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BSE Limited

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Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited

Listing Department Exchange Plaza,
5th Floor, Plot no. C/1, G- Block, Bandra-
Kurla Complex, Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the third quarter and nine months ended December 31, 2025.

Further to our letter dated January 23, 2026, regarding the audio link of the investor's earnings call for the third quarter and nine months ended December 31 2025, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website www.shriramfinance.in

Thanking you.

Yours faithfully,

For SHRIRAM FINANCE LIMITED

U BALASUNDARARAO

COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER

Encl.:a/a.



**“Shriram Finance Limited
Q3 FY '26 Earnings Conference Call”
January 23, 2026**



**MANAGEMENT: MR. UMESH REVANKAR – EXECUTIVE VICE
CHAIRMAN – SHRIRAM FINANCE LIMITED
MR. PARAG SHARMA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – SHRIRAM FINANCE
LIMITED
MR. S. SUNDER – JOINT MANAGING DIRECTOR AND
CHIEF FINANCIAL OFFICER – SHRIRAM FINANCE
LIMITED
MR. SANJAY KUMAR MUNDRA – HEAD INVESTOR
RELATIONS – SHRIRAM FINANCE LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Shriram Finance Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh Revankar, Executive Vice Chairman for his opening remarks. Thank you, and over to you, sir.

Umesh Revankar:

Thank you. Good evening friends from India and Asia. A warm welcome to all of you. Greetings also to those who have joined the call from Western part of the world. To present our Q3 FY '26 earnings call today, I have with me Managing Director and CEO, Mr. Parag Sharma, S. Sunder, Joint managing Director and CFO; and Sanjay Mundra, who is our Investor Relationship Head.

It has been a good Q3 quarter for us, for Shriram under the current circumstances. Let us first look at broad economic indicators. And as all of you know, that India has been growing well. And that 8.2% GDP growth has back on the 7.8% GDP growth the previous quarter, indicates that the Indian economy is growing and have all the positive signals that it is likely to grow and keep growing at the same rate for the next few quarters.

The inflation is under control. The consumer price inflation, which is at around 1.33% and wholesale prices-based inflation is at 0.83% helps the consumer to have more in hand and spend more and that is very positive for the consumer and for consumer spend.

Coming to the RBI policy, the repo rate cut by 25 basis points to 5.25 indicates that RBI feels there can be further opportunity for growth by giving lower rates to the customers and policy stands remains neutral.

GDP forecast by the RBI also have moved up for 7.3% from the earlier estimate of 6.8%. And the CPI inflation forecast has lower to 2% from 2.6%. The rate transformation has been slower than the expectation, but we are able to see some progress in our borrowing cost coming down Q-on-Q, which we will touch upon later.

The rural economy has been doing well. If you observe the overall output, agri output and the numbers feel that the rural economy and consumption and the credit demand, all three things are likely to be continuing to remain very strong, and that is going to help us because we have a large presence in the rural and the semi-urban area. And we are witnessing a very good traction from these geographies.

The GST collections have improved in December. Post the GST rate cut, the progress is satisfactory is what we feel and we believe a more improvement in GST collection should help the infrastructure spend by the government. Overall, for auto industry, the GST cut has been a very positive impact, leading to very positive sales numbers.

The commercial vehicles have improved sales by 21.5% in Q3, '26 and stands at 2.9 lakh units against 2.39 lakh sold in the previous year same quarter. Within CV, M&HCV sales recorded 21.6% in Q3 '26 and stands at 1,10,289 units against 90,667 units.

LCV recorded a growth of 21.5% in Q3 and stands at 1.80 lakh units against 1.48 lakh units sold in this quarter, same period. Passenger vehicle have recorded growth of 20.6% and stands at 12.76 lakh units against 10.58 lakh units in Q3 FY '25. Two-wheeler recorded a growth of 16.9% with the sales of 56.96 lakh units in Q3 against 48.75 lakh units in Q3 '25.

Three wheelers have recorded a growth of 14% in Q3 '26 sales of 2.15 lakh units against 1.89 lakh units sold in Q3 '25. Tractors have again witnessed very good growth, sales has been recorded 28.8% increase with 3.15 lakh units sold against 2.44 lakh units sold in Q3 '25.

