January 22, 2026

Ref. FEDFINA/ CS/ 140 / 2025-26

The Manager, Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **SYMBOL – FEDFINA**	The Manager, Department of Corporate Services, BSE Limited, Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 **Scrip code: 544027**

Sub: Transcript of Earnings Conference Call held on Friday, January 16, 2026

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings conference call which was held on January 16, 2026.

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

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

Thanking you,

Yours Faithfully
For Fedbank Financial Services Limited

PARTHASARATHY RAJAGOPAL IYENGAR
Digitally signed by PARTHASARATHY RAJAGOPAL IYENGAR
Date: 2026.01.22 18:19:42 +05'30'

Parthasarathy Iyengar
Company Secretary & Compliance Officer
Membership No.: A21472

Encl : As above

“Fedbank Financial Services Limited

Q3 FY '26 Earnings Conference Call”

January 16, 2026

MANAGEMENT: **MR. PARVEZ MULLA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. C.V. GANESH – CHIEF FINANCIAL OFFICER
MR. SHARDUL KADAM – CHIEF BUSINESS OFFICER, SMALL TICKET LAP BUSINESS
MR. VIKRAM RATHI – CHIEF RISK OFFICER
MR. JAGADEESH RAO – CHIEF BUSINESS OFFICER, GOLD LOANS BUSINESS
MR. K. SURESHKUMAR – CHIEF BUSINESS OFFICER, MEDIUM TICKET LAP BUSINESS
MR. LOKESH PAREEK – HEAD OF INVESTOR RELATIONS

MODERATOR: **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Fedbank Financial Services Q3 FY '26 Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in a 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.

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

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

Shreepal Doshi: Thank you, Steve. Good morning, everyone. We welcome you all to the Earnings Conference Call of Fedbank Financial Services to discuss the Q3 FY '26 performance of the company. Today, we have the management of the company represented by Mr. Parvez Mulla, MD and CEO; Mr. C.V. Ganesh, CFO; Mr. Shardul Kadam, CBO for Small Ticket LAP business; Mr. K. Suresh, CBO for Medium Ticket LAP business; and Mr. Jagadeesh, CBO for Gold Loan business. We also have Mr. Lokesh, who recently joined as the Investor Relations Head.

I would now like to hand over the call to Mr. Parvez for his opening remarks. Post which, we can open the forum for question and answer. Over to you, sir.

Parvez Mulla: Thank you, Shreepal. Good evening, everyone. I would like to extend a warm welcome to all of you for joining the Q3 FY '26 Post Results Earnings Call. I'm joined by our CFO, Mr. C.V. Ganesh, our 3 CBOs, Mr. Shardul Kadam, Mr. Jagadeesh Rao, Mr. Suresh Kumar; our Chief Risk Officer, Mr. Vikram Rathi; and Mr. Lokesh Pareek, our new Head of Investor Relations.

The priorities for your company remain the same, which we had articulated at the start of the year, namely,

- Conserve and allocate capital to businesses with high ROA and ROE focus on our twin-engine strategy of gold and LAP business to move towards a fully secured lending portfolio.
- Expand gold business through branch expansion and increased doorstep coverage, continue to foster synergies between our gold and LAP operations.
- within LAP, we will concentrate on a combination of high-yield ST LAP and low-risk MT LAP.
- Expand MT LAP with minimum capital allocation.
- We had faced challenges in our ST LAP business. We were rebuilding it over the year, rebuild ST LAP and established leadership and build team for growth and quality.
- We continue strengthening our collection infrastructure to effectively manage delinquencies.
- We aim for increased core income while reducing reliance on DA income, use DA as a capital allocation strategy.

- Move towards a frugal cost structure.
- And, ensure that credit costs remain 1% plus or minus 10 bps.

With respect to these priorities and more, we have taken the following actions in Q3 FY '26.

- On the gold business, we have recorded a remarkable quarter with the AUM growing 52% Y-o-Y and tonnage growing 5.1%. Our LTVs on AUM stand at 59.3%.
- Last quarter, we got a lot of questions, and we had spoken about our seasonality in this particular business. This quarter, we have disbursed INR7,853 crores in gold loans, marking the highest amount ever achieved by the company in a single quarter. Consequently, this has led to a net AUM growth of INR1,174 crores.
- We have opened 54 new gold branches this quarter, bringing our total new branches to 113 for the year. In accordance with our guidance, we will keep opening new branches in the upcoming quarters.
- Despite opening 54 new branches, our AUM per branch has reached INR13.3 crores, reflecting an increase of INR0.91 crores per branch during this quarter.
- In our collaborative initiative involving gold and ST LAP, we have successfully merged an additional 14 branches. This means we have co-located 63 branches this year. That is 63 branches of ST LAP have moved into 63 gold branch premises and release the ST LAP premises. We will persist in our efforts to merge and co-locate more branches.
- Despite facing yield pressure, the MT LAP business continues to perform consistently, disbursing INR545 crores this quarter, while maintaining its yields.
- In light of the pressures within the ST LAP market and the increased rate costs faced by the company previously, the company has fortified its credit policies and successfully transitioned to the system-driven BRE. This quarter, ST LAP division has disbursed INR208 crores.
- As promised, our unsecured lending portfolio continues to diminish, now constituting nearly 0.6% of our on-book assets.
- The senior leadership has been successfully on-boarded in collections during Q1 and Q2. We have further strengthened the field team now. We have verticalized the collection framework incorporating additional resources for both call center as well as the legal and recovery teams.
- Our credit cost, as promised, stays below 1%. This quarter, we have clocked about 0.9%.
- In line with our priority of increasing core income and decreasing DA income, our net income from DA has decreased to INR1 crores for the 9 months FY '26 compared to INR62 crores for the same period last year.

