the hypothecation unsecured loans that we classify are actually partly secured against business assets.

In slide 17, you can see that we have a very well-diversified book which is spread across 18 states and 3 union territories and the number of branches you can see, whether it is North, South, West or East, they are almost well balanced. We have a granular book of 5.23 lakh loans as of December 2025. And even the zones when you look at North, South, East, West, the area is well spread. This has a huge advantage because in times of difficulty, our portfolio does not see very acute challenges.

Also, when we want to grow, we don't have to rely on any one area or one state or one zone to grow. And that opens up firstly a huge opportunity for growth and second a very strong opportunity for diversifying as well. Similarly, on the industry also, we continue to have a balanced look at industry and diversified industry.

You can see that between manufacturing, dairy, service and trading, we are well balanced and no segment overpowers the other. Trading is a very large segment because it contains grocery stores, it contains different type of trading clusters. So, I think that's the reason that is at 50%.

The business that we have has been built from grounds up because there was no prior model to work with. And that has given us an opportunity to design the businesses, the teams, to the way that they can be optimized to the target segment. And this helps us address this business opportunity very effectively.

Our base for the business is built around three simple things. First is to make sure that the sales origination is of good quality. Second is to make our underwriting effective. And the third is to have a strong ability to collect. Now you may say that these are there is nothing new in that and often in life things nothing -- things are nothing new and it is how you execute and how you plan it, which is the differentiator, which is what we believe in.

Picking up on origination quality, we have a total in-house sales team for all our HLs as well as mortgage loans. This is important because we do not want to use a DSA or a third-party sourcer to source for us since we have the strong capability to source in-house and this ensures that the quality of what we source is of very good standard.

Also beyond this, we have maker and checker at multiple steps of the sales funnel. Our diversified presence in 18 states and three union territories also further adds to the diversification of what we source and we are not dependent on few states as I mentioned. It's also not concentrated in any industrial sector.

On the underwriting we use a cluster-based underwriting which I think is partly covered in slide 33. This is a innovation that we have done in the segment where we use our deep understanding of the various categories of business, like let's say our understanding of the shoe manufacturing industry or the grocery industry or the cloth trading industry and our insight from these industries helps us estimate sales and an and the net income of the business owner using some observed alternate data points like the number of workers they employ, the level of inventory that we can see or the capacity of machinery that they use etc.

This cluster-based underwriting is fully automated, all the rules are there in our -- in our core system and this has enabled us to underwrite well and see our portfolio go across multiple challenges like COVID, demonetization, over-lending and not show too much of a volatility in credit cost.

The third piece that I mentioned which is collection, there again in Slide 34 we have shown some indicative aspects of collection. Our collection is based on the philosophy that we need to be present on the field to collect and hence a phygital model with over 500 branches is what we use.

So net-net in our target segment of unorganized micro-scale businesses, we are the leading pan-India provider. Our competitors as they arise in future will always face a challenge or a moat that we have built around the business. One is the underwriting method because underwriting this customer cannot be done through traditional means of reviewing documents.

The second is that it needs a branch presence because this segment of customer needs to see someone face to face. And third is that the unit cost, since the loan size is typically INR1 lakhs to INR2 lakhs, the low unit size makes it difficult for people to generate profits without adequate amount of technology deployed on the in various processes.

Let's move on to the key financial and operational metrics that are given in the earnings call presentation. I would like to draw your attention to the following. First item is growth. The company operates in a market where there is very limited or almost no supply of business loans to the segment of customers that we target which is the unorganized micro-scale businesses.

Hence, it's not surprising that we've always found our disbursements to stay in a healthy growth range. Even in this year, in the quarter 3, our disbursements grew by 35% year-on-year and stood at INR1,310 crores in quarter 3 with the addition of 41,015 new borrowers. In our business the last quarter has always produced significant higher disbursements and this is something that we witnessed -- already starting to witness this momentum in January and February months that have gone by.

