28 July 2025

THE MANAGER, BSE LIMITED DCS - CRD PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001	THE MANAGER, LISTING DEPARTMENT NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST) MUMBAI - 400 051
SCRIP CODE: 500034	**SCRIP CODE: BAJFINANCE – EQ**

Dear Sir/Madam,

Sub: Transcript of Conference Call held in respect of the Financial Results for the quarter ended 30 June 2025

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Part A of Schedule III to the SEBI Listing Regulations

In furtherance of our letter dated 04 July 2025, the transcript of Q1 FY2026 investors conference call held on 24 July 2025 at 6:30 p.m. IST has been uploaded on the website of the Company at Bajaj Finance Investor Relations –Quarterly Earnings Call

Also, enclosed is the transcript (pdf) as attachment for ease of reference.

Kindly take the above on record.

Thanking you,
For **Bajaj Finance Limited**

VIJAY RAMCHANDRA

Digitally signed by VIJAY RAMCHANDRA
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Date: 2025.07.28 12:15:58 +05'30'

R. Vijay
Company Secretary
Email ID: **investor.service@bajajfinserv.in**
Copy to Catalyst Trustee Ltd. (Debenture Trustee, Pune)

Corporate Office: 4th Floor, Bajaj Finserv Corporate Office, Off Pune-Ahmednagar Road, Viman Nagar, Pune - 411 014, Maharashtra, India
Corporate Office Extn.: 3rd Floor, Panchshil Tech Park, Viman Nagar, Pune – 411 014, Maharashtra, India
Tel: +91 20 7157 6403 | Fax: +91 20 7157 6364
Registered Office: C/o Bajaj Auto Limited complex, Mumbai - Pune Road, Akurdi, Pune - 411 035, Maharashtra, India
Corporate ID No.: L65910MH1987PLC042961 | **Email ID:** investor.service@bajajfinserv.in

Bajaj Finance Limited

Q1 FY'26 Earnings Conference Call

July 24, 2025

MANAGEMENT: **MR. RAJEEV JAIN – VICE CHAIRMAN AND MANAGING DIRECTOR – BAJAJ FINANCE LIMITED**
MR. SANDEEP JAIN – CHIEF FINANCIAL OFFICER – BAJAJ FINANCE LIMITED

MODERATOR: **MR. AJIT KUMAR – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call for Bajaj Finance Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, 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. Ajit Kumar from JM Financial. Thank you, and over to you, sir.

Ajit Kumar: Thank you, Dorwin. Good evening, everyone. This is Ajit Kumar from JM Financial. Welcome to 1Q FY '26 Earnings Conference Call of Bajaj Finance Limited -- on behalf of JM Financial, I would like to thank the management of Bajaj Finance for giving us this opportunity to host the call.

From a management team today, we have Mr. Rajeev Jain, Vice Chairman and Managing Director; Mr. Sandeep Jain, Chief Operating Officer and Chief Financial Officer; and other senior members of the management team. We will have opening comments from the management team post which we will open the floor for Q&A.

With that, I would like to transfer the call to Rajeev sir for his opening remarks. Over to you, sir.

Rajeev Jain: Thank you. Thank you, Ajit. Thank you, JM, for hosting this call. Good evening, all. I have with me my colleagues here, I have the 3 Deputy CEOs. I have the 2 Chief Operating Officer here, and the CRO and I have a few of my Presidents and colleagues. I referred to the certain sections of the investor deck, which has been uploaded on the website. I'll be referring to that. Let's jump right over.

Let's go to Page 4. That's on quarter gone by. Overall, I would say, it's a good start to the year, a good quarter on volume, assets under management, opex, profitability, ROA and ROE. Credit costs still remained elevated in Q1 as well. Overall, AUM growth came in at INR 24,789 crores to INR 4,41,450 crores. We booked a record 13.5 million loans and added 4.7 million new customers in Q1. Customer franchise stood at 106.5 million.

As we've just outlined in the AGM as well, we had record 650-700 people in the AGM today. I think in terms of physical presence that we believe that FY '26 will be a defining year for FinAI transformation strategy that we outlined in December or January quarter to the shareholders. And FinAI capabilities I can just tell you have started to go live across the company, both below the iceberg and soon on the digital assets as well you'll start to see it.

Right back to financial numbers. AUM grew 25%. Opex to total income came in at 32.7%. PBT grew 21%. PAT grew 22% and ROE came in at 19% and net NPA came in at 50 basis points. Just some quick points on Page 5.

Geographic footprint stood at I'll cover points that I've not covered 1 to 3 are covered, 4 are covered, 5 are covered. 6 geographic footprints stood at 4,192 locations. Gold loan branches stood at 1,254 locations and MFI dedicated branches are now 337 branches. We added 85 stand-alone gold loan branches in Q1. Active distribution footprint is at just a tad below 240,000 distribution points.

Important point to cover is liquidity and cost of funds liquidity buffer stood at just a tad below INR 15,000 crores as of 30th June. Cost of funds came in at 7.79%, an improvement of -- from a sequential standpoint of 20 basis points. In FY '26, overall, we estimate cost of funds to come in at 760 to 765. This is not taking into account any further cuts that may come at this point in time.

However on the other hand, what you will see correspondingly is that the deposit contribution of the balance sheet may go down to 17-odd percent from where it was 20% to at this point in time in 19%, it will probably go down to between 15% to 16%. It's possible depending on the growth momentum.

So for the next 12 months, there will be a higher reliance on NCD, ECB and bank borrowings to ensure we deliver rightful cost of funds to the business. On Panel 6, NIM grew 22%, net total income grew 21%. Opex to total income I've talked about. We started to deploy AI capabilities to improve productivity. Employee headcount stood at 65,528 and employee attrition in quarter was 16.9%, a little higher than what it was on a year-on-year basis. It's higher by 100 basis points.