Construction is the only area where it has de-grown at 14% with 30,776 units against the 35,768 units. Overall, we feel that the government spent on the infrastructure has been at much lower than the expectation.

And I personally believe that the when Finance Minister presents her budget on February 1st, we may see a good progress or we can see the progress what we would like to make in the infrastructure and allocation to the infrastructure. That should indeed give us a long-term indication of the same.

Right now, I'll ask my colleague, Parag, to take us through operational performance and hand over to Parag.

Parag Sharma:

Thank you. I welcome all of you for our Q3 FY '26 Earnings Call, and I trust you had the opportunity to have a look at our quarterly results and also the related investor presentation, which has been posted on the website of the stock exchanges.

We adjusted a disbursement growth of 14.17% Y-o-Y. Our disbursement in Q3 FY '26 this year aggregated to INR48,645 crores versus INR42,606 crores in Q3 FY '25. Our asset under management as of 31st December 2025, registered a growth of 14.63% over Q3 FY '25 and of 3.7% sequentially. Our AUM stood at INR2,91,709.03 crores as against INR2,54,469.69 crores a year ago and INR2,81,309.46 crores in Q2 FY '26.

Our net interest income in Q3 FY '26 registered a growth of 16.17% Y-o-Y. We earned net interest income INR6,764.09 crores in Q3 FY '26 this year as compared to INR5,822.69 crores in Q3 FY '25. Our net interest margin in Q3 FY '26 was 8.58% as against 8.48% in Q3 FY '25 and 8.19% in Q2 FY '26.

Our profit after tax grew at 21.21% in Q3 FY '26 over Q3 FY '25, excluding onetime gain of sale of our stake in subsidiary, Shriram Housing Finance, which has been renamed as Truhome Home Finance now, and by 9.3% over Q2 FY '26.

We registered a PAT of INR2,521.67 crores for Q3 FY '26 as compared to INR2,080.37 crores in Q3 FY '25, excluding a onetime gain of INR1,489.39 crores net of tax for sale of our stake in subsidiary Shriram Housing Finance and INR2,307.18 crores in Q2 FY '26.

Our earnings per share for the quarter stood at INR13.40 as against INR11.07, excluding onetime gain in Q3 FY '25 and INR12.27 in Q2 FY '26. On our asset quality, Gross Stage 3 in Q3 FY '26 stood at 4.54% and Net Stage 3 at 2.38%. These numbers that show an improvement over the

corresponding period of 5.38% gross and 2.68% net in Q3 FY '25 and was 4.57% Gross Stage 3 and 2.49% Net Stage 3 in Q2 FY '26.

Our credit cost on total assets for Q3 FY '26 stood at 1.62% as against 1.85% for Q3 FY '25 and 1.68% for Q2 FY '26. Our cost-to-income ratio was 29.66% in Q3 FY '26 as against 28.59% recorded in Q3 FY '25. Our cost-to-income ratio in Q2 FY '26 was 27.76%. The increase of cost to income was mainly due to incremental impact of INR196.95 crores on gratuity and long-term compensation expenses representing increase in past service costs because of definition of wages under new labour code.

On the liability front, the total liabilities as of 31st December '25 was INR2,51,732 crores vis-a-vis September, which was INR2,34,309 crores. The total cost of liabilities on balance sheet has come down by 14 basis points from 8.83% to 8.69%. The incremental cost of borrowing is now at 7.73% versus 8.12% in the previous quarter.

The liquidity coverage ratio is well above the statutory requirement, it is around 335%. And we maintain a liquidity, which is equivalent or slightly more than the 3 months of our next 3 months liability.

The leverage ratio is at 4.05 versus 3.88 in the previous quarter. Overall, this quarter, we have also seen rating benefit that is rating upgrade by CARE and positive outlook by CRISIL and ICRA. S&P has also upgraded our rating to BBB- and Moody's and Fitch have put us on a positive watch.

With this, we will open the forum for question and answer. Thank you.