Our AUM which grew by 23.5% year-on-year and 5.5% quarter-on-quarter, with this expected increased disbursement in the coming quarter, we are on the trajectory to achieve our guidance of 29% to 30% growth in AUM for the full financial year 26. Our net worth of INR1,773 crores as of December '25, has been further augmented as you know through our primary raise of INR710 crores in the IPO. This net worth will be the catalyst and will enable us to continue with this robust growth trajectory.

The second area that I want to draw your attention to, is the improvement in credit quality. This has become extremely important in the backdrop of how the businesses have done in the last year. Collection efficiencies we believe are a leading indicator for the health of the lending portfolio because what we collect today is ultimately going to see how our gross NPAs will look like in future.

The collection efficiency therefore is what I want to start with. The collection efficiency for our non-OD bucket was 99.3% in December and has further improved to 99.4% in February. These are very healthy numbers which typically are a signal of a good year ahead. Similarly, the bucket one collection efficiency also has been improving and during the year this collection efficiency for the one plus bucket went up from 42.8% in April to 58% in December '25 and in February '26 it is actually at 60%.

So the credit cost of our business obviously looks like because of the good collection efficiency will be down but actually historically also the credit cost for our business has been reducing for the last four quarters consistently. And in quarter 3 it was down to only INR83 crores or 4.67% of the AUM.

This lowering or the trend of lowering of credit cost is expected to continue into quarter 4 and this is visible to us even in the numbers that we've seen in January and February months already. So from a credit quality, we are targeting to start the new financial year at a normal level of credit cost for our business segment, so we'll exit this financial year with a fairly normalized book from a credit perspective also.

And the third area is profitability. Although the profits in this financial year have been weighted down by two things. One is that we set up the mortgage loans team and in the last one and a half year we have added almost more than 1,400 people to the mortgage team. So this is an additional cost that is bringing down or bringing up the operating expense ratio, but this team will ultimately see the AUMs of mortgage business build up and the cost will automatically come down. This is a simple business math as we play out.

The second reason for profit being depressed is the higher credit costs. It's no denying that the credit costs which we would have liked to see in the 3.5 to 3.75 range has been higher than that in this year and that has also brought the profitability down. But going forward we should see a robust improvement in profits from the coming quarter as the effect of both these factors are lower.

First of all, the mortgage AUM has been growing at a good clips, we are already at 22% of the 22.5% of the portfolio is with property. So that will help in deferring the costs of the new mortgage teams and second is that our credit costs have been dropping consistently and now we will see the effect in the profits.

The total income for the quarter 3 was INR449 crores which was 21.3% growth over year-on-year and 5% growth quarter-on-quarter. The NIMs have remained at 14.21% in quarter 3 despite the increased increasing mix of mortgage loans. Cost of borrowing has reduced to 10.96 and the incremental cost of borrowing in quarter 3 was 10.31%. This trend will continue to help us improving the NIMs and even though with the increasing mix of mortgage, the NIMs tend to become lower, this is a effect that will help us stabilize the NIMs at a good level.

The profit after tax for quarter 3 was INR43 crores which has grown 87% over year-on-year and primarily it is because the quarter 3 of last year was a depressed quarter. But quarter-on-quarter from last quarter we have grown almost 23.4%. So, this shows how rapidly the profit after tax is beginning to grow and this acceleration is going to go to further speed up. This profit that I mentioned of INR43 crores actually has also absorbed a one-time impact of INR1.7 crores which came about because of change in the Labour Law regulations.

Now let me go a step deeper by highlighting a few efficiency drivers in our business. I would like to draw your attention to Slide number 18. The first efficiency driver is technology and all our processes, be they origination, underwriting, repayments, collection are optimally automated by use of technology as well as use of data science models and visualization dashboards. These are important tools to help optimize the business and maintain strong monitoring day in day out.

