mahindra FINANCE

Mahindra & Mahindra Financial Services Ltd.
Mahindra Towers, 3rd Floor,
Dr. G. M. Bhosale Marg,
Worli, Mumbai - 400 018, India.

Tel: +91 22 66526000

27th July 2026

To,

BSE Limited (Scrip Code: 532720)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd. (Symbol: M&MFIN)
Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051

Dear Sir/ Madam,

Sub: <u>Transcript of Earnings Conference Call for the first quarter ended 30th June 2026, held on Tuesday, 21st July 2026</u>

Further to our letters dated 30th June 2026 and 14th July 2026 and in compliance with Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A (15)(b) and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended please find enclosed herewith the transcript of Earnings Conference Call for the first quarter ended 30th June 2026, held on Tuesday, 21st July 2026, which concluded at 7:52 p.m. (IST).

This intimation along with the transcript is also being uploaded on the website of the Company at:
https://www.mahindrafinance.com/investor-relations/financial-information#transcript-of-earnings-call.

Kindly take the same on record.

Thanking you,
For **Mahindra & Mahindra Financial Services Limited**

BRIJBALA MOHANLAL BATWAL

Digitally signed by BRIJBALA MOHANLAL BATWAL
Date: 2026.07.27 17:43:20 +05'30'

Brijbala Batwal
Company Secretary
FCS: 5220
Enclosure: As above

“Mahindra & Mahindra Financial Services Limited
Q1 FY27 Earnings Conference Call”
July 21, 2026

Management:

Mr. Raul Rebello:	Managing Director & CEO
Mr. Pradeep Agrawal:	Chief Financial Officer

Moderator: Mr. Pradeep Agrawal – 360 ONE Capital Markets Private Limited

Moderator: Ladies and gentlemen, good day and welcome to the Mahindra Finance Q1 FY27 Earnings Conference Call hosted by 360 ONE Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone. Also before we begin, we'd like to inform participants that this call is for analysts only. Any participant joining from the media may disconnect the call now.

I now hand the conference over to Mr. Pradeep Agrawal from 360 ONE Capital Markets. Thank you and over to you, sir.

Pradeep Agrawal: Thank you, Rayo. Good evening, everyone. Welcome to the Quarter 1 FY27 earnings call of Mahindra Finance. To discuss the results, we have with us Mr. Raul Rebello, MD and CEO and Mr. Pradeep Agrawal, Chief Financial Officer.

I would now like to hand over the call to Mr. Rebello for his opening remarks, post which we will open the floor for Q&A. Over to you, sir.

Raul Rebello: Thank you, Pradeep, and good evening, everyone. Thank you for joining us for our Q1 FY27 earnings call. As always, I would request you to keep the result updates which we posted on the exchanges earlier in the afternoon/evening handy. I will be referring to pages in the documents as I walk you through the key updates for the quarter.

Let's move to Page number 4 first. I have outlined what we think are the key reflections for quarter 1. We have been for a while now talking about what in our definition is pivoting back to growth for the core business as well as the new engines for growth. And in reflection, I would say we are quite pleased to see our core businesses, our wheels business, whether it's the PV business, tractor, parts of the CV segments, 3-wheeler business come back in terms of growth, which is clocked at 20%. Our new engines for growth, which was SME business, PL and what's not on this page is the housing business has also had a reasonably good quarter, which gives us confidence on the investments that we have made in the past starting to bear fruit. On the asset quality side, I would be a little more generous on our comments here. I think it's, we have been -- we are reminded that these numbers in Q1 and all of you would be aware that Q1 usually sees some element of seasonality. We have been able to handle that and overcome an extreme divergence from Q4 over Q1. And our GS3 and GS3+GS2 numbers are at an 8-year low now at GS3 at 3.45% and GS2+GS3 at 8.3%, which has had a direct impact on my last comment on profitability. If you look at the credit cost at 1.5% for the quarter, has also lent itself to us making sure that the ROA numbers are extremely formidable for the quarter at 2.4%. All in all, the standalone numbers on profitability have delivered a 70% Y-o-Y growth.

Quickly moving to the continuation on reflections for the quarter, Page number 5. Our NIM numbers saw some stress the fiscal end of fiscal '24 and '25 and we have been actively looking at the product composition, actively looking at pricing as well as fee-based income and other initiatives to augment our NIM. I must also mention that we have been benefited by a CoF, also leading to last year's rights issue adding to the mix to see that NIM number move up to a zone which we think is the right place it should be. Anything above 7%, 7.1% should be the medium-term number that we're chasing. In terms of I won't go back to GS2+GS3, but if you look at what the page illustrates versus last year, these numbers are coming at a much lower level. The collection teams have for the quarter been very diligent in making sure that early bucket collections are rendered at a very positive clip. At the same time, we have seen even reversals play out well from a collection standpoint. All in all, the AUM growth was at a 13%.

Now moving to Page number 6. I'd like to spend some time on this page. In our past interactions, many of you have asked us about how do we see a more resilient Mahindra Finance from a long-term, from a participation of various underlying asset categories. And we mentioned the cornerstone for that would be a diversified -- a more diversified asset base. If you go back 3 fiscals, the pie chart that you see, the 83%, 17% was very different. It would be mostly clustered with the wheels AUM. We are seeing a sequential good diversification now kick in from the lending franchise having a non-wheels composition. We see this increase over a period of time, not by reducing the growth in the wheels business, which I wanted to illustrate, at the 20% growth. But the real augmenting of growth will happen from the non-wheels business, which is now growing at a reasonable clip. We demonstrated a 79% growth across the non-wheels business, which is largely the SME business, the mortgage business and the PL business that we do on our existing to Mahindra franchise. So that's the highlight that the diversification is starting to play out, secular growth across vehicle categories as well as augmented accelerated growth in the new engines of growth.

On the right side of the panel, what you would see is what we are very encouraged to see our subsidiaries. We don't actively in the call, talk about our subsidiaries, but these are starting to meaningfully now throw up quarterly profit numbers. The housing finance company, very strong PAT growth, INR 30 crores posted for the quarter. Our insurance broking business, which does open architecture, insurance, motor, life, health, extremely formidable growth, 83% Y-o-Y PAT growth and a relatively newer business, 5.5 to 6 years into the offering, the AMC business also starting to now show some good signs of growth as well as profitability.

