November 02, 2026

To,
The Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400001
Scrip Code: 544574

To,
The Listing Department
National Stock Exchange of India Ltd.,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051
Symbol: TATACAP

Dear Sir / Madam,

Sub.: Transcript of Media call and Earnings Conference call with Analysts and Investors for the quarter and half year ended September 30, 2026

Ref.: Tata Capital Limited ("Company")

We wish to inform you that pursuant to Regulations 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the transcripts of the media call and earnings conference call with analysts and investors held on October 27, 2026, in relation to the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2026, are enclosed herewith.

The same is also available on the website of the Company at the below link:

https://www.tatacapital.com/about-us/investor-information-and-financials.html

We request you to take the above on record.

Thanking you,

Yours faithfully,

For **Tata Capital Limited**

SARITA GANESH KAMATH

Digitally signed by SARITA GANESH KAMATH
Date: 2026.11.02 20:54:53 +05'30'

Sarita Kamath
Chief Compliance Officer and Company Secretary

Encl.: as above

“Tata Capital Limited

Q2 FY27 Media Conference Call”

October 27, 2026

MANAGEMENT: MR. RAJIV SABHARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TATA CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tata Capital Q2 FY27 Media 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 then zero on touchtone phone.

I now hand the conference over to Mr. Rajiv Sabharwal, Managing Director and CEO of Tata Capital. Thank you and over to you, sir.

Rajiv Sabharwal: Thank you very much. Good evening, everyone, and thank you for joining us. Let me start with the macro environment. The Indian economy continues to demonstrate strong fundamentals and broad-based momentum despite external headwinds. GDP grew by 7.8% in the first quarter of FY27, supported by healthy investment activity and steady private consumption.

Credit demand also remained resilient during the second quarter. At the same time, we remain watchful of inflationary pressures arising from food and energy prices, geopolitical developments in West Asia, and their potential implication for consumption and interest rates.

Following the RBI's 25 basis points repo rate increase in October and the gradual recalibration of system liquidity, we expect funding conditions to become less accommodative. Nevertheless, India's growth drivers remain supportive and we continue to see an environment supportive of credit growth.

Turning to our performance, consolidated AUM crossed the INR3 lakh crores milestone and stood at INR3,08,030 crores, growing at 26% year-on-year and 6% sequentially. If we exclude the motor finance business, the AUM grew by 32% year-on-year. Profit after tax stood at INR1,660 crores for quarter 2, increasing 51% year-on-year and 7% sequentially.

The return on assets stood at 2.3% and excluding Motor Finance, it was 2.5%. Our ROE crossed 14%. Asset quality remained resilient. Gross Stage 3 assets were stable at 1.9%, while the provision coverage ratio improved to 59%. The annualized credit cost declined to 0.9% in Q2 over 1.0% in Q1.

Retail and SME businesses remain central to our strategy and account for approximately 85.4% of the consolidated AUM, providing a diversified, granular, and resilient portfolio. Disbursements across our high-margin businesses grew by 40% year-on-year, while AUM growth increased to 14%, up from 10% in Q1, while maintaining healthy yields.

Tata Capital Housing Finance continued its strong trajectory. The AUM at Tata Capital Housing Finance reached INR95,098 crores, increasing 26% year-on-year and 6% sequentially. The profit after tax for quarter 2 at Tata Capital Housing Finance stood at INR552 crores. Return on assets was 2.5% and ROE was 18%.

We also added 23 locations across affordable and micro-housing during the quarter, further deepening our presence in under-penetrated markets and supporting greater portfolio diversification. Our branch network now is approximately 1,515 branches across 1,094 locations in 26 states and union territories. Supported by our digital model, we serve more than 9.2 million

customers. Our expanding distribution, digital, and data capabilities position us to deepen customer relationships, improve accessibility, and pursue growth opportunities efficiently.

Our AAA rating continues to support a diversified and stable funding profile. Total borrowings stood at approximately INR2.61 lakh crores, while available liquidity was around INR36,400 crores. The cost of funds marked increased marginally to 7.33% from 7.28% in the previous quarter. In response to the evolving interest rate environment, our ALCO approved a 20 to 25 basis points increase in prime lending rates on the floating rate portfolio. This repricing is expected to support an improving NIM plus fee trajectory in quarter 4.

Operating efficiency continued to improve with cost-to-income declining by 438 basis points year-on-year to now 35.3%. Consolidated AUM grew 26% year-on-year compared with a headcount growth of 6%, demonstrating improved productivity, scalability, and operating leverage across the organization.

Technology and AI remain integral to our operating model. Today, 99% of our customers are digitally onboarded, 98% of retail disbursements are supported by scorecard and business rule engine decisioning, and 99% of our collections take place through digital channels. AI is increasingly embedded across customer acquisition, underwriting, operations, servicing, and collections. These initiatives are helping improve turnaround times, strengthen risk monitoring, enhance customer experience, and lower the cost of servicing.

On the regulatory front, we continue to engage proactively with regulators and industry bodies. On revolving credit, FIDC, the SRO has submitted its recommendations to RBI and we are also evaluating alternative product structures to mitigate any potential impact.

On insurance, the proposals are still at a draft stage and industry consultations are ongoing. It is therefore premature to quantify the impact. Insurance remains an important risk cover for our customers and integral to our underwriting, and we will have greater clarity once the final regulations are issued.

To conclude, quarter 2 FY27 delivered healthy, diversified growth, resilient portfolio quality, and disciplined execution, supported by strong capital, diversified funding, and continued investment in distribution, technology, and AI. We remain focused on building a larger, stronger, and more resilient financial services franchise and are confident of delivering on our guidance and creating long-term value for our stakeholders.

With that, we would be happy to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Shrishti Sharma from ET BFSI. Please go ahead.

Shrishti Sharma: Thank you. Good evening, everyone. Mr. Sabharwal, while you have already addressed the revolving credit part, I would request you if you could elaborate more on, what is the path you would be taking in case the draft norms come out the way they are. To add, your peers have already announced launching of some new loan variants, as a backup to the fact that revolving credit might be re-banned by RBI given your exposure is somewhat below 5%.

Rajiv Sabharwal: So, first of all, we continue to engage with the regulator on this. They have also been seeking feedback from everyone on the nature of products, the markets which they are serving, and the benefits to the customers. Actually, an overdraft product is something which is very beneficial to the customer because it allows the customer to pay only to the extent he or she borrows. We looked at a lot of products which do come here and some of these products, for example, supply chain, loans against securities, have been in existence for more than 30 years in the industry.

So our belief is this that the regulator is taking into consideration all of these aspects and then will come out with the necessary guidelines. Obviously, whatever guidelines they come out with, we will be fully compliant with the same. As far as we are concerned, we have looked at some alternate products which can help meet the needs of the customers.

