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Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
Symbol: FIVESTAR

BSE Limited
Listing department,
First floor, PJ Towers,
Dalal Street, Fort Mumbai 400 001
Scrip code: 543663

Sub: Transcript of the Earnings Conference Call for the quarter ended March 31, 2026

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call held on April 29, 2026.

The transcript can also be accessed from the link: <https://fivestargroup.in/investors/>

Kindly take the above on record.

For Five-Star Business Finance Limited

Vigneshkumar SM
Company Secretary & Compliance Officer

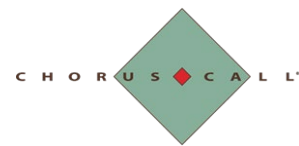
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“Five-Star Business Finance Limited
4QFY26 Earnings Conference Call”

April 29, 2026



MANAGEMENT: **MR. LAKSHMIPATHY DEENADAYALAN – CHAIRMAN
AND MANAGING DIRECTOR – FIVE-STAR BUSINESS
FINANCE LIMITED**
**MR. SRIKANTH GOPALAKRISHNAN –JOINT MANAGING
DIRECTOR AND CHIEF FINANCIAL OFFICER – FIVE-
STAR BUSINESS FINANCE LIMITED**
**MR. PRASHANTH – CHIEF OF TREASURY AND
INVESTOR RELATIONS – FIVE-STAR BUSINESS
FINANCE LIMITED**

MODERATOR: **MR. RAGHAV GARG – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Five-Star Business Finance Limited 4QFY26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Raghav Garg from Ambit Capital. Thank you and over to you, sir.

Raghav Garg: Good morning, everyone. On behalf of Ambit Capital, I would like to welcome you all to the 4QFY26 Earnings Call for Five-Star Business Finance. Joining us from the management today, we have Mr. Lakshmi pathy Deenadayalan, the Chairman and Managing Director; Mr. Srikanth Gopalakrishnan, Joint Managing Director and CFO; and Mr. Prashanth, Chief of Treasury and Investor Relations.

I thank the management for the opportunity to host this earnings call. We can now begin with opening remarks from Mr. Lakshmi pathy, post which we can open the floor for questions.

Thank you and over to you, Mr. Pathy.

Lakshmi pathy D: Yes. Good morning, everyone. Thank you, Raghav. We have just completed one of the most challenging years for Five-Star. The asset quality headwinds faced by MFIs and unsecured loans/ unsecured loan lenders over the last couple of years crept into the portfolios of secured loan lenders also, especially those providing small ticket loans.

As a company, we all know Five-Star provides loans to small business owners and self-employed individuals. With a higher proportion of MFI overlap, this resulted in increase in DPDs and NPA for Five-Star during the course of this financial year.

However, the actions taken by us over the last few quarters have helped us to tide over these challenging times, and I am very happy to state that the worst is behind us, and the coming quarters will see us moving in one direction: onwards and upwards.

So, let me get into the quarter that has just been completed. The current quarter has been very encouraging, with collection efficiency across all buckets showing excellent improvements and getting back to the robust levels. This shows our strength in credit underwriting and collection infrastructure.

I wanted to share a few collection metrics that clearly show this trend. For the quarter ended March 31, 2026, we clocked a unique customer collection efficiency of 98.1%, which is one of our best in the history of Five-Star. Our x-bucket collections for the quarter came in at 99.3%, which has helped contain forward flows from x-bucket.

Our slippage ratio has dropped from 1.9% in the last quarter to 0.7% in this quarter. This has helped our NPA remain largely stable between quarters at 3.37%. Credit cost has remained largely stable at 1.88% of the average AUM for Q4 compared with 1.76% in last quarter.

After quarters of continued drop, the current proportion of customers who are in current buckets has moved up by close to 1% from 81.77% in Q3 to 82.69% in Q4. So, all the above metrics what I said clearly shows the collection efficiency across all buckets are back to our normal trends.

With our collection strategies in place and our collection efforts showing strong traction, we started to refocus on disbursements and portfolio growth during the current quarter. Our disbursement for the quarter came in at INR1,213 crores, an increase of 24% over the previous quarter. Our disbursement for the full year came in at INR4,675 crores, which has allowed us to clock a portfolio growth of 11% even during a challenging year.

During the quarter ended March 31, 2026, we availed incremental debt of INR 928 crores at an all-inclusive cost of 8.53%. We raised \$100 million from Asian Development Bank, ADB, one of the largest development financial institutions across the globe during this quarter, which is a reinforcement of lenders' belief in Five-Star. While the all-inclusive cost was slightly higher than the previous quarter, it was primarily on account of higher hedging cost we had to pay on this transaction. Our cost of funds for the quarter dropped from 9.12% in Q3 to 8.95% in Q4 and for the full year, we saw a drop in our cost of funds from 9.64% in last year to 9.21% this year.

For the quarter, we achieved a PAT of INR 269 crores, while this is 3% lower as compared to the previous quarter on account of higher personal expense, I want to reinforce the fact over PAT, for the full year we grew even in such a challenging year by 2%, and we clocked a full year PAT of INR1,099 crores. Our return on average AUM and return on equity for the financial year 2026 remains healthy at 8.68% and 16%, respectively.

I also want to touch upon another aspect that has created a bit of overhang on us during this year. There was a senior management exit during this year, but I want to clearly lay down the fact this has no impact on our performance. As can be seen from our results, this is a testimony to the strength and depth of our team, both at the management and the branches level. We have built a team that has never been and will never be dependent on one or few individuals. It may sound cliched, but men may come, and men may go, but we go forever.

Now, as we stepped into a new financial year, we are geared up to get back on the track of growth and well-poised to achieve AUM growth of around 20% for the financial year 2027. And, thereafter, we will slowly move upwards.

