SEC/FILING/BSE-NSE/26-27/68A-B **July 27, 2026**

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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 first quarter ended June 30, 2026.

Further to our letter dated July 24, 2026, regarding the audio link of the investor's earnings call for the first quarter ended June 30 2026, 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**

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COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER
Encl.:a/a.

“Shriram Finance Limited

Q1 FY '27 Earnings Conference Call”

July 24, 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 – EXECUTIVE DIRECTOR AND HEAD, INVESTOR RELATIONS – SHRIRAM FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Shriram Finance Limited Q1 FY '27 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, Shriram Finance Limited. Thank you, and over to you, sir.

Umesh Revankar: Thank you. Good evening, friends from India and Asia, and a warm welcome to everyone joining us from Western part of the world. I'm excited to share our Q1 FY '27 earnings call with you today, and I'm joined by our Managing Director and CEO, Parag Sharma; Joint Managing Director and CFO Sunder; and Mr. Sanjay Kumar Mundra, our Executive Director and Investor Relations Head. Looking back, the first quarter of the year has been a positive one for Shriram Finance, especially given the current situation.

Let us start by examining some broad economic indicators that affect our business directly or indirectly. India's economy wrapped up FY '25, '26 on a strong note with the GDP growth picking up to 7.8% in the fourth quarter, which was a comfortable beat to the market expectation of 7.3% for the growth trajectory and revised full year real GDP growth rate of 7.7% with updated base year.

However, RBI has lowered its economic growth forecast for FY '27 to 6.6%. This adjustment comes as they are concerned about global conflicts, energy prices and weather conditions. India's retail inflation has increased to 4.38% in June, up from 3.93% in May. This rise is mainly due to higher fuel and food prices, which have increased because of supply disruption driven by war in Middle East and delaying seasonal rains.

India's wholesale price based inflation jumped to record 9.87% in June, up from 9.68% in May. Fuel and power prices went up a lot, which really pushed this number higher. Food inflation also hit an 18-month high, which affected overall index. Coming to the recent RBI policy, there are main points from June 26 RBI monetary policy. Repo rate stays at 5.25%. Policy stance remains neutral. GDP forecast has been adjusted to 6.6% from earlier 6.9%. CPI inflation forecast has been raised to 5.1%, up from 4.6%.

Coming to the rural economy. The biggest challenge for India's economy right now are geopolitical tension in West Asia and uneven rainfall from Southwest monsoon. A big monsoon deficit, a changing monsoon path, inconsistent rainfall could cause problems for agriculture, inflation and overall spending. The IMD recently lowered its forecast for 2026 Southwest monsoon, predicting only 90% of usual rainfall. This is happening as El Nino gets stronger, which might lead to even more rainfall problems during important planting season.

The latest Meteorological Department data shows India's Southwest monsoon is in a long dry spell with the total seasonal rainfall now 24% below normal between June 4 to July 16. But the good news is that the country has made some changes like more irrigation, different ways for people to earn money in the countryside, which makes the whole economy stronger when it rains unpredictably compared to the past.

Coming to the GST collection, India's GST collection went up by 13.9% year-on-year to INR1.95 lakh crores in June '26 compared to INR1.71 lakh crores in same month last year. This increase was mainly because of more money coming in for both domestic and imported goods. If you look at the whole April, June period of FY '27, gross GST collection were INR6.32 lakh crores, which is 8.4% increase from INR5.83 lakh crores collected in the same period last year.

Coming to the auto industry. On OEM sales side, this quarter has been very good for automobile sector following GST rate cut. It has -- it had a positive impact, leading to significant surge in sales. Commercial vehicle sales increased by 14.1% in Q1 FY '27 and stands at 2.65 lakh units as against 2.24 lakh units in the Q1 '26.

Within CV, M&HCV grew at 18.3% and stands at 95,910 units against 84,040 units sold in the Q1 '26. LCV sales recorded growth of 20.8% in Q1 FY '27 and stands at 1.69 lakh units versus 1.4 lakh units sold in the Q1 '26. Passenger vehicle sales in Q1 '27 recorded a growth of 25.9% and stands at 12.74 lakh units as against 10.12 lakh units in Q1 '26. 2-wheeler recorded growth of 20.3% with sales of 56.29 lakh units in Q1 as against 46.78 lakh units.

