

May 6, 2026

To,**BSE Limited,**
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001**National Stock Exchange of India Limited,**
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051**Scrip Code: 544699****Symbol: AYE****Sub: Transcript of Earnings Conference Call on Company's business strategy and outlook**

Dear Sir/ Madam,

With reference to our earlier intimation dated April 28, 2026 regarding the submission of Audio recording of Earnings Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby enclose the transcript of Earnings Conference Call conducted on Tuesday, April 28, 2026, on Company's business strategy and outlook.

The same is also made available on the website of the Company <https://www.ayefin.com/disclosures/analyst-investor-meeting>.

This is for your information, records and appropriate dissemination.

Thanking You.

Yours faithfully,
For **Aye Finance Limited**
(formerly known as Aye Finance Private Limited)

(Vipul Sharma)
Company Secretary, Compliance Officer & CCO
M. No.-A27737

Encl.: a/a



“Aye Finance Limited
Q4 FY26 Earnings Conference Call”

April 28, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 28th April 2026 will prevail.



MANAGEMENT: **MR. SANJAY SHARMA – MANAGING DIRECTOR & CO-FOUNDER – AYE FINANCE LIMITED**
MR. GAURAV SETH – CHIEF FINANCIAL OFFICER – AYE FINANCE LIMITED
MR. SOVAN SATYAPRAKASH – HEAD OF STRATEGY & PRODUCT – AYE FINANCE LIMITED

MODERATOR: **MR. VIRAL SHAH – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Aye Finance Limited Q4 FY26 Earnings Call, hosted by IIFL Capital. 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 call, please signal an operator by pressing star then zero on your touch-tone phone. I now hand the conference over to Mr. Viral Shah from IIFL Capital. Thank you and over to you, sir.

Viral Shah: Thank you, Iqra. Good morning, everyone. This is Viral Shah from IIFL Capital. Welcome to the 4Q FY26 earnings conference call of Aye Finance Limited. On behalf of IIFL Capital, I would like to thank the management of Aye Finance for giving us this opportunity to host the call. From the management team today, we have Mr. Sanjay Sharma, Managing Director and Co-founder, and other senior members of the management team.

We will have opening comments from the management team, post which we will open the floor for Q&A. With that, I would like to transfer the call to Sanjay for his opening remarks. Over to you.

Sanjay Sharma: Thank you, Viral. And a good morning to everyone. We appreciate you taking the time to join us today and on behalf of Aye Finance Limited, I extend a warm welcome to all of you to our fourth quarter FY26 earnings call. I am today joined by our Chief Financial Officer, Mr. Gaurav Seth, and by Mr. Sovan Satyaprakash, the Head of Strategy, Products, and Investor Relations, along with the IIFL team and the investor relations team from SGA.

Before I talk to you about our performance, I would also like to share with you an important positive update in our senior management team. Mr. Gaurav Seth has been appointed as the Chief Financial Officer of the company. He has earlier been with the CFO at Airtel Payments Bank and IIFL Housing Finance and brings the experience and gravitas needed for the role of a CFO in a listed company.

Mr. Sovan Satyaprakash, who has been our interim CFO and has done the bulwark of work in the Investor Relations area during the roadshows, is now resuming back his key role as Head of Strategy, Head of Product, and also Investor Relations, and he is a SMP of the company.

Now let me take a moment to step back and reflect on how FY26 has been a defining year for Aye Finance, not just for the financial performance, but also as a debut in the public market through our IPO. We successfully completed our initial public offering in February '26 and raised INR1,010 crores. My team and I understand that this is an important milestone and it comes with a greater responsibility and even stronger conviction in our mission.

Aye Finance was built on a simple but powerful belief, to expand and provide formal credit to the micro-entrepreneurs across India. These are the businesses that have so far been excluded or not provided any sort of business loans by the organized NBFCs or banks. Over the years, we have stayed true to this belief and we remain deeply rooted to our commitment. And thanks to that focus, we have a unique asset class which you will hardly see representation in any other company.

And we are present across 18 states, 3 Union Territories, with 571 branches, serving more than 70 plus unique business clusters, and we have over 6.40 Lakhs active borrowers. Lending to this Indian micro-MSME segment continues to remain significantly under-penetrated and under-crowded, if I may say so. And this presents a large structural opportunity for us in the long term. Our differentiated approach of combining proprietary underwriting models and use of AI and machine learning has so far positioned us as a dominant player to capture this opportunity with responsibility.

That said, FY26 has not been without its challenges. The first half of the year was marked by tighter liquidity conditions, elevated credit costs across the sector, and macro headwinds on small businesses. In response, we remained disciplined and tightened our underwriting and collection efforts and focused on the portfolio quality. The outcomes or results of that are visible in the steady trajectory of improvement through the second half of FY26 and particularly in quarter 4.