While we continue to implement corrective measures in our ST LAP business, we anticipate certain flows, which will persist as advised earlier and as guided earlier. Once we stabilize in the near-term, it will contribute to a more stable and predictable performance.

Some of the key numbers are as follows:

- our business AUM reached INR17,500 crores, translating to a growth of 17% Y-o-Y. If you exclude the BL business, it will be about 32% Y-o-Y.
- Gold reached INR7,905 crores and AUM growth of about 52% Y-o-Y tonnage growth for the year came in at 5% Y-o-Y, reflecting -- touching 11.2 tons in totality.
- Our mortgage AUM reached INR9,084 crores, and AUM growth of 20% Y-o-Y.
- Our disbursals of INR8606 crores in Q3 FY '26, up 96% Y-o-Y.

On the profitability and asset quality,

- Our net interest income grew 16.8% Y-o-Y to INR318.9 crores. Our operating profit grew 11.7% Y-o-Y to INR149.4 crores.
- Our credit cost for Q3 stands at 0.9%.
- Our net profit stood at INR87.9 crores in Q3 FY '26. Gross Stage III stands at 2.1% versus 1.9% last quarter.

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

C.V. Ganesh: Thank you, Parvez, and thank you, everyone, for your participation on the call. Sharing a few points to aid in better interpretation of the results.

Firstly, from an asset growth perspective, our **AUM ex business loans**, which we divested has grown 32.5% year-on-year and 9% quarter-on-quarter. The gold loan originations have been the standout performer in this quarter. Our gold loan AUM had grown INR850 crores in the first 6 months of this fiscal. In the last 3 months alone, which is Q3, the gold AUM grew INR1,174 crores. Our 113 new branches for gold loans are hitting the ground running and giving us the confidence to continue this journey of branch addition.

Of **the loan book of INR12,945** crores as of December 30, unsecured business loans have gone down to under 0.6%, down from 10% at the beginning of the fiscal, resulting in 99.4% of the loan book now being fully secured, either against property or gold.

In this quarter, we have originated INR545 crores of **Medium Ticket LAP** and have done direct assignment/co-lending of INR313 crores of the same. However, as guided earlier in the earlier calls with the NIM expansion aiding core income growth, we are consciously reducing our DA income.

I'm reiterating again, it is a choice we are exercising. Consequently, we have done lesser **direct assignments** in Q3 at INR313 crores compared to INR578 crores in the previous quarter. We may continue to do lesser direct assignments in Q4 and the medium-term and migrate to co-lending.

On the **Opex side**, our opex for the quarter is up 21 bps primarily due to an increase in employee costs due to new branch staffing in the 113 new branches, higher incentives on the gold loan originations and a onetime impact of the labor code regulations of INR3.9 crores.

This impact is reflected both on the opex and the operating profit. Consequently, our **cost-to-income has come off a little worse** by about 10 bps.

Other expenses have also gone up due to new branch related rent and operational expenses, higher advertising and travel spend during the quarter and higher depreciation as we increase the branch infrastructure.

On the **asset quality**, our delinquencies in the 1+ have gone down from 7.5% to 7.1%, and the 30-plus has also gone down from 4.6% to 4.5%. However, we had higher forward flows from stage 2 to stage 3, resulting in our gross stage 3 going up to 2.1% from 1.9% last quarter. These are adequately provided for in the quarter. In spite of this, we have been able to keep credit costs flat at 0.9%.

On the **PCR front**, our PCR last quarter had dropped due to an ARC sale of deeper bucket NPA, which had a higher provision coverage. In this quarter, our PCR has marginally gone up to 32.3% from a little under 32%.

On the **treasury side**, total on the quarter-on-quarter basis, our **weighted average interest cost of total borrowings** has gone down 32 bps from 8.19% to 7.87%. This consistent decline in the weighted average cost has been facilitated by resets on the external benchmark linked borrowings and lower rates on new borrowings. Since our new gold loan originations carry shorter tenor than our LAP product, it has allowed us to borrow more at the shorter end with lower rates.

To lock-in spreads in a declining interest rate scenario, we have increased our fixed rate borrowings from 11% of total borrowings to 29% of total borrowings. This gives more visibility on the spread going forward. On the floating rate borrowings of 71%, 41% is external benchmark based and 30% is linked to MCLR.

Our **incremental cost of borrowing** in Q3 FY '26 was a little under 7.6%. Our debt equity ratio has increased from 3.78% in September '25 to 3.99% as of December '25.

In summary, over the last 4 quarters, we have sequentially continued on the journey of steady, consistent and a gradually growing ROA and ROE trajectory. The ROA over the last 4 quarters has grown from 2.2% to 2.5% and ROE has expanded 130 bps from 11.4% to 12.7% aiding in confidence on our new strategy and appetite to invest more in capacity addition.

With that, I hand it over to the operator for questions.

Moderator: The first question comes from the line of Digant Haria with GreenEdge Wealth.

Digant Haria: Sir, last quarter, I had asked that when will Lakshmi Ji shine on our gold loan portfolio. So good to see that the AUM growth was good. But I think the shine has still not fallen on our income and operating leverage. If I see our old branches would have probably reached an AUM of, say, INR15 crores, INR16 crores per branch, the older ones. But the income line item and the operating leverage is still not visible. Like do we see it coming in the next 1 or 2 quarters.