3-wheelers sales recorded growth of 29.7% in Q1 FY '27 with sales of 2.14 lakh units sold versus 1.65 lakh units sold in Q1 '26. Tractor sales recorded growth of 21.6% with 2.65 lakh units sold against 2.18 lakh units sold in Q1 '26. Construction equipment recorded a growth of 8.8% with 25,176 units being sold against 23.147 units and showing a growth after negative growth in the last financial year.

Here, one highlight is the EV sales have gone up significantly, maybe due to the uncertainty about the fuel price, but very positive. The PV sales, passenger vehicle sales increased by 94.8% to 84,665 units against 43,464 units sold in Q1 '26. 3-wheeler sales for Q1 increased by 13.2% to 2.15 lakh units against 1.9 lakh units sold same period last year. 2-wheelers sales for Q1 '27 increased by 69.3% to 5.22 lakh units against 3.08 lakh units sold in Q1 '26.

Now I shall ask my colleague, Parag Sharma, to take through the operational performance.

Parag Sharma: Thank you. Welcome, everyone, to our Q1 FY '27 earnings call, and I trust you had the opportunity to peruse our results and the related investor presentation, which have been posted on the website of stock exchanges. We registered a disbursement growth of 19.51% Y-o-Y. Our disbursement in Q1 FY '27 this year aggregated to INR49,974.49 crores versus INR41,816.75 crores in Q1 FY '26. Our assets under management as on 30th June 2026 registered a growth of 15.26% over Q1 FY '26 and of 3.81% sequentially. Our assets under management stood at INR3,13,798.39 crores as against INR2,72,249.01 crores a year ago and INR3,02,273.75 crores in Q4 FY '26.

Our net interest income in Q1 FY '27 registered a growth of 33.67% Y-o-Y. We earned a net interest income of INR8,055.70 crores in Q1 FY '27 this year as compared to INR6,026.43 crores in Q1 FY '26. Our profit after tax grew by 59.79% and stands at INR3,444.56 crores in Q1 FY

'27 as against INR2,155.7 crores in Q1 FY '26. The profit after tax was INR3,013.57 crores in Q4 FY '26.

Our net interest margin in Q1 FY '27 was 9.04% as against 8.11% in Q1 FY '26 and 8.61% in Q4 FY '26. Our earnings per share for the quarter stood at INR14.83 as against INR11.46 in Q1 FY '26. On asset quality, gross Stage 3 in Q1 FY '27 stood at 4.64% and net Stage 3 at 2.33% as against 4.53% gross and 2.57% net in Q1 FY '26 and was 4.58% gross and 2.33% net in Q4 FY '26.

Our credit cost to total asset for Q1 FY '27 stood at 1.66% as against 1.64% for Q1 FY '26 and 1.68% for Q4 FY '26. Our cost-to-income ratio was 25.48% in Q1 FY '27 as against 29.29% recorded in FY '26. The same was 25.32% in Q4 FY '26.

On the liability side, this quarter, we didn't borrow much and overall liabilities have come down from INR2,50,690 crores as of March to INR2,32,639 crores because of use of capital in the current quarter, which was infused in April 2026. The overall liabilities have come down. The cost of liability has also come down from 8.59% to 8.56%, 3 basis point reduction. The incremental cost is at 7.77%.

The liquidity coverage ratio for the company was healthy at 262.54% and liquidity is well maintained for 6 months of liability repayment. The leverage ratio came down because of this large capital infusion, is at 2.14x versus 3.82x as of March. The capital adequacy ratio for the company was healthy at 34.1%.

And I think with this, we can open the forum for questions and answers.

Moderator: Thank you very much. Your first question comes from the line of Renish Hareshbhai Bhuva from ICICI. Please go ahead.

Renish Bhuva: Congrats on a good set of numbers. Just 2 things, sir. First on this AUM mix, right? So from a 2- to 3-year perspective, how do you see the share of new vehicle financing shaping up in overall vehicle financing portfolio? And what is the current risk-adjusted yield in this segment? I mean it is better than the book-adjusted yield or at par or maybe slightly lower?

And also if you can share how internally you estimate the return metrics for new vehicle [disbursement 0:16:02] I wanted to get a sense at product level, the new vehicle finance book ROE in a steady basis will be upwards of 15%, 16% or it will be slightly lower?