100% of our loan origination is paperless. 32% of our underwriting at present is done using AI ML model that's been in play for the last more than 6 years. 68% of our underwriting still

happens through the cluster-based underwriting method that we had innovated in 2014. Repayments are primarily non-cash, you can see that 96.8% of our customers are registered on ACH and 84.1% of our collection happens through various digital modes.

So clearly a business which is not based on cash collection, that technology also plays an important role in our collection capability by providing machine learning models like the bounce forecasting model, the collection likelihood score model and we have a in-house data science team mentored by our principals or our investors Google Capital which develop various machine learning and data science models for us in-house.

The second lever for efficiency is the use of branch infrastructure. Now there's often a false belief that growth in branch-led businesses are linearly related to branch growth. And here's some data which shows it needn't be so. If we look at the December year-on-year growth, the pie chart that is shown there, 60% of our growth was contributed by enlarging the fresh AUM per branch itself.

39% of the growth came from repeat loans and only 1% came from the new branches that had been added that had been added in the last 1 year. So clearly it shows that we can derive a lot of growth through our branch setup itself and I think there's a graph, a bar graph on the side which tells to that FY '24, '25, '26, you see that the branch new branch contribution typically between 1% to 7% of our growth.

This can also be supported by the fact that you see that branches which are up to 2 years old typically have a AUM of INR4.8 crores. Branches from 2 to 4 years accrue a AUM of INR8.8 crores and 4 plus year of branches that we have INR14.5 crores of AUM.

So, this is a natural growth and therefore we believe that we don't have to add too many new branches. This financial year FY '26 we opened 44 new centers which added to our 527 branches, so it's less than 9% of more branches were opened to start the year and which will help us in the growth.

The third area is on repeat and this without any doubts is a very important aspect of our business because we have a customer segment that is has a need that we address comprehensively and it's very useful to retain him and to improve the lifetime customer value. We use data science models to filter the customers for offering repeat loans so that we pick up the best customers, give them a better pricing and moreover the repeat loans use the telecalling channel instead of the field team to drive the repeat business.

And typically, a telecaller can generate almost INR1.8 crores of repeat loans disbursement in a single month. So, it's a very efficient way of getting repeat loans and extending the customer stay with us. Repeat loan portfolio also enables that our customer total foreclosure rate remains low. We have a very low foreclosure of 3.33% if you look at our first 9 months of FY '26. So clearly this is one engine that adds to the efficiency and also helps us improve the quality of our portfolio.

On Slide 21 is the mortgage business and about three slightly over 3 years, we decided that we needed to have a better presence in the mortgage business and we started focusing on mortgage

businesses, mortgage loans after the COVID pandemic with the aim of increasing our loan tenure and to reduce the very fast runoff rate that we see in hypothecation loans.

Our primary ML team is there in 180 branches and besides that the normal branches also generate ML loans in addition to their hypothecation loan targets. Our ML loan has been very robust and the ML portfolio as on December 2025 was about INR1,350 crores constituting 21% of our overall portfolio.

In conclusion, I would say that Aye Finance is in a unique position to address a large target segment of underserved micro-MSMEs. Our technology and data science backbone coupled with the branch-based sourcing and servicing is optimally suited to address this customer segment.

The use of prudent underwriting using cluster methodology and machine learning models supplemented by a strong collection capability on the field as well as digitally provides an additional stability even in phases like demonetization, COVID pandemic, over lending etcetera.

Our experienced team of leaders from leading banks, NBFCs and top-tier institutes is committed to a vision to transform the landscape of micro-scale businesses. They have been with us many years and they bring leadership and stability to the team. Our recent investment in mortgage loans are planned to provide us a lift in growth as well as reduction in operating expense ratios.

And in the backdrop of the falling credit cost over the last four quarters, we feel confident to provide you or share with you our 3-year vision where we are targeting to get to a consistent growth of about 30%, a credit cost to be kept in the range of 3.25 to 3.75, opex to be maintained between 7 and 7.5 and ROA between 4 and 4.5 with adequate leverage. This is how we would target to achieve in a three-year timeline. Thank you once again and with this I will hand over the call to back to Vaibhav.