Moderator:

Our first question comes from the line of Chintan from Autonomous.

Chintan:

I have got three questions. The first one is the equity raise is about 12.5% of your assets. So, you're going to get a lot of cash on your balance sheet. How should we assume that cash runs down? So, I assume that you will want to keep the debt investors engaged. So -- but your pace of new issuance could come down, and then of course, growth will pick up. But if I think about how fast this cash can be used up. Could you give us some timeline on that?

Umesh Revankar:

Yes, yes. You want to ask second question or?

Chintan:

No, I can ask them all or we can take them one by one.

Umesh Revankar:

You can finish your questions.

Chintan:

Okay. The second question is the profile of the customers that you lose, if you could give us some sense of that profile. So, what yields do they pay when they leave you and go to somebody else?

And whether they are risk-adjusted yields similar to your current risk-adjusted NIMs, assuming that there will be a cost of funding, benefit now that you accrue or is that business you'll lose? Is that a slightly lower ROA compared to your current business, again, assuming that your credit spreads will come down? If you can give us some sense of what that customer profile looks like?

And then the third question, a little strategic. If I look at your credit spreads, they've already converged with Chola's Credit spreads and when I compare your metrics after the capital raise, your Tier 1 ratio is going to be in the 30s.

The ROE is going to be closer to 4%. It looks more and more like Bajaj. I would assume your credit spreads will tighten much further. So as a management team, I'm sure this is exciting, but what are the ambitions in terms of what other product areas you could get into, given that your cost, your traditional cost of funding disadvantage is reducing now?

Umesh Revankar:

Yes. Thank you. See basically I'll answer all the questions. The equity infusion when we complete, it will be around INR40,000 crores. And our normal quarter disbursement is around anywhere between INR45,000 crores to INR50,000 crores. So, cash, as it is, it will not remain for a very long time and that's the first point.

And the second is what we are planning to do is our existing customers who are likely to move or most of the time, we have seen customers who would after remaining with us for around 2 cycles, 6 to 8 years, then they upgrade themselves with a good track record and move to the either bank or captive finance companies. So, our competition here is with the customer who are moving to the banks or captive finance company and where we would like to retain them.

So, these customers, since they have a very good track record and past performance indicates that their credit cost and the risk profile of these customers are very good. We can pass on the rate benefit to them and retain them.

So, on average, around 30% of our customers, they move up and they upgrade and move to the banks, and we would like to retain them. That's a one point. And typically, they would prefer to remain with us rather than getting introduced to a bank credit profile because it takes a longer time for them to get introduced to the bank. And by offering them a reasonable a fair pricing, we should be able to retain them even with some basis point higher than the what bank could offer to them. That is one.

And the second is you are talking about that, I think I already answered. The expectation of the customer is as long as we are within 100 or 150 basis points of the bank offering, they would prefer to remain with us. And since this people already have proven with their track record, the credit cost is likely to improve and overall benefit to our credit cost, which is around 2%, could be 10 basis to 20 basis points as a book means total book.

Chintan:

So, on the new book, it will be much lower because this is 10%-20% -- 10-20 bps on the total book, correct?

Umesh Revankar:

Yes, yes. You're right.

Chintan:

Okay. Just one follow-up on that point before we go on the ambition question. You will have now a challenge of kind of one customer getting one rate, another customer getting another rate. How do you kind of manage this risk that doing business with better quality customer actually lands up reducing your rate offering to the new customer, like the subprime customer? Like how

do you manage this risk? Like other banks have got multiple brands and ways to do the segmentation. Are you planning to do some segmentation here to manage this risk?

Umesh Revankar: See we have internal rating of the customer. And our pricing is dependent on the internal rating not exactly built on the credit scores.

Moderator: Sorry to interrupt the management team. Chintan, sir, there is a lot of background noise coming from your line, which is interfering the conference. So, if you can self-mute your line when the management is answering your questions.

Chintan: Of course, yes.

Moderator: Yes, sorry, sir, please go ahead.