Umesh Revankar: Yes. See, we are slowly increasing our new vehicle disbursement, focusing on existing customer upgrading. And see, our existing customers keep upgrading to new vehicle. And that's a common. Everyone has aspiration to upgrade to new vehicle, and we have been financing them. Plus, we are also reaching out to the -- our earlier customer. Shriram has been in this business for nearly 50 years.

Many of our customers would have gone to the other players because we were not matching the interest rate in the past. Today, since we have a capital and since our cost of borrowing is coming down, we are able to match the rates. So not only we match the rate, we are also able to service the customer much better. So we are increasing our new vehicle portfolio.

Right now, on the disbursement basis, it is around 16% of the disbursement is new vehicle. And increasingly, it will go up next 2 to 3 years as we reach out to more number of our earlier customers.

Renish Bhuva: And sir, any comment on the profitability in the new...

Umesh Revankar: Profitability, since we are passing on the reduced cost of borrowing to the customer, overall margins will not come down. So our long-term margins of 8.5%, we will be able to manage.

Renish Bhuva: Okay. Okay. And sir, second on the growth side, right? So while we were a little cautious during our Q4 earnings call because of West Asia war and hence, we were not guiding for higher numbers. But as you did mention in the remarks that Q1 despite being a seasonally weak quarter, the volumes are better. So are we aspiring for 18% to 20% growth in this year itself or we may want to still wait for another quarter and then reassess the guidance?

Umesh Revankar: We would like to wait for another quarter because the net impact of the deficit in monsoon is a little less known. So we would like to wait for that. But we are confident that we'll be able to grow more than 15% at least for next quarter. Then onwards, if things are much better, we feel that we'll be able to catch up and grow faster.

Renish Bhuva: Got it. Got it. So can you just share the full year guidance on growth for this year at this point in time?

Umesh Revankar: Our earlier guidance of 18% will hold good unless after second quarter, we revise it.

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

Chintan: The first one is on asset quality. What kind of impacts are you currently seeing from the West Asia war? Are you seeing capacity utilization come down? Are you seeing signs of demand disruption? Like what signs are you currently seeing on the ground?

Umesh Revankar: See, basically, we were expecting that fuel price to go up steeply. But since the fuel price has not gone up steeply, the operating margin for the operators have not changed much. They are able to pass on the increase in cost to either shipper or the end customer. So that has not changed much. And the demand for the vehicle remains good because we have not seen any stress or vehicle idling anywhere, and there has been good demand for the vehicle. And that is reflected in the way the sales have gone up. If the utilization levels were a little lower, then sales would not have gone up by 20% year-on-year, which is actually a positive surprise to us.

Chintan: Okay. So it's holding up well just now. Okay. The second question is on margins. So your NIMs were 9% this quarter. How should we think about your NIMs over the next 3, 4 quarters? And how should we think about the excess liquidity that you have on your balance sheet? So I'm, kind of thinking about the next few quarters here rather than long term with the new vehicle finance. Like let's leave that aside, just kind of trying to think about how your balance sheet develops over the next 3, 4 quarters?

Umesh Revankar: See, immediate 2 quarters, I think the current NIM will hold good because we are utilizing the capital. But over the medium term, definitely, it will come down a little because our new vehicle mix will go up. And right now, whatever the benefit we are getting off because of the lower cost of borrowing, to some extent, we are passing on to the new vehicle purchases. So I believe the -- as new vehicle portfolio keep increasing within the hours run, we will be able to manage the NIM at around 8.5% in the medium term.

Chintan: I mean this is where I have a problem with your guidance, I don't understand this 8.5% number. You're currently at 9%. You've got excess liquidity on balance sheet. So that will probably go a little bit higher. And the mix shift, the way you're guiding on new vehicle loans, the mix is moving very slowly. So how does the NIM then drop from, say, 9.1%, 9.2% back to 8.5%. That just seems very conservative. Is it fair that you're just being conservative in this guidance?

Umesh Revankar: Yes, I'm talking about a medium term. Medium term is 2 to 3 years. And in the short term, I said we'll hold...

Chintan: Unless -- no, no, fair enough. But unless the new vehicle book grows very fast, it's hard to see that much mix shift come through and then see 8.5% NIM again. So either your growth will really go fast, which you are not guiding to, you're guiding to more balanced growth, the mix shift would be more like 5 years rather than 2 to 3 years? Or am I -- but I can understand if you're being conservative.