The first term contract staff stood at 44,335. Credit cost, let me highlight there are 5 points I do want to cover all of them here that at firm level, what we see is that consumer leverage continues to remain an area of concern. Company across lines of businesses continues to take several actions across all products to reduce contribution of customers with multiple loans. That's the single univariate pain point that you have identified, which has significant high bearings on loan loss and provisions.

So business by business, since January, we have been pruning in most businesses, the action where what we would have wanted to do, except in MSME, which is still work in progress. Loan losses still grew by 26%, came in at 2.02% in terms of loan loss to average AUF. Credit costs were principally elevated in 2 and 3-wheeler business, which is a winding down business. That's a good news. It is the captive book has given us a lot of trouble or continues to give a trouble. It will wind down to virtually 3,500 - 4,000 by March '26.

MSME business has shown some strains in February. So it's come in a little too suddenly. We've taken a whole host of actions to prune business. It's likely that both these businesses will grow a lot more slowly in the current year, starting second quarter.

In point number 20 is important, the overall Stage 2 and Stage 3 assets came in at INR 878 crores, you to keep that in mind that of that Stage 2 assets increased by INR 324 crores, primarily on account of these MSME customers to whom to mitigate their short-term cash flow issues and to assist them, we have begun to offer them restructuring options. So close to INR 219 crores of customers were assisted with the restructuring option who were standard account, but who are offered restructuring and relevant provision was taken on these clients.

On Panel 7, we are, as I said, except MSME, the metric that we're looking at is not current portfolio. The metric that we're looking at is what is the 3 MOB, 6 MOB, 9 MOB and 12 MOB of the business since January, February this year. Now if we see improvement, the book itself churns fully, the behavialized maturity of the consolidated book is 22 months.

The stand-alone book is 19-odd months. If the early vintage is improved, then it's just a matter of time, everything will improve. So 3 MOB and 6 MOB we started to see and the principal track there is go back to pre-COVID levels. That's a high bar that we have set for ourselves, we will get there. GNPA, NNPA stood at 1.03% and 0.5%. Profitability, I've talked about ROA, I've talked about, ROE, I've talked about. Capital adequacy remains strong. Tier 1 capital was at 21.19%.

Just two more updates before I go to a few panels later, was the conversion of bonus and split that happened on 16 June 2025. As you're aware, we've done an announcement as well that my colleague, Anup, tendered his resignation as MD and Director of BFL for personal reasons.

And Board and upon the recommendation of NRC have noted and accepted the resignation, and we wish to place on record our sincere appreciation for Anup's valuable contribution during his tenure. He spent 7.5 years with the firm and extend our best wishes for his future endeavour. To ensure continuity, unfortunately, I had said last time that last quarter that this is my last call, but to ensure continuity and to ensure stability of the firm, I've had to come back as in an operating role.

I don't want any ambiguity on this. It is till March'28. Closer to that, we'll take a view on what is the succession planning. Of course, Board has asked us to create a succession plan, but because we don't want any ambiguity, given the growing size and complexity of the firm, you will get to know about any change only closer to March'28.

Quickly for BHFL, balanced quarter. The results were published yesterday, good quarter for them. But there's intense competitive activity, I'm sure Atul has talked about it. I'll just cover only this panel and intense community activity is leading to pressure on volumes and leading to pressure on attrition. So this level of intense attrition, we have not experienced in building the mortgage business out for the last 15 years.

Having said that, I think company did a commendable job. PAT grew 21% and delivered ROA of 2.3%, in line with Q1 FY'25 and asset quality remained healthy. Quickly on BFSL A small company, but continues to make good progress, good quarter in AUM, PAT and new customer addition, delivered AUM of INR 6,100 crores. PAT grew 37% and the added 77,000 customers franchise in Q1. So they continue to remain steadfast. We are on course to last year, the company grew in terms of its 4-year old company.

It should start to come into being as we travel this year. Let's go to, I'm on Panel 29. These are overall financials. I think I've covered everything here. There is one question that you may have, which is on the other line item, which looks on a year-on-year basis, 23% lower. It's mainly last year same time, we had sold, and they had done an NPS sale. This quarter, we have not done any. So that's the reason you're seeing that number go down. Sandeep, any other number that you want to capture?

Sandeep Jain: So that other number is the net gain on fair value change, where we have INR 79 crores of additional gain on account of MTM. That's one thing. And second, we found quarter 1 to be very, very attractive given that rates were being cut to park money in mutual funds. All the gains on mutual fund sits in this particular line, versus sitting in the interest income line when we park money in government securities. As a result, you may see some level of small compression in margin. It's mainly on account of this.

Rajeev Jain: Adjusted for this, the number is flat on a sequential quarter basis. I thought I'll just make that point. Rest all the numbers have been talked about. I've gone to Panel 41. There's a customer franchise. We continue to make good progress I think the top of the funnel is extremely important as long as we continue to originate customers through the road even at this size.

I think we have the product range to be able to meet all the financial services in each of the consumer. The top of the funnel continues to remain pretty active, ensuring that we have a strong road map ahead of us. I've jumped to Panel 46. This is the consolidated AUM composition. In general, on a year-on-year basis, you hardly see any movement.

We have just organized this in the order of high to low. So mortgage is the largest portfolio followed by urban B2C, followed by MSME. So this is a new frame that you will see. It's in the order of highest to lowest, highest in mortgages and MFI is the lowest at point at 0.4% of the balance sheet. Gold loans is now 2.3% of the balance sheet and the largest balance sheet on a consolidated basis remains mortgages at just a tad below 31%.

On a year-on-year basis, other than two-wheeler and three-wheeler, which you're seeing degrowing, there is no composition change in the balance sheet on a year-on-year basis. Actually, if it took even a 3-year view, other than two-wheeler and three-wheeler, which is as a result of winding down, you will not see too much of a change. Maybe 2-odd percent during this period, the balance sheet as more than double.