I will now touch upon five key areas that will give you a very good color of what we are doing and how our business is expected to perform. These five areas: the first one would be on the business performance itself and I will talk a little bit about quarter 4 and the annual performance of FY26. Second, I would like to cover product mix, how the mix of hypothecation loan and the mortgage loans is being brought about and what are the effects of that mix change.

Third is on the technology and some of the new innovations that we have deployed in the last few months. Fourthly, I will talk about the liability book and how it will behave in the coming year. And finally, the evolving market environment, especially in the backdrop of the problems in West Asia and also the issues of LPG, etcetera. And how does it relate to our micro-scale MSMEs. After that, I will open it for questions.

So let me start with the performance itself. On quarter 4, we ended the year on a very strong quarter 4. Our assets under management stood at INR7,044 crores, reflecting a sequential 6% growth quarter-on-quarter and an annual growth of 27%. Reflecting the same, disbursements for quarter 4 grew at 26% sequentially to INR1,655 crores of disbursement in the quarter. And this reflects the fact that there is a healthy pipeline of sustained demand for small businesses.

For the full year, our disbursements stood at INR5,169 crores, reflecting a growth of 20% over the last year. The main marker, profit for the quarter, stood at INR86 crores, recording a 110% year-on-year growth and a 100% growth quarter-on-quarter. The net margins for the quarter stood at 16.4%, showing improvement despite an increasing share of mortgage loans in our portfolio mix.

During the quarter 4, our overall cost of borrowings moderated to 10.87%, whereas our incremental borrowing in quarter 4 were even lower at 10.13%. And this is because the older borrowings keep getting replaced with new borrowings. And there is a fall in cost of borrowing which compensates for the reduction in yield because of the mix. This has kept the NIMs stable. This can be expected in the coming year as well, and I will talk about this a little more when I talk about liabilities.

Our collection metrics also have shown tremendous strengthening and some meaningful strengthening during the quarter. Our non-OD collection efficiency, has improved from 99.1% in October '25 consistently to 99.5% in March '26. Even our top three states, that are Bihar, Uttar Pradesh, and Rajasthan each of them have crossed the collection efficiency of 99.5% on the non-OD collection efficiency, and Rajasthan leads with a 99.7% non-OD collection efficiency.

Further down into Bucket 1, our collection efficiency here also has improved by a significant 107 basis points from 51.8% in October '25 to 62.5% in March 2026 over a six-month period. Thanks to these wonderful collection efficiency markers, our asset quality has been consistent and measurable improvement during the quarter. Our PAR X or PAR 1 plus, whatever you want to call it, stood at 6.9%, improving from 7.6% in quarter 3 of FY26.

Credit costs also reduced to 4.3% in quarter 4 compared to 4.67% in previous quarter, which is a 37 basis points reduction quarter-on-quarter. And this is not all. This is the fifth consecutive quarter that we have seen a reduction in our quarterly credit costs. So this is a consistent effort, which is giving us consistent outcomes of reduction in credit costs for the five quarters in the past.

The Stage 2 bucket, which is 30 DPD and 60 DPD buckets, have been brought down to a mere 1.12% of our portfolio through disciplined management of collection efficiencies, and this is a good marker of the quality of our portfolio. The GNPA for March '26 stood at 4.77% and it has declined by 17 basis points from 4.94% in the previous quarter. This reflects a clear improving trend in the portfolio quality.

The improvement is clearly an outcome of our deliberate actions of tightening underwriting standards where needed, optimal deployment of collection resources, and deeper integration of data and AI-driven early warning systems that allow us to identify and act before the stress surfaces.

On the annual performance for the full year ended March 31, 2026, our overall profitability improved significantly with profit growing by 13% to INR194 Crores in FY26, supported by reduction in credit costs and improving credit or asset quality. Our total income stood at INR1,796 crores with a year-on-year growth of 20%, and net interest margin for FY26 stood at 14.67%.

Moving on to the second area I wanted to talk of was the product mix. Over the past two years, we have evolved our product mix so that we have a good mix of mortgage loans as well as hypothecation loans. Our mortgage loans now comprise 23% of our portfolio as compared to 12% in FY24, two years back. Our secured hypothecation loan accounts up to 40% and the unsecured hypothecation loans account for 37% as of FY26 end.

As a strategic plan, we have increased the proportion of mortgage loans in our portfolio, and while a higher proportion of secured lending or mortgage loans typically exerts some pressure on yields, we aim to enhance the overall portfolio stability and profitability through an increase in average tenure of overall portfolio. So overall, mortgage will not bring down the profitability,

although the yields will come down, but it will be compensated through improvement in operating expense and in credit costs.

On the technology front, we have our in-house data science and machine learning team which has been delivering a variety of models and tools that have helped us automate many of our processes in the last so many years. Recently, we completed a significant pilot which was there in the newspapers that further enhances our AI capabilities in credit underwriting. The generative AI tool translates unstructured inputs such as store images into actionable financial assessment for underwriting trading businesses in Tier 2 and beyond cities.