Umesh Revankar: Yes. See, what I was trying to tell you is that we have our internal rating of each of our customers. And our pricing is dependent on that. We are not pricing it as per the credit score, what is publicly available. So therefore, we will always differentiate between our existing customers with good track record. And the new customer who walks in with the credit score elsewhere.

Chintan: Okay. That makes sense. And then in terms of your kind of product ambitions, like what if your cost of fund disadvantage reduces versus some of the better rated NBFCs, what other areas could you get into?

Umesh Revankar: See basically, we would like to remain in the our core strength. That is the vehicle financing, both commercial vehicle and passenger vehicle. Plus in addition, in MSME, we feel that we can increase our ticket size by getting into a little larger enterprises, which we have been on average lending average ticket size of around INR10 lakh to INR12 lakh that we can increase by doing more secured lending, which is basically on the mortgage of property. So, we believe that we can have a better pricing to these customers.

And based on the cash flow, we can increase the ticket size. So, I think within these 2, we'll be able to grow and use the capital, which is coming in. And also, we have to understand that the Indian GDP growing at 8%, we expect the vehicle sales to continue to grow anywhere between 12% to 15% for the next 3 years. And if you're able to capture both the deeper rural market and the urban market who are upgrading to new vehicle we should be able to consume the capital very efficiently.

Moderator: Your next question comes from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil: I have two forward-looking questions. The first question to Mr. Sharma is as Shriram Finance continues to expand its lending portfolio across retail, MSME and vehicle finance, how do you see the asset mix evolving over the next 1 to 2 years? In particularly, how will digital lending platform branch network optimization and customer analytics be put into practice to improve disbursement, efficiency, maintain asset quality and align your guidance on sustainable growth? That's my question, I'll ask my second after this.

Parag Sharma: So okay, on the asset mix, I think other than commercial vehicle, which is our core strength and only shifting some focus for new commercial vehicle, there is not much of change in the mix with what we are looking at. We have taken sufficient measures when it comes to the digital usage, particularly for our 2-wheeler lending and also when it comes to other some of the other asset classes, particularly gold. Those initiatives are very much there, and we are looking at some traction there.

But on the overall mix, we don't expect a substantial change. The focus continues to be commercial vehicle and passenger vehicle. The only other asset class where we are looking at enabling more branches infrastructure is for the gold lending piece, where we can look at some volume growth and some AUM growth also there. Other than that, we are not looking at any new asset class or a change in the mix.

Sucrit D. Patil: My second question is to Mr. Subramanian. With strong capital adequacy and steady cash flow, how do you plan to sustain net interest margins while managing funding costs and credit risk. From a financial process point of view, how will you structure working capital cycles manage liability diversification and apply hedging or cost control measures to ensure ROE remains strong and the balance sheet keeps on growing in the coming quarters?

Sunder Subramanian: See, with the partnership of MUFG, the credit rating has been upgraded. And we believe that the rates will come down by around 100 basis points over a period of 2 years. And we also intend passing on some benefit to the customer.

And we believe that the net interest margin will be maintained at the current level, if not slightly improving it. And the credit quality improving, the credit cost also should come down. So we expect the ROEs and ROAs to improve.

Sucrit D. Patil: Thank you for the guidance and wish the entire team best of luck for the next quarter.

Moderator: Your next question comes from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: My question was pertaining to CV firstly. So, in that segment, sir, if you could throw some light and give us some insight on which segments are doing better in terms of business momentum in the current quarter and also in January, how are these trends shaping up, especially in the HCV, MHCV segment? And also how is the LCV segment doing? I'll ask the second question after this.

Umesh Revankar: Yes. Basically, what we are observing is the LCV and the SCV, the small commercial vehicle Last-Mile Distribution, there is a better traction because rural consumption pattern has changed and it is improving.

And there is more investment or more people are wanting to buy a newer vehicle and upgrade their existing ownership. And if you observe even in the last quarter, there is a big demand for tractor financing. So I believe, overall, the demand for the LCVs which is likely to come from the industrial hub plus the rural market.

And also, we are witnessing the demand for small commercial vehicle because e-commerce activities are moving into smaller towns, hitherto the e-commerce was restricted to Metro and the Tier 1 city. But now the penetration is going to almost every what we call the smaller towns and the rural area.