I'm on panel 49. You see GNPA moving marginally on both sides, but the biggest movement is in 2-wheeler and 3-wheeler. As you can see, on a year-on-year basis, moved from 3.4% to 6.38%. It's a little confusing number because the balance sheet is winding now.

That's an important point I must make that it's a number which is but the absolute loan losses basis our estimate and plan were also ahead by INR 70 crores, INR 75-odd crores in a winding down book. So that's not necessarily good news.

Only as a second line that I would outline is MSME lending that on a sequential basis moved from 1.48% to 1.76%. Otherwise, the impact of rest of the movement is not. As you can see, urban base finance was flat. Urban B2C was 25 basis point movement and so on and so forth. But you see MSME move sequentially from 1.48% to 1.76%, and 2-wheeler and 3-wheeler moved from 5% to 6.38% more.

I think that's really all. This is panel 53, just last 3 panels, which cover portfolio quality. The reason they are stamped white in 2-wheeler and 3-wheeler is because of the winding down book. While open architecture is also sitting there, but a year ago, the captive business used to do 65,000 accounts. Right now, we're doing only 35,000 accounts given, as I said, the entire focus is on MOB management or early MOB vintages.

We want to be at a design level, half of what we used to be in the captive business. Let me make that point reasonably clear that is really what our intent broadly is. Over cycles, the business used to give a 5% loss rate. We want to run the business at between 2% to 3% loss rate. That's really what our focus is. So that's just one point I want to make.

Panel 55, business and professionals. Rightfully, as you can see, this number even in February'20 was 99%. Right now, it's a 98.25% current. It has moved little too quickly for a comfort in the last 4 - 5 months, and we are navigating through this.

Rural B2C yes, it's not yellow in that sense, but because it's lower than it used to be earlier. There, the only point I would make is adjusted for Karnataka, which has caused trouble in all rural parts of our businesses, not just rural B2C. And Karnataka, unfortunately, is not a small contribution, it's 11% of the total balance sheet. So is Maharashtra, which is higher. So is Tamil Nadu, which is higher. So any of the large southern states see a change like this, it does have unintended impact on the portfolio.

We've stopped doing some of the businesses. We have cut business by 40%-50% in Karnataka because for the first time, we are experiencing what I would call political risk, which we don't know how to navigate. We can't even stop business, but we can't also continue business. So it's a little tricky place.

So wherever we are able to prune, we have pruned. MFI, at this point in time, we have stopped, and we cut business by 35%-40%. In 2-wheeler urban, rural B2C, even urban B2C, even rural B2B, so we are watching. Rest is all fine. MFI is not yellow, it is green. That's fine. 100% will have to go down only. So that's it for me. Happy to take questions between me and the management team, whatever you have.

Moderator: Our first question comes from the line of Viral Shah from IIFL Capital.

Viral Shah: Rajeev, I have 3 questions. But first, to begin with, I would say, it's glad to have you back, but just wanted to understand what have been the learnings of, say, this transition process we had planned, I would say, 2 to 3 years back? And what is it that incrementally you have in mind as to how to approach this, say, 2, 3 years down the line, so that we see a more smoother transition? That would be my first question. And then I have 2 to 3 questions on the business, if I may.

Rajeev Jain: Viral, the only point I would like to make is that every incident must have learnings and a course correction plan. There are learnings that you've taken. The NRC and the Board have extensively discussed this matter and have provided necessary guidance. We have to -- I have to go back to the Board and the NRC in the next 6 months' time with a detailed succession planning process is all I would like to comment at this point of time on this point, Viral. And I hope you appreciate the sentiment.

Viral Shah: Got it, very fair, Rajeev. My second question is more for Sandeep. Sandeep, on the financial front, and I look at, say, your cost of fund guidance that you have given, say, now 15 to 20 bps is the reduction that you anticipate for the year, given that's the movement that we are seeing from 4Q to 1Q. Do we now anticipate, say, a 5 to 10 bps kind of a NIM expansion on a full year basis versus flat earlier?

Sandeep Jain: Yes. I think Viral this question was asked last quarter as well. We have given a guidance on flat NIM for the current year. And given the trajectory of rate cuts that we're seeing from RBI, we did comment that there could be a 5 to 10 basis point of positive bias on the NIM number.

Given that there has been 50 basis point rate cut in the last round and the 20 basis point overall improvement in the cost of fund that we see in the current quarter, I think we are reasonably confident that probably 10 basis points of NIM expansion could happen by end of the year.

Viral Shah: Got it. And secondly, Sandeep, on the, say, growth guidance numbers on the non-interest income and also the credit cost for the full year, are they broadly still -- do you retain them? Or how do you see them panning out?

Sandeep Jain: So I think on the fee income side, we have guided for 13% to 15% for the current year. We did allude in the last quarter's earnings call as well that we have taken significant actions on fees and charges in the previous year, which will have a full year impact in the current year. As a result, there will be a reset to 13%, 15% number in the FY '26 outcome. That continues to hold true.

As far as credit cost is concerned, I think 2.02% as a number for the current quarter was 5 basis points higher on a sequential basis, largely flat on a Y-o-Y basis. We continue to hold 185 - 195 basis points of guardrail for the current year on a full year basis. You will see a sideways movement probably in Q2, if all goes well. And probably a decline from quarter 3 and quarter 4 onwards, quarter 3 onwards.

Having said so, I think one of the important driver will be the auto finance vertical, which will start to become smaller and smaller quarter-by-quarter. That itself will start to give 5-7 basis point improvement to us on the overall loan loss average that number.