Built on company's extensive proprietary data set and rigorously tested for consistency, this model uses a multi-modal large language model integrated with our in-house ML, machine learning model to estimate monthly sales of trading businesses such as garment and grocery stores, and this improves our ability to extend formal credit with greater confidence and more consistency than traditionally underwritten methods.

Moving to the next agenda item that I mentioned, to management of liabilities. On the liability front, the proceeds from our IPO have meaningfully strengthened our capital adequacy to 42.2%, providing a solid foundation to support our future growth. We continue to diversify our fund profile across banks, NBFCs, and capital market instruments including NCDs, which enhances both stability and flexibility of our borrowing mix.

Our lending qualifies completely for priority sector lending norms and this always ensures that we have adequate and good liquidity available from the markets for our business. Our incremental cost of borrowing for the quarter, as I mentioned, stood at 10.13% in Quarter 4 and the blended cost of borrowing stood at 10.87%.

The movement in cost of borrowing will see three major components play out in FY27, as they have played out in FY26. First is the replacement of high-cost debt as it matures with debt with lower rate of interest. You can see our blended cost is 10.87%, our incremental borrowings are at 10.13%. This itself, as the new borrowings are taken and they replace old borrowings, we will see a movement down in the credit costs.

The second big component is the possible effect of a corporate rating review during the year. We had been rated two years back, more than two years back, and today we have a much larger net worth and hopefully we should get a possibly a better rating than the A stable that we have today, and this can also help bring the cost of or rates of borrowing down. The third big component is the hardening of interest rates in the market, which can bring the cost of borrowing or the rate of interest up.

But at the same time, I would mention that the increase will get moderated by the fact that we are a priority sector lender and therefore our debt providers may not go that much up on the cost of, or rates of interest as the rates harden. The net effect that we believe could be an upside of about 25 to 35 basis points in our borrowing costs, which mean that we do expect a borrowing cost to reduce by 25 to 35 basis points compared to FY27. That would be our guidance given these three parameters.

Moving on to the market environment, and there's so much of talk around what's happening in West Asia and how it will affect various economies and markets. The micro-MSME segment in India as of today is witnessing a steady recovery. The strong recovery in rural consumption which played out in FY26 continues to rub off on the tiny-scale businesses that we target. With support from government initiatives and increasing formalization of economy, we are seeing a constructive demand environment for working capital across our core segment.

I had mentioned in my last earnings call that our customer segment is not linked to the organized industry supply chain and is hence insulated from the industry trends that impact the organized MSME. This continues to hold true and we believe that with the effect of looming war and heightened trade barriers, our customer segment of tiny-scale micro-enterprises is expected to continue to hold good business margins and continue to supply to their local markets without too much of disruption.

I think this is how we view the market. We are visible in 18 states and 3 Union Territories and our March data does not show any sort of adverse impact from the effects of what's happening in West Asia. We will continue to monitor this space and we have, as I said, many early warning metrics which help us start reacting to any situation that is emerging.

Finally, our stance for FY27. We have exited Quarter 4 of FY26 with a quarterly ROE of 16% and a quarterly ROA of 4.6%. Second is that we have entered the year FY26 with a strong disbursement momentum of FY26 Quarter 4. And third is that an improving asset quality trajectory is quite visible and we also are carrying a robust provisional coverage reserve or PCR of 64%. So we are well-capitalized balance sheet, well-provided for possible credit costs, and with good momentum and good profitability that we enter the new financial year.

Our expectation is that for the guidance would be that for FY26, we will target a growth in the range of 25% to 30%. We also expect the credit costs to continue to normalize further and we expect to be guided in our workings on a 3.5% to 4% credit cost, supported by better portfolio quality and sustained collection efficiencies. Also in FY26, we had invested a lot of our resources in building the team and related infrastructure for collections and also for the nascent mortgage business.

In FY27, we'll focus on sweating these assets to build productivity and bring operating expense ratio to the range of 8.25% to 8.75%. Remember that we ended the year with a 9.6% operating expense ratio. Taken together, these factors give us confidence that we should be able to target a ROA of 4% to 4.5% and deliver sustainable and responsible growth while continuing to strengthen our core business fundamentals. I think with that I can close. We can now open the floor for questions. Thank you very much.

Moderator:

The first question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar:

Sir, just first up wanted to understand, I mean in terms of our focus area, I mean the MSME is our main focus area or is there any other product also we are looking at? And currently MSME forms more than 90% our loan book?

Sanjay Sharma: Deepak, we are focused only on the MSME businesses to the extent that these are typically the small business which could be into manufacturing, trading, service sector, or could be running a even a dairy business. So I think the focus of this, our mission or focus has been on MSME businesses, but when you talk of MSMEs, we are talking of a very tiny scale right at the bottom of the scale of micro-scale businesses.

Deepak Poddar: Okay. So that would form our 100% of our mix, right?