Some of these products we have already piloted in the market and the others we expect to do in the coming month. we do believe this will not have any significant impact over a period of time, but we will wait for the regulations to come in and we do believe that the regulations will take into account the needs of the customers as well as the necessary regulations the regulator has to adopt.

Shrishti Sharma: But would you already be cutting down on your exposure to revolving credit since you said you are already piloting some of the products and more would be going live very soon. So, does that mean you will be cutting down the exposure even before you hear on the final norms?

Rajiv Sabharwal: So, as far as we are concerned, this is not a very large proportion of our business. we have looked at complying with the regulations and since it's not a very large proportion of our book, we have not cut down on anything. However, we have also looked at what alternate products could exist in the market to take care of the impact. Like for example, in personal loans or business loans, they are not a dominant portion of our disbursements.

Shrishti Sharma: Sure. You already talked about IRDAI's distribution norms and that you cannot quantify the impact. while that's there, could you talk about what could be your alternative source of fee income in case these norms also pan out because one would really think about what the strategy could end up being in case something of this sort comes in the final place as well.

Rajiv Sabharwal: Thank you. So, we have looked at different possibilities. Number one, we look at how we can also look at selling the retail product in insurance. That is something which will, be good for the customer and also give us the relevant margins. The second point, but before that, I just want to say that insurance is a good product for a customer who's taking a loan. It protects him or her in any eventuality or loss of income or in case there are challenges on the health side.

So, it is a good product and we always advise customers that in case they do not have, an existing insurance, they should look at the possibility of taking an insurance and evaluating the pros and cons. And we have seen so many customers who have benefited because of the fact that they had an insurance.

So besides looking at retail lines of business, we do believe there is an opportunity for looking at how we can, mitigate the impact of this loss of income through our NIMs and fee income. So we will look at the possibility of using NIM, fee income as well as becoming more efficient on

cost to mitigate the impact of this. However, as I mentioned before, it is too early to talk about this. The engagements are on and we do hope that the final policy will be something which will look at not only the benefits of the person who's looking at the insurance, but also consider the costs involved in selling this insurance so that it balances on both sides on the distribution cost as well as the benefits for the customers when the final policies come out.

Shrishti Sharma: Sure. Thank you.

Moderator: Thank you very much. The next question is from the line of Manju from Financial Standard. Please go ahead.

Manju: Good evening. Can you hear me?

Rajiv Sabharwal: Yes, Manju. We can hear you. Good evening.

Manju: Yes. just wanted to ask you like what portion of your credit book would be gold and what is the LTV ratio and since the gold prices are falling, is there some new underwriting norms that you are putting in place in case, there are some delinquencies. Of course, there is no it's a stable book only, but in case.

Rajiv Sabharwal: So, Manju, we do not have a gold portfolio at this point of time. Our organic business should start in the coming month with the launch of that business. So currently, we do not have a portfolio in this.

Manju: Okay. And I just wanted to know the revolving credit would be what portion of your total book, the revolving credit?

Rajiv Sabharwal: So, we had mentioned earlier that revolving credit, based on the interpretation, has a number of products in it. We had looked at this portfolio and when we had done an evaluation to look at what could be the impact in case the guidelines come as they are and what we will not be able to convert into a standard term loan, that impact for us was coming at 3% to 4% of our AUM.

Manju: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Ram Kumar from Hindu Business Line. Please go ahead.

Ram Kumar: Hello. sir, you said that your ALCO has approved the increase in lending rates by 20 to 25 basis points. what is the reason for this? Is it because banks are increasing their MCLR, that is kind of, you are trying to pass it on? What is the outlook actually for the interest rates, lending rates and borrowing costs?

Rajiv Sabharwal: See, if you look at what the market has been talking about, the market has been saying that besides this the 25 basis points repo increase which has happened, there could be an increase of about 50 basis points in the rest of the year. But obviously, we will need to watch as things play out. For us, part of our liabilities are linked to repo rates and other floating rate benchmarks and when those benchmarks increase, then to that extent our cost of fund also goes up.

Just to give you a sense of our liabilities and assets, our floating rate liabilities are 48% of our total liabilities and floating rate assets are about 66% of our total assets. So structurally, we are very well positioned so that in case there is any increase in interest rates, we will be able to look at its impact on our cost of funds, change the PLR and pass on the impact because of which it will not in any situation be a drag on our cost.

Ram Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Subhana Shaikh from Mint. Please go ahead.

Subhana Shaikh: Hi, sir. Good evening. I wanted to ask what is the sense that you are getting on festive demand right now? Are you seeing, what kind of signs are you seeing on festive demand and on the rural side, are you seeing any stress there? Some of the lenders have flagged concerns on the rural side because of the drought situation. I wanted to understand what is your sense on that?

Rajiv Sabharwal: So, actually, if you look at the demand it is quite buoyant, I would say. We do get a sense from a few areas. First of all, in this period, you see very good two-wheeler sales and PV sales happening and we are clearly seeing that demand on the vehicle side, similarly on the commercial vehicle side also there is a strong demand. We are also seeing the impact of increased demand from dealers in their supply chain requirements.

So I would say the festive demand is strong in all of these products. and obviously, we will be we continue to watch this, but that that is what the sense which we are getting. As far as rural markets are concerned, I think at this point of time, there is some bit of lag or let me say, growth rate which is slower in rural markets compared to the urban markets.

However, we have very limited presence in the rural markets. We are not into tractor finance or agri farm loans. The only business which we have in the rural markets is microfinance, which is actually showing an improving asset quality trend and an improving growth rate. So we are not seeing any challenge on the rural side. It's also because of the fact that we have very limited presence in the rural markets.

Subhana Shaikh: Sir, can you give a guidance on your loan growth for FY27?

Rajiv Sabharwal: So, we have communicated in the past that we should be growing at about 23% to 25% for the year as well as, over the '25 to '28 time period. So we do believe that we will be within the range which we have stated of 23% to 25%.

Subhana Shaikh: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference back to management for closing comments. Over to you, sir.

Rajiv Sabharwal: Thank you very much. I think it's been an excellent quarter for us. We have seen very strong growth of 26%. The good part is that this growth has been across segments, whether it is housing, retail, SME, or corporate, it's been across all segments. Since we have created a model which

has a very balanced outlook on liabilities in terms of our composition, we have seen minimal impact in quarter 2 on the cost of funds.

Our operating leverage and our investments in digital and AI is playing out very well with cost to income dropping significantly. And as always, our credit quality remains the best across the NBFC industry and it has only got better in this quarter. So overall, an excellent quarter. We are looking at very positively towards growth for the rest of the year too.

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

Note

This transcript has been lightly edited for clarity and accuracy.