Rajeev Jain: Last time I do want to make that, the fee income grew 17%, just to add what Sandeep saying because B2B had a much stronger quarter. So that's why the volume movement is a little better, otherwise to the point Sandeep is making, overall guidance for 14 - 15.

Sandeep Jain: And last year's quarter was partially impacted by embargo as well, so to the extent on via basis, the numbers are not necessarily comparable. I think 13% - 15% as a number for full year is probably a rightful expectation to have.

Viral Shah: Got it. And my last question, Rajeev, is for you. So on the SME portfolio, you pointed out that we are seeing meaningful stress. Can you point out which subsegment within this is showing this? Is it say, unsecured business loans or LAP or term loans, and are we also seeing say, percolation of stress from unsecured to secured segments, like in gold loans and home loans?

Rajeev Jain: Not between unsecured to secured. Anyway, it's a tail effect. The secured gets a tail effect. Let me make that point. That does not mean it won't come to secured because what we find, as I said earlier in the call is that more number of loans is a single univariate driver. Now -- and that may include secured and unsecured, both unsecured and secured.

But let me just spend 2 minutes on MSME to make the point, we principally track 17 key industries in MSME, out of which 13 that we are seeing are exhibiting signs of slowdown, and 3, actually. So in a way, it's all 17. It's other than 1; 3 are actually showing contraction. So clearly, slowing economy and a drop in credit supply is at one level it's good because when we used to look at the business loan lending, we used to wonder the market is not large enough to be of that size.

But so from a longer-term standpoint, it will give lessons to everybody. Some lessons we'll also learn in the process. But I must make a point that the market is not that large, especially for business loans to grow from pre-COVID, market used to be INR 2.5 crores - 3,000 crores, has grown to INR 11,000 crores. Right now, it's at INR9 .5 crores – INR 1,000 crores. So it's contracting. So, but that contraction to begin with troubles and then starts to be better is the only point I would make. So we are looking at early vintages and just going about it.

Viral Shah: Got it. Makes sense, Rajeev. Thank you so much.

Rajeev Jain: Thank you.

Sandeep Jain: And Viral, in the same context, I think it's important that we call out, MSA business will see one of the slowest growth in the current year. And of course, auto finance is an easy and rundown mode. These are the 2 lines of business which are where we are taking actions.

Viral Shah: Got it, very clear. Thank you so much. And all the very best.

Moderator: Thank you. Our next question comes from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Congrats on the quarter. Actually, my question was kind of answered you're here, where you mentioned that it's more to do with economic slowdown. But just to get more clarity on unsecured business loans, are these -- how do I think about leverage at that promoter level? Because you might have taken a business loan from you but a personal loan from some bank, etc. How do you think about that? And like any statistics you can share there?

Rajeev Jain: No. The only way to do it is to offer the remediation. That's why as when I talked about it, we never did restructuring, but that's the only thing that we can do for a customer who's honest, who do principally got, if I may say so, leveraged. And mind you, we all know it that MSME is as financial literate as it gets.

So the only thing to help him is to -- for good guys who are going through intermediate period of stress is to -- offer them restructuring. We have done INR 214-odd crores. We may do another INR 150-odd crores over the next 1 or quarter and from there on, it should settle down.

Not that we never used to do. We used to do in a quarter, INR 40 crores - INR 50 crores, okay. But that's the only thing Piran that can be done, tightened lending standards, one. Two, help the customer with restructuring option to reduce this outflow and hope to not repeat it again.

Piran Engineer: Okay. Okay, sir. Fair enough. And also on the B2C side, earlier we used to share metrics on what percentage of the portfolio has 3 or more lenders. I believe it used to be 7% - 8%, sorry.

Rajeev Jain: 4% and that is what it used to be...

Piran Engineer: Was it 7%, 8% pre-COVID?

Rajeev Jain: No, no. It was 5.5 , and it is down to 4.

Piran Engineer: And it went up to 11 - 12, right?

Rajeev Jain: Yes. That we had published. Perfect.

Piran Engineer: So now it's 4, okay. All these metrics?

Rajeev Jain: This metric is being tracked. The only thing and where we've got -- partially, if I may say so, a little stumped because, the BL business even pre-COVID used to have 14% - 15% of the customers who have multiple loans. We see this is a working capital loan rather than a consumption loan, a BL loan. So it is very common, and I have done business loan for 30 years.

A customer gives a file not in one in three places. So we know that he does take in general. So 14% of customers used to have multiple loans that went all the way to

21%. We have now brought it down to 17%, but -- and we are watching it. It is a univariate metric even for BL that seems to be working, leave a consumer loan. So in the card business like multiple cards, it's multiple loans and multiple business loans.

Piran Engineer: Okay. Fair enough. And just lastly on growth or just in terms of scale-up, in car loans, like what percent I'm just trying to think about our distribution reach right now in car loans?

Rajeev Jain: We are in 50 cities. Go ahead.

Piran Engineer: I thought you said the loan book is very small. I just want to get a sense of the distribution reach and like how big we can become over the medium to long term?

Rajeev Jain: It can be very big. Piran, the issue is used car and new car put together must make 13% - 14% ROE. If it doesn't make, I can grow the business or new car, it took us 5 years to get to INR 300 crores. You took us only 1.5 years in used cars. It is down to 200 right now, given the pressure in used car in the last 6 months.

New car is holding very well. I must say, but there's very little money to be made. So we have artificially held the business that INR 350 crores of new origination a month. It is not allowed to do more than that.

Piran Engineer: Got it. Okay. That's it from my end. Thank you and wish you all the best.

Moderator: Thank you. We have our next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Thanks for taking the question. Sorry, again, touching upon the leadership transitioning. You indicated that the Board has indicated that over 6 months, you need to give a detailed succession planning, but at the same point in time, you indicated that to avoid any ambiguity, it will be closer to FY'28 wherein the plans will be rebuild?