Umesh Revankar: See, we always have been conservative in our guidance. But new vehicle, if you look at the mix, from 10% our new vehicle volume, we have increased to around 16%, 17% now. And it will keep increasing to around 20% to 25% over the period. So definitely, new vehicle book will be around 30% of our book, 30% plus in our book maybe in the medium term.

Chintan: Understood. Okay. And then finally, on the non-vehicle portfolios on asset quality, could you give us some sense what's happening in MSME, gold, PL, these areas, we are seeing GS3 inch up a little bit. Can you provide some color on what's happening there?

Umesh Revankar: See, our gold portfolio is definitely growing very fast, and we expect it to grow very large because we have started using many of our existing branches for gold loan. And currently, around 2,200 branches are made ready for gold loan activity. So we expect the portfolio to grow double in the next 3 years from around 2.5% of the overall book to around 5% because we feel that there's a very big opportunity for us to grow in the gold.

And MSME book also, we have been traditionally lending in the southern market. Other markets have not really explored much. And since we have now branch network across the country, we will be able to grow our MSME book. And last year, we were a little cautious because of the U.S. tariff and a little inconsistency in the policy, which many of the MSME were dependent on exports. Now since there is the MSME, by and large, are able to find new market and expand the market within India, we are confident of the growth in the MSME book.

So from around 15% of the portfolio, the MSME will become around 20% of the book. Personal loan also, we would like to extend to other customers, either to -- we were focusing only on 2-wheeler customers. Now we will be offering this to other customers like gold, MSME customers also. So the personal loan book also will keep growing. But we try to, as much as possible, keep it within our known customers. And we do not wish to make the outsourcing as a big way to move forward in a personal loan.

Chintan: And there is no worry about asset quality in gold and MSME at the moment, right? Because the GST...

Umesh Revankar: Gold, absolutely not. MSME, we have been cautious in the last 1 year. We are now pretty confident about the MSME quality -- asset quality.

Chintan: And a final quick one. Any guidance on opex? Because the revenues are now growing stronger because of the excess capital. Should we think about a stable cost-income ratio? Or should we think about an improving cost-income ratio?

Umesh Revankar: Stable, I should say.

Moderator: The next question comes from the line of Kunal Shah with Citigroup.

Kunal Shah: So firstly, again, coming on to this entire deployment of liquidity question. So if you look at it, money was utilized in terms of repaying the borrowings, borrowings are down. And then there is some liquidity, which is parked in the cash bank balances and the investments. So here on, do we assume that maybe now the repayment of the borrowing is largely done, we will not utilize the funds or excess liquidity to repay the borrowings and it will be more utilized towards the growth. And how long would it take to utilize this entire excess liquidity out there, which is currently on sheet?

Parag Sharma: Yes. I think whatever liability repayment we targeted, we have achieved. So we'll be looking at business growth only utilization towards more of growth only. And we previously also used to maintain slightly higher liquidity, which will be close to around 3 months of our future liability repayment, which works out to close to around INR17,000 crores to INR18,000 crores.

The balance, what we have surplus of that will definitely come down because of higher disbursement. And we don't look at any utilization towards liability repayment. In fact, we'll be looking at mobilization towards the end of the quarter of fund mobilization also. So yes, what you're saying is right, no more liability repayment, more of growth and look at some mobilization towards the end of the quarter.

Kunal Shah: Got it. So as this liquidity gets utilized into the growth, in fact, that should support the margins in the near term, and that's the reason you are confident that it will remain in this trajectory for a few quarters?

Parag Sharma: Correct.

Kunal Shah: Okay. Got it. And secondly, in terms of the credit cost, given that it's holding on quite well, and you indicated that there is no stress reflected in any of the segment. Do we stay with the credit cost guidance? Or would there be any risk to whatever we are indicating we are still hitting below our guidance of 2-odd percent. So any changes out there on the credit cost front?

Umesh Revankar: Yes, I think it will hold good, but our -- see, our guidance has been around 2%. So it will remain around that in the near term or even in the medium term.

Kunal Shah: Okay. So no risk out there? Okay. And MSME, we have started to see the inflection, maybe it has started to grow quarter-on-quarter. So as you are indicating, the MSME proportion will also inch up. Should we see the accelerated pace in SME growth and getting towards the double-digit kind of a number on a year-on-year basis now? Or would it still take some time before we get the comfort on the overall environment?