As in the past, we will aim at achieving strong yet sustainable growth, quality, and profitability through robust credit underwriting, strong collections, and proactive risk management backed by the adoption of technology and AI, and supported by a diversified and cost-effective fund profile. The way we handled the challenges gives me immense confidence and clearly shows that we have emerged stronger and will move onwards and upwards.

Thank you. Now, I will hand over the call to Srikanth for more details.

Srikanth Gopalakrishnan: Very good morning to all of you. As Mr. Pathy has highlighted, I think this has been a quarter which has reinforced our confidence in the business model and the execution capability of Five-

Star, and we are very hopeful and confident that each of you on the call and the investors will also feel reinforced with the kind of results that we have been able to demonstrate in this quarter.

Let me touch upon just a few aspects on the numbers before I hand it over for any questions. Despite dropping our yields by 2% about 1.5 years back, our spreads continue to remain quite healthy. In fact, the drop in spread for the full year has been just 40 basis points, despite the incremental disbursements coming in at about 200 basis points. So, we have been able to get good cost of funds to stem the drop in spread. This has resulted in a strong return on average AUM at 8.37% and an ROE of close to 16% for the full year.

From the borrowing perspective, I think we are being looked at very attractively by the lenders. Like Mr. Pathy said, ADB has given a \$100 million line to us, out of which we have drawn \$50 million during this quarter, and another \$50 million is available for us to draw anytime over the next financial year.

While this has come in at slightly higher cost because of the hedging costs involved, this reinforces the fact that even some of the largest lenders of the world are ready to back the company because of its strong underwriting capability and collection infrastructure.

Our PAT for the quarter stood at about INR 269 crores. Because of a slight increase in personal expenses, this is lower on a sequential basis and on a Y-o-Y basis. Our net worth stands at a very healthy number of about INR 7,400 crores, INR 7,380 crores to be precise.

We continue to have a good provision coverage ratio both on the overall assets and on the Stage-3 assets. Our overall coverage is at 1.84%, and on Stage-3 we are at 41.4%. Given that there has been some betterment in the buckets, especially in the Stage-2 composition, the Stage-2 proportion has dropped a little bit. In fact, our 61 to 90-day bucket has actually come down from about 5.1% to 4.8%, because of which you see a small drop in the Stage-2 provision coverage. But we generally track the overall provision coverage because this is what gives confidence on the balance sheet and on the quality of assets that we are holding.

As a management team, we are very confident that we have bounced back in the best manner possible. We have taken the right set of actions. As a company, we have faced multiple challenges during this year; asset quality challenges, people-related challenges, but every one of them has been faced by us, and we have overcome them in the best manner possible. And, like, Mr. Pathy said, I think from here onwards, the performance is going to be in one direction, which will be onwards and upwards. That's the confidence we as a management team have, and we would like to make each and every one of you feel confident about the ability of the company to bounce back and grow in the coming years.

So, on that note, we will take a pause and are very happy to address any questions any of you may have. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session.

Srikanth Gopalakrishnan: We'll probably just take a couple of minutes for the question queue to assemble.

Moderator: Sure, sir.

Moderator: Our first question comes from the line of Renish from ICICI. Please go ahead.

Renish: Yes, hi sir, and congrats on a good set of numbers. Sir, just two things, one, on this asset quality metric, just wanted to know how April is trending in terms of collection and flows. And, also, if you can give some insight on the disbursement run rate in April as well?

Srikanth Gopalakrishnan: Renish, April is a seasonally weak quarter. But given that we are coming off a year when we had some challenges, we don't expect material deterioration to happen in April. But at the same time, given that it's a seasonally weak quarter, we also don't expect material improvements to come through.

So far, April is trending quite well. I think we are largely in line with a typical April month, both in collections across various buckets. And our belief is that I think this quarter also should be fairly good from an asset quality perspective.

Disbursements are looking up. In fact, one of the things that we have done, and we had also highlighted this in the commentary in the presentation and in the exchange release, the split between business and collections is fully operational from the 1st of April, and we expect that this will pave the way for a strong disbursement to come in.

It's early days, obviously, people are just getting acclimatized to doing different things. But things are looking good. We are getting strong lead indicators. And we believe that even in this quarter, we should be able to show a good disbursement growth. And so far, the way April is trending is giving us the belief that this quarter should be good both in terms of disbursement and asset quality.

Renish: Got it, got it. And, sir, just lastly on this credit cost front. So, when we look at net slippage rate, which is obviously coming down pretty sharply in Q4, and also when we look at x-bucket, it clearly suggests that incremental flows are far lower than what it used to be during first nine-month of FY26. So, if this trend has to sustain, what kind of a credit cost we are building in for '27?

Srikanth Gopalakrishnan: Renish, I think for FY27, see if you look at it, the trajectory of credit cost has been marginally going up over the last four quarters. For Q4, we ended with about 1.88% on average AUM. So, which is the number from where we will start showing an improvement, definitely there'll be an improvement. At this point of time, we will probably be guiding you for a credit cost of 1.7% to 1.75% for the next financial year; depending on how the buckets trend over the year, this could look better from here, but our guidance will be about 1.7% to 1.75%.

Renish: Got it, got it. And just a follow-up on that. So, I'm sure because we are coming out of a prolonged credit cycle, and from the peak, obviously, it will improve in '27. But what kind of steady-state credit cost should one build in the segment where you operate?

And also keeping in mind, we are sort of pivoting towards better retail customers in terms of ticket size. So, how should one think about steady-state credit cost, let us say from a three to five-year perspective?

Srikanth Gopalakrishnan: So, Renish, I think FY27 we gave you the numbers. '28 to '30, obviously, with buckets getting better, the credit cost will trend better. So, we are probably looking at anywhere between 1.5% to 1.6% of credit cost as a steady-state number. I think we are confident about that. Like you rightly said, collections are getting better, and the focus on slippages are a lot higher today. And to some extent, we are also moving to slightly better quality customers. So maybe 1.5% to 1.6% would be the steady-state cost for the next couple of years.