I'm picking up a bit of pace right now on Page number 8, just deep diving into the underlying asset categories of growth. I've mentioned, we've seen pretty secular growth across asset categories. But what I would call out here is our jaw of market leadership in the tractor business is starting to even widen. We have made very, very significant investments in distribution, in partnerships at various dealer counters, and that's starting to bear fruit in terms of a very high share in tractor growth. You would have seen the FADA numbers that came out earlier in the month. Rural is growing at a faster clip compared to urban in PV business. That's giving us some tailwinds, and we are seeing some of that also add to the commerce of our Y-o-Y growth. SME at 30% is a reasonable growth. We actually have a desire to grow at a higher clip. And the others, which is a combination of PL implements, etc., and again, a decent clip of 77%.

Moving quickly to Page number 9. Here, you'd be able to appreciate the seasonal volatility that I was talking about earlier. We've been able to contain that. I'm not saying that our business doesn't have seasonality. What I'm basically amplifying here is our ability to manage within seasonal variations is improving. We have a handle on variables that we think we can influence with a larger extent. So this 41 bps, which we saw last fiscal movement between Q4 and Q1 has been reduced in GS2 to only 11 bps. And the GS3 has also come down from 16 bps to 4 bps.

And on an absolute basis, basically, you'd see June to June, it's 100 bps, close to 100 bps decrease in GS2 and close to 40 bps decrease in GS3 numbers, right, with credit cost pretty much falling from last quarter of 1.94% to 1.50%. So overall, seasonal volatility being addressed, Y-o-Y also stock of GS3 reducing. I know many of you do at a back-end gross slippages. If you look at that number also, we have significantly reversed the trend on our Q1 numbers.

Moving to panel Page 10. I had called out last time with the clouds that were over us in terms of the West Asia crisis, with some of the ambiguity that was already starting to set in at the onset of Q4 with El Nino and the commentary on a possibly compromised monsoon, we decided to be prudent and increase our traditional liquidity buffers to an extent that you see as close to INR 5,500 crores that does have a drag. It has the existing, I mean, a departure from the normal quantum of liquidity buffer does have a drag, but we thought that's the most prudent thing to do. The second prudent activity was in terms of the coverage. We took 2 overlays, one in Q3 and one in Q4, and that's why you see the PCR number at the levels they are 58.1% for the quarter ending for Q1 of this fiscal.

Moving to Page 11. This is a page which gives you a good appreciation of the DuPont of how independently things are moving. The big callouts here, if you see the ROA expansion, there is a cost of, I mean, there are many things moving. While the significant ones are cost of funds and credit costs. So the 2 big ones over there, which have rendered a stronger ROA of 2.4%

Moving to consolidated financials on Page number 12. While core PAT moved at 70% Y-o-Y, I did in my passing commentary, talk about our subsidiaries meaningfully adding to the mix now. So on a consol basis, also, we have grown very well, 75% Y-o-Y at INR 927 crores.

There are pages which we basically talk about the franchise, but I will skip most of them and come to one of the capabilities that, like most formidable franchises, are building in the AI muscle. I'm moving to Page number 17. For us, Mahindra Finance took a little time to even climb the maturity curve on digital. That was our first agenda to, the first bridge to cross. We were speaking to most of you, and I'm happy that some of you joined us in our field trips to dealership locations to our CPCs. I know many of you asked us and happy to give you any -- some of the analysts have written to Urmi and team to facilitate more such field visits to appreciate what we have done over the last 2 years on climbing the graph on our digital maturity, which we call it Udaan stack. I'm happy to tell -- to share with you that it's now 100%. Our entire wheels business is done on the phygital / digital stack, which means that productivity, you'd see we're not adding too many manpower with the last 2 to 3 years, our manpower count has remained about flattish, but we are able to squeeze in much higher clips in terms of productivity, which is largely augmented from the Udaan, which is the phygital / digital stack. 100% of our disbursements close to INR 15,000 crores done in Q1 was on the new stack, which is the LOS of Salesforce, the LMS of FinnOne and the APIs we have with various other kind of toolkits, whether it is the ULI base, whether it is account aggregator, etc., all that coming to bear.

Now the next frontier for us was AI, but AI, we didn't want to get lost in the woods. We have a very strong definition of what AI will lift for the franchise, defined on 3 pillars of customer acquisition, resilient operations and efficient collections. On acquisition, we have a dollar value, rupee value target that we're chasing through digital and AI-led acquisition. We are already seeing in Q1, and we talked about it in Q4, a 25% lower cost of acquisition from these channels, which are starting to bear. On operations, we are seeing file costs come down because we have increased our in-house AI agent, which we have coined as Samur.AI, now covering from 20% where we gave the last update of our CPC operations which are agentic in nature, that's climbed very quickly to 45%, and we will see much higher coverage in the foreseeable future.

On collections, which is, again, AI augmented collections from workflow standpoint, whether it is 12 AI vernacular bots that call our customers to remind, whether it is STP, we have penal charges being collected through AI bots, which once the call is done, tuck in a WhatsApp payment link. We're seeing very, very strong rupee value benefits from the collection standpoint. More importantly, this is rendering into some of the forward flow numbers, which are coming in much lower. So our AI vernacular bots coverage has gone up to 20%, and you'll see a much higher clip going forward.

My last slide is on Page 19. This is not a new slide. Guys, we've been, I think, for the last 4 quarters this is what keeps us honest on a daily basis, very key priorities that is cascaded to the length and breadth of the organization. We have 4 big themes: defend and grow wheels leadership, which is starting to play out as you saw in the numbers. We have mortgages, SME, leasing and fee income as a big theme that's also starting to show in the NIM profile. We have margin focus which is also seeing across various asset categories. As I said, most of my business heads now speak only ROA language rather than just business growth. Risk has been swapped into by the CRO's office, by the collection head. So we're seeing all the investments that we have done in the control function play out. Overall, the Northstar for us is to have a very resilient franchise, ticking all boxes in terms of very efficient toolkits swapped in from the traditional -- moving from only the traditional underwriting to smart underwriting and sales, using the best-in-class digital data levers for overall business and controls to finally see an ROA, ROE outcome, which is in line with what we think are the best in category with the ROA now improving to a 2.4% and ROE touching close to a 15% ROE, we do think the investments that we've been focused on are starting to bear.