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“Tata Capital Limited

Q2 FY27 Earnings Conference Call”

October 27, 2026

MANAGEMENT: **MR. RAJIV SABHARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, TATA CAPITAL LIMITED**
MR. RAKESH BHATIA – CHIEF FINANCIAL OFFICER, TATA CAPITAL LIMITED
MR. SANDEEP TRIPATHY – HEAD OF STRATEGY AND INVESTOR RELATIONS, TATA CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tata Capital Q2 FY27 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 then zero on your touchtone phone. I now hand the conference over to Mr. Rajiv Sabharwal, Managing Director and CEO of Tata Capital. Thank you and over to you, sir.

Rajiv Sabharwal: Thank you very much. Good evening, everyone and thank you for joining us today.

Let me begin with a brief overview with the macroeconomic environment and its implication for the financial services sector.

The Indian economy continues to demonstrate resilience, supported by domestic demand and investment. GDP grew by 7.8% in FY26 and sustained the same pace in Q1 FY27, reflecting strong economic momentum. While external uncertainties remain, the underlying growth outlook continues to be constructive. However, a subpar monsoon and El Nino are affecting food prices, while prolonged tensions in West Asia continue to exert pressure on fuel prices.

Headline inflation has subsequently firmed up to 5.54% in September. We are monitoring these developments closely, particularly their implications for consumption and the interest rate environment. Credit momentum remained healthy through the second quarter with bank lending growing by over 19% in September and NBFC lending by about 16% in August.

Activity remained broad-based, aided by sizable FCNR (B) inflows and strengthened banks deposit base. Growth in bank credit was also partly supported by funding substitution and elevated bond yields prompted corporates and NBFCs to increasingly turn to bank borrowings. Overall, underlying demand across the lending channels remains healthy.

In October, the MPC raised the repo rate by 25 basis points to 5.50% and shifted its stance from neutral to calibrated tightening amid rising inflationary pressures from food and energy prices. Given the evolving inflation outlook, we anticipate about 2 further rate hikes in this financial year.

Liquidity conditions remain comfortable in surplus during the quarter, averaging nearly INR5 lakh crores, supported by robust foreign currency inflows. More recently, RBI has been calibrating liquidity conditions through the open market sales and daily CRR maintenance requirements, resulting in surplus liquidity moderating to a level below INR1 lakh crores now.

Consequently, we expect marginal funding costs to rise progressively and overall funding conditions to become less accommodative over the following months. Looking ahead, the RBI's upward revision of its FY27 growth forecast to 7.1% signals continued economic momentum, although the pace is expected to moderate from the first quarter.

While geopolitical tensions in West Asia pose risks to inflation and currency stability and an uneven monsoon could exert pressure on food prices and rural demand, industrial activity and

festive season demand are expected to provide support and partly offset these headwinds. In this environment, disciplined underwriting, prudent pricing, sustained asset quality and capital-efficient growth will remain key priorities for lenders.

Now let me turn to the key highlights for the quarter:

Quarter 2 FY '27 saw broad-based growth, stable asset quality and improved operating efficiency, reflecting disciplined execution across businesses. As of September '26, consolidated AUM crossed the INR3 lakh crores milestone and stood at INR3,08,030 crores, up 26% year-on-year and 6% sequentially.

Excluding the Motor Finance business, our AUM grew by 32% year-on-year and 7% sequentially. Consolidated profit after tax for the quarter stood at INR1,660 crores, registering a growth of 51% year-on-year and 7% sequentially. Return on assets stood at 2.3%, which excluding Motor Finance was 2.5%. Our ROE stood at 14%.

As far as housing finance business is concerned:

Tata Capital Housing Finance continued its strong performance trajectory during quarter 2 FY'27. AUM reached INR95,098 crores, growing by 26% year-on-year and 6% sequentially. The portfolio remains well diversified across home loans, loans against property, construction finance and affordable housing.

The affordable and micro housing portfolio within Tata Capital Housing Finance grew at 22% year-on-year and 5% sequentially. As we continue to deepen our presence in underpenetrated markets, we expect affordable housing to progressively become a larger contributor to our overall growth.

During the quarter, Tata Capital Housing Finance Limited reported a profit after tax of INR552 crores. ROA stood at 2.5% and ROE at 18.0%.

Let me take you through our performance across our four key themes and updates on our digital and AI initiatives.

On book growth:

I'm pleased to share that Q2 saw sustained disbursement momentum across all our businesses. Consolidated disbursements increased by 29% year-on-year to INR51,665 crores, supported by healthy growth across businesses. Our consolidated AUM grew by 26% year-on-year and 6% sequentially. Excluding Motor Finance, AUM grew by 32% year-on-year and 7% sequentially.

Within this, our Housing Finance segment continued its strong momentum, delivering a 26% year-on-year AUM growth. Retail and SME portfolio account for 85.4% of our AUM, remains the cornerstone of our strategy, driving sustainable growth, greater resilience and superior risk-adjusted returns.

Our high-margin businesses continue to show robust growth. Disbursements across these businesses grew by 40% year-on-year, while AUM growth increased to 14%, up from 10% in

Q1, while maintaining healthy yields. With disbursements continuing to outpace AUM growth, we expect these businesses to contribute increasingly to margins and ROA.

During the quarter, we continued to grow our branch network with a net addition of 24 branches and expanding our footprint to approximately 1,515 branches across 1,094 locations in 26 states and union territories. The additions were primarily focused on scaling our growth businesses with affordable housing and micro housing expanding into 23 new locations during the quarter.

We will continue to deepen our presence across these businesses by expanding into newer geographies. Our digital distribution model enables us to expand efficiently across existing and underpenetrated markets while leveraging our customer base of 9.2 million to deepen customer relationships and unlock cross-sell opportunities.

Overall, our growth remains healthy and diversified, supported by a strong focus on portfolio quality. Our continued investments in distribution, technology, data and product capabilities strengthen our ability to navigate business cycles and withstand external shocks.

The second theme I would like to cover is asset quality:

Credit costs declined 17% year-on-year, driven by improvement in the retail portfolio. The annualized consolidated credit cost for quarter 2 FY '27 stood at 0.9% compared to 1.0% in quarter 1 FY '27. Gross Stage 3 assets remained stable at 1.9% as of September 2026, while the provision coverage ratio improved to 59%.

Slippages remained benign across the portfolio. This performance reflects the strength of our portfolio, disciplined underwriting and robust collections infrastructure. Our portfolio remains diversified and granular across secured and unsecured retail, housing, SME, corporate and Motor Finance segments.

We continue to closely monitor evolving macroeconomic conditions and business trends. Based on current indicators, we remain confident in our risk-calibrated approach and the underlying resilience of our asset quality.