Renish: Got it, got it. This is very helpful, sir. Thank you and best of luck.

Srikanth Gopalakrishnan: Thanks, Renish.

Moderator: Thank you. The next question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, good morning sir. Thank you for taking my question.

Srikanth Gopalakrishnan: Abhijit, your voice is quite low.

Abhijit Tibrewal: Sir, thank you for taking my question. The first question I had is just a follow-up on what you just answered to Renish, that steady-state credit costs could be 1.5% to 1.6%. So, sir, if you could help us understand what has really changed in the last one year since this asset quality stress that we started seeing in the lower ticket LAP.

Basically, what I'm trying to understand is, going forward, we are saying that the overlap with MFI customers will gradually become lower. We are moving to higher ticket sizes. You just mentioned, we are moving to a better customer segment. So, versus the credit costs at which we used to operate earlier, and now steady-state credit costs of 1.5%- 1.6%, so, what has changed? I mean, earlier credit costs used to be let's say 70- 80 basis points. Now, we are looking at 1.5% to 1.6%. So, what has changed in the environment?

Srikanth Gopalakrishnan: Abhijit, I think the earlier guidance that we gave was based on total assets, which was about 0.8% to 1%. If you just convert it into an AUM, that will probably read more like a 1.3% to 1.35%. From where we are actually moving to 1.5% to 1.6%.

See, what has changed is I think our understanding of the environment, our understanding of this customer segment, and the skews that they'll probably go through, and the necessity to be a lot more consistent in our approach towards the credit cost build-up is what we are saying. We will probably be operating at slightly elevated credit costs than what we have been handling.

Because see, there are also macroeconomic events which are happening, there are other issues or stress that keeps cropping up. And at that point in time, if you're looking at a much lower credit cost, then you're actually putting a lot of pressure on the field force. And especially with our focus on growth also, we need to maintain a good balance between the right growth number

and the right credit cost, which is where we believe that I think 1.5% to 1.6% will be a comfortable number to achieve the stated growth objectives, and we want to operate at those levels.

Abhijit Tibrewal: Got it, got it, sir. Sir, the second question I had was around basically, in every earnings call, right, we've been asking this that are there any disruptions that we are seeing today on the ground, while most of them have acknowledged that there is nothing in April which is very different or very alarming from March, and I think you also alluded to when you answered the previous participant that April is seasonally weak, there is some deterioration that typically happens in April, but business is picking up.

So, just trying to understand, given that we cater to a self-employed segment, which is often perceived as a little more vulnerable compared to other customers, but is your reading today that they have not been impacted as yet, and they'll kind of continue to pay for some more time, basically their EMIs? Or do you think that maybe in the coming months there is a need to monitor this segment, the collections, and as things shape up, and the impact of the West Asia conflict.

Srikanth Gopalakrishnan: Abhijit, I'm presuming you are alluding to the macroeconomic, the geopolitical scenario, right?

Abhijit Tibrewal: Yes, sir. That's exactly what I'm alluding to.

Srikanth Gopalakrishnan: Anyway, I don't think that has had any major impact, like, what others have been highlighting, I think we are also not seeing any major impact of that. In fact, we did look at some parts of the portfolio, which could potentially be impacted, like those small eateries, NRI remittances, and all that.

The proportion of that portfolio is firstly extremely small for us, sub-1%. And even on that, we are not seeing any alarm signals at this point of time. The repayments are coming in well, in line with the other portfolio.

So, at this point in time, we are also of the belief that we have not seen, or are not unlikely to see, any material impact of the geopolitical scenario. But again, it's something that we keep an eye on, and we'll keep monitoring. Hopefully, we are probably getting to some solutions, and if that happens, I think there'll be a positive impact for us.

Abhijit Tibrewal: Got it, Srikanth sir. And then last question I had was in the last six, 12 months have we seen...

Srikanth Gopalakrishnan: I think, we should probably go to the next participant. I think Abhijit has dropped off.

Moderator: Sir, Abhijit is connected.

Abhijit Tibrewal: Sir, I heard you, I heard you. Maybe there's some problem with the line. I heard your answer. And then the last question that I had was in the last six to 12 months have we seen...

Srikanth Gopalakrishnan: Let's just move on. We'll probably take it offline with Abhijit.

Moderator: Sure, sir. The next question comes from the line of Suraj Das from Sundaram Mutual Fund. Please go ahead.

Suraj Das: Yes, hi sir. Thanks for the opportunity, sir. One question on ROA. I mean, how do you see the ROA panning out from here on, given that your steady-state credit cost is only 20-30 basis points lower than the current level?

And so, therefore, the ROA driver would be only margin. So how do you see that margin panning out? Do you see the margin probably a bit of coming down over a period of time, while you scale, because of the increase in the ticket size, and so on? And hence, probably ROA could be here only at the current level of the fourth quarter, or how do you see ROA? That is the only question, sir.

Srikanth Gopalakrishnan: ROA is not only dependent on just yield and cost, but it is also driven by leverage. And that will keep going down, obviously, with leverage coming in. Our belief is that I think even for the current financial year, which is FY27, and thereafter, we should be able to operate at a spread of around 13.5%, depending on the leverage, the margins will stack up where they are.

And from an ROA perspective, I think, we believe that we should be able to operate at about 8.25% to 8.5% for this year. And on a fairly steady-state, also about 8% to 8.25% levels, we should be able to operate.

See, today it is also a function of a bit of leverage, which is much lower. I think as leverage keeps kicking in, you will see some impact on the ROA, but that will have a positive impact on ROE. But for this year, I think 8.25% to 8.5% is an ROA that we should be able to operate at.