Moderator:

Thank you very much. The first question comes from the line of Shalin Kapadia with IIFL Capital. Please go ahead.

Shalin Kapadia:

Okay. Sir, I have a couple of questions. First of all, thank you for the opportunity and congratulations on great set of numbers. So sir my first question is on AUM and basically its mix. So with mortgage loans already at 20% of AUM, what is the target AUM mix that we will achieve as we aim 30% CAGR over the next three years? And secondly sir, looking at our collection efficiency and credit cost, our asset quality is clearly on an improving trend, but it still remains elevated versus our pre-crisis period. So by when do you expect this to settle down sir and what is your credit cost guidance for FY27?

Sovan Satyaprakash:

Hi, this is Sovan. I'll pick up the first question with respect to growth. So we believe that the mortgage share of the overall portfolio should increase to about 30% which is the ideal mix. So the overall portfolio over the next three years is going to be 30% of mortgage and 70% of hypothecation loans to achieve the 30% CAGR that we are talking of.

As you rightly mentioned, the collection efficiencies are improving and the credit cost has been falling for the last four quarters. This is alongside PAR X also falling for last couple of months and for the month of February, the PAR 90 and the NPAs have also come down.

So we believe that quarter 4 we should be at a quarterly annualized credit cost of less than 4% which is a good place to start the next financial year and come down to a level. Our comfort range with respect to credit cost typically is in the 3.5% range with about gross plus 0.25% to minus 0.25%. So that is the range and we believe with some 4% credit cost that would be a good position to achieve that in the next financial year.

Shalin Kapadia: Sir just one follow-up on the mortgage loan piece. So with ML share increasing in the mix and also our incremental cost of borrowings has been on a declining trend, so lot of moving parts in the NIMs basically. So where do we expect our NIMs to settle in FY 27?

Sovan Satyaprakash: With respect to guidance, exact guidance with respect to FY 27, we would provide it in the next earnings call. However, I can give you some picture with respect to the NIM levels. While the overall portfolio yield is coming down because of the increase of mortgage in the portfolio, but if you look at this quarter compared to the previous quarter, with the increase of mortgage share also the NIMs, the yields have improved.

And that is primarily because right now there's a elevated level of reversals because of the higher delinquency and flows into NPA that was happening. Our estimate is that roughly around 25 bps to 40 bps higher reversals have been happening over the last couple of quarters, which should also improve as the delinquency numbers normalize. So there is going to be an offset of reduction in yields because of mortgage, however some improvement because of the lower reversals. With respect to exact guidance on the NIM and numbers for FY 27, we would like to give it in the next earnings call after the year-end.

Shalin Kapadia: Got it sir. Thank you so much. That was helpful.

Moderator: Thank you. The next question comes from the line of Viral Shah with IIFL Capital. Please go ahead.

Viral Shah: Yes hi, congrats and thanks for the opportunity. I had two questions with regards to Bihar. So I can see in your PPT you have 8.5% branches in Bihar, but I think your AUM concentration is probably in the corridor of 14%, 15%, first of all just that clarification?

Sovan Satyaprakash: Yes, so the AUM concentration for Bihar is 15.5% odd in the total mix.

Viral Shah: Got it. And secondly now incrementally what is your reading of the current draft MFI bill which is there and I understand some technicalities of it, but what is it you're basically gathering on the ground, is there any I would say chatter around it and if at all it has to come into and become a law, what implications do you anticipate?

Sanjay Sharma: Viral, first of all when you look at the Bihar collection efficiencies and this problem that the government has taken note of has been running for the last whole year. So while the action has

come now, the effect has been that MFIs have been on the ground and there have been challenges around that.

However, we have found that our customer because it's not a consumption loan that is given but it's the loan given to a trader or a manufacturing unit there, they have maintained very good collection or repayment ratios and that's why collection in Bihar you can see is almost or for the months has been between 99.2% and 99.4% for the non-OD and even the bucket one is in the 40% sort of range.