Parvez Mulla: Yes, Digant. You will see it happening. See, normally, what happens is, when we do such kind of large originations, there is an upfront cost of incentives and other spends which is incurred at the beginning, it was recognized upfront in the month of origination, and the earnings of these loans are back ended. So it will play out gradually.

Parvez Mulla: Digant, thank you so much. I remember that question you had asked us that why we grew only 6% and when others were growing 10% quarter-on-quarter in the gold side, and I told you about the seasonality.

And you can see that seasonality playing out differently for different companies, although they are in the same gold business because geographically, we are in different sectors, which expand differently and behave differently. So that seasonality typically plays out for us in Q3, Q4.

Digant Haria: Right. Parvez, one more question I had was, let's see, the yields on the gold loan portfolio, like the reported ones in our presentation showed that we are down from, say, 19.1% to 18.3%. So is this like a competition effect or maybe we did some schemes because this was a good season for us. Generally, how should we expect this yield to move? Is it already that there's yield pressure in the market? Or we still have enough room to do our business at our terms and condition?

Parvez Mulla: At a portfolio level, when you do a substantial amount of disbursal in a particular quarter, and that has been an exceptional disbursal quarter, there will be a differential yield which we will play with, and we will play with a little bit, I mean. It's a line call when you look at certain states where we want to play that yield. So, I'm not so worried about it as the mix of the new business is slightly higher in this particular quarter, it shows in that fashion. Overall level at an entity level, I'm not so worried because it's not going to affect us in substantial basis points there. So it is a mix issue. If the disbursals would have been about INR300 crores, INR400 crores, you wouldn't have seen that kind of a depression.

Digant Haria: Okay. Got it. And one last question, we have grown very well, say, 16%, 17% Q-o-Q. A lot of competition would also be doing that. So, in our assessment, it just feels that next 3, 4 quarters will be the time when we have to really utilize our asset like we have such a brilliant gold loan asset, good processes, good number of branches, good employees. I just wanted to understand if this momentum for us continues in that particular fashion, and maybe we reach INR15 crores, INR16 crores of AUM per branch in the coming 2, 3 quarters because competition is really catching up and maybe we have a year's time where competition will really not be very high and we can just fortify our markets. So I just wanted to hear your thoughts on the next 12 months for this gold loan piece.

Parvez Mulla: Yes. In the start of the year, I had mentioned to you that the growth will be in line with the Fedfina strategy. We will be conscious of the price momentum. And I had mentioned to you that we will be focused on tonnage growth. Fedfina has a strategy, year-on-year over the last 5 years has shown tonnage growth. If you look at the last 5 years, we have shown a 10% to 12% CAGR on tonnage growth every year. This year also in the first 2 quarters, the tonnage growth you wouldn't have seen. But year-on-year, again, you will see a 10% tonnage growth. The focus is on tonnage growth. The focus is to take the price momentum, we are conscious of the fact that the price momentum is very high. So that is why you see the combination of LTV and price playing out. We've not capitalized on the LTV. The LTV has been allowed to go down. We are conscious of that. While the growth has to happen, we need to be conscious that, the growth has to be in line with our operational processes as well as the risk that we want to look at, the price fluctuations that we want to look at.

So all-in-all, it has to fall in line with what we are expecting with the gold business to do. You will see that momentum continuing. We will capitalize on the momentum. What I am trying to essentially say is a single company, which is doing only gold loans is very different from a company which is doing a twin product. We will get the advantages of doing a twin product. That is how you will have to see the company.

Digant Haria: We'll not stop our gold loans to maintain that, right? Because if we continue this normal run rate also, we'll cross 50% in terms of gold loan AUM. So we won't stop it just because we want to cap gold at below 50 or anything, nothing like that, right?

Parvez Mulla: No. There is no thought in that side. It's only going to be the cautiousness on the price and LTV side. Otherwise, our actions over the past quarters have shown you that we've not been worried on that front.

C.V. Ganesh: I just want to add, Digant, our gold loan growth will be unconstrained, okay? The character of the product mix does not determine how much we grow our gold loan or otherwise. It will continue to grow on a faster momentum than the rest of the businesses.

Moderator: The next question comes from the line of Nischint Chawathe with Kotak.

Nischint Chawathe: Actually, 2 questions from my side. One was, if you could give some outlook or trajectory of stressed loans in mortgages, I think essentially the small ticket business. How do we see it trending up from here onwards in the fourth quarter and the next financial year? And the second is in terms of the sequential movement in yields over the last 3 quarters, it's kind of year-to-date update.

Parvez Mulla: Nischint, thank you for the question. On the small ticket LAP business, just to give a context, a year ago, we had mentioned about the stress in the small ticket LAP business, specifically for our company, and we had guided the team here about what we are doing in terms of action and why our portfolio saw that particular stress. We had said that there will be certain actions and the kind of GNPA that you could see over the next 3, 4 quarters, that is still FY '26. We had said that the GNPAs would move up or down, but we will try and maintain the credit cost below 1% at an entity level. While the flows on the ST LAP continue from the old book, we have transitioned quite a bit of this old book. We had a manpower shortage on the collection side. Whenever you have a manpower shortage on the collection side, agencies handle these collections, and we've transitioned from that piece to in-housing that collection. Whenever you do these transitions, there is that movement happens and which is what we have faced over the past 2, 3 quarters. That trajectory, you will see in Q4 and you've seen in Q2 and Q3, it is the same vintage portfolio, which is giving us those flows.