Sanjay Sharma: Yes.

Deepak Poddar: And any other product we are looking at or this is what we intend to do going forward as well?

Sanjay Sharma: Yes, I think that's a excellent question. See, for this segment, because no one has offered them any services, financial services, it becomes a white space and there are so many other products that are their need which we are aware of. So besides the business loans, they can be gold loans that they look at, they can be two-wheeler loans, even small commercial vehicle loans, etcetera, are all relevant to this segment.

And we will this year focus on at least one product launch. There are many ideas. Gold loan is one idea, solar-based lending for businesses is another idea. So we will probably add one more product. Market research is going on for two or three product ideas and once we have that by end of first quarter, we will be able to launch our plans. Before any product launch, we do conduct a detailed market survey, so that is what is in progress right now.

Deepak Poddar: Okay, understood. And in terms of secured-unsecured mix, I mean what would that mix be for us?

Sanjay Sharma: Yes, so I think our unsecured hypothecation loan, all our loans are business loans, so unsecured hypothecation loans is about 37% of the mix. Interestingly, the all these customers that we have, 96% of our customers have a self-owned residential property or self-owned commercial property. So it's all not that property does not exist, but for a non-consumption need of business, the need is only for INR1 Lakh or INR2 Lakhs, for which we don't insist on taking a mortgage over a property.

So while mortgage is about 23% of our book, secured hypothecation loan is about 47%, and about 37% would be the unsecured HL. We don't see any credit-related problems with the unsecured HL book because it behaves very, very similar to the secured hypothecation book.

Deepak Poddar: Okay. And how should one look at this mix going forward, this 65-35 round about? Would we like to maintain that or?

Sanjay Sharma: Yes, I think I think we will continue to move the mortgage loan book up and today we are at 23%, we want to see it grow in the next let's say two to three years to about 30% to 35%. The balance 65% to 70% will be hypothecation and of that more than half of that should be.

Gaurav Seth: Yes, sorry for that interruption. So Deepak, I was mentioning that the portfolio that we're looking at, the mortgage piece will probably grow up to about 30% to 35% and we're talking of the next

two to three years. The 65% to 70% will still be hypothecation loan because that is the correct product to address the need of this segment.

And here we believe that more than half of that would be in secured area and therefore around you could say about 30% would still be in the unsecured hypothecation loans. Typically the unsecured hypothecation loans arise from businesses which are in the service sector because often or even in trading sector where the inventory is low and it does not cover the total cost of the loan.

Deepak Poddar: Okay, understood, understood. So a 70-30 would be a more I mean going forward we can look in terms of secured-unsecured mix, right?

Sanjay Sharma: Yes, so 30% mortgage and within hypothecation as I said that about 40% would be probably secured hypothecation and 30% would be unsecured. Those will be the typical target figures for the next two to three years.

Deepak Poddar: Understood. And given this unsecured-secured mix, isn't our credit cost little on the higher side? I mean even the one which we are guiding for FY27, a 4% credit cost, or is that the normalized credit cost given the given the secured-unsecured book we have?

Sanjay Sharma: Sure. I think the credit cost has to be seen in reference to one, the type of market segment that you are targeting and second is the tenure of the loans that you're giving. If the tenure of the loan was longer, in our case hypothecation loans typically have a tenure of up to two years. So when you have a two-year tenured product, even a static pool loss of 5.5% looks like a 3% credit cost.

Whereas if the same loan was a five-year tenure loan like a mortgage loan, even with a static pool loss of 5.5%, it still looks like 1.5% to 2%. So it also depends on the tenure of that loan. And second is on the market. Given the market that we are in, we believe that the guidance that we are giving of around 3.5% to 4% for the next year is a sort of guidance that would play out.

And I think in the three-year forward guidance, we have given a number where we expect the asset quality to be in the 3.25% to 3.75% range. These are the ranges which we believe are the right ranges for this segment of customer. So obviously the pricing is done accordingly, the yields are higher therefore.

Deepak Poddar: Okay, okay, okay, understood. And just one last small thing. I mean given, given our focus on MSME, is our customer base majority towards rural area? That would be a right assumption?

Sanjay Sharma: No, in fact that's not correct. Most of our branches are in the Tier 1 and Tier 2 towns. So very few of our branches would cover rural areas because rural area do not have the density of businesses and we do need at least 500 to 1,000 businesses in any branch for it to be a profitable branch. So we're not in rural areas, we are in 571 locations and these are primarily Tier 2, Tier 3 towns I would say.

Deepak Poddar: Tier 2, Tier 3 towns. Okay. But, but through these branches only we cover the rural area also, I mean?

Sanjay Sharma: We don't do too much of business in the rural area. When I mentioned that rural consumption is affecting or rubbing off on our business, it is just that when the rural area does well, often the Tier 2, Tier 3 towns also pick up. So it's only that association that is relevant.