And therefore, I believe small commercial vehicle also do well. So the heavy demand will be more dependent on the infrastructure development or infrastructure activity, infrastructure spend, which has slowed down in the last 2 quarters.

And I believe if FM is allocating more for the infrastructure spend in the budget, that will kick start the urban spend or urban requirement, mostly heavy commercial vehicle. Otherwise, the growth will be mostly in the LCVs and SCVs for last-mile and the agriculture transportation.

Shreepal Doshi: Got it, sir. That is helpful. And sir, like, of course, 3Q was a very good quarter on the volume growth side also given the OEM numbers that have come out. How is it shaping up in Jan as well? So that was a follow-up question there.

Umesh Revankar: See, Jan first 15 days, the business volumes were a little low because in India, if you are observing that the it is not so auspicious time. Normally, the people who buy new vehicles or even new assets, they wait for 14th and 15th January to start buying new. So we saw first 15 days a little slower credit growth. But post 16th, we are witnessing higher credit growth.

Shreepal Doshi: Got it, sir. Sir, second question was pertaining to an aspect like so maybe we also have multiple products, and we do have cross-sell as a business strategy. So have we seen any co-borrower related provisioning being guided by the regulator to be created for us for our exposures in the co-borrower category?

Sunder Subramanian: No. See, we are required to make a provision classification at the borrower level. And if he has any defaults in any one segment, he is classified as an NPA.

Shreepal Doshi: So that was already a practice that we were already following it or there was...

Sunder Subramanian: Yes. We always -- we have been following this for past many years.

Shreepal Doshi: Right, right. And sir, this is only for, let's say, the customers defaulting in one of our products or we also track it like if that customer is defaulting somewhere else?

Sunder Subramanian: No. As for the current regulations are concerned, we are required to classify a customer as NPA only if it defaults within our system, not elsewhere.

Shreepal Doshi: Right, right. And we have been following this as a practice for a long period, you mean?

Sunder Subramanian: Yes, yes, correct.

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

Shubhranshu Mishra: Two or three questions. The first one is I read through the newspaper report about some concerns around the payouts to the promoters. So, there's been a lot of investor concern around it as it's

being construed as an exit amount, which has been paid to the promoters. So, if one can give some clarity around it?

Second is the SCV, LCV growth that you just spoke about, we see finances earlier, which speaking about various asset quality stress due to overcapacity in SCV and LCV, so again, if you can speak about the asset quality as well as the demand in this particular space and what's really driving it?

Third part is there are lot of contractors who are still awaiting their payments from various sorts of local body governments or state governments. How do we see this changing post budget?

Umesh Revankar:

See, basically, the Resolution 3 is approved by shareholder with 92%. So I think it is a shareholders' call, they are already done. I don't want to comment further on that. Coming to the commercial vehicle demand, that demand is sustained plus the rentals have improved over the period. There is no decrease in rentals. That means the utilization levels are high and also their repayments have been on time.

So as of now, we don't see overcapacity anyway because we have been in this industry for more than 4 decades. We have never seen utilization level of a vehicle so high. Earlier, the utilization level used to be anywhere between 19 to 22 days. Nowadays, the utilization level for our vehicles are anywhere between 21 to 24, 25 days.

So that has been one of the highest. So, I think this is very encouraging for all the vehicle owners, and we are not seeing any part of the country, any kind of default kind of scenario.

Shubhranshu Mishra:

And so, government infra and the pay out to state operators and contract has been slow, if you can speak on that.

Umesh Revankar:

No, no, there's some state government where there are challenges. There has been a little slowdown in the payment by the state government. But central government payments have never been delayed. In fact, they have been always on time, all the time. So, there is no challenges. Some state governments, yes, we do observe that some minor work done in the state government level.

There are some challenges in certain states, that customers, they understand and they quickly move from that situation to a different situation. And even otherwise, the works done at their local level have come down, and I don't think my customers are anywhere dependent on state government works.