Umesh Revankar: No, I think it will start growing now. We are pretty comfortable and confident, and we would like to expand the market.

Kunal Shah: So sequential momentum on MSME will pick up?

Umesh Revankar: Yes, yes.

Kunal Shah: Okay. Got it. And just last question in terms of the data point breakup of disbursements, yes.

Sunder Subramanian: Yes. CV for the current quarter was INR19,556 crores, passenger vehicle, INR11,018 crores, construction equipment, INR792 crores, farm equipment INR947 crores; MSME, INR6,184 crores; 2-wheelers, INR3,548 crores; gold, INR5,153 crores; personal loans, INR2,773 crores, total INR49,974 crores.

Moderator: The next question comes from the line of Adarsh with PP Capital.

Adarsh: Am I audible?

Umesh Revankar: Yes.

Adarsh: Yes. So I want to ask a question regarding the gold. As you know that our Prime Minister has requested our citizens to buy less gold. So how this is going to affect the businesses for Shriram? And overall, I want to understand like in the Middle East crisis and all, how this is going to affect the business of Shriram Finance?

Umesh Revankar: Basically, gold against the existing jewelry. It is not against the buying of the gold. So -- and gold traditionally is not used for raising resources or borrowing. People have been hesitant to part away with the gold. And thanks to some of the NBFCs who specialize in gold, they have highlighted the advantages of raising resource against gold at a lower cost.

So people who were otherwise would have raised personal loan or hand loan, now they are raising against gold for all their requirements. So I believe the gold holding in India is pretty large, so it will keep increasing. And also, there is a large number of pawnbrokers who are still in the business and doing pretty good. So I think some of this business will flow into NBFCs.

So in that way, I think it will turn out to be a good volume for everyone who is there in this business.

West Asia crisis, even though there were certain challenges, especially in certain industry, which was dependent on the petroleum product as their raw material like plastic and all. So there, the cost went up and there were some challenges for the manufacturers to pass it on to the end customers. But I think that phase is over now. So onetime increase in cost is already passed on and people have started living with it. And therefore, I think there may not be further surprise unless the retail fuel price goes up further.

And the government also have taken a lot of measures in managing this by the higher ethanol mix. E20 is going to be a norm now, and that is going to have, to some extent, less dependent on the import. So I think overall, I feel the situation is quite comfortable and the economy is doing quite well and growing at the indicated level of what RBI has indicated or forecasted at 6.6%. And I believe that the economy is growing steady.

Adarsh: Congratulations for the good set of numbers.

Moderator: Your next question comes from the line of Raghav Garg with AMBIT Capital.

Raghav Garg I just have 2 questions. Most of my questions have been answered. One, I know you said that your incremental cost of funds is 7.77%. I just wanted to know what is the incremental cost of bank funds, if you can share that, please?

Umesh Revankar: Yes. So we have not borrowed from banks in the current quarter. But when we start borrowing, I think it would be in the range of around 8%.

Raghav Garg Around 8%. Okay. Superb. And the second question is on your MSME portfolio. So see, I think at the time of the merger, the thought process was to expand the portfolio across the rest of the branches in the non-South states and regions. As of today, where are you? Has the product been rolled out across all those branches that you were targeting? Or there's still some more penetration to go there? That's the second question.

Umesh Revankar: No, I think it's a long way to go. There are a lot of scope and opportunity. From the -- we -- initially, we were mostly in the South. Now in the West, we have rolled it out. We need to grow more in the North and East, which we are looking at scaling up. So we are also trying to have more specialized people in these areas. So as we are able to get more specialized and experienced people, we should be able to grow that business across India.

Raghav Garg Can you share some numbers maybe in terms of your percentage of branches covered, what would be right now in the West? And then as you go into north, that will help us get some idea on what is the opportunity out there?

Umesh Revankar: Not all branches, we were doing -- even in the South, we were not using all branches for sourcing the MSME. We were focusing on the certain pockets where the MSME segment is pretty large. In other branches, it's mostly lending to small shopkeepers or trading activity. So the manufacturing MSMEs and all are mostly focused in the what we call industrialized belt. So there, we need to build certain manpower, especially when you go to North and all, so North, Central. So that is where we need to build business. But we are covering most of the southern part now, if not from all branches. We are sourcing from all branches, but processing in the few branches. It's a hub-and-spoke in -- as far as MSME goes.