The third theme I would like to touch upon is our funding, capital and liquidity:

Our AAA credit rating continues to underpin a well-diversified and stable funding profile. Through a disciplined ALM framework, we continue to optimize our borrowing mix while proactively managing liquidity and interest rate risk. Our cost of funds increased marginally from 7.28% in quarter 1 FY27 to 7.33% in quarter 2 FY27.

Total borrowings stood at approximately INR2.61 lakh crores as of September 2026. The borrowing mix remained well diversified with bank loans accounting for approximately 39%, NCDs 35%, ECBs and MTNs 12% and commercial paper and WCDL at 9% and NHB borrowings another 3%.

NIM declined marginally, primarily due to a modest increase in cost of funds and a slight moderation in yields at mortgage business. Our asset liability mix provides us flexibility to

manage interest rate movements with 48% of our liabilities on floating rates and 66% of our loan portfolio on floating rates, enabling us to reprice our floating assets in response to benchmark rate increases.

In response to the repo rate hike and the evolving interest rate environment, our ALCO has approved a 20 to 25 basis points increase in PLRs across products in the floating rate portfolio. This is expected to help sustain NIM plus fee in quarter 3 and support an improving NIM plus fee trajectory from quarter 4 onwards.

Our strong capital position, diversified liability franchise and prudent liquidity management provide us with sufficient headroom to pursue growth opportunities while absorbing potential market volatility without compromising on financial discipline. As of September 2026, consolidated equity stood at INR47,778 crores and debt-to-equity at 5.5x.

Tata Capital standalone capital adequacy stood at 17.3% with CET1 at 14.7%, comfortably above regulatory requirements. We continue to maintain a prudent liquidity position with total available liquidity of approximately INR36,400 crores.

Our fourth theme is operating leverage:

Our cost-to-income ratio improved by 438 basis points year-on-year to 35.3% in quarter 2 FY '27, while cost to average assets remained well contained at 2.3%. As of September 2026, our on-roll employee strength stood at 31,655 with over 80% deployed in frontline sales and collection.

Against year-on-year AUM growth of 26%, our headcount increased by just 6%, reflecting sustained gains in employee productivity and operating leverage across the organization. Our investments over the past few years in technology, data infrastructure, artificial intelligence and distribution are increasingly translating into structural improvements in productivity, operating efficiency and scalability.

Looking ahead, we remain on track to deliver our medium-term guidance with operating leverage expected to be an important lever of further improvement in ROA.

At Tata Capital, talking about our AI initiatives, technology is deeply embedded in our operating model, and AI has become a key pillar of our digital-first strategy. We are building an AI-first NBFC, leveraging AI across the lending value chain to enhance customer experience, improve productivity, strengthen risk management and create a scalable operating model for future growth. The focus is no longer on isolated use cases, but on enterprise-wide AI-led transformation.

Our strong digital DNA is reflected in the scale of adoption across the customer life cycle. Today, 99% of our customers are onboarded through digital channels, 98% of retail disbursements are enabled through scorecard and business rule engine-based decisioning. 99% of collections are through digital channels and 98% of our customer queries are digitally addressable.

We have also built a network of over 180 digital partnerships, significantly enhancing customer reach and accessibility. AI is now embedded across customer acquisition, underwriting, operations, servicing and collections. In customer engagement, AI-generated content powers the majority of marketing creatives and campaign communications, while AI-led onboarding initiatives have enabled over 30 lakh customer interactions.

In underwriting, our AI-powered credit intelligence and decisioning engines have processed over 7.8 crores documents and have achieved over 95% adoption across personal loans and business loans underwriting, resulting in meaningful improvements in productivity and turnaround times.

Across operations, AI-led workflows now process approximately 70% of retail applications driving productivity gains, faster turnaround times and lower operating costs. In servicing, AI-powered voice and e-mail platforms are enabling automated customer interactions, same-day query resolution and significantly lower cost to serve.

AI is also strengthening portfolio monitoring and collections through automated risk surveillance, stock audit monitoring and AI-assisted customer engagement, contributing to stronger collection effectiveness and operating leverage. Importantly, we continue to invest in the foundations of an AI-led organization through enterprise AI platforms, robust governance and workforce enablement.

Together, these initiatives are helping us deliver faster turnaround times, higher productivity, better customer experience, lower cost to serve and stronger risk monitoring. Alongside these transformation initiatives, we remain equally focused on navigating the evolving regulatory landscape.

On the regulatory front, we continue to engage proactively with evolving regulations across key areas. On the revolving credit, the SRO has submitted its recommendations to the RBI. We await the final guidelines and hope they will adequately address practical customer requirements.

In parallel, we are also evaluating alternate product structures to mitigate any potential impact. On insurance, the draft proposals are under discussion, and we have submitted our feedback to the regulator both directly and through the industry forum. While the proposed changes could have implications for the industry, it is premature to quantify the impact until the final regulations are issued.

Insurance remains an important risk cover for our customers and an integral part of our underwriting framework. We, therefore, continue to see a strong underlying need for these products and will assess the implications more clearly once the final guidelines are available.

To conclude, quarter 2 FY27 was another quarter of healthy diversified growth, underpinned by strong disbursement momentum, resilient asset quality and disciplined execution.

We remain focused on building a larger, stronger and more resilient franchise through prudent risk management, customer-centric innovation and consistent execution. We are on track to deliver on our guidance across all parameters and remain confident in our ability to sustain

growth and create enduring value for all our stakeholders. Thank you for your continued trust and support. We will now be happy to take your questions.

Moderator: The first question is from the line of Shreya Shivani from Nomura.

Shreya Shivani: Congratulations on a good quarter. My first question is on your FY28 guidance. So, you've spoken about how you're expecting two more rate hikes, and we are in a rising rate environment. So, any thoughts on or any revision that you'd like to make on the ROA, ROE guidance that you have given us for FY28, given that in a rising rate environment, we can never be sure if you'll be able to grow your new portfolio in the deeper geographies by hiking lending rates. That's my first question.

My second question is on the rural exposure. So, while we know that MFI is about 0.9% of your mix, is there any other segment, product via which you are exposed to the rural or to the agri markets or if you can give us any details of how much exposure do you have in the states which are hit by drought - Maharashtra, Telangana, Andhra Pradesh, Gujarat, Rajasthan. That's my second question. And my last question is on the Tier 1. We are under 15% now. So, any commentary around that would be helpful.

Rajiv Sabharwal: So thanks, Shreya. First of all, talking about the guidance, we had given a detailed guidance on growth, cost-to-income, credit costs as well as PAT growth, ROA and ROE. We are fairly confident of meeting each of these requirements. In fact, some of them we have already met. And we see no challenges on meeting all of them. I don't think we have any doubt on the same.

We don't want to revise anything. We will look at the end of the year if we want to revise on the upward side, but we are not looking at revising anything below. As far as the rural portfolio is concerned, our presence in rural is only through the microfinance business.