We are in complete control of those flows because there is a predictability which we had seen. We had seen the kind of the GNPA that is coming out now we had predicted that, that is the GNPA, which will flow in Q3 and Q4. So, we had guided you accordingly. And that is where we think that once we get this complete in-house, which would happen by Q4. The predictability should be much, much better on the stress loan side. This fresh sourcing, which is happening on ST LAP is giving us much better numbers on the 12 MOB and the 15 MOB as well as the 18 MOB.

That portfolio is looking much better. Obviously, it is coming off a new BRE. Obviously, it is with lesser seasonality, but we are confident of that number flowing completely differently. That is on the stress loan. On Yields, CVG, you want to give color?

C.V. Ganesh: Yes, Parvez. So thank you, Nischint, for asking that question. See, one thing I wanted to caution everybody is that our yields has appeared in the investor deck, are vitiated by the DA income number. And that is precisely why we are focusing on core income and core yield. Optically, while it may appear that yields have dropped by 20 bps quarter-on-quarter between Q2 and Q3.

That is merely because of the fact that in Q2, we had 20 bps of DA income, which is not there consciously in Q3. So eliminating for DA income, the core yield is the same. There has been no yield reduction. And our focus continues to be on core yield. We will continue to drive that. And I would request everybody to look at the yield, excluding the impact of DA.

Moderator: The next question comes from the line of Pavan with Edelweiss.

Pavan: Two questions on the small ticket LAP. One, you mentioned earlier that you were facing some issues in Tamil Nadu in terms of the personnel. Have those been resolved? That's one. So will that lead to growth in the coming quarters? Second question is on the yield compression bit that you have said. Maybe on the calculated yield side, definitely take your point. But on the origination yields also, the ones that are disclosed in the presentation, there seems to be 80 basis points reduction over the last 3 quarters in the small ticket LAP, vis-a-vis only 20 basis points reduction in the medium ticket LAP. Could you please explain that?

And going forward, how are you seeing the on-the-ground economy in terms of the people's willingness to borrow or ability to borrow? Yes, those are my questions.

Parvez Mulla: Yes, Pavan. Thank you so much for your question. On the yield front, apart from the one I explained on the gold side as well as the explanation, which CVG gave on yield, two additional colors. One on the small ticket LAP business, definitely, there is an environment which is behaving in a particular manner for lower ticket below INR5 lakhs. There have been companies which operate in this particular segment who have reported. There is that MFI piece, which was happening over the past few quarters, that has affected that particular segment, which is below INR5 lakhs. Some people who have looked at this business on the ST LAP side, also, I have seen a little bit of stress on the INR7 lakh to INR5 lakh segment, the spillover of the MFI on that particular segment. We've been conscious of that over the last 2 quarters, you've seen a slight movement of the ticket size for ST LAP for us. We've reduced the exposure for that INR5 lakh to INR7 lakh. That's why you see the ticket size moving up. As the ticket size has moved up, yield has dropped for the ST LAP business there. There is definitely a pressure on yield even on the MT LAP segment. Across the board in the industry, there is a pressure on MT LAP. We have not dropped the yield as much as other players in the market have dropped. We've continued to hold the yield on the medium ticket LAP. The ST LAP yield, as I said, is only being conscious of the environment. I think as the environment eases out, you will see the trajectory coming back there.

Your second question was on Tamil Nadu. We will still wait for Q4 for the business to pick up in Tamil Nadu. The Tamil Nadu business has picked up, but not to the expectation that we wanted. As I had mentioned to you last quarter when specifically asked on one particular state, yes, our business had dropped in particular state of Tamil Nadu.

We are picking it up. It has moved about 20%, 30%, but still some way to go. We expect Q4 and Q1 for it to come back to the disbursement normalcy. The delinquencies there are in control, but the disbursal normalcy for it to come back. We're still a little bit cautious there in Tamil Nadu.

C.V. Ganesh: So I'll just add one more thing on the yield on the ST LAP. What you see in the deck, is the origination yield in the last 3 months. Now that is only INR200 crores. So, if you see on the book, it's gone down by less than 10 bps on the overall small ticket LAP book.

Moderator: The next question comes from the line of Shubhranshu Mishra with PhillipCapital.

Shubhranshu Mishra: So 2 quick questions. The first one is, we've seen a sharp spike in the gold loan AUM. If you can just have a split between what's been the contribution from our new branches here? And what's been the contribution from the increase in the ticket sizes?

Second, the rise in gold prices, do we still expect 10% to 12% CAGR in the tonnage growth because that seems unlikely because I will get lower amount of gold collateral for the same amount of gold loans.

The third is, because we are slightly heavier on the disbursements in gold loans, which will also reflect on the AUM in subsequent quarters. Are we going to change the borrowing metric, which is slightly heavier on the longer tenor. I understand during the rate cut cycle, we tend to borrow slightly longer tenor, but are you going to make it commensurate to the gold loan tenor in the AUM?

Parvez Mulla: Thank you, Shubhranshu. I will just request Jagadeesh to give you a flavor on the new branches and the old branches growth. Jagadeesh, are you there?

Jagadeesh Rao: Yes. I hope I am audible, right?

Parvez Mulla: Yes.

Shubhranshu Mishra: Yes, you are.

Jagadeesh Rao: So, Shubhranshu, we have opened 58 branches in the last quarter, and that has contributed to the growth. So, if you see the overall contribution of INR8,000odd crores that we recorded in this quarter, 30% of the growth is contributed by the new branches. And balance, 70% is still coming from the existing branches. That's on front on the contribution.