Moderator: The next question comes from the line of Rajiv Mehta with Yes Securities.

Rajiv Mehta: Congratulations on good numbers. So my first question is on this very resilient CV growth that we are seeing even in Q1. So is it largely reflecting that the demand on the ground has kind of stood up well despite the movement in fuel price and not so -- if the full pass on did not happen also in the quarter, but still the demand for used vehicle was pretty healthy in your cohort or your vintage segments?

Or is it also a reflection of some decline in competitive intensity, which benefited us? Or did we use some flexibility in underwriting or pricing because our cost of funds is now moving down? Can you just elaborate on what have been some granular drivers of growth in used CV in this quarter?

Umesh Revankar: If you look at the broad numbers, it's in line with the increase in sales itself. The CV sales have gone up by nearly 20%, both M&HCV and LCV put together. So naturally, any player in this market will grow by 20% very comfortably because market is growing at 20%. Even in used vehicle, the demand is quite good from the rural market. So I think it's a very comfortable journey. We have not really made extra push for growing the CV. But yes, we have been doing more new vehicle. So naturally, our growth rate will be higher because the ticket size of new vehicles are pretty large.

Rajiv Mehta: So sir, for the remaining part of the year, would it be right to say that you are most comfortable as far as the growth outlook is concerned in CV per se because I think this segment grew well in Q4 last year as well as Q1 of this year. And would you expect this momentum of growth to last for the whole year?

Umesh Revankar: With the current scenario in mind, yes, I feel the growth rate will be comfortable and we'll be able to go as per the guidelines. But I would like to still wait till the second quarter for the actual impact of El Nino because we will see whether the agricultural output drops. Right now, the indication is that rice cultivation, there may not be a downtrend. It will be flat year-on-year. There will be some downtrend in the oilseeds and the pulses because the Central India got less rainfall. And that is the current estimation.

But I think if there is a prolonged rain, then there may be a delay in the output. So there can be some kind of new surprises, like positive surprise like rain continuing to hold longer and good output. Then of course, we need to wait for the rabi crop. So ultimately, there is a little uncertainty towards the output and the rural income. So that is the only challenge we would like to wait and see. Otherwise, our guidance hold good.

Rajiv Mehta: And sir, this revival in growth in used CV, right? I mean, last quarter, I think we went slow despite the market was pretty strong. And now in this quarter, I think we have accelerated growth when I look at how the portfolio has grown on a Q-on-Q basis. So what has changed in our approach between 2 quarters?

Umesh Revankar: There's no change. I -- as I was telling you, the new vehicle portfolio has gone up. So volume has gone up.

Rajiv Mehta: Okay. Okay. And just last on the gold loan portfolio, how have we kind of adjusted with the new guidelines, which came into play from 1st April because I think we've seen a good growth in portfolio in this quarter. And at the same time, on the asset quality side, we have seen some forward flows. Stage 2 has gone up and Stage 3 has also gone up in the gold loan portfolio. So anything -- any connection with the new regulations or any change in the way we used to do the business before and now post the regulations?

Umesh Revankar: No, no, there's no fresh guidelines that guidelines came a year back. I don't see any fresh guidelines recently. But I feel the portfolio is holding very good. There may be some change in the buckets because we are trying to promote more on the interest servicing gold loan. Normally, they are habituated to pay only bullet payment. We are trying to make the customers more towards interest payment. And that's the only thing, I think, change. Anything else?

Parag Sharma: No nothing.

Moderator: The next question comes from the line of Aditya Vikram with DB Securities.

Aditya Vikram: Sir, I wanted to understand of your NIMs, which is at 9.04%, what percentage of this has come from the past funds?

Sunder Subramanian: Around INR500 crores of the NII, which is being reflected is out of the past funds. That INR39,600 crores, what we received as fresh capital. That has contributed to this INR500 crores of additional interest income.

Aditya Vikram: Okay. And will that -- so the guidance, which you are giving for the shorter term that the NIMs will hold at this level and considering the cautious commentary, right, because of the uncertain situation, like INR500 crores will remain static for next quarter as well, right, this current quarter?

Sunder Subramanian: It will gradually come down. So what we were indicating earlier is that the operational NIM will hold at around 8.5%, and we continue to guide that. And the benefit of the surplus liquidity, which the equity that we had come in will gradually subside over a period of time.