And if we look at the microfinance business, it forms less than 1% of our book. In fact, we are seeing an improving trend on portfolio quality in microfinance as well as on the growth side in the microfinance business. So that is positive for us. We do not have any presence in tractor or farm loans. So that doesn't impact us.

In fact, we've also looked at our portfolio in Maharashtra. We hardly have any presence even in microfinance in Maharashtra. So, we are not concerned on any impact of drought or any other thing as far as the rural portfolio is concerned. On the capital, based on the current growth plans, we expect to raise capital sometime towards the second half of FY28. We will keep evaluating our capital position as the business grows, and we'll take a call at an appropriate time, but that's the plan as of now.

Shreya Shivani: Right, thank you. And just one follow-up on the PLR increase of 20 bps to 25 bps that you've received your Board approval on. Is that from today or did you already do it from 1st of October.

Rajiv Sabharwal: So, PLRs, that decision is taken by the ALCO. It took a decision of increasing the rates by 25 basis points, that's what the Tata Capital ALCO decided. Tata Capital Housing Finance decided to increase rates by 20 basis points, and both the increases would be effective from 1st of November.

Shreya Shivani: Alright, that is useful. Thank you so much and all the best.

Rajiv Sabharwal: Thank you so much.

Moderator: The next question is from the line of Avinash Singh from Emkay Global Financial Services.

Avinash Singh: Thanks for the opportunity. Just two questions. One, of course, I'm cognizant of the fact that your Motor Finance book is still shrinking. But if we see over the last few quarters, the GNPA or GS3 trend was on a declining even on a percentage basis. But there has been a kind of a material jump in this quarter.

So, what is happening there. And now when do you expect this motor vehicle book to start growing, that's one. And second, with the remainder of FY27 and FY28, the rate environment that you alluded or guided and also, you will have your product mix changes taking place. And, you will have some impact like your mortgage business where the large banks will continue to compete in the prime segment. So, on the net, how do you see the NIM trajectory going forward in the H2 of FY '27 and '28. Thank You.

Rajiv Sabharwal: Thanks, Avinash, for those questions. And let me answer the Motor Finance first, and then we will talk about the NIM. As far as the Motor Finance business is concerned, as we had mentioned in the calls before in the previous quarter also that we are proceeding very well on all parameters except growth.

In terms of the credit cost and slippages they've all been coming down. If you look at our move towards non-Tata vehicles for diversifying the portfolio, that's also proceeding very well. The cost to income is also coming down. However, the portfolio growth was lagging by about two to three quarters compared to what we had thought. And this is the same situation as of now.

If you look at the portfolio rundown, it's coming down with every quarter, like the rundown in Q2 is lower than Q1 and Q1 was lower than the Q4 of last year. We expect the portfolio to stabilize in Q3 and start growing from Q4. That's the plan as far as Motor Finance is concerned.

The growth in NPA, if you look at our overall NPAs, we have been stable at 1.9% compared to last quarter. And same time last year, we have come down. But if you look at Motor Finance, that's gone up. It looks as if it is increasing for two reasons. One, because the book is falling, the denominator is coming down.

And second is the fact that it is seasonal. If you noticed from our numbers in the past, Q2 is the quarter which has the highest growth in NPAs and which moderates down in Q3 and then further in Q4. The same trend we are seeing in this year also, that it is more seasonal in nature.

And if you look at the absolute slippages, they are significantly lower in Q2 compared to Q2 of last year. So, we are quite positive on the fact that we are on the right track, except portfolio growth where we are lagging behind by two to three quarters. As far as NIM is concerned, I want to tell you a little bit about how our liabilities are constructed and then come to the NIM.

If you look at our liabilities, 48% of our liabilities are floating rate liabilities. On the asset side, 66% of our assets are floating. So structurally, we are very well positioned in a rising rate environment. What the ALCO decided, as I mentioned before, is to increase the interest rate for our floating rate liabilities.

As far as NIM is concerned, we've seen a drop in Q2 compared to Q1 by about 10 basis points. This is primarily coming in because of two reasons: about 5 bps happening because of increase in cost of funds, which is also in our investor presentation. And another 5 bps impact is happening more because of competitive intensity in the prime home loans business.

As far as our Q3 assessment is concerned, we expect the NIM plus fee in Q3 not to have any further drag. In fact, we expect it to be stable or marginally getting better, but more towards being stable. And based on all the measures which we have taken, our Q4 NIM plus fee should show an improving trend.

So, we are quite positive on Q4, and this is what we had mentioned before that Q2 will see some moderation. Q3 will see stability or marginal improvement and Q4, a distinct improvement as far as NIM plus fee is concerned. It's coming on account of other things also. Our high-margin business has shown a growth of 40% on disbursements and 14% on AUM growth. And this AUM growth of 14%, we expect it to increase with every quarter. And by Q4, it should be mirroring our overall portfolio growth and should start getting better from the next financial year.

Avinash Singh: Thank you.

Moderator: The next question is from the line of Anuj Singla from JPMorgan.

Anuj Singla: Good evening, Rajiv and team. Thank you very much for the opportunity and congratulations on a good set of numbers. So, two questions. The first on the growth side, I think outstanding performance. If I look at the sequential basis, a lot of that has come from SME. And I see there is a component of channel financing there as well in the run-up to the festive. Can you just give us some flavour of where are you growing in the SME segment. And I think it contributed 45% of the incremental growth in this quarter. And if there is a significant portion of channel financing in that. That's the first question, please.

Rajiv Sabharwal: Thanks, Anuj. As far as growth is concerned, it's well diversified, but you are right that SME has shown a better growth. There are two big areas for growth actually. One is on the supply chain side where we have seen good demand emerging. We had also looked in the past, to increase our number of locations where we offer our SME products. That has helped us to get new clients and increase our term loans towards this segment. So, I would say the growth is from both term loans and supply chain, but supply chain obviously has had a better quarter significantly compared to other products.

Anuj Singla: So, Rajiv the follow-up to that is this will also turn into retail assets next quarter. So, this will decline and retail asset goes up. So should we expect that the growth number which you have shown and it should moderate to your guidance number, which is 25%. Is that the way we should expect the trajectory to be.

Rajiv Sabharwal: So, if you look at our supply chain. Our supply chain has got extremely diversified over the last 4 years or so. From a stage, 4 years back where auto used to constitute about 2/3rd of our supply chain, it is now down to about 35%.

So, to that extent, it is well diversified. So even if there is a challenge in any particular sector, we do not expect the overall supply chain business to suffer. So that was more from a diversification point. As far as what will convert into retail, on the vehicle side, it will help us to convert.