Moderator:

The next question comes from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal:

Sir, just three questions. First is, while your disbursement numbers have continued to remain strong even this quarter, but earlier during the October, we had heard that there was some slowdown that were being seen in used PVs and CVs and that there was not enough change of hands happening because the new vehicle prices have come down, particularly PVs while they used customers perhaps were maybe not willing to come in terms of tactility, so what have you seen in the used vehicle market, both PVs and CVs in maybe months of December and January?

- Umesh Revankar:** As far as the passenger vehicles are concerned, I see the demand is quite good. And most of them are buying the vehicle for the first time, especially in the urban area and rural area. I see a very good demand for used private passenger vehicles.
- In commercial vehicle, yes, there are customers who would like to upgrade to newer vehicle, they are not able to upgrade because prices have remained very high. So, they are continuing with their older vehicle, which, in normal circumstances, would have changed the hand. So, but the customers, they make their own viability report, or viability of their business.
- And we believe that if the prices correct to some extent, then there'll be more churning of hand, which anyway, it will increase volume for us but it will not make a big material difference for us as far as the volume is concerned, because we lend only 60% of the value of the asset. For us, there is no change as far as the what we call credit asset quality or credit cost is concerned.
- Abhijit Tibrewal:** Got it, sir. And then one question for Sunder, sir. Sir, employee expenses, even if you adjust for this INR197 crores on account of the new labour code, we're still seeing employee expenses go up by about INR100 crores Q-o-Q sequentially. And this despite our employee count saying that they have declined by about 1,000 employees again Q-o-Q. So what really led to this sudden increase in employee expenses in the quarter?
- Sunder Subramanian:** There was some incentive schemes running, and those were paid in the third quarter, and that has contributed to the increase in the salary cost.
- Abhijit Tibrewal:** And these are incentive schemes aligned with the festive season?
- Sunder Subramanian:** Yes, correct.
- Abhijit Tibrewal:** Got it. And then, sir, lastly, on -- I mean, some of these segments, MSME, 2-wheeler, sorry, PL, your personal loans and then construction equipment, there for the last 2, 3 quarters, we have continued to see your Stage 2, Stage 3, continuing to inch up. So, is there anything in these segments, some nuances that you can add around some of these product segments?
- Umesh Revankar:** The construction equipment portfolio has come down a little because our lending also has come down because the opportunity for lending has been a little less. So that's one of the reason. And PL also, we have our portfolio has slowed down a little. So as a percentage, that would have been a little higher. But there's nothing to really mention about it. We believe that as volume goes up, things will become much better.
- Abhijit Tibrewal:** Got it. And sir, lastly, on the NIM guidance, I remember Sunder, sir, saying that NIM will be maintained at the current levels if not improve. So, suffice to say that whatever improvement in margins you are expecting from that liquidity normalization has already happened in the third quarter. And from here, I mean, we should look at more steady state? Or there is still some room for improvement in the margins?
- Sunder Subramanian:** We feel that it should be more or less in the similar lines going forward also, around 8.5% is what we expect.