Aditya Vikram: Okay. Okay. All right. So my next question then is, sir, with this Iran war again flaring up, right, and the weather being uncertain and based on IMD prediction, July and August does not look very -- sorry, August and September might actually lead to lower rainfall or El Nino impact getting heavier and heavier, right? So are we confident that the disbursements and everything else, which we are guiding for, right, we won't have any negative surprise on that front?

Umesh Revankar: No. Right now, we feel that we're pretty confident of similar growth as first quarter.

Aditya Vikram: Okay. Okay. And last and the final, sir, the new loan portfolio, right? Currently, you said, if I heard you correctly, 16%, right, of the total numbers or it has increased gradually. That ideally comes at a lower NIMs, right, lower than the second-hand purchases, right? So will that be NIM accretive for us? Or do you see still we will be able to manage everything as it stands because of the surplus liquidity, the INR500 crores coming from there?

Umesh Revankar: Basically, borrowing cost, which is lower borrowing cost is getting passed on to them. So it is not -- there will not be a big change in the NIM because of that.

Aditya Vikram: The only reason why I'm asking, sir, is because some of the peers have suggested that the funding is getting a little tighter, right, and funding costs are increasing. You don't see any challenge or any negativity coming in from that front because you are saying that our cost will go down. And in case if we take bank funding, it would be around 8%.

Parag Sharma: Yes. In fact, previously, we used to borrow as a AA-rated entity. And now we are getting the benefit of rating. That itself gives us some benefit of lower cost.

Aditya Vikram: For this quarter, it was 3 bps, right? For this quarter, it was 3 bps.

Parag Sharma: Three bps is on the overall liabilities, which has come down. Talking about the incremental, we didn't borrow much, in fact. Overall liabilities have come down and that has some high cost paid off and overall liability costs came down. But when we do the incremental borrowing, which was at 770, 780 levels, which will be much lower than the cost of liabilities on balance sheet, which is 8.56%. So incremental borrowing costs will be lower, and that is why we are confident about overall costs still coming down.

Aditya Vikram: And sir, so the only thing I don't understand then is you have surplus liquidity within your books, right? But you have again said that between August and October, you will be raising new funds. What is that going to use for?

Parag Sharma: No. In fact, what we said is the overall liquidity, which was -- which is more as of June will be utilized for growth. we'll be utilizing excess liquidity in 1, 1.5 months and then look at fresh borrowing.

Moderator: The next question comes from the line of Bunty Chawla with ASK Wealth.

Bunty Chawla: Congratulations on a good set of numbers. My questions have been answered. Just 2. First is that now we are seeing that their off-balance sheet as a percentage of total AUM is coming down consecutively from last few quarters. So what is the thought process on this? Any change in the strategy? Are we not going for the securitization or assignment or there is not much of a demand from the banking sector? How one should see this?

Parag Sharma: Since our overall borrowing program was subdued for the quarter, we have not done transactions of securitization or direct assignment. Both the transactions were not done. But when we talk about fresh borrowing in -- towards the end of the quarter, it will be in the form of securitization also. So we will look at opportunities. I don't think there is any dearth of demand for securitized instruments. It's only that because we were carrying higher liquidity, we didn't borrow in any format, and that is why whatever portfolio was there was on a monthly amortizing basis has been paid off and not replaced with fresh transactions, which will happen towards the end of the quarter.

Bunty Chawla: Okay. Secondly, as you said, the full year guidance still remains at 18% and Q2 might be around 15% to 16%. So it seems to be slightly heavy demand from second half. So on that basis, what we have done in terms of branch expansion, employee base expansion because still we are guiding for the cost-to-income ratio at a stable entity. So any thought process or any data point if you can share?

Umesh Revankar: We will be adding some branches and definitely, we'll increase the manpower. But that will not come at additional cost. It is as volume goes up, that additional cost will be absorbed. So we don't really see a big change in the -- our operational cost or cost-to-income ratio.

Bunty Chawla: So total branches to be added for full year FY '27, if you can share that number?

Umesh Revankar: Tentatively around 150 branches.

Bunty Chawla: Okay. Lastly, sir, just one request as we are now moving more towards new CV portfolio, if you can share in a presentation out of the -- at least from the CV portfolio, what is the new and what is the old used vehicle in the CV portfolio? That will be quite helpful.