Is that correct? So maybe over like 2.5 years, it will just be again like preparing the transitioning, but last time, maybe 3 years back we made it public in terms of how it is happening. But I think this time, it will be more internal, and it will not be made public. Is that the correct reading?

Rajeev Jain: Yes. As Viral said, what are the learnings is one of the learnings.

Kunal Shah: Okay. But anything with respect to the corporate structuring, maybe it was quite multi layered in terms of, like, say, a lot many changes have happened?

Rajeev Jain So Kunal, there are no changes envisaged at all.

Kunal Shah: No changes in terms of the corporate structure which has been planned or maybe which was indicated over the last couple of years.

Rajeev Jain: None.

Kunal Shah: Yes. Sure. And secondly, with respect to MSME, so you indicated maybe that's going through this stress. But when we look at it in terms of the recognition where we are and provisioning also, I was just looking at it maybe in terms of the coverage ratios across Stage 2 and Stage 3 is coming off.

I believe that it's because the newer pool, which is sitting in that, and which would call for a lower provisioning. But then maybe with the seasoning of the portfolio, do we see again the provisioning requirements going up in the MSME because of the stress we had indicated?

Sandeep Jain: The overall provisioning coverage has plenty of assets, including the composition of the overall balance sheet because different products have different coverage ratios. That's one thing. Second, as Rajeev alluded to, we have done INR 219 crores worth of standard accounts restructuring.

These accounts generally carry a lower provisioning compared to normal stage 3 accounts. That has also pulled down the overall PCR number from 53.73% to 52%. That's only otherwise, there's no structural change in the provisioning coverage ratio.

Kunal Shah: Sir, fair to assume this restructuring is in SME because that's the only SME and commercial lending is the only place where in provisioning coverage is coming up. I believe commercial lending is more of a recovery, but MSME is because of restructuring?

Sandeep Jain: Yes, it’s MSME mainly.

Kunal Shah: Okay. Got it. Perfect. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Kuntal Shah from Oaklane Capital. Please go ahead.

Kuntal Shah: Hi, thanks for taking my call and Rajeev thanks to have you back on the call. So we heard Bajaj has tied up with Airtel and which was supposed to accelerate our customers' franchisee and increase the reach also. And LRS also talked about 200 million kind of numbers targeted.

But when you look at Y-o-Y, our customer addition momentum has slowed down and so as cross-selling, I believe from 3.8% to 3.2% and 3.2% to 3.1%. Can you throw some light on that? And second is, you said AI is a transformative year this year 2026, but we see insurance, AMC, healthcare, etc all sitting in parent, broking, distribution, lending, sitting in your company. So how does this work AI strategy in terms of synergies, cost reduction, cross-sell. Shouldn't it be a common stack and come and outcomes and how do you achieve that?

Rajeev Jain: Yes. So Kuntal, 4.7 million new customer acquisition after last 2 years of record 15 million and 16 million, even I'm a little surprised at time. Thank God there is a population in India. As much in a lighter vein, as on a serious point, I think we build distribution which is able to generate that kind of top of funnel. Mind you in the private sector, there will be only two - three players and we are much younger, who are above 100 million franchise.

So and we can see a clear road map this year, we'll probably end at 120 million. So that's just one. This will be the run rate Kuntal between 14 million and 16 million plus/minus is how you should pencil the number. We are working on strategic partnerships and so on and so forth. So there's a lot of dry powder that is being still being built to ensure that we can generate this momentum.

So whether it is just let me give you a texture on this as to one is strategic partnerships. Second is you could you could not take a CD loan approval on the app. You could always say than earlier, the approval that used to be 5% because the risk engine used to be distinct from that of what runs at the store.

Now it was a very complex technically very complex architecture, which took us if I may say so a few years to build. We've taken 18 months to build that out when it struck us that this can be a large engine that not everybody wants to buy and insta EMI card.

Some people may just want to take it a phone loan for a phone and so on and so forth. It has just gone live on the right around 15% of the customers, we foresee that this could give us 2 million to 3 million new customers a year who would take the approval on the app exactly for the same product, walk into the store and out in out in – Sorry, so we are continuing to invest in top of the funnel to make sure that it remains active and energized. On the second one, Kuntal, the way the group is organized it, it's a federal structure. We allow companies to be independent. We allow companies to make their own decisions. Some of the companies, which have larger profit pool are significantly and profit pool leads to investment pool. Investment pool leads to ability to deploy, as I just presented in AGM, 150 people we dedicated on January 1 to AI.

Not too many companies would have the profit pool to deploy that level of talent on a given day. So -- but we are there to assist group companies and we are assisting them as they travel through their journey on AI. But we will lead the way is what I can reasonably tell you. Does that answer Kuntal partially mostly?

Kuntal Shah: Partially but common unified super app was what I think makes sense from tech perspective?

Rajeev Jain: Okay. So let me make the point, if you're an Apple now, if you go to share market on the app, you are seeing very tightly integrated. And in the next 3 months, it would have completely -- you would be able to see a portfolio on a static basis in the app.

BALIC has gone live on our app. See, our app to that extent will be the -- is the super app, if I may say so, because it will have ending this year 90 million customers. It has a distribution infrastructure. And in the process of working with the respective companies, we are elevating the standards. If that is what you mean indirectly, let me make that point. It has helped elevate BFSL as they didn't have this infrastructure of this scale.

With BALIC over the last 9 months, you've done the same thing. So we are working company by company. We've got an open architecture on home loans as well -- if you go to our app, you will actually see that we offer 5 home loan companies, not just group company, you've got open architecture.

So it is -- I don't I never use the word super app, but my ambition or our ambition as a firm in 2020 was always that. But I always told people, you don't make super app, you become super app. I think there is a distinct difference. You can't say I want to be super app. You have to do a set of things over a long period of time. So like government services has just gone live. You can access a whole host of government services, I think ending July.