- Moderator:** Your next question comes from the line of Piran Engineer from CLSA.
- Piran Engineer:** Congratulations on the strong numbers. Just going back to Abhijit's question on MSME even there, last few quarters, Stage 3 has been going up. And this quarter, we also slowed down growth. So anything you need to call out in MSME out here?
- Umesh Revankar:** Nothing to really worry. In fact, maybe 4, 5 months back, when tariffs was looming and we were having some kind of anxiousness on the same. But the way the our customers have progressed, they have moved into the new market. One is they also have focused back on the Indian market and moved into new market.
- Some of the industries, which were dependent on the U.S. market. Like the fisheries and prawn, the leather industry, textile industry, they were a little anxious when the tariff went up. But now I think there is a new understanding and they're gone to the new market.
- So, the temporary increase in Stage 3, they will not converted into NPA is what we strongly feel because we have been meeting these customers individually. And we are quite confident that things will be under control.
- Piran Engineer:** Okay. Okay. Understood. And sir, regarding your outlook on heavy commercial vehicles, I'm a bit confused because it does not sound like you're quite bullish. You are saying last 2 quarters, capex has been lower, and you're hoping that in the budget, some investments are announced. So really, what's your outlook on new HCV sales for next year?
- Umesh Revankar:** See, people will buy new vehicle only when there is a scope to utilize these vehicles. So as I was trying to tell you that since the infra spend has come down, on the heavy vehicles, we are a little cautious.
- Unless the infrastructure spend increases, further growth in heavy vehicle may be less. Because most of the heavy vehicles are used for cement and steel transportation other than the normal activities. So, it is dependent on the government infra spend. Therefore, we are a little cautious on the growth in heavy CV. But we are equally positive on medium LCVs and last-mile reach, which is the SCV, small commercial vehicle.
- Piran Engineer:** So, HCV growth may be in single digits according to you?
- Umesh Revankar:** Yes. Yes.
- Piran Engineer:** Okay. And just lastly on cost of borrowings, I missed what is the outstanding cost of borrowing this quarter and versus last quarter? And secondly, on the incremental cost that you mentioned of 7.73, this is after the few rating upgrades we've had or you're just talking about last quarter's incremental? Just these 2 questions.
- Parag Sharma:** The cost of liabilities is 8.69 as of December versus 8.83 for the previous that is September end number. Incremental cost is 7.73 without factoring in the rating benefit.
- Piran Engineer:** Okay. And so, after the rating benefit, it should be another maybe 30, 40 bps according to you, sir?

- Parag Sharma:** Because the rating upgrade happen only in January and only CARE end of December. So that benefit will be maybe 30, 40 basis points will be there.
- Moderator:** Your next question comes from the line of Kunal Shah from Citigroup.
- Kunal Shah:** So, the first question is on liquidity again. When we look at it on the balance sheet side, cash and investments put together, that's again closer to INR32,000-odd crores. We got it down to INR23,000-odd crores in September.
- So, is it more a period-end phenomena? Or even on the average, we are again seeing the increase in liquidity on the balance sheet, which can have some drag on margins. And that's the reason you are suggesting that margins will still remain at the current level?
- Parag Sharma:** Yes. So, it's only a period-end phenomena is not the liquidity which is there for the full period. And I don't think that will have any impact. The excess liquidity is not there. We are very conscious of maintaining 3 months of liquidity only. So it's only a period end, which has disbursement during the end of the quarter, which has shown up, but that will not have any impact.
- Kunal Shah:** Annually, shouldn't the benefit on margin should still continue be it particularly from the borrowing side because the incremental cost of borrowing is still significantly below the outstanding borrowing, while maybe Immediately, we are not planning to switch to new vehicles till the time the money come in and the near-term outlook on margins should be relatively better than that of Q3.
- Parag Sharma:** I think it will depend upon the asset mix. As long as we are focusing upon commercial vehicle, particularly newer, I'm not saying new per se, newer commercial vehicle with the rates tend to be lower or even the new passenger vehicles where rates tend to be lower, there will be not the full benefit may not be there, but if you are able to...
- Kunal Shah:** How is the proportion now on the new side in the disbursements?
- Umesh Revankar:** Sir, new is around 10% of the total disbursements. What happens is we will definitely pass on some benefit to retain our customers. So that's one thing. But in between as we get the faster benefit of the borrowing costs coming down, so there may be some increase. There will be definitely an increase in the margin. But that will not a permanent increase. So, there will be some kind of a movement anywhere. So we believe anywhere between 8.5% to 9% is going to be net interest margin, and it may vary in every quarter.
- Kunal Shah:** Got it. And secondly, with respect to the growth, when we look at it, the momentum on the MSME is slightly coming off, it's now like say, 18-odd-percent 2-wheeler it's coming off. And post the equity, I think this too would also continue to be the growth segments.
- You indicated you would be increasing the ticket size and getting into maybe the upgraded segment as well by doing the secured lending, but otherwise, maybe at this pace, where do we see the overall growth settling and with the equity infusion earlier also, you indicated that you

would be targeting like 18% to 20-odd percent growth over next couple of years. So that still sustains even with some slowdown in both of these segments?