Suraj Das: Sure. Got it, sir. Thank you so much.

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

Viral Shah: Yes, hi. Thanks for the opportunity, and congrats on good set of results. Srikanth, I wanted to check three things, if I may. One, you mentioned the personal expenses. Was there any one-off, or is this just a reflection of the full build-out cost of the collections vertical that we have built up?

Srikanth Gopalakrishnan: So, it's a combination of both, Viral. One is obviously the build-out of the collections vertical. And, typically, in Q4, you also give slightly higher incentives, some schemes that we put in to spur the people to run for good collections and good growth.

I wouldn't call it a one-off, but it's a very typical phenomenon that you will see in the last quarter, like how you see in the first quarter, the increment impact coming in, because the growth was slightly lower for this year, the personal costs looks a little bit on the higher side. But for these two, I think it's largely business as usual.

Viral Shah: Got it. And Srikanth, Mr. Pathy mentioned about the growth of 20% for next year on an AUM basis. I understand, there is some element of arithmetic behind that, given the book tenures of it.

But, how do you see it say on a steady-state basis '28, and maybe even beyond, what is the kind of growth outlook or aspiration that you would have?

Srikanth Gopalakrishnan: So, Viral, I think given that, one, we are coming off a slightly lower growth year, so there is some bit of pent-up demand that will be there, which we should be able to cater to. And also, given the fact that that our base is not as high. So, for example, even growing at 20% by the end of FY27, we will probably be somewhere around INR16,000 crores.

So, we still remain confident that at least for the next two to three years, we should be able to clock a growth of around 20%. So, if I have to be conservative and give you a range, it will probably be somewhere between 18% to 20%. But, we are definitely at least for the next two to three years, we are going to be aiming for a close to 20% growth.

Viral Shah: Got it. And my last question, Srikanth, was just with regard to the yields. How much more pass-through of the rate cuts that we had taken 1.5 years back is still remaining? I understand this is on an incremental basis, but is it fully reflected on the book?

And secondly, given that now we are shifting also segments somewhat in terms of customers, do you foresee, say, some bit of element of yield compression in this year?

Srikanth Gopalakrishnan: Viral, I think the yields have largely been factored. So, if I have to put a number, maybe you have another 40 to 50 basis points of impact. So, we are today incrementally lending at around 22.5%. And factoring for some delinquencies and all that, the book yield should be closer to about 22% to 22.25%. And for Q4, we were at about 22.6%. So, I would probably say about 30 - 40 basis points of further impact that may come in over the next three to four quarters.

See, the other point that you asked, I think we've been reiterating consistently, is that this is not a very price-sensitive segment. And it's not like we are completely shifting our segment, we are going to be lending at INR15-20 lakhs where the borrowers are extremely price sensitive, we have to drop our yields.

This is a segment where we've been operating at similar yields even in the past. And for the last 12 months also, we have been giving similar yields to these customers. So, it doesn't change primarily on account of us focusing more on the, let's say, closer to five lakh customers rather than the closer to three lakh customers. So, we aren't really envisaging any material disruption to the yields on account of the slightly different focus that we may be carrying.

Viral Shah: Got it. Very clear, Srikanth. Thank you, and all the best.

Srikanth Gopalakrishnan: Thank you.

Moderator: The next question comes from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: Hi, thank you for the opportunity. I had three questions. One, was...

Moderator: I'm sorry to interrupt, Kunal. You are not quite audible. Could you please use your phone on the handset mode?

Kunal Thanvi: Yes. I had three questions. The first one was when we did this restructuring, organizational restructuring in terms of business and collection being different teams. Can you throw some light on what were the gaps that you saw, because see, we've been in the business for last 20 years, and this is one of the first time when we have seen a over-leveraging cycle that we saw. And in the first instance itself, we have to reorganize the entire team, like really interested in understanding, what were the things that went wrong, and how does this reorganization correct it?

Second question was on your last quarter's comment on permanent over-leveraging in the microfinance sector. If you can throw some perspective on how this sector is now playing out, what is your sense on the over-leveraging bit?

And the third thing is like, see, given our size, we've always been saying that the structural growth would be closer to 25%. And now Srikanth just alluded to the fact that we will be tracking closer to 18%, 20% over the next three years. So, is it that, structurally, our growth rates would be lower than what we were anticipating, say two years back? If yes, then if you can help us understand why, because at one stage we are moving to a slightly higher ticket size, and still if we'll be growing slower than what we had anticipated three years back, are there any things that we should know, any reasons that we should know for the slower growth? Thanks. These are three questions that I had.

Lakshmi D: I hope that I am audible. So, let me go one-by-one. See, we are not going extremely high on the ticket size. If you see the average ticket size between last year and this year, it has moved from 3.5 lakh per customer to 4.2 lakh per customer. So, we are still operating in the sweet spot of 3 lakhs to 5 lakhs. That is where we see the potential for higher growth, and we see there is the challenges for other people to get in.

So that is the sweet spot of Five-Star. So, we will be operating in 3 lakhs to 5 lakhs definitely. What we have been saying three quarters before was, below 3 lakhs, which had some bit of pain, where we wanted to slow down below 3 lakhs, and concentrate a bit more on above 5 lakhs.

So, structurally, 3 lakhs to 5 lakhs will be our core. Even if you see our presentation, close to 50% plus of our total AUM lies in 3 to 5 lakhs. So, there is no big movement that we have made to go and get into the bigger ticket size customers. So, we remain in the range of 3 to 5 lakhs. That's our sweet spot forever, and we remain there stronger.

On what happened last year on the structural problem - there were no structural problems at all. As we have been seeing, the problem has come from over-leverage caused by unsecured and microfinance lenders, and that has also peeped into the secured lenders like Five-Star.