With that, I'll end my commentary and hand it back to the moderator for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nischint from Kotak.

Nischint: Congrats for a great set of numbers. I have a few tiny questions. One is on the operating leverage side, we have seen a fair amount of improvement. And going by the digital commentary, I would believe that we will continue to reap some fruits. But just some colour or some texture in terms of how much juice would be left and probably if there is any next leg of capex, which could be required? I mean, just to get a little bit of a handle of how the operating leverage or operating expense ratios play out?

Raul Rebello: Yes. Thanks, Nischint. See, for our traditional businesses right, I mean, the wheels businesses, you would already -- we look at 2 metrics. One is opex to average assets and cost to income. Both these numbers for the wheel business, there is a delta to squeeze out there. But as a growing franchise, we are investing in the new categories, new engines of growth for which we are not shying away from making incremental investments. So there, the opex to average assets for let's say a mortgage business or for the new SME business or for some of the new categories of PL, etc., which we're doing, those will naturally see a higher clip. But for the traditional businesses, I'm encouraged to see the number from 2.8% sequentially slip to 2.65% or come down to 2.65% from a Y-o-Y, it's almost dropped to 10 bps, right? This is largely the main businesses can see.

I want to attribute some of the investments that we made over the last 2 years in terms of the Udaan stack, the productivity gains that our frontline offices are seeing have played out. Whether this will this is very -- is there scope for it to dramatically change? We are in a distributed business. We still do a lot of digital activity. Our customer base is rural, semi-urban, self-employed so we will need to keep that opex number at a level which doesn't -- the way we look at it, we don't want to reduce opex that creates a credit cost number for us.

Nischint: Got it. But at the planning stage, can we say that your opex growth would be whatever, in line of x percent lower than loan growth or something like that?

Raul Rebello: Yes, definitely. I mean we look at the jaw between revenue growth and opex growth which will -- again, revenue happens with AUM. So that jaw has to widen for sure.

Nischint: Got it. Just looking at Slide number 24, and I'm looking at the line for end losses. We've seen good improvement in Gross Stage 2 and 3 loans, but end loss ratio remains sort of range bound in the between 1.2% to 1.3%. So how should one think about it? Does this number come down? Does this come down with a lag or this is a very comfortable number for us?

Raul Rebello: See, Nischint, I would stand by my earlier guidance of 1.3% to 1.7% overall credit cost. Sometimes some quarters, you'll see provisions going up. But since our business needs to factor both this provision as well as end losses, I don't have any new metric to offer than saying that the business model to hit our ROE expectations will operate within the band of 1.3% to 1.7%.

Nischint: Sure. And just one last one on the CV business side. When do you see the disbursements picking up or is this by design that you want to like low right now?

Raul Rebello: See, we've got this question in the past, and I've made this distinction on our participation framework shift for the CV business. We were earlier playing in all facets of HCV, construction equipment, LCV, SCV, M&HCV. We have consciously looked at from an NBFC as well as someone from a, let's say, with the cost profile that we have, we are actively reducing some of the earlier HCV, CE business of fleet operators, considering the overall ROA attractiveness of that business. I don't need to labor the point that's post-COVID, that fleet operator segment has migrated more to the bank supplier base because of the cost of fund attractiveness.

So, while we have recalibrated growth now in the SCV, LCV, but it will take time to play out on our overall numbers because we were, let's say, shaving off growth on one segment while increasing net-net, you're not seeing that number go up. I do think in the next few quarters, you will see how our investments in the SCV, LCV business will add to some of the growth going forward. Inherently, versus the other categories, CV does have its cyclicality, etc. So, we do taper our growth aspirations keeping in mind medium cross-cycle ROA objectives.

Moderator: We take the next question from Kunal Shah from Citigroup.

Kunal Shah: Congratulations for a good set of numbers. So firstly, on the growth side, so given this entire diversification strategy, the entire tech stack, improving the productivity levels, plus maybe getting equal comfort on the asset quality side. When do we see growth going up? It's reflected in terms of the disbursements, but that's again on a lower base of 1Q. So, would there be acceleration in the disbursements and the growth? And how long would it take for us to get towards maybe the mid-teens to high teens kind of a level at the -- on the AUM side?

Raul Rebello: Kunal, thanks. So I do take your point that last year was a tale of 2 halves where H1 was pretty much flat growth and H2 was thanks to GST and a lot of other benefits. So naturally, we are benefiting from -- everyone is benefiting from a lower base of last year, right? I can only go back to in our Investor Day, we basically talked about how do you think about CAGR growth for the franchise between FY26 to FY31, where I did mention that I did mention that we are looking at the franchise compound at a 16% to 18% growth, right?

Now for the 16% to 18% growth, the core business, which is the mobility business will have to at a lower end, compound at a 12%. And the new businesses will have to compound at a 30% plus. If you look at what's happening for the last 2 quarters, we are seeing that play out. For example, even the AUM growth for this quarter, the mobility -- the wheels franchise has compounded at 11% to 12% and the non-wheels franchise has started compounding at a 28% to 30%. And that's the clip we would like to maintain going forward to get an overall growth in the corridor of 16% to 18%, right, with the current mix that we have. That's exactly what we had communicated at the Group Investor Day, and we stand by that objective. We know from a categories of growth, we will have to really kind of accelerate on the new engines of growth. And we have made investments, and we are confident with the investments that we have made that we'll be able to hit those -- the accelerated CAGR growth of the non-wheels.

For the wheels, we have done this for 3 decades. We have made investments also and thank you for joining us for our field trips. You would have seen some of the core businesses that we invested in through the Udaan stack, etc. So structurally, the mobility business will definitely see industry and we are aiming for industry plus growth across the 3-wheeler, 4-wheeler, tractor, CV business.

Kunal Shah: Yes, sir, that's what maybe on the mobility business, why we are still stuck with that 12% growth after taking so many initiatives, wouldn't we see a better growth profile out there, maybe 10%, 12% on the low double-digit kind of a number still appears to be maybe, I think, slightly modest given the initiatives and the productivity which we are improving. We saw the entire tech stack, maybe it's improving the productivity quite a lot all across. Then why not scale up the core mobility business growth as well?