Ending July, a whole host of government services, you can access on the app. Now that's really what Alibaba and when we look here in 2020, we never talked about it, that's what we looked at.

That Alipay was offering a whole host of government services integrated. So Abha ID to -- sorry, with ONDC we're now doing 30,000 orders a month on ONDC. So I think -- we will become Super App one day if we stay at it..

Kuntal Shah: So Rajeev, Does it mean you will tie up with more fintech, which are a lot of customers in payments and moving money from....

Rajeev Jain: No, no.

Kuntal Shah: More profit pools and nothing like that because you have...

Rajeev Jain: No. No such thing. We remain focused on financial.

Moderator: Our next question is from the line of Abhishek M. from HSBC.

Abhishek M.: Good to have you back, Rajeev. So the first one is going back to SME. Can you give some colour on the book, how much of it is unsecured, how much of it is professional loans? And is -- are those the parts where you're seeing basically maximum stress Also, what are the credit actions you have taken?

So any examples you can give that will help us understand what's happening. And the third is just -- is it going to remain slow or there are subsegments or some other segments there which can accelerate -- which you can accelerate going forward?

Rajeev Jain: As I said, Abhishek, at this point in time, it will remain slow. I think, as I said, 17 industries we track, 13 are showing slowdown and 3 are showing contraction and the credit supply has got to. So it's virtually a perfect storm in a way, and it's come let me make the third order point, that it's come a little too suddenly.

So that itself doesn't prepare you for it. But it is what it is, thankfully, we are reasonably diverse. In that, let me tell you, to the point you asked a rightful question that -- just go to Investor deck MSME portfolio is 60. Just go to – INR 50,000 crores. In that, principally, doctors is INR 15,000 crores.

Even there, we are seeing pressure. Let me tell you. So this segment did not trouble us even in COVID actually. I mean they went slow, but they never. This segment is also suddenly troubled at INR 52,000 crores out of that -- what you see on panel 46, the INR 15,000 crores is doctors. It's virtually a $ 2 billion business. We run that for 15 years. It has been always been 99% current. -- kind of portfolio. So -- but that problem is smaller than MSME. Let me make that point.

The BL problem is a little more pronounced. But what we are doing is, as I said, early MOB from bounce to 3 MOB to 6 MOB to 9 MOB. And that is not just for I will reinforce the point. That is not just for SME for across businesses since February, I would say we are going hammer and tongs. And we don't care about what does that mean to growth. We are -- we have to just -- this is what has to go all lines, 3 MOB, 6 MOB, 9 MOB and 12 MOB has to go below pre-COVID.

Abhishek Murarka: Okay. How much would be the total unsecured in this book? In the INR 50,000...

Rajeev Jain: Entirely unsecured balance.

Abhishek Murarka: The entirely...

Rajeev Jain: The mortgage, sit's in mortgage and so on and so forth. If you see in the panel, you see BFL mortgages 27,000 crores, so on and so forth. So the classification is exactly as it is.

Abhishek Murarka: Sir, the other observation I had is that since it is mostly unsecured, typically when you see an unsecured GS2, GS3 provisioning, it jumps from 40% - 50% in GS2 to around 70% - 80% because a lot of it flows forward. But in MSME, it's 42% going to 49%. So there's not much provision buildup that's happened in the book when it's flowed forward from GS2 to GS3. So is it safe to say that, that buildup will happen given that most of the forward flows are unsecured.

Sandeep Jain: Abhishek that's what I was trying to clarify earlier as well because the number of customers who have been -- or amount of customers who have been restructured from Stage 1 and have been accordingly classified as Stage 3 have actually pulled on the provisioning of Stage 3. These customers have higher probability of revival. And that's the reason why those customers are choosen for restructuring

Rajeev Jain: That is exactly it.

Abhishek Murarka: Understood.

Rajeev Jain: Yes.

Abhishek Murarka: Okay. Got it. Got it.

Moderator: Mr. Abhishek.

Abhishek Murarka: The second question is on -- yes, the second question is on growth. So if I put all the comments together. So, A, BHFL has also indicated slightly slower growth this year. Obviously, MSME is slowing, two - three wheelers will remain slow. Sir, are there any other segments where you're looking to pick up slack? Or do you think FY26 by nature is going to be a slow year? And then you get back to your medium-term growth trajectory in FY27. So FY26, you will probably underachieve or be lower than that growth trajectory. Sir, how are you thinking about it.

Rajeev Jain: I would think about one more quarter, Abhishek, before we give you a very clear view. Right now, I would hold between 23-24%. But we would have -- also have a clearer view as we complete Q2. So just hold your breathe for Q2. And number…

Abhishek Murarka: Sure.

Rajeev Jain: Though, numbers plus minus happens all the time. We are not talking about any big change. But you guys are used to guidance now on decimal. So I'm talking percentage. I have to manage expectations. So we'll…

Abhishek Murarka: Sure. Okay. Okay.

Moderator: The next question comes from the line of Chintan from Autonomous.

Chintan: Hi. Good evening. Thanks for taking my question. Sir, can I come back on the NII? Like if I see this quarter, 4.8% growth in NII, 5.9% growth in AUM. So implicitly, it's a 10-basis-point NIM decline. You highlighted this mutual fund investment, is that the liquidity buffer which has gone down 20% that's been parked in that the mutual fund investment that's causing this NIM decline? And how long will you hold that on the book?

Sandeep Jain: Yes. You're right on Chintan. I think the liquidity buffers were deployed more in terms of mutual funds in the last quarter. And the mutual fund income goes and sits in a separate line item, which is net gain on fair value change. Adjusted for that, NIM was largely flattish on a Q-o-Q basis.

Chintan: And how long will you hold this position? This is a duration of six months' timeline, sir?