So, first, it started as a over-leverage issues, then it translated into behavioural issues. That is where Five-Star was addressing the behavioural issues of our customers in the last three to six

months. That is getting set right now by a continuous effort that we have been putting in with the existing customers.

So structurally, if you want to say what is the improvement that we have done is, earlier the business and collections were together, now the business vertical and collection vertical has been separated since April 1st, fully functional. So, the business team will now be focusing more on new businesses, and the collection team will be focusing more on stabilization in the DPDs across all the customers in Five-Star.

I hope so I have broadly answered all the questions. There is some kind of disruption that we are not able to hear the entire question. If any question that we have not answered, please come again.

Kunal Thanvi: Yes so the last question was structurally, we have been saying the business is -- because of the lower base and opportunity, 25% was the growth number that we've been giving for last two, three years. Now in one of the comments, Srikanth mentioned that we'll be growing at 18% to 20% over next three years. So, is it fair to assume that structurally our growth rates would be lower, compared to what we had anticipated say three years back, two to three years back?

Lakshmipathy D: See, when we were growing at 30% plus, our AUM size was close to INR5,000 crores to INR7,000 crores. Now we are sitting on INR13,000 crores and we are coming out from a growth of 10%, 11% for a full year. We intend to grow at 20%. So that is why if you see my earlier opening remarks, this will even go up as we move forward year-on-year. But please understand from a current of 10% to 11%, we are doubling in this financial year. Maybe we'll be even higher growth as we go forward.

Kunal Thanvi: Okay, sure. The last question is on the cost to assets, because of this reorganization and slower growth this year, we see some increase in the cost to assets number, right? Can you help us understand what should be the structural cost opex to assets from a steady-state basis?

Srikanth Gopalakrishnan: See, for Q4 if you look at our opex to average AUM, we ended slightly higher than 7%. And this year, obviously, there'll be some benefit of scale that will come in. But we have also made some investments in the collections vertical, and there are also with competition people getting into this segment, it is also important for us to retain the right set of people by giving slightly higher cost. So, our sense is, I think it will largely remain around the 7% to 7.25% levels, and not show any big decline during the year despite the 20% growth that we'll achieve.

Kunal Thanvi: Okay, perfect. Thank you so much, and all the very best.

Srikanth Gopalakrishnan: Thank you.

Moderator: Thank you. The next question comes from the line of Yuval Aiya from Nuvama Institutional Equities. Please go ahead.

Yuval Aiya: Hi, sir, thanks for taking my question. My first question was on our AUM outlook for the next year. So, from the current year, if we want to, I understand that there's a low base, and therefore, we are confident of achieving the 20% growth. But if we look at disbursement, sir, we've only

improved our disbursements sequentially. Before that, we were declining our disbursements because of the stress that we saw on asset quality.

Also, sir, we've seen the GNPA ratio increasing for the past several quarters. So, do you look at it in this way that we'll go for higher disbursements to achieve that 20% growth only after you see some early indicators for the GNPA ratio decreasing, or it won't be contingent on that aspect, sir?

Srikanth Gopalakrishnan: No, we will be pushing up disbursements. Like, we said, I think in Q4 sequentially our disbursements were higher by about 24%. And you will definitely see sequential growth. See, the quick back-of-the-envelope computation is, we did close to INR5,000 crores last year. Even if we had grown our disbursements by 15% this year, that number should have been close to INR6,000 crores, and another 15% will mean close to INR7,000 crores for FY27.

But given that this year, we did not push up on our disbursements, like, I even said earlier, there is a bit of a pent-up demand, which we can definitely address. And this is a segment where the demand is of the least concern because it's a very huge market out there. And we should be able to get close to about INR6,500 crores to INR7,000 crores of disbursements in the coming year. So definitely we have started looking at ways and means to bring in quality customers, at the same time push our disbursements up.

Lakshmiathy D: So as to continue that, as I said in my opening remarks, we are already seeing a very good uptick in our collections. Just to go a little deeper, for the last six months, we have seen a good trend upwards in collections. So that is why we are able to do ever best in our collections in both in x-bucket, as well as the unique customer collection efficiency.

You will see the NPA slowing down from next quarter onwards. But that is the outcome, because if current customers, x-customers forward flow is lower, eventually the arrears will be lower, eventually the NPAs will be lower. So, we are seeing that trend very strongly. That's why we have confident to say that we'll be growing at 20%. So, definitely in coming quarters you'll see NPAs coming down.

Yuval Aiya: Understood, sir. Thanks. And sir, my second question was on our opex outlook for this year. So, what plans do we hold in terms of an increase in headcount and branch expansion for FY27? And if there'll be a breakup in terms of Tier 1, Tier 2, etc., towns for the branch expansion, that will be helpful?

Lakshmiathy D: So our endeavour is keep opening the new branches. Last year also we opened close to 90 branches. I'm happy to say that out of 90 branches, 95% of my new branches break-even has happened. So the infrastructure should be ready in place, that's why we keep opening, because that's one of the important levels for growth for Five-Star.

Going closer and closer to the customer vicinity where we have lesser competition and understanding the ground level reality of the customer, which is more important. So, our catchment area around the branches will be 25 kilometres to 30 kilometres. So, we want to be as

close to the customer whom we intend to serve. So even for this financial year, we intend to open 60 to 75 branches.

From a operation cost, Srikanth you want to take?

Srikanth Gopalakrishnan: No, like we said, I think these branches will come in and we are very confident that over a nine to 12 month period these branches will start breaking-even or becoming profitable, which is what we said that the opex to AUM level, we should be at about 7% to 7.25% for this year, which is same as what we did in Q4, because obviously to retain our good people, today we have to compensate them at the appropriate levels, which would mean you're not going to get too much of scale benefits coming in, in this financial year.

Yuval Aiya: Sir, thanks a lot. Thank you.

Moderator: Thank you. The next question comes from the line of Aravind Ravichandran from Sundaram Alternatives. Please go ahead.