Raul Rebello: So Kunal, the core mobility business which I track from a FADA lens from incremental business, in all asset categories we have gained market share, whether it is the PV business, whether it is the 3-wheeler business, whether it's the tractor business. CV, we have not gained market share. But for my appreciation on month-on-month diligence on growth, we look at lender market share. And it's easy for me to get that with the bureau data and the FADA data triangulating that.

So I can give everyone confidence that -- if you look at Q1, we have gained incremental market share in all categories, except CV categories.

Moderator: The next question is from Shreya Shivani from Nomura.

Shreya Shivani: Congratulations on a good quarter. My first question is actually going to be on the ROA target. I mean we've had a very good start to the year. And I understand there are -- I mean, there is seasonality through the quarters, but 2.1% or 2.15% you are way pass that so, where do we see closing our year, maybe 4Q '27 -- 4Q '27 levels?

Second is on the monsoon trends, and this one sort of is a follow-up question to the earlier one that, I mean, we all know the risk to the deficit of monsoon, etc. But any color on what are you seeing on ground? Any kind of changes that you have made to deal with it other than the overlay that you made?

Raul Rebello: Shreya, am I audible because we had a line. Can you hear us now?

Shreya Shivani: Should I repeat my question?

Raul Rebello: No, no, I heard the question. I just want to know whether we are audible.

Shreya Shivani: Yes, yes, you're audible.

Raul Rebello: Thank you for the question. See, I just refrain from giving -- we don't give yearly guidance in terms of ROA. What we had clearly mentioned in FY24 is we don't think the franchise is doing merit to itself by operating at a sub -2% ROA. So we talked about hitting 2% climbing to 2.2% and then getting eventually to 2.5%. We gave a frame for that. We're happy that we are moving in that direction, right? We are progressing in that direction. But I'm refrain from giving fiscal year-end ROA numbers.

Now moving to your second question on how sustainable are these? What are the kind of proactive measures we are taking in an environment which clearly has clouds in terms of, let's say, the oil disruptions as well as the El Nino and rainfall. It might be repeating this, but what we have done proactively is 2 things. For the book that we already have in the bag, what we think is essential is an extreme level of monitoring and actioning. So we have created an extremely high sensitive monitoring mechanism where we look at each geography, what are the thresholds of stress points that if they are starting to get breached, we activate plan B, plan C, etc. So the monitoring of stress as well as actions in terms of collections, etc., is something that we started very early in this quarter, actually at the exit of Q4 itself. And some of that is bearing fruit. We are on an agile basis, creating collection squads, etc., which are required in locations where we see any stress points starting to bear. And this is a year which is going to be the very early part of the year this could keep manifesting in different form factors. We have created the capabilities to overmanage the situation for the existing book. The playbook for the incremental business is creating high entry barriers for businesses which we think are more vulnerable in this environment. And that's where -- whether it is in the SME business, whether it's in the mobility business, which is, let's say, operators, logistic operators, etc., which have a higher level of vulnerabilities, we have kept higher entry bars or we have asked for more skin in the game for these kind of customers which are coming through the door.

So that's the playbook we are following. I completely agree with you. This is a year where we have to not take for granted what -- how Q1 has rendered itself. We have to be extremely watchful. And there is no complacency in our franchise, at least in a decent Q1, we think it's extremely pertinent to be 100% on the ball in monitoring portfolios as well as acquiring new business.

Shreya Shivani: Right. And also the elevated liquidity levels that you've pulled it up to in 1Q, that should stay through the year? And should we expect the cost of fund, which is a 9 bps or so sequential increase to play out for the rest of the quarters as well?

Raul Rebello: I'll hand it over to Pradeep soon, but let me tell you that we are looking at the liquidity buffer on a dynamic basis. We have a very active treasury team. As we read the cost of funds and the liquidity position, we take calls. So, if we see that we are entering a new domain of stability, we won't shy away from letting go of some of the additional buffers that we created. I'll just hand it over to Pradeep to unpack it in detail.

Pradeep Agrawal: Yes, sure. So, I think we have seen the geopolitical events play out in quarter 1. And I think it's again picked up in the recent past in July as well. So on a cautious side, we as of now continue to carry an additional liquidity buffer of close to INR 5,000 crores. As and when situation improves and we feel that we neednot carry this buffer, accordingly, we'll unwind that buffer. So far as cost of borrowing is concerned, again, we have seen a fluctuation depending on the expected inflation level basis the crude prices and basis the geopolitical crisis fluctuates a lot. You have seen our quarter 1 cost of funds going up by -- equity adjusted cost of funds going up by 10 bps compared to Q4. We don't see a steep hike in this kind of cost of funds because these are impacted by the incremental cost of funds and not the entire stock cost of fund. So I think overall, we should be in the ballpark in this kind of range, 10 bps plus/minus here and there. That will, the market will determine as and when we move forward. Thank you.

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

Avinash Singh: Great set of numbers. The first question is around your strategy around, I would say, the non-wheel as well as the fee income. So regarding mortgage or housing, what's the game plan now? Are you looking to continue doing this business under that your subsidiary, but kind of changing the mandate of subsidiary to go more of a universal housing than the kind of a rural or low ticket housing they are doing or you plan to do that the prime or large ticket housing or LAP within the parent organization. So that is the one.

And secondly, regarding the fee income side, one, that, okay, what's your take on the kind of the -- at least the perceived risk or top risk around IRDAI's probably upcoming regulation regulating or limiting certain commission income? And related to fee income also, you had some time back, I mean, maybe a couple of years ago, to kind of capture the prime vehicle borrower market by going into CLM kind of arrangement with large public sector bank, including, I guess, SBI.

What's the sort of status of that? I mean, is there something progressing all completely or out? So that's kind of the entire question around your non-wheel as well as the fee income.

And the second question will be more around asset quality, very, very impressive that, okay, now you have kind of minimized the volatility and kind of a particular seasonal volatility. In terms of the disclosures, I mean, would you kind of try to give something more of a bit of a lead indicator kind of the 12 MOB 30-plus or 90-plus in that 12 MOB data to just get an idea that. How the particularly the business that you have originated, how they are improving, particularly from the early non-starter or early bucket delinquency perspective. So can you just add this kind of a disclosure probably to provide more of a bit of a lead indicator or some bit of an improvement there?