But our retail story is not guided by this alone. Our retail story continues to be guided by the same factors of expanding geographically, bringing down our turnaround times and being fairly competitive as far as product structuring is concerned. We, in fact, expect retail momentum growth to further pick up in Q3 and then even more pick up in Q4. So, we are clearly on a trend where the retail business will pick up more. Same is true for our housing business in retail. We've expanded in Q2, but our Q3 and Q4 expansion of number of locations is even stronger as per our plan compared to Q2, and that should help us as far as affordable and micro housing is concerned.

Anuj Singla: Yes. So the second question is on asset quality. So I think we draw a lot of confidence from your statement on the slippages across the portfolio. So can you explain the logic or the thought behind increasing the PCR. I see a significant jump in personal and business loan, and I think there is a bit of that in the other retail loans. So what is the thought process around that. Thank you.

Rakesh Bhatia: So this is Rakesh. I'll take the question. PCR is on Stage 3 assets, and it often depends on the mix or the aging of the assets which have moved into Stage 3. So we apply the ECL rate and the staggered provisioning over and above when the asset moves into Stage 3, that gives you the PCR. It's more of the aging of the assets within the Stage 3, which derives the PCR percentage.

Anuj Singla: Got it. Thank you.

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

Nischint Chawathe: Hi, two questions. One is, there is a small item of around INR186-odd crores of de-recognition of associates. If you could explain that. And the second one is that have you done any tightening of screens in the last couple of weeks given the drought situation in India.

Rajiv Sabharwal: So let me take the second one, and then I'll request Rakesh to cover your first point, Nischint. As far as tightening is concerned, we monitor our portfolios at a very short frequency, looking at the trends and looking at what we need to do. So, we have been obviously watching out for the impact of the war and while fuel prices have not increased, but obviously, there are many products which are supported by crude prices, and there has been a cost increase there.

So, in certain SME segments, we have tightened our screens, which are part of our secured and unsecured business loans. I'll let Rakesh answer the question on that.

Rakesh Bhatia: Yes. Nischint, on your question on the de-recognition of INR186 crores. As you're aware, we have a private equity business within Tata Capital, and we hold investments on our balance sheet. So, during the quarter, one of the funds made the exit from one of the portfolio companies, which was classified as associate. That's why you have a separate line in the LODR which shows a gain of INR186 crores. But if I take out the amount which pertains to the other LPs, only INR27 crores of it flow into the PAT of Tata Capital.

Nischint Chawathe: Got it. Thank you very much and all the best.

Moderator: The next question is from the line of Raghav Garg from AMBIT Capital.

Raghav Garg: Hi, thanks for the opportunity and good evening. I just have one question. I'm looking at some of these data points for the Motor Finance business like increased dealership presence, completion of IT integration, rollout of the CV products in more TCL branches. And then on the other hand, you have the oil price risk and the risks from a deficit monsoon, which could impact utilization. In this backdrop, for FY '28, how do you ensure that the CV finance portfolio continues to scale up without throwing up asset quality issues.

Rajiv Sabharwal: See, CV industry is cyclical, and we need to monitor the impact of fuel prices on the same. We are on a different stage as far as our business is concerned. As had mentioned before, we are clearly looking at how we can improve our ROA through a mix of yield, cost efficiency and credit costs. And we remain on track for that.

In terms of our approach towards this business, we are conscious on growing it in a moderated manner. As I have mentioned before, we expect to bring down the degrowth in this book in quarter 3 and then start growing it. We have tightened or made our collections stronger. In fact, all collections in CV business are managed in-house, which allows us to be more, I would say, proactive as far as collections are concerned.

We've also, in this quarter, created a macro provision of about INR30 crores in CV business, and we will monitor how it goes ahead in the future. So that is what our approach is as of now. We will be calibrated in our approach, working on improving efficiency. The whole idea behind going to more dealers is this, that we can then be more selective in choosing which proposals we do.

Similarly, our investment in creating an integrated tech model allows us to be more efficient and consequently better turnaround time. So, all of this is something which is important. And it all flows from the fact that we are chasing improvement in profitability rather than volumes at this point of time. In fact, proportion of that book used to be 14.5% in our total book in March '25, which is now down to about 7.7%.

Raghav Garg: Understood. Just one more question. Basis your disclosures on the Motor Finance NPAs and the book, it seems that the problematic portion is somewhere around INR2,000 crores to INR2,100 crores. So have you possibly thought that you can probably offload this portion to an ARC and then channel all your energy and efforts on growing the book without actually putting in a lot of efforts for collection because that is something that the ARC can do.

Rajiv Sabharwal: We've not looked at that. Our philosophy in all businesses has been that we know our business well, whether it is credit or whether it is collections. And I would be surprised if any other ARC would be more efficient on collections than us. And we probably have a very good collections team, which is helping us as far as our approach is concerned.

Our general philosophy on collection has been to keep increasing our collections done by our own team and within our own team to be done more digitally. That's been our approach. And we would like to stick to that approach. We have not looked at the options. But since you've suggested, we will again reevaluate and see what we need to do.

Raghav Garg: Can I ask one more question, please, just related to this.

Rajiv Sabharwal: Yes.

Raghav Garg: So, this INR2,000 crores of GNPA that you have with the Motor Finance book would mostly be coming from, say, the book before March '25, most of it. Is that the correct understanding. And hence, would mostly be comprised of, the Tata vehicles.

Rajiv Sabharwal: You are right. Majority of it does come from a portfolio before March '25.

Raghav Garg: Right. And then maybe when I deduct the disbursements of last 4 - 5 quarters from the current book, maybe that's how one should look at the GNPA on the older book, just to sort of see how the older NPA book is moving.

Rajiv Sabharwal: While what you're saying appears right, but we'll be happy to engage with you separately and go through these numbers.

Raghav Garg: Understood. Thank you so much for answering.

Rajiv Sabharwal: Thank you so much Raghav.

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

Kunal Shah: Thanks for taking the question. So, a couple of questions. Firstly, in terms of the yield optimization, which we have been talking about, be it in terms of optimizing it within various segments, plus our high-yielding segment is still growing as a proportion of AUM. Why is then it is actually not reflecting in terms of the yield increase. And what will change getting into second half, after the PLR increase which you have done. But if we broadly have to look at it in terms of the yield optimization across the AUM, what will work over the next 18 months, which has not actually worked this quarter.

Rajiv Sabharwal: So, a few things. One, I think whenever interest rates are dropping, the pressure for BT and the pressure to reprice is much more. And this changes when interest rates are stable or they start rising. We saw some impact of this in Q2 over Q1 in more price-sensitive products.

So, one, I think an increasing interest rate environment will reduce the pressures on balance transfers and repricing. So that is one which will help us. Second is you are right that our increasing proportion of high-margin business will also be supportive. As we had mentioned

that our growth in high-margin businesses on AUM is about 14%, though the disbursement growth is 40%.