Secondly, your question was on the pure weight growth and its consistency. We see that happening because of where we stand today, because our average per branch looks like it is hovering around INR12.5 crores to INR13 crores, and we still see a big room to reach around INR20 crores over the years to come, that's what our aspiration. We see tonnage growth playing a key role precisely because there is opportunity in the market, that is one. Second, our incentive structures, our KRAs, we have a target-linked incentive, which is linked to the pure weight growth of the branch.

So every branch, every employee is driven and incentivized based on the tonnage growth that we do in the branch. So that's what our thrust is, from the day one, and that is resulting in such a growth.

while the price is increasing, there will be chances that customers will pledge lesser gold, but there is a new acquisition which is happening, which is an engine for us to substantiate and balance that trend. But we see consistency, and we are confident that we will be seeing 10% to 12% of tonnage growth year-on-year.

Parvez Mulla: CVG, do you want to give a flavor on the borrowing mix?

C.V. Ganesh: Yes. Shubhranshu, fully with you. We are going to do exactly what you have said. There is an opportunity there to have a skew towards the shorter end and that is exactly what we will do, which will aid in the NIM expansion going forward.

Shubhranshu Mishra: Just one question on the gold loan part for the tonnage growth, with rising prices or even the prices at similar levels that we see today, if we have a tonnage growth, which keeps going on, then we are infringing on the bank ticket size, which means that it will be yield pressures, right? Is that a fair to understand?

Jagadeesh Rao: Sorry, I missed your last point. Can you please speak?

Shubhranshu Mishra: So if we keep doing -- if we are bent on doing tonnage growth for gold loans at similar prices or rising gold prices, we would infringe on the bank's turf, right, which generally do higher ticket size in gold loans, which means that it will be yield dilutive for our gold loan business. Is that a fair understanding?

Jagadeesh Rao: Basically, the retail ticket size is actually growing. Probably a guy who was eligible for INR1.5 lakh, is today eligible for INR2 lakh -- INR2.2 lakhs with the same gold. But it doesn't seems to be trending towards the bank's turf. If there is a trend, then the yield pressure will be managed through the CLM partnership, CLM models that persist, and we will try to encash on that. But otherwise, as an NBFC, as an AUM strategy, we still rely on the retail and retail is seeing traction. We see pure weight coming from the retail book.

Moderator: The next question comes from the line of Chintan Shah with ICICI Securities.

Chintan Shah: Congratulations on a strong set of numbers. So just I had one thing on this labor code impact. So I think we already mentioned the impact is around INR3.9 crores for this quarter. But so is that a onetime impact? Or do we see any recurring impact as well going ahead due to that? So that's the first thing.

And secondly, on this gold loans or now almost we are 45% on the overall portfolio. So even if that exceeds say, around 50% or so. So that is not a challenge, right? And thirdly, on the borrowing cost, we have seen a steep decline of almost 60 bps Q-o-Q. So do we see any more -- anything more to come on that or not?

C.V. Ganesh: Yes. So maybe I'll take the borrowing cost first, okay? No, I think the 60 bps fall Q-o-Q is not repeatable. It's a 2-point average, so there may be a skew there. I would urge you to go by the quarterly borrowing cost sheets where we reported a 33 bps reduction from 8.17% to I think 7.87%. I think that's what you should look at.

There are opportunities there because, as I said, 41% of our borrowings are still external benchmark linked. The balance are MCLR-linked. So as of now, 71% of our borrowings continue to be floating rate. As and when the transmission continues to keep happening, there is an opportunity there, though we would be sanguine about it.

Now in terms of the labor code, see, the biggest impact has been baked in, okay. The biggest impact has been a onetime catch-up in terms of all the retiral benefits like gratuity, leave encashment, etc., due to the basic being -- needing to get hiked to 50% of the CTC. So that exercise has been done.

Now going forward, how does salaries get revisited, does it get passed on? Does it get adjusted is something which we will watch how the rest of the industry adjusts to it. We believe we have the wage cycle in April to look at that and have a little more information on how peers are handling it. What we do will be relative to what the peers do, right.

Now on the gold, as of now, there is no board limit or internal limit we have that it should not cross the lakshmanrekha of 50%. So we don't have any lakshmanrekha. Ultimately, we are a LAP first company, but gold is a very strong secondary product. Right now, it is doing very well. it would be perfectly acceptable and encouraged if it were to in the short-term or medium-term take the lead. And then -- but overall, as texture, we would remain a LAP company.

Moderator: The next question comes from the line of Sonal Minhas with Prescient cap Investment Advisors.

Sonal Minhas: My question is with regard to gold loan, sir. I have 2 questions. First of all, I just wanted to understand since your yields are around 18%, 19%, I'm presuming, and please correct me if I'm wrong, you competing with the likes of Muthoot, Manappuram and couple of other scaled up gold loan companies.

How are you seeing competition vis-a-vis the non-banking scaled up gold loan players. And we've seen commentary by these players where basically there is a directional indication that the yields are expected to come down given the competition? So that's one.

Second question was with regard to your LTV. The LTV seems to be a bit higher compared to the non-banking players. So just wondered a subjective feedback from you on that sensitive observations? That's all from my side.

Parvez Mulla: Yes. See, as far as competition is concerned, these set of 8, 9 players have been operating in this market for past 10 years. There have been certain geographies where each predominates. Obviously, there are 1 or 2 players who are very large and they operate at a different scale. But the other players tend to predominate in particular geographies.