Raul Rebello: Thanks. Four questions in that. I'll take them sequentially. On the housing front, we had specifically mentioned that both the Boards will sit on judgment on this by Q2 of this fiscal. Our priority from an operating team standpoint was to set the mortgage housing in order, which we have done. If you just look at the franchise, I think it's firing on all cylinders in terms of growth. They have pretty much buried the past asset quality concerns and at an employee base, which has shaved off and now operating at a very formidable level. The operating metrics of the housing business, I would say we have crossed that bridge.

Key highlights, as I mentioned earlier, they hit a INR 30 crores PAT, mostly by good set of growth numbers, good set of GS3 slippages, etc., all contained well. So that's on the mortgage side. We do 2 facets of business there. We do affordable, which is self-construction and some kind of in our non-metro locations because we are a deep geography player. So we get that commerce. And we have started in a calibrated manner, the prime business, which on a consol basis we think on a medium to long-term will be not ROA a drag on the franchise. That's on the housing.

On your comments on insurance, I think there's a dynamic evolution of -- we don't see the guidelines yet. We know that something is coming regarding a very prescriptive manner in terms of what commissions are going to be, etc. I would just say that our insurance income today for both our credit life as well as we have activated even non-credit life, right? Our 1,300 branches now are selling retail products. And what we take most comfort is all the products that we do are extremely good for the customer. There is complete consent. There is products which are for a customer segment, which is fraught with volatility and ambiguity. All the products that we do are anchored with what is absolutely good for the customer throughout all our audits, etc. We have come -- we have been, I would say, bracketed as a very responsible provider of all the credit and protection products. So we are very confident whatever regulation comes because our products are very clean, no hybrid or no ULIPs or no very complicated products. We do very basic products. We don't see a very big departure from the fee-based income, which we have swapped into the organization over the last 2 years.

Your third question on co-lending, the guidelines change, which meant from January 1, there is only one playbook for co-lending, which is a system-to-system integration. So we were doing some business with some banks. We had to unplug that because of the system readiness. I'm happy to share that we have gone live in the PV business with one bank in this quarter. Very --

numbers are not material, but we have managed to go live. We do see merit and we will continue to do AB testing, etc., considering we have an access to commerce, but that commerce may not do benefit to our balance sheet. We are looking at the best way to partner with like-minded folks who can win-win for the customers' overall pricing expectation.

On your last comment on credit cost disclosures, I think we have a fairly decent level of disclosures right now on GS2, GS3 within credit cost, how much is end losses, how much is provisions. But I'll reflect on what you suggested and see whether we need to further amplify some of the disclosure elements over there. And if we think there's merit in doing that, we'll kind of edit the pages accordingly.

Moderator: The next question is from Piran Engineer from CLSA.

Piran Engineer: Congrats on the quarter. Just if I could delve a bit more into what sort of underwriting tightening we are doing in the tractor portfolio, specifically with respect to El Nino risks, that would be helpful?

Raul Rebello: So, Piran, thanks for that question. See, there are certain, so let me just unpack the tractor customer segment, right? There is a customer segment, which is totally dependent on rural cash flows and agri cash flows. Typically, what we do there is we do a half yearly or a quarterly installment because it reflects into their cash flows. And then there is a large set of customers, which are using the tractor for haulage income as well as partly agriculture or rural cash flows. So our underwriting reflects that. So our underwriting would largely be relevant, what you talked about, the El Nino, etc., would be those households or those customer segments whose fortunes are very, very tightly coupled with agri cash flows. And there, our underwriting scorecards, as usual, assess what the agri output should be to repay the kind of the levels that they are borrowing, whether it's a combination of cash crops, MSP crops.

So a very detailed tool and maybe we can spend more time offline giving you more color on that. But for this group, let me just say that what we see as an El Nino risk is not just rainfall, but it gets amplified overall by rural and agri cash flows. And rural and agri cash flows is not very simplistically just what is agri output. It's a combination of mandi arrivals, MSPs and a whole lot of things that undertakes that rural cash flow. Too early in the day to call, but we have enough experience over the last 3 decades of doing tractor underwriting to know and to, of course, augment the underwriting scorecards to keep the right level of approval rates to also -- we play on LTVs also, right? Piran, in our customer segment, the more skin in the game, the better buffered we are in terms of this, in the credit cost ultimately playing out.

Piran Engineer: Got it. Sir, and for the back book, there's nothing more we can do apart from just, say, augmenting monitoring or collections, etc., right? You're referring to tractors…

Raul Rebello: Yes, yes. You're bang on. We don't want to be the last creditor in the list. We'll show up first. We'll kind of, we always say we have made, we are fair but firm in our collections.

Moderator: Next question is from Viral Shah from IIFL Capital.

Viral Shah: Congrats on a good set of numbers Raul. Raul, just while most of my questions have been answered, can you just help us delve deeper into what is structurally now driving the market share gains for us in some of the subsegments or rather most of the subsegments of vehicles that we mentioned, right?

Like what is the strategy that we have over the last probably couple of years fixed? And how should we think about this going ahead? And of course, there is some, I would say, potential risk in this year with regards to growth. But structurally, how would you put it?

Raul Rebello: Yes, thanks from the ability to gain incremental market share the biggest vectors over there are improving channel relevance and being hygiene in terms of customer relevance in terms of TAT, product features, etc. I think what we have concentrated on for the last few years is we were seeing Mahindra Finance slip on the channel relevance, specifically because some of the, let's say, the customer TAT, the ability to respond fast with the time to yes, time to money, all of that stuff, the industry had moved or the finance industry had moved ahead of us.

Thanks to the investments done in the Udaan stack, etc., and I'll invite you, I don't know whether you were part of the field trip, through which saw it in action at the dealership or at our CPC, our ability to scale the time to yes, and time to money has gone up which is rubbing off well on the channel relevance. That's what I would place as one of the abilities structurally to be the financer of choice to the channel and the customer. I must also mention that versus other financers, who basically, our very, they come in at festive season, they go out. We are a mobility financer who have very well immersed ourselves in the micro market and that dealer ecosystem. And that's now starting to play out. We have created in the last couple of years, we created a program called key account manager for our dealers, where we have, looking at dealer relevance holistically from trade advance to inventory funding to retail market share to other abilities to deepen relationships. Because in this business, while some of the lenders have tried to be extremely cute in their channel relevance and higher index from customer elements. We look at it in a combined manner of channel and customer relevance and all of the investments that we have made in the couple of years have, I would say, giving us -- I don't think they arrived in life. We've been able to climb our graph on both these relevance point and that in someway giving us what we see incremental market share benefit. And with these investments, it's not all done. We continue to invest. Hopefully, we'll keep our incremental market shares also at a formidable level.