So one is that despite that environment we haven't seen a challenge around our collection. The second is that if the regulation has the similar play out as we saw in Karnataka or Tamil Nadu, then it will have very minimal effect on non-MFI NBFCs. So NBFCs, for example, when we were in Karnataka and Tamil Nadu, while we heard that there was a little bit of challenge around collection.

But neither did we face problems with the regulatory authorities or with the police force there. So I think we believe that that could be the way Bihar also plays out and I think over the next quarter we'll probably get a better picture, but my sense is that this will play out even the collection efficiency of MFIs are improving so gradually it'll die out.

Viral Shah:

Got it. And just one more follow-up over here, when I look at the bucket one collection efficiency right, I think you have given a great disclosure state-wise as well as the overall numbers, just wanted to get a sense of and again I'm not talking about the direction of it of course it's improving, but compared to most of the other states, why is it that the bucket one collection efficiency in Bihar seems to be lower at 40% when I compare it with others and is this a function of say the inherently the customers in that geography?

Sanjay Sharma:

See, I think it's a good find. In Bihar we first of all didn't have a collection team and I think last year we instituted a collection team, which does the collection of the first bucket and there the new person who has just taken over I think about four months back. So one is that that team is new and then that's the reason you will see that while bucket one was being collected by the loan officers themselves now the team will come in which is our normal process of collecting.

So that is one big reason. The second is when you collect 99.4% or over, then the possibility of collecting in bucket one becomes difficult because only very few customers who are the tough customers go into bucket one. So I think that's the other reason that collection efficiency is low, but primarily it is the team that has been put in place and I think you'll see this number increasing.

Viral Shah:

Got it sir. Thank you and all the best.

Moderator:

Thank you. The next question comes from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema:

Sir just a couple of bookkeeping questions. Could you share the PAR 30 and the PAR 90 numbers for both the LAP book and the hypothecation book at the end of the quarter?

- Sovan Satyaprakash:** Just give us a second. Yes, so with respect to the PAR 90 of the hypothecation loan it was 5.65% and the PAR 30 for the hypothecation – sorry 5.95% at the PAR 30 for hypothecation loan book stood at 7.54%. With respect to the mortgage portfolio, the PAR 30 was 3.5% and the PAR 90 was 2.69%. Typically our GNPA levels are marginally lower than our PAR 90 levels so GNPA would be adjusted according.
- Chinmay Nema:** Got it. And could you also share the same numbers for the end of the last quarter?
- Sovan Satyaprakash:** That numbers I will not have readily available. I'll connect separately and we can share the data.
- Chinmay Nemani:** Sure sir. And sir secondly just wanted to understand in the 9 months the growth has primarily been in the lap book, going forward when can we see a higher growth rate in the hypothecation book or basically when do you see stress subsiding in that book?
- Sovan Satyaprakash:** So with respect to the hypothecation book, obviously because it is 80% of the portfolio, the improvement at a overall portfolio level is being driven by the improvement in the hypothecation loan book, so both credit cost and delinquency levels of the hypothecation loan has been coming down and that is where the overall portfolio is showing signs of recovery.
- We had tightened the credit policies in the last financial year and continued with the same policies during the course of this financial year also, which has resulted in the approval rates of the hypothecation loan coming down at least by about 10% to 15% during different phases of the last 18 months or so. As we enter quarter 4 which is typically a higher business quarter across years, we are seeing momentum build up even in the hypothecation loan where productivity levels have started edging up.
- So we believe the hypothecation loan kicker with respect to growth should be normalized in the next financial year. Mortgage because we have already made a large investment with respect to manpower in the mortgage where across various channels the number of people deployed has been about 1300 to 1400 odd people and the book is only about INR1400 crores.
- So mortgage is going to grow at a fast pace, however the hypothecation recovery at least from the quarter 4 numbers of January and February clearly show picking up of the productivity and which should continue in the next financial year also and in the next financial year we're hopeful that hypothecation loan would contribute significantly to the growth of the next financial year.
- Chinmay Nemani:** Got it sir, all clear, thank you.
- Moderator:** Thank you. The next question comes from the line of Sameer Bhise with Dymon Asia. Please go ahead.
- Sameer Bhise:** Hi, thank you for the opportunity and congrats on the quarter. Sir I just wanted to understand if you could elaborate how do you monitor the end use of the loans and some thoughts around that just on how the model is built and then I have a couple of more questions after this?
- Sanjay Sharma:** Sameer, I think that's a excellent question. The basic premise of our business is built on the fact that we want to lend for business use and that's why any loan that is given, first of all because