Moderator: The next question is from the line of Adarsh from ENAM.

Adarsh: Sir, I had a question on your yields, right? For the quarter you've reported in a slide. So obviously your interest income on quarterly basis have moved up quite a bit. And in spite of that, you know, we've ended the year at 14.67% net interest margin on assets. We ended up at 16.4% versus 14.6% for the year.

And with the capital raise, then you're guiding to margins which are flattish. So just wanted to understand firstly are the upticks in the yield core or fourth quarter has some one-offs? And how do you explain a flat NIM versus FY26 in context of capital raise plus cost of fund going down and yields picking up?

Sanjay Sharma: Yes, Adarsh, again a fairly deep question. On the yield, we believe that the mix because of the, first of all, the yield in hypothecation loan has not changed or has not gone down. If anything, it is stable. Mortgage loan when the mix comes in, it tends to bring our blended yield down.

This is compensated, as I had mentioned, by the replacement of old debt with new debt and we have done some calculation that if we take the old stock of borrowings and whatever is falling due in the next year that is replaced with the rates that we are getting today, which is the incremental rate of 10.13%, that itself will give us a 30 to 35 basis points drop in the cost of borrowing rate.

So that's one thing that will play out and which will in a way buffer up the fall in yield because of the mix of mortgage versus hypothecation loan. Overall, we feel that the net effect would be that the NIMs will stay steady or there's a possibility there could be an upside, but we are right now forecasting that we will at least stay level.

That is the approach we're coming in. It's a conservative approach, conservative view of, you know, how the yields will behave, but if there is an upside, that would work in our favor. Else if there is a hardening of interest rates and if let's say the interest rates harden even for priority sector lending, then we would probably be right in what our assumptions today state. I hope that answers your question, Adarsh

Adarsh: Yes, I was just wondering with, I understand the mix part, but with the capital raise, ideally I would have expected the NIMs to go up, so yes, just trying to.

Gaurav Seth: Adarsh, you're right. One would expect that with the equity raise, the NIMs will go up. Yields will remain the same, but net interest margin because of the cost of borrowings will change. Now if you see that from 14.2% in Quarter 3, we went up to 16.4% in Quarter 4 NIM.

And from, I would say not all of it, but most of it has come from the lowering of borrowing costs from two effects. One is that we have borrowed less because we have more equity and the borrowings from banks incrementally have come at a lower rate. So both these effects, one is

that we have to borrow less, so absolutely the point you're making, I completely mirror that, that 14.2% to jump to 16.4%, part of it is because of equity coming in.

Adarsh:

And sir, just if you can talk about, you know, obviously you've given PAR trends and collections data on slide 25. If you look through April, right, are you continuing to see that kind of trend because just trying to understand one, there could be seasonality, two, any impact that we've seen from the macros or things continue to look pretty all right on collections in April as well?

Sanjay Sharma:

Adarsh, on April, our run rates of collection are not very different from what we have seen in the fourth quarter period. So we have not seen any worsening so to speak. Normally a lot of the last bit collection happens in the last four-five days, so we will see that play out, but we are not, at least our estimate is that it'll not be very different from what the fourth quarter outcomes have been.

Normally the April month for us from a seasonality perspective is seasonal from disbursement data. Usually the disbursements are a little lower and I think that will be the case this April also, although we are working to make sure that the first quarter is a good quarter in terms of disbursements.

Adarsh:

Perfect. And sir, last question. When I look at your opex, 9.5% guiding to 8.5% and then if I look at the three-year number, it broadly says 7% to 7.5%. So it's a fairly sharp 2% to 2.5% drop. So just from a capacity perspective, would you, like just wanted to understand, you're broadly saying that opex will lag AUM growth quite materially, right? It looks more like a 10% delta between AUM and opex growth.

So how comfortable are you from that perspective on how much you've invested and from a capacity building perspective to kind of sustain growth and then deliver at least a 10% delta between AUM growth and opex growth?

Sovan Satyaprakash:

Sure. Adarsh, this is Sovan. So I think one of the things that we did over the last two years is increase the manpower in the mortgage vertical and if I talk about the last financial year in particular, the overall staffing had gone up by almost 17% to 18%.

And if we break it down, the collection and mortgage capacity building that happened, in the mortgage itself we had increased the manpower in the last financial year to almost 30% on the previous base. Another large investment that had happened during the last financial year, which is now reflected on the improving credit costs, is the investment in the collections front where the collections team almost increased by 70%.

Now obviously this was done to handle the slippages that were happening, but how we look at the next financial year is that we have capacitated the collection team which now would focus on cleaning up our NPA and our write-off portfolio and help us improve the bottom line.

And from a mortgage standpoint, the rapid capacitation that was being done over the last two years, that would moderate in the next financial year. So at an overall level, one, we don't expect the manpower to grow at a similar level, or the overall manpower, this should normalize down to almost 10%.