Viral Shah: Thank you for that detailed explanation Raul and of course, I'll connect with you separately. Just as a follow-up, the second question on that insurance piece that you mentioned, how should we think about it with regards to the MIBL subsidiary that we have?

Raul Rebello: You're talking about the MIBL?

Viral Shah: Yeah, MIBL. You explained the standalone piece?

Raul Rebello: So see, we have a corporate agency license and a broking. Both have, I would say, the playbooks are quite differentiated, Viral. Earlier, I would say, because we didn't have a corporate agency, we couldn't exploit revenue pools that existed, right? So we had to have the broking company in a very inefficient manner sit in our branches, etc., and do captive business. So we have created a very significantly clean playbook, what the corporate agency will do and the corporate agency largely does Mahindra Finance ecosystem business and MIBL does open market business as well as M&M ecosystem business, which is the first year vehicle motor insurance business, right? And what we have seen the operating team at MIBL deliver very well is the penetration in the first, second, third year of the motor insurance business in M&M ecosystem as well as they've gone into 2, 3 other OEMs now created relevance over there. And I think the headroom for MIBL in the motor insurance business, there is still significant juice for us to exploit. You are already seeing that in the numbers. Q-o-Q, they have grown from PAT 21% to 38%. There's a lot of operating focus in motor and commercial lines.

I would like to point out in the MIBL business, it was a one-trick pony, just motor insurance. Now they're starting to see reinsurance, commercial line business all come in. We've got a very good leadership team there, very good second line of leaders, all staying extremely honest to market share increase for the 3, 4 facets of the broking business that they are set their eyes on.

Moderator: The next question is from Abhishek Murarka from HSBC.

Abhishek Murarka: Congratulations for a very great quarter. So Raul, I want to check this credit cost guidance of 1.3% to 1.7% that you've given, implementation of tech, AI, etc., how much of this do you expect to get shaved off? So this range of 1.3% to 1.7%, let's say, over 3 to 5 years, does it come down by 20 bps, 30 bps? How do you see the efficacy of the AI work that you're doing?

Similar kind of question on the cost side, right? So there too, we are doing a lot of tech upgrade and higher growth in new businesses. So when do you see that operating leverage playing out? And related to that is the employee base, especially in your stand-alone, that's been around 22,000 people. But at the same time, you're seeing higher disbursements and higher growth. So at what point do you need to start adding to that? Or do you think you'll have enough efficiencies that employee growth lags AUM growth by a significant -- I mean, significantly. So you are just trying to get a handle on these 3 things?

Raul Rebello: Thanks, Abhishek. See, I just want to at the upfront mention that there is sometimes a perception that AI is this magic wand that can shave off at no cost. But for everyone who's starting to soak in the token cost numbers, we need to look at the trade-offs between token cost and human capital cost, right? So I just want to make that point. Maybe many of us got layered into looking at in the honeymoon period of AI not being a big token cost guzzler. We have a very conscious view on what's that trade-off on the opex front at least. And by virtue of our business, most of our business is not just pushing money into someone's through an app to somebody's bank account, right? We are not a very prolific PL open market player. So our businesses have a leg of assisted journeys. Our businesses do have customer segments who are not all 100% digitally savvy. So I don't see, I mean, we have come down on our own graph of opex to average assets, cost to income.

We have come down reasonably. I've always said being in the 2.5% to 2.7% clip is a business model requirement for us. Anything below that significantly might start showing shades of compromise on the credit cost side. So that's my take on the opex side. We will use as many tools. Please visit our CPC to see how, where the AI tools, not consuming too much, we look at AI more from an ML and our own open stack model so that we're not guzzling on token cost to augment the efficacy of reducing cost per file, reducing some of the traditional cost of acquisition, etc.

Now to your question on whether 1.3% to 1.7% if -- again, AI will drastically shape that number up, I would still stay with that 1.3% to 1.7% for the business model from a medium term. And this is, by the way, we all know that our businesses have cyclicality, right? I've given this range across cycles because I do believe at the lower end, we'll be able to augment a lot of the tools to come close to the 1.3% number. We're already at 1.5%, but there could be times when things go south, and that's the 1.7% for those kind of times.

Abhishek Murarka: Right. And employees?

Raul Rebello: Employees, in passing, I did mention that we have come down. We think that, we don't see, Nischint at this point, how do we see ROE expansion? As I mentioned, my growth in revenue has to outpace growth in opex. So growth in opex is -- companies like us have largely 2 costs, right? We have people cost and we have branch costs. So we will optimize between this to make sure that, that jaw of revenue growth versus opex growth is optimized.

Moderator: Next question is from Anand Dama from Nuvama.

Anand Dama: Congrats for the great set of results. My question was about the gross spreads, which have actually come down quarter-on-quarter. What kind of cost of fund that we should expect going forward? This is again a cost of fund that we have seen for the average for the quarter. What was that for the month of June? And if you basically, I think you to one of the participants, you said that you want to keep the liquidity on a higher side given the conflict and so on. And so basically, in that case, that should have a bearing on the overall margins for us for the full year?

Raul Rebello: So I'll give some opening commentary and hand over to Pradeep. See, you're right, the sequential and it's a single-digit number, so possibly, you're not able to appreciate it in total. But if you just look at the big number that has moved between the quarter-on-quarter, it is the loan income, which has fallen by about 25 bps, right? Now there's a big contribution of that 25 bps completely to the liquidity buffer, enhanced liquidity buffer of INR5,500 crores that we are carrying, right? I don't have a crystal ball to gaze to say that this number will completely get shaved off in next quarter because it's a dynamic, we are watching overall liquidity. The treasury team, as I mentioned, does watch the liquidity position to take calls whether we need to slide down on that buffer or keep it.

So far, we believe as a prudent lender, it's always good to err on the side of caution. So we are keeping a buffer right now. The minute we see things getting better, that number will get shaved off, and you will see that loan income, that 25 bps, which is largely attributed to that, also go down and give us a gross spread, which is coming back to a more formidable number. But maybe Pradeep can add more color to that.