we source the loan ourselves, the loan officer goes and meet the customer and so does the credit officer on the field who meets the customer to see that there is genuinely a business running and it fits into our criteria of whether it's manufacturing, trading etc.

Second is that after the loan is given and the loan also given is based on the business cash flows assessment so it is appropriate to that business and that's why our hypothecation loan typically stay in the INR1 lakhs to INR2 lakhs, because that is typically what a person who has a INR30 lakhs to a INR1 crores turnover annually will need.

So then we go and validate that end use within 45 days a vigilance team goes and visits the customer to see whether if someone has said that they'll buy a asset then the asset has been purchased or otherwise inventory should look like it has been used the money has been used. That's one.

Second is one of the reasons again why we don't want mortgage to become more than 30% or more than maybe a 50%-70% of our book is because we believe that a mortgage loan for business requirements is important so we don't want to give a mortgage loan for a consumption requirement and often in businesses we don't find enough need to give someone a INR10 lakhs or a INR15 lakhs loan given the size of the business so these are the parameters of end use that play out in our business.

Sameer Bhise: Okay. And if one were to look at recent competition trends if you could highlight if things have been materially increasing on the on the mortgage side?

Sanjay Sharma: Sameer, can you come again with that question sorry lost you in between.

Sameer Bhise: Can you can you highlight some trends on how competition has been in in the mortgage loan product?

Sanjay Sharma: On the mortgage loan product, see I think all the on the mortgage loan product I think there are many providers in the market and honestly speaking there's a fair amount of supply in the market for micro-lap product. In our case because we are targeting primarily businesses, we don't see a direct face-to-face competition in most of the times, but there is competition in the market sometimes we do also come across a competitor trying to also make an offer.

So definitely compared to a hypothecation loan where there's almost no alternate supplier of this product, in mortgage you do have that supply. We want to be we already grown to 22% of the property-based lending and we are saying that we want to grow it to 30% so it's not as if we have a very large way to go or large growth to really achieve.

So, I think we're fine, we have our interest rates are in line with what the others provide comparable to the market and I think many of our customers are customers who have taken this as a first loan for mortgage and I believe that when we look at their satisfaction with our services that satisfaction rate is high, we haven't seen foreclosure which I mentioned that we are at a very low foreclosure rate of 3.3%.