Sandeep Jain: I think that was specific for quarter, because as the rates were coming down, the mutual fund returns were far, far better compared to government securities. So we moved money from government securities to mutual funds, locked those gains. And then we have moved back the investment into government securities and T-bills, which is what we normally do.

Chintan: So, Sandeep, why should this go back up? Because if it becomes liquidity buffer again, it'll go into G-Sec, which is also lower NIM – lower NII – lower NIM. So why should there be a – is it just a denominator...

Sandeep Jain: It'll go into the interest income line, right? What you see as NIM…

Chintan: Okay. Understood. Understood.

Sandeep Jain: Some has interest cost, right? So they go into interest cost.

Chintan: Yes. Yes. Yes. Just a line item.

Sandeep Jain: Cost is always sitting there.

Chintan: Yes.

Sandeep Jain: Some sitting somewhere else.

Chintan: Then the second one was on MSME. You gave some numbers, 2.5 went to 11 and then came down to INR 7000 crores. What were you talking about? Are these monthly disbursements you're talking about on MSME?

Rajeev Jain: Yes. Of business loans as published in Bureau. Yes.

Chintan: Monthly disbursements, okay. And can you -- do you have a view on why this has happened that because we haven't heard any of the other kind of banks talk about it. You're talking about it as a clear pain point not just for yourself but also the industry. So just wondering if you have some visibility on like is it the customer group that NBFC target versus banks? Or is it something specific that is -- that you are seeing?

Rajeev Jain: Look, business loans we've done for 18 years. We have seen other than one lender in the private bank space who has done this consistently. We are the only two lenders who have done this consistently over the last 18 years. This is a business which is two steps forward, one step backward, two steps forward, one step backward. That is how the nature of the business is.

So there's nothing to read in the business. We -- did we -- is it a little bit of over-exuberance? And this segment takes, unfortunately, let me make that point. This segment does take what is offered. It is, as I use the word politely, that it is as financial literate as it gets. So it is leverage that you should read as a principal driver. So, but it's come a little too suddenly.

Chintan: Okay. Currently.

Rajeev Jain: It didn't come slowly; it came a little too suddenly is the only point I would make. We are also a little surprised by it.

Chintan: I mean, it's primarily unsecured. So I suppose that's why banks aren't talking about it. But like, what do you see as the turning point then? Like, what causes it to kind of improve? Because the slowdown…

Rajeev Jain: Improve…

Chintan: That you talked about on the macro is very broad based.

Rajeev Jain: Yes.

Chintan: We can see it in a lot of economic indicators. And it is quite -- it's already slowed down quite a lot. So…

Rajeev Jain: Yes.

Chintan: I'm just wondering incrementally, how does this evolve over the next six months, nine months?

Rajeev Jain: I think, as I said, Chintan, earlier, we are just focusing on early MOB. As the portfolio churns, this will improve. That is the only way. And that's why I said, this is likely to grow probably single-digit.

Chintan: Yes.

Rajeev Jain: AUM may grow 15% odd, as Sidhant is saying, but in terms of disbursement growth, we are going to be flat stroke lower for the rest of the year.

Chintan: Okay. And the final one, perhaps, for Sandeep, could you just give us some sense of how much of the rate cut has passed through the liability side already and some colour on the asset side as well? But asset is slightly easier. Liability is where I would like some colour.

Sandeep Jain: Yes. So the liability side, very clearly, NCD has seen almost 90-basis-point of improvement in rates. We are borrowing NCD at 8% corridor. We are now borrowing between 7% and 7.1% mostly. That's one. So clear pass-through has come in, but that's for incremental, right? So old books, sit's at old rate only. Banks…

Chintan: Yes.

Sandeep Jain: We have 85% of the bank moneys on external benchmark rate. That has seen transmission, as we speak today, full transmission of 100-basis-point. And we balance 15% of bank moneys are on MCLR, where partial transmission so far has come. CPs get repriced very quickly. Its market driven instrument. It all depends on liquidity position, etc. We have seen 80-basis-point, 90-basis-point improvement in CP rates as well in the recent times.

So pass-through have started coming in liabilities, but because the liability book also needs to churn, the overall improvement that we have seen in quarter one is 20 basis points. The pass one assets also is moving in tandem. So all the customers who are variable in nature, if they are linked to repo or external benchmark, they have seen the full pass-through.

If the customers are linked to Bajaj FRR, they are seeing the pass-through as the cost of fund for the company is easing out, which is how banks transmit MCLR cuts as well. As a result of that, the margin for quarter one remain broadly same as quarter four -- quarter one remain more broadly as quarter one -- quarter four.

Chintan: Okay. So the NIM improvement is now driven by the better liability transmission as we go forward.

Rajeev Jain: Yes. Yes. Yes. Just to reinforce the point. That's why the decision even on slowing down deposits so that whatever gains we can accrue.

Sandeep Jain: In fact, that's an important one. I forgot to make that point. Deposits, we were oroginating almost INR 1,400 crores, INR 1,500 crores of deposits on a monthly basis.

Rajeev Jain: Retail deposits.

Sandeep Jain: Retail deposits. We were paying probably 70 - 80 basis points higher than the moneys that we are borrowing through a combination of bank and NCDs. We have priced now retail deposit exactly the same price as the NCD bank money is for us. As a result, the volumes have come down for now. It's at one-third the volume where we were earlier.

But we are quite happy at this point in time because the idea is also to ensure that we proactively take care of NIM pricing as well for the customers. In that context, bringing down deposit at this point in time seems a rightful option for us to pursue. The number has come down on a contribution basis from 20% to 19% on a consolidated balance sheet. This will go down to probably 16% by end of this year.