Pradeep Agrawal: Yes. I think, again, just Raul has already covered this topic. But this fall in the loan income is not attributable completely towards the negative carry. It's more of a denominator impact. So that's the point I just want to clarify over here. Negative carry is there for the extra liquidity, but it's not very tangible enough to run this kind of large businesses to absorb any sort of unforeseen market dynamics. From that perspective, I think liquidity drag is not that much. It's more of a denominator impact, which is kind of dragging us the loan income in terms of percentage terms.

In terms of CoF, if you ask me, I think in the earlier question, I've already replied like quarter-on-quarter when the borrowing rates were elevated throughout the quarter, we have seen a 10 basis points of increase in the CoF compared to last quarter. Whether the borrowing rates further goes from here or once the situation normalize, we can see a certain amount of softening in the borrowing rates. I think these are all market dynamics which play out. Overall, I said that it doesn't impact us largely because we are carrying a stock of borrowings and incremental borrowings only get impacted because of the rate fluctuation. So all we are quite comfortable with the current range, which we have already guided for the year last quarter also. So that's the way I kind of put it the cost of funding.

Anand Dama: Sure. That's helpful. My second question is on the collection efficiency. That's trending well in the first quarter. Do you expect that to continue or basically it should improve further in the second quarter? And if yes, whether you would want to unlock the management overlay that you have built in the second quarter or maybe after that once you have a better handle on the overall situation?

Raul Rebello: I think it's too early to call the second quarter. We are, as I said, we have an enhanced monitoring for making sure that the vulnerability sectors are over prioritized. Q1 has been, has played out well. Q2 typically has some kind of disruption in certain categories like tractor, etc., which will be more watched this quarter considering the new curveball that is there. But I don't want to kind of call the Q2 number right now. I can just say that we are making sure that we are equipping the teams to over manage any disruptions.

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

Abhijit Tibrewal: Congratulations on a good quarter. Just 2 questions and basically clarifications on what you have already shared with us earlier. First on growth, I think I remember you shared that the wheels business should grow at 11% to 12% and the newer businesses should grow at 30%, which would allow us to deliver a loan CAGR of 16% to 18% over the next 5 years. So given where growth is today and expect it to pick up gradually, is the understanding right that maybe at the fag end of this 5-year range that we are talking about, maybe FY30, FY31, we are looking at a growth which should be in excess of 18%, 18% to 20% to get to that 16% to 18% loan CAGR?

Raul Rebello: Yes. So Abhijit, are you talking about disbursement CAGR or AUM CAGR?

Abhijit Tibrewal: No, I'm talking about the AUM CAGR. 16% to 18%.

Raul Rebello: I would stick to the 16% to 18% range because there is a very strong non-wheels assumption, not assumption, but a tuck-in ambition in that. So the 16% to 18% is itself quite formidable. I don't want to kind of put my hat on 18% versus 16% at the moment. Investments have been put in place for all the non-wheels business to grow at a very rapid clip. Teams are also, the leadership teams in these segments have come in, channel investments, product investments, all of that are well set and also getting set in new markets. So just read it as the same 16% to 18% that we had mentioned earlier.

Abhijit Tibrewal: So basically, what we are aspiring towards 16% to 18% growth by FY30, '31 is that the right understanding or of CAGR -- or even CAGR of 16% to 18%?

Raul Rebello: CAGR 16% to 18%.

Abhijit Tibrewal: Got it, sir. Sir, the other clarification I wanted to have is that in this call itself, a couple of times we alluded to this through cycle credit cost of 1.3% to 1.7%, given that 1Q typically used to be that quarter which used to be the most problematic in the past. We started the first quarter with credit cost of around 1.5% plus you had also built a management overlay in the fourth quarter.

So would you think that this year, the credit cost can be closer to the lower end of that guided range on credit cost? Or do you think that there's still some risk from El Nino or a relatively weaker monsoon this year in some of your product segments?

Raul Rebello: Too early, Abhijit, to kind of call the full fiscal. I mean, we're just, I would say, while we are enthused with the way Q1, but we are not taking anything for granted or we are not in any ways complacent because there are, we are not looking at an easy, just because there are overlays that we will kind of consume it on tap and keep the credit costs low. These are very specific overlays come out. And we don't want to, in a convenient way, dip into it. So that's not the nature in which they are set up. So I would still say just, yes, if we continue to execute well, we'll be in the lower end of that range. If too many curveballs come away, we will but definitely be within that range.

Abhijit Tibrewal: Got it. And then just the last clarification that I had is the housing business, I think -- I mean, you mentioned earlier in the call that one is the affordable piece and then the other one is the prime piece. I think, I mean, a few quarters back, we were also toying with that idea of doing housing from the stand-alone entity. And sometime, I think we had also submitted a proposal to the Board to merge the subsidiary with a stand-alone entity. Any thoughts on that? Or right now, the focus will be on doing housing business from MRHFL?

Raul Rebello: So we mentioned that the proposal will be taken to both the Boards by Q2 of this fiscal. So hopefully, we'll give you an update next quarter.

Moderator: The next question is from Pankaj Murarka from Renaissance Investment Managers.

Pankaj Murarka: Raul, I have 2 questions. Within the 30% guidance that you're giving for other businesses, given our housing business is a very small business, the TAM is very large, the underlying asset is secured. Can that business not grow at a much higher pace or rate given the context once we have our system and processes firmly in place, one?

And secondly, I understand that we have adequate or more than adequate capital at this point of time. In this cycle of 5 years, when do you think you'll come back to shareholders to ask for capital?

Raul Rebello: Yes. So on both the questions on, if you just look at the quarterly growth on mortgages, it's growing at a much higher clip than let's 100-plus clip. But of course, these are early days, so that will moderate. I just look at the mortgage growth adjusted to margins. We have to be careful about that. It's a business where the headroom for growth is pretty large. We are, like you rightly said, currently under-indexed in terms of where we are, and there is scope with our balance sheet and our ability, cost of funds, etc., to participate. We will continue growing. The 30% is more consol non-wheels. So there are categories there, which we are, let's say, the SME business, etc., which may not grow at the same clip at mortgages. So consol 4-year CAGR is the number that I talked about 30%. On the second question, which was sorry, what was the second question? Other than mortgages?

Pankaj Murarka: When will you come back to shareholders seeking capital?