Srikanth Gopalakrishnan: Sorry, sorry, we are unable to hear you.

Aravind Ravichandran: Thank you so much for the opportunity, sir. Congratulations on the good set of numbers, especially on the asset quality side, and on the early delinquency indicators. And you have mentioned, like, there will be subsequent improvement in NPAs and all.

But my one question is, we have built so much capacity, especially in the last two, three years. I mean, I understand 20% growth for FY27, but even beyond that with the capacity we built, and we are continuously going to build -- can I assume that the 20% growth for the medium-term, let's say '28 or '29, would be on the conservative side rather than on the -- even the maximum that could be, maybe better than that, better than 20%, let's say '28 or '29? Similarly, on the credit cost, if our steady-state credit cost is going to be this way, should we relook at our pricing also?

Srikanth Gopalakrishnan: So Aravind, I think Mr. Pathy did answer the first question. He very clearly said that for the medium-term, we are definitely going to be looking at around 20% growth. So 20% is not the highest number that we are putting in. If we get more confidence, we are able to sustain this level of asset quality and credit cost, and we can even look at growing slightly on the higher side. So 20% is a number that we are confident of achieving, and possibly we could see some upsides coming in, in the years.

On the credit cost, right now we are guiding you for 1.5% to 1.6%. It is based on the profile of customers that we'll be onboarding during this year and thereafter. So, at this point, we are not saying that we are going to be onboarding much higher quality customers, which means the credit cost will come down. If that happens and the asset quality trends a lot better, naturally, you'll see credit cost being better than our guidance.

Aravind Ravichandran: Sure, sir. Just one more question on the yield side, considering our steady-state credit cost itself, we are looking at a slightly higher than what we had initially anticipated. Should we relook at our pricing also, because, if steady-state credit cost is going to be high...

Srikanth Gopalakrishnan: At this point, Aravind, there is no necessity for us to relook at our pricing because we dropped our pricing by 200 bps about 1.5 years back. And if you really look at the pricing that is being given by lenders to this segment of borrowers, we would largely be on the lower end rather than on the higher end of the range.

So, at this point, there is no issue from a pricing perspective, and it is not like we are -- we have been slow on disbursements because of pricing. The slowdown in disbursements is a conscious call given the challenges that we faced. And we don't really envisage at this point of time for any pricing drop to happen at least in FY27.

Aravind Ravichandran: Okay. But my question was on the other side, should we look at relook at our pricing in terms of revising upwards pricing? But fine, thank you.

Srikanth Gopalakrishnan: Aravind, not -- we will keep evaluating it, but at this point in time, there is no proposal on the table to revise the pricing downwards or upwards.

Aravind Ravichandran: Understood, understood. Thank you.

Moderator: Thank you. The next question comes from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Hi, good morning. Two or three questions. The first part is of the disbursements that we have got in FY26, what proportion is coming from the top-up loans, and what proportion is to repeat customers? Secondly, what is our proportion of collections, which is still cash collections? And third is, what has been the write-off in FY26? Thanks.

Srikanth Gopalakrishnan: So, Shubhranshu, I think the proportion of top-ups and repeats continues to be at the same level. What we used to tell you is about 10% to 15% of loans are people who are running multiple loans with Five-Star. And you will probably see similar levels from a disbursement side also, which is about 10% to 12% coming in through top-ups and repeats.

On your second question, in terms of the cash collections, we were -- I think we had given this data, we are about 84% of collections, which came in digital, in Q4 FY26. So, 16% will be in cash, and this has been gradually moving up. If you look at over the last one year, we have moved this up from 80% to 84%. And if you look at the last two years, we have actually moved it from about 53% to 84%. Our intent is how close we can get to about 90%. But you will always have to handle some level of cash, given the profile of borrowers that we are operating in.

Shubhranshu Mishra: And what is the proportion of write-off in '26?

Srikanth Gopalakrishnan: You're talking about Q4?

Shubhranshu Mishra: No, no, the entire FY26.

Srikanth Gopalakrishnan: So, FY26, our write-off would have been about close to INR160 crores. I can give you the exact number later, but somewhere around INR160 crores to INR165 crores.

Shubhranshu Mishra: Right. And just one follow-up, what is the proportion of repeat customers in the disbursement, 10% to 15% was top-up, how much is repeat?

Srikanth Gopalakrishnan: Shubhranshu, we don't distinguish. Top-up and repeat are pretty much, we track it as a same metric. So, the 10% to 15% that we are putting is a combination of top-up and repeat.

Shubhranshu Mishra: Right. Thank you so much.

Moderator: Thank you. The next question comes from the line of Rahul Kumar from Vaikarya Fund. Please go ahead. Rahul, please go ahead with your question, and unmute your line in case if you're on mute. Since there is no response, we will move to the next participant. The next question comes from the line of Vansh Solanki from RSPN Ventures. Please go ahead.

Vansh Solanki: Hello, good morning, management. Hope I am audible? So, I'm new to this company, so I want to understand the process of sourcing and underwriting with a collection. Like, I have read in many research reports, and also with the other companies, which I am tracking that the below INR5 lakh segment is very connector-based segment, and we have to generate the lead from connectors majorly. And, also, what is the turnaround time for our disbursements, and what kind of risk profile are we approaching in the below INR5 lakh segment and INR5 lakh to INR10 lakh segment?

Srikanth Gopalakrishnan: See, Vansh, we have a very proprietary underwriting, which is based on evaluation of the character, cash flows, and collateral. And this is a methodology that we have perfected over the last 20 years of operating in this segment.

I think, we should probably get into a call separately, so that we can actually take you in detail, because in an earnings call, it will be very unfair for us to explain all of these to the other investors and analysts who are present. So please, you have the mail IDs of Prashanth and me on the presentation. Do write to us, we'll fix up a mutual time and we'll take you in detail through the underwriting process, the turnaround time, and various aspects.