We have seen growth in the western and northern geographies much more than what we have seen in southern geographies. You see that in our investor presentation also. Our growth essentially comes from those geographies. Our new branches also come from those geographies.

As far as yield pressure is concerned, whenever the price goes to the levels that it has gone, earlier also whenever the price has shot up, there will be new players coming in. And those competition and the yield pressures will happen for a short-term period. But typically, gold being a vernacular business, it is dealt by each large player very, very locally.

That means in the state of Gujarat, you will deal with the Gujarat market, and you will play the yield there. And the Maharashtra market, you will deal very, very separately, depending on what the competition is there and who is the predominant player.

You don't match your yields with every player, you match it with the predominant player and how you are operating. Again, what tends to happen is gold being a very local business, geographically where you are located in that particular city and that particular town also matters.

So the competition also is very, very localized in terms of yield. Banks operate a very different yield, but their location is also very, very different in that particular city itself. Jagadeesh, you want to add anything on the gold side or the LTV side?

Jagadeesh Rao: Yes, I wanted to address the second point on the LTV, concern that is raised by you is, on the LTV. Our LTV seems to be on a higher end. But I would like to correct you, it is not higher. It is much, much conservative compared to any other NBFC player. If you take our onboarding LTV, it is at the tune of around 70% to 71%.

Today, regulator has allowed us to go up to 85% for certain ticket size, 80% for another ticket size. But we are a little cautious because we don't want to take the advantage of the price or the LTV relaxation. We are more conscious and more conservative.

Our onboarding LTV has reduced. We are even onboarding customers at a much -- lets say, 1% or 2% lesser than the max cap. On the portfolio LTV, we are standing very comfortably at 59%, which is declared. So I don't think we are on higher end. We are conservative or max at par with the largest player.

Sonal Minhas: No, I understand that. I picked up a number from the deck.

Moderator: The next question comes from the line of Meghna Luthra with InCred Equities.

Meghna Luthra: I just had 2 questions. One is what percentage of the LAP book is old vintage? And the second question I had is that you mentioned you wanted to move from DA to co-lending. Can you throw some more color on that, what proportion of the AUM would that be or anything else?

Parvez Mulla: Anything sourced before FY '24 is old vintage. So the sourcing, which has happened after FY '24, we track it separately and we put it as a new book and that is what is showing us good color. And this old vintage book will have its own play. But amongst the old vintage also, there will be 1 or 2 years, which we are tracking very closely. We've, over the past 2, 3 quarters, we have addressed those flows in the buckets that you have seen. So you've seen our Q1, Q2, Q3 movements and most of the flows are coming from those 2, 3 years that we are tracking very closely. Plus there are certain geography mixes, which we are tracking. And as we go forward, the new mix will increase and the old mix will come down. As far as the DA to co-lending is concerned, CVG, this was something which you mentioned?

C.V. Ganesh: Yes. Sorry, Meghna, what was the question again on DA to co-lending?

Meghna Luthra: Sir, you mentioned that you want to cut down on DA and move to co-lending.

C.V. Ganesh: From 1st Jan, there are the new co-lending guidelines, which are applicable. Now there is an accounting change in which the co-lending one happens compared to the kind of accounting which used to happen for DA. That is all I was trying to signal. So, the moving of the lower-yield assets off book would continue to happen. It is just that the accounting might differ going forward. which is why I was pointing more for everybody to bear attention to the core yields and core interest income and maybe eliminate the impact of the DA income there from.

C.V. Ganesh: On the first question also, see there are very specific geographical cohorts of the back book, where the pain is lingering. I think it would be unfair to colour the entire back book with that

Meghna Luthra: So this would be a normalized level for the DA income or the, say, the co-lending income that we will see, right?

C.V. Ganesh: We will watch it, Meghna, I think -- I wouldn't want to say that statement.

Meghna Luthra: Okay. Okay, sir. And then lastly, can you highlight which geographies are throwing up pain right now?

Parvez Mulla: These cohorts that we had talked about, we had initially also mentioned in our first Q discussion that there are geographies of Maharashtra and Tamil Nadu, where we had seen that elevated stress, which was in Q3 FY '25. And those were the geographies we had focused and within these geographies also, we had certain pockets.

Again, Meghna not to color it, these are not something which the other players had faced. So it was our specific problem for these 2 states. So it was not a state specific issue. It was a Fedfina state specific issue.

Moderator: The next question comes from the line of Prolin Nandu with Edelweiss.

Prolin Nandu: A couple of questions from my end. One is, you talked about the drag on cost-to-income because of a higher intensity of disbursement, right? And that is specifically coming from gold side of things where you mentioned the AUM growth in the last 3 months.

My question is that, see, on cost-to-income, obviously, there is this drag because of this, but then we are co-locating the branches and at some point of time, operating leverage would also come into the picture. So where are we in that cycle of cost-to-income? Because we will continue to have a very high growth in gold loan going forward as well, right? So do we still continue to see that drag because of higher disbursement coming in gold loan? Or maybe this quarter might be something different and going forward, there could be a lesser of an impact on cost-to-income because of higher disbursement?

C.V. Ganesh: Prolin, thank you for that question. See, what I would urge is we want to retain flexibility in all the levers in the ROA tree. I think the guidance we would give is what I had outlined at the end of my narrative that we have delivered over the last 4 quarters a consistent, predictable and increasing ROA. I think that perhaps is the guidance you want to take that subsumes opex, that subsumes credit cost within those parameters where that subsumes a DA income or otherwise that subsumes core yield. Within all of that, I think that would be the objective we would continue on.