Moderator: The next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: I stepped away from my desk for a couple of minutes. So let me know if any of my questions is a repetition. I can look up the record. So 2 things I want to understand first a clarification. Rajeev sir, you said AUM growth guidance of 23% - 24% versus 24%, 25% that we guided last quarter. So is it factoring in the lower guidance given by Bajaj Housing Finance yesterday.

Rajeev Jain: I was seeing you guys at decimal; we move a percentage like. Don't read anything into it, wait until Q2 end. We'll also have greater -- right now, as Sandeep likes to say, it's not guidance, it's assessment. The assessment is what we published in as part of Q4 holds.

Abhijit Tibrewal: Got it. Look, sir, the reason -- the only reason why I was asking is -- in the past, we have seen that whenever certain segments have shown stress like what you're seeing in the MSME and two-wheeler, we have consciously slowed down, which we have shared -- so I mean, are there other levers in other product segments that we can flex to deliver on the assessment that we made in the last quarter?

Rajeev Jain: I think earlier also question was asked. I mean gold loan is adding net INR 2,000 crores of AUM on a quarter now. Let me make a point. Auto still adding. And so there are the LAP, CV tractor, affordable home loans we're building that's bringing to add INR 75 crores - INR 80 crores of volume per month.

So we have -- see, in the last 3 years, I just want to reiterate that in the last 3 years, we launched all that that we wanted to launch. And now the entire focus is on optimizing and ensuring that they start to deliver the goal with which they were set up, which is to generate diversification and to deliver profitability.

So no more investments are being given to any of the new lines of business. We have given them enough investment capital, now they are deliver goods and which they are all committed to or at least are committing to deliver.

I have some of them sitting in front of me that's why I am making the point, so we have enough firepower to be able to generate the AUM growth. We have to balance it with profit growth. That's the only point Abhijit I would make to you.

Abhijit Tibrewal: Got it, sir. Sir, the second question I had was about this working capital loans, fresh business loans. I think you yourself acknowledged that every such MSME business owner, right, typically gives out these files to 3 - 4 lenders. You have heard from multiple DSAs in the past that there was a time and not very long back, where -- I mean, if I were to just quote them, right. "*iski topi uske sar*".

So what I'm trying to understand is now that you acknowledge that this storm was sudden and which is where we are slowing down, I'm just thinking aloud here that if everyone starts rationing credit in business loan slash working capital loans. Do you think that we might again kind of get into some kind of a credit cycle in this segment? But the reason I asked is we saw that in all unsecured -- all other unsecured segments earlier. Be it credit cards, be microfinance?

Rajeev Jain: No. The only difference I would make, this is a customer between INR 7 crores to INR 15 crores of turnover. -- he is not the credit card, and it is not the consumption loan customer. I think it's just extremely important for you to note that. He had the ability to borrow, let's say, INR 60 lakhs, INR 70 lakhs and pay INR 60, INR 70 lakhs.

Okay, this is an average -- this is not an average self-employed customer. This is a INR 7 crores to INR 15 crores plus/minus customer, who can overleverage at times, but only not fall. So the flow rates will not be like if you are alluding, let me make that point clearly, it's not like STPL conversation, okay? It's a much better customer quality. That's the nature of the customer.

That's why we are offering. We don't offer restructuring in our consumption loans because if he flow he flows, here is a business person who needs to tie over. And that's why we're offering restructuring options. We used to do earlier, used to do lesser now we're doing more.

So -- and we have a latitude are able to be able to do so. And we need to help that customer because he's a good customer. So it's very different from your -- the past what we've seen STPL or credit card customer or a PL customer.

Abhijit Tibrewal: Got it, sir. And then just a related question because you spoke about leverage, even building up in this customer segment where you said, I mean, turnover is between INR 7 crores to INR 17 crores, just trying to understand -- so just trying to understand, I mean we saw that in a small ticket earlier, right?

And now even businesses with higher turnover kind of showing that over-leveraging stress. So if all of this is because of a weak macro-economic slowdown, what is it telling us now about the health of the MSME segment in India?

Rajeev Jain: As I said, it's come a little too suddenly Abhijit. -- wait for 1 more quarter, we'll have a lot greater clarity is all I would say. I think we've discussed MSME as a next year frontier today, quite a lot -- so it's not that amplified to be given that much time. It is an issue but not I mean, our bar is very high. We are watching, let me tell you, just let me make 1 point that I've not made so far.

We are watching off-us data on these customers. That's not necessarily giving you a good picture is the only point I would leave you with -- but it's a bias sample. It's a Bias Sample. I'm looking at those who are bouncing how is their performing.

So to be fair, while I made that point earlier, it's a Bias Sample. The Bias Sample is not stating a good story we should do it on portfolio to see -- no, I was just going into a -- if you have a point to make, you can make on full portfolio…

Management: So we just add to what Rajeev has been saying, and I know that we've discussed MSME a lot. So 2 things, as you -- as we've talked about, macro is shrinking, 13 out of the 17 industry segments are shrinking. Credit supply, even when you look at credit deployment reports of RBI across these industries are shrinking, as a result of that, what could be tending to happen is these businesses are facing a higher working capital cycle requirement.

At the same time, given the stress that has been coming through with their repayments, banks are slowing down lending to them, particularly in the unsecured space. So it has created a perfect storm.

We just need to ride through this, as Rajeev said, continue to watch the vintages, continue to take action in terms of people who are demonstrating leverage levels or affordability levels in terms of their cash flows or debt servicing capabilities and take corrective action.

Rajeev Jain: Are we done for the day?

Moderator: Yes. That would be our last question for today. I would now like to hand the conference over to Mr. Ajit Kumar for closing comments. Over to you, sir.

Ajit Kumar: Thank you, Rajeev sir, Sandeep and Bajaj Finance team. Do you want to make any closing comments before you we conclude?

Rajeev Jain: Good night is the only closing comment – it's been a long day. Thank you all.

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