We expect this 14% to almost mimic our overall portfolio growth by quarter 4 and exceed that from the next financial year. We have also looked at, as we had mentioned before, our other products, which do not figure in this high-margin list, because the list which we have given you is for high-margin retail products.

There are separately high-margin corporate products, which is all fine. But there are other beyond these high-margin retail and corporate products, where also we have looked at how we can increase our yields. And so each of the business leaders have put a plan in place, which is already in motion from Q2 onwards, which will start showing more in terms of output from end of Q3 or from Q4. That is how we look at it. So that will help us. So that's the way we are looking at things. I have mentioned it before that our floating rate assets are much larger than floating rate liabilities. So that also will be supportive for us in the future if interest rates increase.

Kunal Shah: And this reset happens immediately, this 25 basis points and 20 basis points, is it like the very next month or how is the reset period.

Rajiv Sabharwal: So this will happen for almost all the portfolio from 1st November. So, it is the date we decide to change the rates from.

Kunal Shah: Okay. Got it. And a few more questions. On fee income side in Tata Capital Housing, what is leading to almost like 30% quarter-on-quarter and year-on-year growth. Is it the sell-downs or something which is there, which is leading to a much higher fee income. And then when you look at it, so is there any extraordinary out there.

And in terms of the rundown on the Tata Motors, we are still confident that it will stabilize in Q3 and it will be positive in Q4. But when we look at in terms of the rundown, it's almost similar to that of Q2 level. So were you expecting a similar repayment run rate in Q2. Or it is slightly instead of INR940 crores should have gone towards INR500 crores or INR600-odd crores and then stabilized in third quarter.

Rajiv Sabharwal: So actually, in Q2, as we had mentioned before, when this whole war happened, we had become a little conservative, and we felt that the government will pass on the fuel price impacts. So, we had gone a little conservative. But post that, when we realized this is not happening, we tried to pick up on our disbursements.

Looking at now the month-on-month trend, we believe that Q3 should be flat for us and growth should be back from Q4. That's our reading of the situation, and that's how we have invested in different markets and different dealerships at this point of time. As far as the housing finance is concerned, I'll request Rakesh to comment on that.

Rakesh Bhatia: Yes, Kunal, you're right. I mean if you look at the total fee income, it has increased by 30% year on year and sequentially also it has gone up. But if you dissect the fee income, the DA income has increased by 58% on a year on year basis. So that's what's contributing, the assignment which we do.

Kunal Shah: Which income, sorry.

Rakesh Bhatia: The assignment income.

Rajiv Sabharwal: So basically, as far as non-assignment income is concerned, it has remained at the same level as it was in Q1 as a percentage. It has remained at similar level. The increase has been contributed by assignment income.

Kunal Shah: Assignment. Okay, got it. Perfect. Thanks.

Moderator: The next question is from the line of Mr. Viral Shah from IIFL Capital.

Viral Shah: Hi, thanks. Congrats on good set of numbers. Rajiv, I have two questions. First is on the NIMs front and probably I'm weaving in a couple of points over here. So you mentioned clearly the pricing pressure on the HFC part and when we dissect the NIM between the 2, standalone and HFC, that is pretty much visible.

How confident are you that the 20 bps PLR increase that you have taken will sustain, especially in the context of competitive pressures. The other, subpart to this question is we have taken this increase on PLR from 1st of November. It should basically have 2 months of impact in this quarter.

Then should we not expect, greater support to NIMs and probably even say slightly expanding NIMs, not just NIMs plus fees in third quarter. And the third subpart to this NIM is when I look at, say, you're talking about cumulatively 75 bps of rate hike, this 20 and 25 bps of PLR increase that you have taken, this is just for the current 25 bps rate hike or in anticipation of something more.

And what could be the trajectory or the cumulative quantum in the event of a 75 bps rate hike. And the second question that I have, Rajiv, is, right now, we are at 26% growth, including the rundown of the TMFL book. Opex is already at 2.2% of AUM. Credit cost is less than 1.0% in the first half itself. You mentioned that there can be some risks on the upside to FY '28 guidance as well. Do you anticipate, being able to reach FY '28 guidance itself in the first half of FY28.

Rajiv Sabharwal: So Viral, thanks, first of all. I'll comment on a few items, and I'll request my colleague, Sarosh, to add more. See, as far as PLR hike is concerned, it's effective from 1st November. And this PLR hike, is only because of the impact of the repo rate increase of 25 basis points, which became effective from October.

So that's the only thing. If in future, there are more hikes which happen, we will evaluate based on the mix of our assets and liabilities. We will evaluate the impact and then pass on the increase. That's what we have done in the past, and that's what we will do in the future.

Since our floating rate assets are higher than floating rate liabilities. So to that extent, we are structurally well positioned in an increasing interest rate environment. As far as the 20 bps increase in housing is concerned, the team has looked at all segments so that it can pass on the same to the incremental customers also, not only to our existing customers.

So, we do believe by trying to understand what other people are doing in the market that everybody needs higher interest rates in home loans. The competition has led to a situation where interest rates were dropping, but everybody is conscious at least all leading players, as we understand, are conscious of the fact that they need to increase rates and because of cost, they need to maintain their margins.

So we do expect that will happen. And from our perspective, we want to make it happen. And the other thing which we are doing is increasing our proportion of affordable and micro housing as well as LAP so that we do not have a negative drag.

The other thing which is helping us also is the fact that our costs are moving at a much slower pace than our income, and we expect the same trend to continue in the future. As far as the year is concerned, we expect if incomes will grow at about 25%, then cost to grow at about 15%. So that should help us. But I'll request Sarosh to add.

Sarosh Amaria: Thanks, Rajiv. Viral, this is Sarosh here. In our housing portfolio, 95% of our assets are floating. And roughly 40% of our liabilities will get repriced because of the rate increase. So this will give us an advantage to our entire portfolio, this 20 basis points would give a lift.

Secondly, we've pivoted towards a segment which is near prime, which is between our prime and the affordable. So our near prime as well as affordable growth in our AUM will be faster in the third and the fourth quarter, which will also help to keep the NIMs going either flat or slightly better as we go ahead.

Viral Shah: Right, Rajiv, just an incremental question on that front. Since the second quarter, of course, the market rates had been pricing in or are already pricing in a lot more rate hikes. And given that 48% of our liabilities are floating, I would believe that some part of that would be not just repo, but also T-bills. Again, just specifically focusing on, say, third quarter onwards, do you see a similar kind of an uptick on cost of funds or the lead lag effect between cost of funds and yields.

Rajiv Sabharwal: See, from our perspective, what we want to do is try to time it even better, from the time when the increase happens and when we pass on the impact. In fact, the regulator, if you look at their draft guidelines are also wanting the transmission to happen faster, both ways, whether increasing or decreasing. And our endeavor through our PLR would also be the same. So, I couldn't understand beyond that what exactly, Viral, you want to know.