Umesh Revankar: No, the slowdown is mostly in construction equipment, rest of the segments have grown.

Kunal Shah: No, I was just talking about deceleration in pace. So now MSME it's down to like 18-odd percent. We have seen it growing 25%, 30% as well. So gradually, that pace is -- it's coming off, yes.

Umesh Revankar: See, we were a little cautious because of the U.S. tariff impact on the MSME because some of the MSME segments were dependent on the U.S. Now since we are comfortable and we have seen our customers are able to have a new markets, we will start growing in MSME. So, it is not that coming down from 25% to 18%, that means further will come down. We will definitely be able to go back to more than 20%.

Kunal Shah: Got it. Sure. And if you can just share some regular data points on disbursements, PD LGD and Write-off number. This was not in...

Umesh Revankar: Yes, I'll ask Sanjay to share with you offline.

Moderator: The next question comes from the line of Jay from Nirmal Bang Institutional Equities.

Jay: Most of my questions have been answered. Just one question I would just wanted to just check up on that. In South Southern region especially in Tamil Nadu, we are seeing that freight rates are going inching up. So, do we see steps going there in that region? Like rate is going up and diesel prices also inching up to INR95 a liter, so do we see any stress pockets there?

Umesh Revankar: What I can say is Tamil Nadu now normally market picks up post Pongal and we are seeing good demand coming from Tamil Nadu and freight rates have been steady there. We have not seen freight rates have come down. So, I believe things will become much better going forward. So we have not come across freight rate coming down significantly in any part of the Tamil Nadu.

Jay: Okay. And one more follow-up question on palm equipments. We see that palm equipments had around 38% growth year-on-year. So where do we see this going up? So currently, we are at around 2.3% 2.2%, 2.3%. So where do you want to see this one going ahead?

Umesh Revankar: I believe there is a huge opportunity for us because since we have a large rural presence, and we have not focused much on the farm. There is an opportunity to grow. And we'll be definitely growing at a higher rate going forward. The only thing is the palm equipment lending, there are some earning fluctuation because of the seasonality.

And therefore, there will be some adjustment to be made in the way we lend which we are planning, and we are confident of growing that palm equipment lending and increasing the book to around 5% of the overall AUM.

Jay: Great. Sure. And sir, is it possible to share the quarter or monthly run rate for palm equipment? What would be the business in monthly run rate there?

- Umesh Revankar:** We'll ask Sanjay to give it offline.
- Moderator:** Next question comes from the line of Shanskar from Eraya Capital.
- Shanskar:** Most of my questions have been answered. Just wanted to -- if the management can touch this upon any asset quality, early stress that you are seeing across any of the segment, as you highlighted there were some stress earlier in MSME? Are there any segment that you were seeing any early stress that you that can come up in the future?
- Umesh Revankar:** Yes. I don't call it as a stress because whenever there is uncertainty, then they will be relook into any business. So even though, yes, there was some increase in Stage 3, that was not very uncomfortable situation to us because we were able to meet the customers and understand the situation. As of now, I don't see any stress building in any of the portfolio and we believe that going forward, things will only improve from the current situation.
- Shanskar:** Got it. And secondly, on the gold loan side, as you have mentioned in that you have -- you want to grow the segment a bit higher going forward. But like this quarter, it was pretty slower than other segments, growth in terms of Y-o-Y, so any reason for that or like...
- Umesh Revankar:** No, our disbursements have grown sharply, but the only thing is the portfolio growth was a little less than what we expected because of large maturity.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Umesh Revankar for closing comments.
- Umesh Revankar:** Thank you for joining us today's call. As you know that Q3 are normally a safe quarter and Q4 will be more exciting because we'll have one is the budget announcement, plus normally, Q4 are the higher growth quarter every year. And we expect this Q4 to be much bigger than the Q3.
- And I expect the asset quality to be improved from now because things are fundamentally very strong. We will definitely come out with good numbers. the next quarter and wish you all the best and hope to see you all again in the next quarter call. Thank you very much.
- Moderator:** Thank you. On behalf of Shriram Finance Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.