Parvez Mulla: Just to add to what CVG is saying, again, at the start of the year, when the guidance was asked, I had mentioned that this year, we will be focusing on the credit cost. FY '25, we had returned a credit cost of 1.8%, and we were very conscious that this year, FY '26, we wanted to keep it below 1%, and that is the 80 bps, which you will see reflecting in our ROA tree. And this is the guidance, which I had given a year ago.

Having said that, I had said that on the opex side, we will do a lot of work in this particular year, but it will only reflect in FY '27. FY '26 is an investment year because we are taking a challenging task of rebuilding the ST LAP business. There is going to be investment on the collection side.

We went ahead and invested into the gold branches. We went ahead and did investment in areas of the small ticket LAP business. So, these 3 areas have moved the cost-to-income up so and the other elements on the cost-to-income, whatever we have reduced, so it is a, there is some reduction and some upside, and that is why it has remained flat. In fact, I had guided it in such a manner a year ago, that cost-to-income for FY '26 will remain flat because we are going to do these additional costs, and we will do the savings. As we go in FY '27, these will start reflecting. When we are merging the small-ticket LAP business branches as well as definitely, there is a shaving off which is happening, but it is getting neutralized by the new branches that we are putting in.

And also the fact that the leases take time for it to fructify. So you only get a 3-month effect or a 6-month effect in a particular year. Next year, you will see the full effect playing in. So that is why further, I had mentioned that you will see an effect next year on the cost-to-income side.

So basically trying to say that FY '26, we wanted to address the credit cost, the cost-to-income and the opex to average assets we will address in FY '27, which is where you will see the upside on the ROA trajectory further than what we have delivered in FY '26.

Prolin Nandu: I get your point. The second question would be on this GNPA, right, in the mortgage division. while you have alluded to this, but just to summarize, is it fair that large part of the increase in GNPA. That we are seeing, is it because of the older book?

And could you just help us understand how is the performance on the asset quality side between newer and older book or some of the -- I mean, not the entire older book, as you highlighted in the previous answer as well, is where we were seeing an issue. But if you can just help us understand how has been the performance on GNPA side on the newer book?

Parvez Mulla: Yes. So there is a substantial difference on the newer book and the older book. When we look at the 12 MOB and the 18 MOBs numbers, there is almost 100 bps difference to 150 bps difference between what we are seeing on these two books. Even in the older book, there are certain pockets and certain vintages, which we have faced a challenging situation.

Again, those challenging situations, Rahul, I will repeat, was not necessarily an environment issue. It was our issue. Our collection team's inadequacy, we had not invested as much in the collection infrastructure, which we should have been doing a year ago or 2 years ago. But that caused that flow to happen ST LAP business is a heavily invested collections business, which we corrected over the past 1 year. So last 1 year has gone in this particular collection. Now we are also seeing whichever NPAs, which we had moved the buckets in Q1 and Q2, we are seeing NPA recovery is happening here. Because you have to also understand that many times when the customer is in early buckets, when he moves into bucket 2 and bucket 3, recovery becomes difficult.

It is advantageous for the company to move it into NPA because then the legal process is much easier on the NPA side. And the recovery is much better after you drop the case into NPA. That is why we believe that we are getting certain good recoveries also which are happening now. So that is the color on the GNPA side on the old book and the new book.

C.V. Ganesh: Maybe I'll just add on to that, roughly the way to dissect the problem a little better is that, of the mortgage book roughly on the AUM side, it's a 60-40 split between medium ticket LAP and small ticket LAP. So medium ticket LAP, it's pristine. There is no problem.

So out of that 40% of the mortgage book, there is a further split between old book and new book. Now that is not public information. Now within that old book further, there is a geographical split. So actually, you are talking about not so large part of the bad book. That's the comfort we will give you.

Parvez Mulla: Yes. And Rahul, further to give you that comfort is when we had looked at 1 year ago and when we had seen the problem and when we had guided on the problem, that is why we said that we were able to give you a guidance on the credit cost. That is what is going to be the P&L charge of this.

And in spite of the GNPAs being volatile, we'll be able to hold the credit cost below 1% because that time also 1 year ago, I got questions that if the GNP has moved up, the credit cost will also be unpredictable. We had said that we know the cohorts, which we are working on. We can understand what kind of recoveries will happen. We are also dealing with movement of the portfolio from the agency side to in-house.

It also has to be done in a structured manner because you understand that when you get an allocation, which has done to an outsource agency when you are moving it in-house, there are droppings which happen. And every quarter, you need to handle those.

So as you select the cohorts in particular states, when they move from the agency to inside, you can predict what is the expected numbers which are going to flow. So that is why we had guided accordingly, and what I can say is whatever is happening on the GNPA side is exactly the way we had predicted it and we had guided on the same.

Moderator: The next question comes from the line of Vedant Maheshwari with Intellivest Family Office.

Vedant Maheswari: Just a couple of questions I have with regards to the way we calculate our businesses. So in regards to the gold, at what are the tonnage part, but is there a lag in the price at which we take for computation of our gold loan AUM growth?

Parvez Mulla: Did I lose a connection in between? I couldn't hear your question properly in continuous flow. Jagadeesh, did you catch it?

Jagadeesh Rao: No, no, I didn't.