And most of the 10% growth in manpower that would happen also would happen in the branches at sales level or some part of collection. So the cost increase on the opex front would be normalized from that standpoint. So we expect this capacity should help normalize the overall opex.

So we strongly believe that the opex can be brought down to the 8.25% to 8.75% and if you look at previous year trends also, barring the last financial year, we have been continuously bringing down our opex starting post-COVID. So I think that trend should continue in the coming financial years also.

Adarsh: Yes, I'm just saying your guidance kind of implies that you can do with 15% to 17% opex growth, is it this year?

Sovan Satyaprakash: Yes, about 15% overall opex growth should be able to deliver the 25% to 30% total AUM growth that we are expecting.

Adarsh: Perfect. Thanks, team. Thanks for answering all the questions. All the best.

Moderator: Thank you. The next question is from the line of Shalin from IIFL Capital. Please go ahead.

Shalin: Hi, sir. Thank you for the opportunity and congratulations on a great set of numbers. So I had a few questions. Firstly on asset quality. So it seems like our collection efficiency is back to pre-crisis level with our PAR X also improving, but its impact on credit cost has been much more gradual. So sir, just wanted to understand what is the reason behind this and when do we expect the credit cost to go back to normal?

Sovan Satyaprakash: Shalin, with respect to the credit cost, obviously the first focus point of this entire thing is the tightening of the underwriting. That was the first focus point that we were looking at. Because it is a shorter tenure product, the tightening of underwriting relatively shows up quicker with respect to our overall book and if you look at almost 80% plus portfolio today is post this entire crisis that played out of the over-lending.

The next focus area for us is the non-OD bucket where we have seen that gradual increase and as the non-OD and X DPD bucket have improved, collection efficiencies have improved, we have somehow been able to tighten the Stage 2 portfolio.

However, because the early part of this entire crisis played where the slippages had happened from all the buckets, so right now there is a bulge up with respect to the NPA portfolio, NPA pool that we have. So that is the reason we have not seen a rapid decline in the overall credit cost, even though the collection efficiencies have drastically improved over the last six months to nine months window.

From here on how we look at it is that one, if the collection efficiency stays stable and which we are hopeful that collection efficiency stays stable here, by Quarter 2, Quarter 3 onwards you can see a gradual decrease of the credit cost again.

And by Quarter 4 we should be in the 3% to 3.25% kind of a range in the next financial year, bringing the overall credit cost of the FY '27 below 4% mark. The other big piece is the settlement part of the resolution that we will focus on. That should also aid in reducing the overall credit cost because we have already provided more than 70% in the hypothecation book which is sitting in the NPA portfolio.

Sanjay Sharma: Also Shalin, if I may add, we have also increased our provision coverage ratio. So unlike in the market, the trend is to lower it in a difficult year, we've not done that. So that also in a way goes into the what we reflect as credit cost. So I think we'll continue to maintain that and we believe that when you're looking at a reference point, 3.5% to 4% according to us is a good credit cost to work in a in a good year. So that is what we'd be targeting for FY '27.

Shalin: So just a follow-up on this. So is it safe to assume that the increased PCR on Stage 2 and Stage 3 will be steady state going forward?

Sanjay Sharma: Shalin, here and I'll ask Sovan to probably give you more detail, but just let me mention that we got our provision coverage ratio and ECL calculation vetted and audited by Ernst & Young over and about the statutory auditor that does the vetting.

And this was done just about a few months back last year in the last financial year, essentially because it was a difficult financial year, we wanted to make sure that we were adequately structured on the provision coverage. So we are very solid on what we have computed and in terms of stability, yes, we believe that it'll remain roughly in this area, but let Sovan probably give you more color on this.

Sovan Satyaprakash: Yes, so the increase in the overall provision coverage for Stage 1, Stage 2 and I'll keep the Stage 3 aside for now, is primarily because we also have baked in the relatively lower performance during this last two years.

And even though we have already come out of the crisis, the portfolio looks solid, the collection efficiency are trending in positive areas, we have still baked in the impact of the lower collection efficiencies over the last 12 months to 15 months, which has resulted in the overall provisioning going up, which we feel is a conservative approach that we have taken.

As we move into the next financial year, as the collection efficiency stabilizes at this level, due to the averages, it should come down for Stage 1 and Stage 2 by quarter 4. However, on the Stage 3 provision coverage ratio, we intend to keep it above 60% level, even though there would be a difference in mix with mortgage increasing, which should bring down the overall provision level, but we intend to keep it above 60% in the next financial year also.

Shalin: Okay, very clear. So secondly on our non-interest income. So it has increased meaningfully in 4Q and the delta is largely coming from net gain on fair value changes. So just wanted to understand what is the reason behind this and is this sustainable and also what is the basically steady-state fees income that you are baking in?

Gaurav Seth: Hi Shalin, this is Gaurav. Now the fair value change that you are seeing is primarily driven on two aspects. One is the income or the change due to the mutual funds. The second is given the

geopolitical situation, there was a there was a cross-currency swap impact that has been baked into the P&L.