Vansh Solanki: Okay, sure. And another question on, if I can ask here, or all the question I need to ask on the offline only?

Srikanth Gopalakrishnan: Let's connect offline, because you're new to the company. I think it'll be good for you to understand the company first, before coming out with your questions. So, let's connect offline, and we'll clarify -- we'll explain to you about the company and also clarify any queries you may have.

Vansh Solanki: Okay, sure, sure.

Moderator: Thank you. The next question comes from the line of Divyansh Gupta from Latent PMS. Please go ahead.

Divyansh Gupta: Hi, sir. A couple of questions. So, just wanted to understand, how does the sourcing and fulfilment strategy for the more than INR5 lakh ticket size differ from our, let's say, existing,

less than INR5 lakh customer profile? And does the CIBIL profile that we are targeting any different?

Srikanth Gopalakrishnan: No Divyansh, the underwriting process is largely the same. Like I said, it's based on the evaluation of the character, cash flow, and collateral. And we look at the credit bureau footprint of the customers, what kind of loans they already have, and what is the performance on those loans. So, there is actually no difference between underwriting, let's say an INR5 lakh to INR10 lakh customer, vis-à-vis an INR3 lakh to INR5 lakh customer.

Again, like, we offered to Vansh, happy to take you through the detailed underwriting process over a discussion. So, please write to us in case you need any further clarifications and we'll be happy to take you through in detail.

Divyansh Gupta: Sir, my question was actually more on the sourcing part, not necessarily underwriting. The question was whether the sourcing channel is different because...

Srikanth Gopalakrishnan: Both of them are same.

Divyansh Gupta: Got it, got it. And the second question is that, we mentioned in the call that let's say 84% customers are paying us digitally, right? And we want to take it to let's say 90%. The question was that, if the customers are paying digitally, then they start to have a digital footprint, right, which goes against one of the reasons why Five-Star is a better lender to those customers, because they don't have a banking history, right?

Now with them making digital payments, they have banking history. So, does this lead to any, let's say, insight from any fintech, or any player coming in and saying that, okay, now I have some banking data of these customers, I can also lend maybe a small personal loan? I'm not saying same ticket size or secured loan, but just the data availability, does it lead to any player coming in, anything that you have seen from your data?

Lakshmi D: Definitely whether Five-Star wishes or not, now more and more digital prints have been taken by people everywhere. So that is inevitable. But coming to the direct answer, yes, fintech can take up our customers, but you have to understand the need of our customers. See, the need of our customer is not INR25,000 or INR50,000 or a less than INR1 lakh.

So, our average ticket size today is around INR4 lakhs. That's been used for business improvement, starting a business, or a home renovation, or some use personal in nature, which is used for marriage, education, or health. So first, the ticket size matters a lot when Five-Star comes into picture.

Second, is the tenure. The fintechs can operate for close to six to 12 months, whereas we can operate for a seven-year period. So, really the EMI becomes more thinner when they come to Five-Star rather than going into fintech.

So, we never saw fintech as our competitors ever since we have been saying, because they operate for a different working capital in nature, whereas, Five-Star's loans are more into business constructing purpose. So, the end use is completely different. They may be giving a

competition to the gold loans who are also on a similar ticket size and similar tenure, but not the loans like secured lenders like Five-Star, where our loans are close to INR4 lakh to INR5 lakh, and tenures are close to seven years.

Divyansh Gupta: Got it, got it. And just one data question. In the deck we have the split of AUM that we give by cities, right? From, let's say, last quarter, it was around 1%, now it is showing as 2%. So, is it just a data round-up, or are we, let's say, putting in more effort to source higher ticket size from Tier 1 and 2 cities, because within a quarter it has optically shown a doubling of AUM?

Lakshmi D: I think in Maharashtra, we have started our operations. Maharashtra looks very promising state. So, we are moving our branch network from close to 40 to 70, 80 branches in Maharashtra. So, when we enter into Maharashtra, we put branches in Tier 1 and Tier 2. Nashik will have a branch, Pune will have a branch, and Aurangabad will have a branch. So those branches have been shown in Tier 1 and 2, so that you see a little uptick in the percentage.

Divyansh Gupta: Got it, got it. And just last question. In the last year, we had opened 96 branches, and let's say that was a tough period for us from a lending perspective. Now, assuming that the current collection trends hold or improve, we have mentioned that we are looking to open only 60 to 75 branches. Shouldn't we be getting more aggressive in launching more branches? Why slow it down?

Lakshmi D: No, I think predominantly in last three years, our split branch mechanism and new branch mechanism has worked out very well. So, in Tamil Nadu, Telangana, AP where the major chunk of branches were put in a last three years have given us a right foundation and infrastructure, right in place when we want to double our growth comparing to last year.

So, we think this financial year, we'll take a little smaller number and run with 60 to 75 branches. If promising things that we see from newer states like MH, Rajasthan, Gujarat, UP, Chhattisgarh, definitely we will also increase the number of counts in those locations.

Divyansh Gupta: Got it, got it. Understood, understood. Thank you for your answers. All the best.

Moderator: Thank you. The next question comes from the line of Chandrasekhar Sridhar from Fidelity International. Please go ahead.

Chandrasekhar Sridhar: Hi, good morning. I had a few questions. One, if you see the composition of the growth, a large chunk of the growth has come from the non-South markets this year in the AUM. Just maybe some geographical sense around different markets. I mean, AP has been notably weaker this year. Anything around that? that's my first question.

Second, you had briefly, sometime in the middle of last year, said that you looked at affordable housing or getting into vehicles. I mean, where does that fit into your scheme of things at this point in time, maybe over the next one to two years?