- Sameer Bhise:** And sir you mentioned that Q4 the first 2 months have been very strong. Fair to conclude that F '26 and '27 you could grow in the range of 30% or more, is that a fair conclusion?
- Sanjay Sharma:** I would think that this is what we should target and it is not beyond us to grow at that pace we have shown better growth than this in the historic years.
- Samir Bhise:** Okay, okay. And credit cost Sovan I think highlighted four trajectory in the coming quarter onwards potentially then ROA...
- Sanjay Sharma:** Samir we can't hear you it went...
- Moderator:** Yes sir, Samir has been disconnected. Yes sir, Samir is connected again. Samir you can go ahead with your question.
- Samir Bhise:** Yes. Hi, just wanted to kind of look at say credit cost if they were to decline below 4% as we as we enter into FY '27, is 4% ROA for next year a reasonable expectation?
- Sovan Satyaprakash:** Obviously we would not want to commit on the exact numbers but how we look at the current position and the coming year is that credit cost is at a elevated level at this point of time our normal levels at least 1% higher credit cost is what we have at this point of time. Similarly with respect to opex also we do believe the operating leverage is going to kick in as the hypothecation loan productivities again go back which we are seeing in this quarter.
- So there are these two big levers with respect to profitability where the credit cost should come down and the operational expense also should come down giving us big headroom with respect to our profitability levels.
- Sanjay Sharma:** I would probably say very likely because if you go to Slide 28 where we have shown the ROA tree, our quarter 3 FY '27, we delivered a ROA of 2.75% even with a credit cost of 4.67. So, if the credit cost goes below 4 then we have at least a 67-basis points improvement from there. Operating expense because it is right now deferring the mortgage teams' cost, this will gradually drop and I think that you will see almost close to 67 basis points shaved off from there itself.
- So that makes it one and a half percent that itself brings you into that range that you're talking of 4 over and above that the finance cost is dropping because first of all we have more equity and second is our cost of incremental borrowing is at 10.3% which I mentioned. So clearly there is some room that is being created in the finance cost also. So, I think net-net I would say yes that's the sort of number we should look at.
- Samir Bhise:** Great sir, thank you and all the best.
- Moderator:** Thank you. As there are no further questions at this time, I would like to hand the conference over to the management for closing comments. Sir sorry to interrupt, there's a question, it's from the line of Rohitash Arora and Individual Investor, please go ahead.
- Rohitash Arora:** Sir as we are targeting to grow at more than 30% growth rate are we looking to grow at more at a particular region or pan India we are trying to grow at 30% plus growth rate?

Sanjay Sharma: See Rohitash on growth it will be across the country. So, we don't find any particular geography that we would avoid or where we find that the we have challenges around delinquency or growth. And this is quite apparent if you look at our PAR our collection efficiency numbers for non-OD bucket, you'll find that when you look at specific states when you look at the rest of India it is very, very similar.

So the answer to that is no there's no specific state we would avoid yes there are certain states which show better promise and better productivity which we focus on and as Sovan had mentioned that some of this growth will happen obviously from mortgage business but I think a lot of it will happen from an organic growth of the hypothecation loans and today our approval rates which used to be 55% are only 45%- 40% to 43%. So clearly as we start opening up and coming back to the 55% approval rate automatically the growth of 8% or 9%-10% will get added. So that is what the coming year will see.

Rohitash Arora: And sir are we impacted by new Bihar ordinance regarding microfinance?

Sanjay Sharma: Viral, this was a question asked but let me just repeat. See first of all historically there has been this trend among the MFI customers in Bihar. We've been hearing it for the last whole year and yet we have found that the segment of customers since it's a business owner like a trader or a manufacturing owner, they have continued to maintain very good repayment ratios and you can see in our Bihar portfolio that the collection efficiency at the non-OD customer is 99.3%, 99.4%.

So clearly, we have not seen that stress translate to our customers. Second is that we have seen similar things play out in Tamil Nadu and Karnataka which did not really impact our customer or our customer collection to the effect that it would get serious seriously noted. So we believe that Bihar may also follow a similar trend for us.

Rohitash Arora: Okay sir. Thank you.

Moderator: Rohitash does that answer your question?

Rohitash Arora: Yes, it does.

Moderator: Okay, thank you. Sir there are no further questions, you can go ahead with your closing comments.

Sanjay Sharma: Thank you Vaibhav and thanks to thank you everyone for being on this call and listening to our story. We believe that we are at the start of an important journey and we need to build our ability to build trust and build our business without any surprises and that's what the team is committed to and it's a very transparent organization and I think as years go by we'll hopefully demonstrate that in full measure to the market. Thank you very much for your support and assurance and have a great, great day.

Moderator: Thank you sir. On behalf of Nuvama Wealth Management Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.