Now right now we are in discussion with our auditors to since this is in the P&L, we intend to move it down to OCI because that is where the real line is since this is volatile market and this is a volatile number. So we intend to move it down to the OCI. We could not do it this year because all this was happening in the middle of the year and we wanted to do it as a as a fresh start, so we'll do it in in FY27 at the beginning of April. So that's the intent and therefore going forward, it will be a stable number.

Sanjay Sharma: Shalin, in this there is from accounting perspective, while there is a gain in movement of forex, there's also a corresponding item which goes into P&L. So I think the net that we will look at is about INR10 crores or INR11 crores is the net that has come into this year. We will remove it from our P&L from next year onwards so that it does not because these fluctuations are not really income or expense because these are fully secured hedged positions. These are notional accounting entries that come in, so we don't want to mix it with the business accounting.

Shalin: Understood, sir. And lastly just a clarification. So the cost of decline, cost of funds decline that you mentioned of around 30 bps, is that from 4Q levels or from full year FY26 level?

Sanjay Sharma: So you mean the drop in the cost of borrowing, Shalin?

Shalin: Yes.

Sanjay Sharma: Yes, so it is taken from FY26 levels.

Shalin: Okay. Very clear.

Sovan Satyaprakash: Hold on. Shalin, I will correct that. Our Quarter 4 number is about 10.87%. From there we will see a 30 basis points drop.

Shalin: Okay, understood, sir. Thank you.

Moderator: Thank you. The next question is from the line of Ananga Rana from A91 Partners. Please go ahead.

Ananga Rana: Hi, I had two questions on the FY27 guidance. So first of all on PAT, would you expect more PAT to sort of accrue in Q3 and Q4 of the year or do you expect it to be more evenly spread out across the four quarters? That was the first question. And secondly on the credit cost guidance, in order to hit our credit cost guidance, how where would you expect PAR X and PAR 30 to get to by, let's say, middle of the year like does hitting the credit cost guidance require a significant improvement in both PAR X and PAR 30?

Sovan Satyaprakash: Hi. So I think with respect to pick up the first question with respect to profitability, a typical skewness of the profits are in the first half we deliver 35% to 40% of the profit value and about 60% to 65% of the profits come in H2. And that's a skewness that has been observed across years, primarily because of the improvement of disbursements in the H2 and the same also reflect on the PPOP levels.

So I think that is what the trend we believe should play out even in the next financial year. This financial year it was more skewed primarily because of the continuous reduction in the credit cost, which we feel would not be that sharp in the next financial year. So I think that is how we should look at the profits for the next financial year.

With respect to the PAR X levels, we during the complete year I think we want to bring down the PAR X to below 6%. So from the current 6.9% or so, we want to be in the 5.5% to about 6.00% or so. This drop of almost 100 to 150 bps that we will observe during the next financial year, 30 bps reduction could come in the H1 and rest of the movement can happen in the H2. This also is because there is always a denominator effect that plays out and H1 being slower with respect to the disbursement compared to H2, that dip also would play out in a similar fashion.

Ananga Rana: Thanks a lot, guys.

Moderator: Thank you. The next question is from the line of Rudraksh Raheja from ithubought Financial Consulting. Please go ahead.

Rudraksh Raheja: Yes, thanks for the opportunity, sir. Sir, my question pertains to the mortgage loans. What are the current GNPA's in that segment?

Sovan Satyaprakash: Sure. Thank you, Rudraksh, for that question. With respect to the mortgage loan, the PAR 90 for the mortgage today is about 2.7% of the total portfolio. This has increased compared to the December quarter. However, the collection efficiency even in mortgage have improved in Q4, which has resulted in the overall PAR X seeing a reduction.

So at PAR X level we are sitting at about 4.1%, which is an improvement of 5 bps to 10 bps compared to the previous quarter. So because we have already seen an improvement at the PAR X level, so we believe that the PAR 90 level which is currently at 2.73% right now should also see a reduction in the next 3 to 4 months.

Rudraksh Raheja: Got it, sir. And sir, what would be the sustainable level of GNPA you foresee in this mortgage book?

Sovan Satyaprakash: Mortgage book, I think between 2% to 2.5% is what we would be targeting the mortgage PAR 90 levels. At a credit cost level, we would want to keep it below 2% level. But from a target standpoint internally we would want to keep it in the range of 2% to 2.5%.

Rudraksh Raheja: Understood, sir. Just to double click on what you have said, this 2.7% current PAR 90, that's on book of around INR1,300 crores to INR1,400 crores?

Sobhan Satyaprakash: Yes, it would be about INR1,500 crores to INR1,600 crores at this point of time.

Rudraksh Raheja: Thank you, sir. Yes, that's about it. Thanks.