Third question, to get to about 20%-ish AUM growth, we need about INR6,200 crore, INR6,300 crores of disbursements, which means that we need to step up to INR1,400 crore, INR1,500 crores from the first quarter itself where typically it's weak. So, how do you just think of that?

Fourth, just how much more is left in terms of cost of funds to drop? Obviously, this quarter, a lot of the borrowing happened via the ECB, so the incremental borrowing was largely ECB, so that's why we didn't see that. But just any more medium-term sense on how much more the cost of funds can drop?

And then the very last question is that asset quality is beginning to improve, but you're still holding on to somewhat similar credit cost level. Is this because we're trying to up the coverage on some of the lower stages? I mean, the background also has been that RBI has now prescribed a minimum floor, even 5% on Stage-2 for banks, and our Stage-2 coverage is lower than what the RBI prescription itself is? Thank you.

Lakshmi D:

Yes, Chandra, good morning. Many questions at one go. So, the last two questions on disbursement and quality, I'll ask Srikanth to answer them. Going from the first question, yes, last year, definitely, the non-South growth was going up, as I rightly said, in Maharashtra, Rajasthan, Gujarat, Chhattisgarh, and UP, the branches were put in.

Our portion of South to non-South, close to 85% of our AUM, or even much higher will be in South, where this over-leverage problem started to creep in. So, we had a hold on that very tightly for the first two quarters for the June and September. So, we put our muted growth there and started to focus more on collections as we've been talking for last 12 months.

But having said that, next, this financial year, you see all the big states coming back in a big way. That's how we see, Tamil Nadu, Andhra, Telangana, and of course, to some extent, Karnataka also, because the collections are stabilizing there, x-bucket collections in Karnataka also showed 99% in the last quarter. So, for the financial year '27, it will be the growth of South for us, which will predominantly give us that 20% or even a little more than that, which we anticipate for the full year from South.

On the products, yes, we've introduced affordable housing in some of the locations. But our focus was mainly to get back the micro-LAP product back to its original growth. So that was our first option, because the yields are good, the returns are good, and the runway is great there. So, we will see micro-LAP, the sweet spot of INR3 to INR5 lakhs in Five-Star, kicking back in a big way in this financial year. And slowly we'll be getting into the affordable housing product where we want our sweet spot to be around INR7 to INR8 lakhs.

Next two years we may see even one more product getting added, that maybe we can call it out a little later. On the asset quality and disbursement, you're right, INR1,400 crores to INR1,500 crores of disbursement has to happen. Yes, Srikanth??

Srikanth Gopalakrishnan:

So, Chandra, this is what we alluded to. For example, last year, not FY26, even in FY25, we did about INR5,000 crores of disbursements for the full year, which is almost at close to INR425 crores to INR450 crores on a monthly basis. And this year, obviously, we have consciously pulled back.

So the ability to push it by 20% on the back of one-year-old numbers is not a challenge at all. So, today you will probably see, and this will give you a lot more confidence, maybe post the first quarter, even in the first quarter we are targeting, quite strong disbursements to come in.

So, we don't really see a challenge getting to about INR6,200 crores to INR6,400 crores of disbursements to achieve a 20% growth.

See, credit cost levels, mathematically, you're right. I think with asset quality improving, we should start seeing a benefit on the credit cost. And at this point in time, there is no tearing hurry for us to keep creating buffers on the provision. Obviously, we will continue to keep creating appropriate level of ECL in our book.

Like, you said, while I don't think that is going to come to NBFCs anytime soon, because the ECL framework for bank itself is coming in only from 1 April, 2027. So, I don't think that 5% is going to come on Stage-2 anytime soon for the NBFCs. But just given that we are coming off a year when we have seen some challenges, possibly we are playing a little conservative from a credit cost levels, depending on how the DPDs stack up, you could see some benefit on the credit cost line kicking-in in actuals.

And lastly, to your question on the drop in cost of funds, see if you exclude the ADB borrowings that we did, our overall cost for this quarter will be somewhere around 8.25% to 8.3%. And given the macroeconomic challenges, the geopolitical challenges, it is creating a little bit of uncertainty in the borrowing space.

So, at this point in time, I would probably say, we don't expect too much benefit to come in from the cost of funds in the next financial year, but that'll continue to be a monitorable. So, we will obviously keep pushing banks for much finer rates.

Rating upgrade, at least till the end of the year, or maybe till the second half of the year, is out of question till we start showing some benefit. So, most likely, I think we should be borrowing at average rates of closer to 8.5% levels, which means at a book level, you still have another 30-40 basis points of cost, but that will come over the next two to three years.

So, if you're borrowing at 8.5%, naturally the book has to come to about 8.5%, right? But it'll probably take two to three years. So much of the juice could still be there in the book, but geopolitical challenges are creating some murmurs, especially on the liquidity side.

We will get to know, obviously, in April we have not borrowed any money, given the strong liquidity position that we are in. But we'll get to know a little better over the next couple of months. And I think we'll be able to give you a better perspective in the next earnings call. At this point of time, we would say, I think we will largely be where we were in FY26.

Chandrasekhar Sridhar: Thank you.

Moderator: Thank you. We take the last question from the line of Aditya Das from Samathvam Capital. Please go ahead.

Aditya Das: Hi. Am I audible?

Srikanth Gopalakrishnan: Yes.

Moderator: Yes. Please go ahead with your question.

Moderator: Since there is no response from the participant, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for the closing remarks.

Lakshmipathy D: Yes. Thank you all for taking up this call with us. As we said in the opening remarks, you will see the onward and forward growth coming back to Five-Star. And I'm happy to give a closing comment that I'm happy to share that the Board has declared the same dividend that we got in the last financial year. So that also gives a good positive sign to the retail shareholders. So, with this positive comment, I'm thanking each and every one who has joined this call. See you soon in the next earnings call. Thank you.