Umesh Revankar: Sanjay will provide that information offline.

Moderator: The next question comes from Pranuj Shah with 3P Investment Managers.

Pranuj Shah: Just on your MSME book coming back to the growth, I think you had INR6,200 crores of disbursal this quarter. For the Q-o-Q growth to pick up, you would need to sizably move up from 2Q and then hit the INR7,000 crores run rate plus from 3Q, 4Q onwards. So is that the kind of number that we are looking at?

Umesh Revankar: Yes, definitely, yes.

Pranuj Shah: Okay. So should your MSME growth for the full year be in line or higher than your overall book for this particular FY '27?

Umesh Revankar: Overall book, we have given guidelines. Now it could be as per the guidelines.

Pranuj Shah: Okay. But no guidance as to whether MSME can surpass that 18% target for the overall book?

Umesh Revankar: MSME growth will be definitely higher than this because we are projecting CV at around 15%. So MSME book and gold will be faster.

Pranuj Shah: Understood, sir. Perfect. And just second question on the growth itself. Your construction equipment has steadily been coming off and now it's been INR1,000 crores disbursal for the last 5 quarters. What will give you confidence to pull this back up to that INR2,000 crores run rate you used to have until FY '25?

Umesh Revankar: No. We are seeing that there is some demand slowly coming back because the sales of construction equipment in the first quarter has started positive from the negative growth. Last year, if you see all the 4 quarters, it was growing negative. But this quarter, it is positive. And we believe that there can be a demand coming back into construction equipment. So we should start growing that book from next quarter.

Pranuj Shah: You don't see any lingering AQ concerns in that space to hike?

Umesh Revankar: Right now, we don't see. No, okay. We feel it's robust.

Moderator: The next question comes from Mayank Mistry with Antique Stock Broking.

Mayank Mistry: Congratulations on a good quarter. Sir, most of my questions are answered. Just wanted to know your long-term view of this used vehicle demand. Since you highlighted that over near term, this E20-based petroleum has kept prices lower and the demand is right now good. But there is also a theory that E20-based petroleum is impacting durability of the vehicle. So do you see this as a long-term risk in the inventory, especially, which can also impact the borrowers demand later on since borrowers would not be keen on buying these used vehicles if the vehicles are not so -- cannot be used for a longer tenure.

Umesh Revankar: See, this is basically, I think, challenge with the cars. That's what I understand. But I don't see that it's having any impact as of now because maybe people who have older personal car will have some challenges. And -- but the OEMs have said that their cars are capable of running on the E20. So we really don't have a clear picture on the same.

Mayank Mistry: Okay, sir. Sir, basically, I was asking this from maybe from a 5 to 6 years point of view. So...

Umesh Revankar: Yes, I agree. But I really don't see any challenge there. See, if the very old cars, we don't normally finance a car, which are more than 7 years. Trucks, we do. So there's no problem with trucks there. It's basically on the personal cars. So there may not be a big challenge is what I feel.

Moderator: Our next follow-up question comes from the line of Aditya Vikram from DB Securities.

Aditya Vikram: Sir, just one more thing. So this quarter, our Stage 3 assets increased 18% Y-o-Y and 5.5% or approximately yes, 5.5% Q-on-Q, right? It seems some Stage 3 assets have increased on the CV side. So what kind of challenges are you seeing or because now we have funds, we are trying to clean up our books a little faster?

Umesh Revankar: If you see the numbers, it is a marginal increase only from 4.58%, it has gone to 4.63% Stage 3. So this seasonal impact are there. So I don't really see there's a big change.

Aditya Vikram: Okay. Okay. I just wanted to clarify that because the number, 18% looked higher. So I just wanted to see if they're trying to books a little faster than they ideally would. But do you think it's a seasonal impact, mostly nothing to do with the uncertain weather or the crisis as such?

Umesh Revankar: Yes.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I now hand the conference call over to Mr. Umesh Revankar for closing comments.

Umesh Revankar: Thank you. We had a good quarter, I should say. Second quarter is normally a little tricky because depending upon the rainfalls. And of course, there is added uncertainty of West Asia crisis. But we are very confident that the company will do well and we will come out with a good set of numbers. Thank you for joining.

Moderator: Ladies and gentlemen, on behalf of Shriram Finance Limited, that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines. Thank you.