Moderator: Thank you. The next question is from the line of Ravi Mehta from OneUp Financial Services. Please go ahead.

- Ravi Mehta:** Yes, hi. Thanks for this call. Just wanted to check if you can share the borrowing maturity profile like what's due for renewals in next quarter, 6 months, any color if you can share?
- Gaurav Seth:** Yes, over the next 12 months, we are seeing a repayment of close to INR2,400 crores. Now these are the slightly more expensive borrowings that we have from the past. So the overall repayment that we are seeing in the next year is around INR2,400 crores.
- Ravi Mehta:** Okay. And if you call it out that these are expensive borrowings, what could be average rate like just to get a sense on the delta?
- Gaurav Seth:** Yes, so on an overall average basis, this is closer to 11%, 10.95% to be very precise.
- Ravi Mehta:** All right, all right. Okay. Thank you. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Viral Shah from IIFL Capital. Please go ahead.
- Viral Shah:** Yes, hi. Actually I had a question more from your 3-year vision target. If you can first of all articulate what is your say the sustainable leverage up to which you can operate, because the ROAs that you are guiding for 4% to 4.5% and an ROE of 17% to 20% indicates probably a sustainable leverage of 4x to 4.5x approximately.
- And second is basically we are guiding for reaching a 4% to 4.5% ROA in next year itself at an opex levels which are at least say 100 to probably 125-150 bps higher versus our 3-year vision. So is there an upside potential there in terms of say the ROAs for '28 and '29?
- Moderator:** Management team, you are not audible if you are speaking.
- Sanjay Sharma:** Okay. Sorry. Viral, I was mentioning that we do see a leverage at the range of 4x to 4.5x is a range that we would like to operate at. And even before raising equity in IPO, we have actually worked at about 4.5x, gone up to almost 4.8x in our leverage, and I'm talking of total assets to total borrowing
- So one is that we do want to stay in that range and while today that would have come down because of the equity infusion, but we gradually get there. In terms of ROA being in the 4% and 4.5% range as we've guided, you're right that, this year itself we will reach that target and with the falling operating expense, we should see an upside.
- We believe that we have also factored in into this a slightly lower lowering of interest rates in our HL product as well as the ML product. So there's some lowering that has been factored in as a conservative stance. Although there is no nothing in the market that shows that our rates are not competitive or are not sustainable, but still that has been factored in in our 3-year projections.
- We do believe that with that we will deliver, try to deliver in the range of 4% to 4.5% ROA and with the leverage of 4-4.5x, we should be in the high teens in terms of ROE.
- Viral Shah:** Got it. Thank you so much, Sanjay ji.
- Moderator:** Thank you. The next question is from the line of Prithviraj Patil from Investec. Please go ahead.

- Prithviraj Patil:** Yes, hi. Thanks for the opportunity. So I just had one question on the CGTMSE scheme. So is there any portfolio in the CGTMSE scheme and also just to understand does this scheme apply for hypothecation of the current assets that we lend against?
- Sovan Satyaprakash:** So we have roughly around INR500 crores which is parked under CGFMU, not CGTMSE. CGTMSE, particularly, I think there's some interest rate related capping, that's why we don't put it under CGTMSE, but under CGFMU we have roughly around INR500 crores of hypothecation book right now as of I think March 2026.
- Prithviraj Patil:** Okay, okay. Thank you.
- Sanjay Sharma:** And here the entire book of hypothecation can be covered with CGFMU, so it is eligible. We only have done a very small cover, primarily because the economics of the benefit of recovery versus the payment of commission works only when the credit costs are much higher.
- Prithviraj Patil:** Understood. Thank you. Thank you.
- Moderator:** Thank you. Next question is from the line of Sonal from Prescient Capital. Please go ahead.
- Sonal:** Hi, this is Sonal this side. I hope I'm audible. I have a small request that for the future presentations, if you could segregate and report the NPA for both the MSME and the mortgage business separately. The mortgage business is a very new business, hence and I presume the credit costs a little higher. It would be great to see that in the disclosure in the presentation.. That's all from my side. Thank you.
- Sobhan Satyaprakash:** Sure, Sonal. We'll keep that.
- Sonal:** Sure. Thank you.
- Moderator:** Thank you. That was the last question for today. I now hand the conference over to Mr. Viral Shah for closing comments. Over to you, sir.
- Viral Shah:** Thank you. Thank you, Sanjay and the Aye Finance team. Sanjay, do you want to make any closing comments?
- Sanjay Sharma:** Yes, Viral. I just want to thank everyone for their active participation in this earnings call. And in case there are any further queries, I think all of you are welcome to get in touch with the Strategic Growth Advisors, our Investor Relations advisor, or you can get in touch with any of us, Sovan, Gaurav, and I. We can take any of the queries and give you a response. Thank you so much again.
- Moderator:** Thank you very much. On behalf of IIFL Capital, that concludes this conference. Thank you all for joining us today and you may now disconnect your lines.