Vedant Maheswari: Okay. So what I mean is as a whole with our tonnage growth and everything, I want to understand at what particular for our AUM computation what price of gold do we take? Is there a lag of the gold price which we take and due to which we see the growth? Or as a whole, we take it at the live prices at the moment?

Jagadeesh Rao: Yes. So to answer it, it is based on the regulatory lines. We take the 30 days average of the gold prices. See we have declared Q3 LTV. LTV is based on the 30 days average gold price as on 31st December.

Vedant Maheswari: Okay. Got it, sir. And just 1 couple of things. You said the AUM is back ended, and we see that in -- because the gold ticket sizes, I suppose, like the gold loan, we see the revenue recognition a little bit back-ended, right, around 6 to 8 months is the average tenure. So given that we have been experiencing a large tonnage and AUM growth over the last 1 year and the gold price has also been quite high. As a whole, how does that translate into our revenue recognition policies?

I just want to understand that flavor. As we are seeing over the last 18 months of the AUM growth and all has been quite strong, but as all the translation doesn't seem that high compared to just the top line. I just wanted to understand these policies are a little bit more?

Jagadeesh Rao: I think the back-ended point was not on the revenue recognition, back-ended point was on the book that we are building. See, for the quarter it has grown around 10%. The majority of the book has happened in the month of November and December. So the results, the earnings of that will happen in the subsequent quarters.

Apart from that, the gold loan is structured in such a way that you on-board a customer at a rate and there are options available with the customers to pay interest at, say, after 6 months, 7 months at a higher rate. So, that's where the yield will play and we see that happening as a character of gold with any player. This is an industry fact.

C.V. Ganesh: I was referring to my point. So, the point I was -- I made earlier in the call is that see the origination costs, yes, the incentives, some of the other origination costs are recognized in the month of origination. So effectively, we do not amortize the origination cost over the life of the gold loan. So the cost getting recognized upfront. The revenue is ours over the next many months. That is all I was trying to say.

Moderator: The next question comes from the line of Sandeep Joshi with Unifi Capital.

Sandeep Joshi: I had a question on the credit cost. See, for this financial year, we have given a credit cost guidance of about 1% plus/minus 10 basis points. But I just want to understand from you what are you thinking for the next -- for the credit cost for FY '27 in the line that now the proportion of gold loan have actually increased, the unsecured book has almost run down and most of the collection infrastructure will be ready by Q4. So on this context, do you wish to give any guidance on credit cost for FY '27?

Parvez Mulla: Yes, Sandeep, see, we have at the start of the year, guided on a particular credit cost because that was the most important item on the agenda when we had seen an elevated GNPA and elevated credit cost on the ST LAP business. That is why we felt it was necessary to guide on the credit cost. I think next year, we want to keep it in a predictable zone. As we had mentioned in our strategy that we moved out of the BL unsecured business because we wanted to bring predictability to the credit cost and that is the objective, and we want to get into that zone. So, by Q4, once we see the numbers on Q4, we should be able to give you a guidance on the credit cost, and it should be very predictable for you. But I think what will be important for you next year for FY '27 will be our guidance on the opex to average assets because that will be a crucial number where we will show some numbers. So these two alternatively, we will definitely give you a guidance on Q4.

I think this year was an important year where we gave you a particular guidance, and we wanted to live up to that number. Next year, I think it will be more predictable or at your end itself the opex number will be more crucial, I think. But anyways, in Q4, I will give it to you.

Moderator: The next question comes from the line of Rahul Kumar with Vaikarya.

Rahul Kumar: Just 1 question on the slippages front, so going forward, do we expect the slippages to remain status quo or improve from here, especially in the mortgages?

Parvez Mulla: As far as the slippages are concerned, FY '26, quarter 1 to quarter 4, we are handling the issue of small ticket LAP business, which affected us as a company. Environment might have been included inside it, but it was our issue. And we had said that it will take us a year. We will take that here, and that is where you will see these slippages.

We have as much as possible, try to keep it non-volatile. We have given a prediction on the credit cost and we have sustained it and maintained it. On the slippages side, I think FY '27 should give you a more predictable line on the slippages based on whatever flows we have seen this year because, as I said, the characteristics of the old book and the certain vintages should play out, and we should have a better predictability to those slippages.

Plus, as I said, we will have a recovery team, which will neutralize some of those slippages for us. So there will be a predictability. So, FY '26 will get utilized in these slippages, '27 should be a predictable nature.

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

Parvez Mulla: Thank you so much for the call, really appreciate. With the closing comments, which we want to give is, last year we had given certain guidances and certain priorities. Over the last 4 quarters, we have stuck to those guidances. We have stuck to those numbers, which we had promised and Q1, Q2, Q3, we have moved the needle in terms of the parameters, which we had promised, especially on the ROA side, on the credit cost side.

We had promised that we will work on a complete secured construct. We have stuck to that. We had said we would double down on these 2, gold and mortgage business. We have stuck to that. Certainly, we have been helped by the price momentum on the gold side, but we have been very conservative in terms of focusing on tonnage growth as well as on the LTV side.

So keeping in mind the risk parameters, keeping in mind the processes, we have consciously grown these 2 businesses. And on the ST LAP side, also, we had said that we will rebuild this business. We've been doing it brick by brick. We are not in a hurry, but we are conscious of the growth that we want in this particular business.

We are focused on this business. We are investing into this business. We believe this is a business which we can do very well. Focusing on these 2 businesses and creating an expertise in these 2 businesses is the core DNA with which we want to move forward. Thank you so much.

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