Viral Shah: I'll probably take it offline, Rajiv, if that's okay.

Rajiv Sabharwal: Okay.

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

Abhijit Tibrewal: Good evening everyone. Thank you for taking my question. Rajiv sir, the first question I had was around these flexi loans. So, what proportion of your book is flexi in nature. And I think I heard you during your opening remarks, based on the representations that you have done to the regulator, do you think that the regulator might allow NBFCs to continue offering flexi loan products, perhaps with a little higher guardrail.

Also, during your opening remarks, you alluded to an alternate product, which can offset if flexi loans disbursed by NBFCs are banned by the regulator. So, what is the difference in profitability between the flexi loan product and this new alternate product that you are working on.

Rajiv Sabharwal: Let me answer to the best of my ability. First of all, I have no ability to predict what the regulator will finally do. We've been trying to convey our viewpoint to them, and they have been very receptive in terms of listening to what the industry has to say. So, my view is they will also take a balanced call.

Hopefully, which reflects their regulatory needs as well as what is good for the borrowers because I would say 90% of what we do here goes to SME customers and more so MSME customers. So, to that extent, this is what they will look at. When we had evaluated our portfolio and looked at what is being called Flexi and what proportion of that we will be able to convert into our modified product without having a revolver capability. We felt that more than half of that we can do here. So, we are already testing some of the alternate products, which we have created in the market. And the balance, we will start testing in the beginning of November. As far as the interest rate are concerned, obviously, Flexi used to come at a higher rate than the normal term loans, but our modified products are almost at a similar price like the flexi loans.

So first of all, I do not believe that the guidelines will be similar to as was in the draft, and we expect the regulator to take into account all feedback and then make a decision. But finally, it is their call of what they wish to do. But from our side, we want to be prepared for everything so that the impact is minimized and that will be our effort to ensure that the impact of the same is minimized. But I can comment more on this once the guidelines are known.

Abhijit Tibrewal: Got it, sir. And what proportion of our loans are flexi in nature now.

Rajiv Sabharwal: As far as retail Flexi loans are concerned, they will form about 2-2.5% of our book.

Abhijit Tibrewal: Got it. And sir, the last question that I had was you've had a lot of discussions on margins already where you have said the PLR increases that you've taken in the standalone as well as the housing entities. Just trying to understand when you said that NIM plus fee would not have further drag, margins plus fee to remain stable 3Q and then show an improving trend in 4Q.

I'm just trying to understand what is the sensitivity of our NIM to a 50 bps increase in repo rates because 25 basis points increase in repo has already prompted us to think about margin expansion if the repo rates are higher by, let's say, 100 or 125 basis points to be made, how can it benefit our margins. So just some sensitivity there.

Rajiv Sabharwal: From that perspective, we do believe that if there is an increase in repo rate because of the composition of our assets and liabilities, it should be accretive or balanced. So, I would say normal to positive. That's the way I would put it.

Abhijit Tibrewal: Got it, sir.

Moderator: The next question is from the line of Anand Dama from Nuvama Wealth.

Anand Dama: Thank you for the opportunity and congratulations on a great set of results. Sir, you have now clocked about 26% AUM growth in this quarter and your guidance was somewhere about 23%-25%. So is it more of an opportunistic growth that you had in the second quarter and you would go back to 24%-25% kind of a run rate and try and manage the margins than chase the growth. Your comments on that would be helpful.

Rajiv Sabharwal: I don't think that there was any opportunistic one-off or something which happened. However, we are very conscious of the fact that we want margins to improve. And we have looked at certain deals which we have passed because they did not meet our margin requirements. We would want to be on the guidance which we have given of 23%-25%. And while we will focus definitely on growth, but we do not want growth at the expense of margins.

Anand Dama: And sir, have you called out what will be the impact of the insurance commission capping, which will come and any mitigating factors that you have internally, which basically you can use because there are companies like Piramal who has called out 18 to 24 basis point impact in terms of ROA. Any number that you can put out.

Rajiv Sabharwal: See, we've not put out any number because we honestly don't know what the final guidelines will be and when they will be effective from. Once we have that, we will look at things. But parallelly, we've been thinking through what we can do in terms of which insurance products, which we can sell, whether the retail product makes more sense than a group product.

So, we've looked at those options. We've also looked at how we can improve our NIM plus fee on our normal business, which does not come with insurance. And also, if we do not sell insurance, it will also bring down our operating costs, which will also be beneficial. So, it will be through a combination of all of these things and some more which may emerge, which we are at an early stage of working out, but our effort will be to minimize the impact in all situations.

However, I should admit that insurance is an important product. We do believe it is extremely useful for the borrower, and we have seen this in many instances in our portfolio. We would honestly want to be in a situation where the regulator comes out with a commission, which more than covers the cost and gives us margins also because this is a product which is good for customers. We are engaging with them on the same. But parallelly, we are working on what we can do to minimize the impact. But I will be able to give you a better answer once we come to know of the final guidelines because there are other things also which are work in progress at our end.

Anand Dama: Sure, sir. That's helpful. Thanks a lot.

Moderator: Thank you. Next question is from the line of Jay Betai from NBIE. Please go ahead.

Jay Betai: Hello sir. Good evening. Thanks for the opportunity and congratulations on a good set of numbers. Sir, my question is more pertaining towards CRAR. So CRAR has fallen by an average of around 100 bps a quarter since IPO. Even at 50 bps a quarter, it would be near around 15% minimum by second half of '28. When do we plan a capital raise.

Rakesh Bhatia: We keep on looking at capital adequacy very closely, including Tier 1 capital and also the mix of the liabilities, whether we raise sub debt. If you look at the current growth trajectory, we think we'll be required to raise capital by second half of FY28, more towards Q3-Q4.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I now hand the conference back to management for closing comments. Over to you, sir.

Rajiv Sabharwal: Thank you very much. So, we are very excited about the quarter which just ended. It gave us strong growth across all segments of the business. The good part was that it was well diversified growth for us. We've seen the benefit of operating efficiency play out for us because of the investments which we have done on the tech and the AI side.

Credit cost continues to hold very well. In fact, all our early bouncing tell us that there is no cause for worry. So, it's holding on very well for us. We've had a strong growth on profitability. So, all seems good. We are also excited about what's going to happen in the rest of the year, and we have a plan in place to manage the same.

Obviously, there are certain regulatory things which we are watching out for. We will always be compliant with whatever regulation the regulator comes in, but we are also being proactive in terms of thinking through on what we need to do so that we can manage this whole change. So, I would want to thank all of you for all the support and want to wish all of you and your family a very happy Diwali as we end this call. Thank you very much.

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

Note

This transcript has been lightly edited for clarity and accuracy.

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