Raul Rebello: Yes. We are currently pretty comfortable in Tier 1 plus Tier 2. I think Tier 1 is 16.5%, right? And we are way above the regulatory requirement. I don't see us in the next at least 6 to 8 quarters requiring capital.

Pradeep Agrawal: And the second thing, if you look at, we are still at a debt to equity ratio of 5:1 for the Q1 FY27. And I think in the earlier also, we have guided very clearly that we have to achieve our desired ROE, we'll quite comfortable levering it to maybe 6-plus kind of debt to equity. So that also plays out in deciding when to raise capital.

Moderator: The next question is from Chintan Shah from ICICI Securities.

Chintan Shah: Congratulations on a strong set of numbers. So, first question is on the underlying portfolio health. So if I look at the collection efficiency, so it is kind of flat at around 95%. But at the same time, the credit cost and GNPL both have declined on a Y-o-Y basis. So just wanted to understand what is the improvement is driven by which factors? So is it due to better recoveries or lower flow forwards? First on that? And secondly, a related question on this would be, have you seen any impact of the recent fuel price hike on the cash flow for operators or any change in the credit behaviour due to the fuel price hike?

Yes. So that's the first question. And one last question on the yield front. So while we have been able to expand NIM, but that has been largely driven by cost of funds benefit and the momentum now seems to be shifting. So now cost of funds have seen improve an inch up in this quarter and yields have also contracted by 10 bps Q-o-Q. So what's the kind of outlook on yield? That's it from my side?

Raul Rebello: Yes. So see, collection efficiency, the metric is generally what is the numerator is collections from standard book as well as collection from NPA number, driven by total deals, right? So that's the way to read collection efficiency, which has stayed range bound. The forward flows, which is your stock of GS2 and GS3, the way to look at that is the flow forward from age1 to age2, age 2 to age 3, age3 to age4. That is the GS2, GS3 number, right? So you had a question on what is the difference between collection efficiency and Stage 2 flow forward or what was the question?

Chintan Shah: No. So I was trying to understand that collection efficiency has been kind of stable at 95% odd levels Y-o-Y. But so credit cost and GNPL has seen a sharp decline on a Y-o-Y basis. So just trying to reconcile, so what is exactly happening for the decline? Is it lower flow forwards or better recoveries?

Raul Rebello: Yes, lower flow forwards and even the credit cost -- sorry, the backward flow from GS3 to GS2 also is happening at a higher clip. It's a function of both flow forward as well as backward flow, better backward flow.

Chintan Shah: Okay. Got it. And on the margin front, if you could just comment.

Raul Rebello: Pradeep, do you want to take the margin front?

Pradeep Agrawal: Yes. Margin front, again, I think we clarified that on a sequential basis, the contraction which you are referring to in the loan income percentages, that is more of a denominator impact, and it's not the actual yields on a quarter-to-quarter basis. That's point number 1.

Point number 2, again, I think I'm reiterating the fact that even there was a quite a good elevation in the borrowing cost in quarter 1 compared to last quarter 4, we have seen a 10 basis point of increase in the cost of funding. The moment we have, you can say geopolitical crisis going out of our way and inflation expectation also coming down, which is largely right now driven because of the crude prices and the expected maybe some anticipated rate hikes in the overseas markets. The moment those expectations are toned down, we can see, you can say, reasonable borrowing market. So as such, at least we are not concerned about the steep increase in cost of funding going forward.

Moderator: The next question is from Vinod Rajamani from Nirmal Bang.

Vinod Rajamani: Congrats on a good set of numbers. Just wanted to know on tractors, the AUM -- the disbursement number is quite strong. So is there any pre-buying or something which is kind of, is that playing out for tractors? And also is also the -- in terms of the end uses, is it shifting more away from, say, agri to, say, construction and so on? Is that also leading to a greater uptick in tractor disbursement?

Raul Rebello: See tractor, typically if you look at the seasons for tractor, Q1 is a strong season because before kharif, before sowing, there's a natural buying behaviour that happens. I would say one of the silver lining of late rains this year was that generally, what happens is when rains onset of rains, the tractor purchasing comes to a standstill. So some of the Q1 volumes that you would have seen some of the OEMs also talk about is because in certain geographies, delayed rains elongated the Q1 buying cycle, which helped both the OEMs and lenders like us get a higher growth number, right, which anything which happens in Q1 will have a bearing in Q2, so you might see a contracted Q2 because of an accelerated Q1.

That's one reason why we have seen in various geographies a stronger Q1 for tractor. Your second question on whether the mix of haulage versus agri, I'm not seeing a big shift in that. It's playing out as usual for us. It's no big deviation from the past mix.

Moderator: The next question is from Meghna Luthra from InCred Equities.

Meghna Luthra: I just had one quick question, again, following up on the tractors. What would be I mean, I do understand that our share in the group M&M business has inched up to 46% since the last 2, 3 quarters. What would be our share in particularly tractor and PV? And do we expect this share to inch up further?

Raul Rebello: Yes. Just a correction there. Our share in M&M is not 46% only for tractor. It is an overall business. So the 46% that you see in our total assets is a combination of PV, CV, tractor, right, not just tractor and the 3-wheeler business also. So that's the 46%. What was your second question, sorry, Meghna, I didn't get that.

Meghna Luthra: So the first question was what is our share in tractor and in PV, particularly because that I kind of understood it is the entire asset base. And do we plan to or do we intend to say, inch up or finance more vehicles from the group company?

Raul Rebello: So, I just want to be fair to our disclosure standards. We don't give that very specific cut on PV, CV, tractor. All I can say is that the way we approach this business, we look at it as a strategic partner, the group's PV, CV and tractor business, we do not have any discriminatory scorecards for M&M versus non-M&M. It is we don't even use the terminology captive. It's strategic partner. We have certain programs that we run with them. The kind of synergy that we enjoy is earned. It is not given for granted. We compete with all other financers. But we do have, over the years, developed a certain amount of synergistic benefits, which is not predicated on any lowering of commercial guardrails or credit guardrails, right? We have grown in market share with all the other OEMs also in the PV/CV business.

In the tractor business, considering Swaraj and M&M have such a dominant share. We have, in fact, within the Mahindra Finance business itself, created there 2 entities actually on the ground. They're number 1 and number 2. So we have even in the Mahindra Finance tractor division, M&M and a Swaraj division created to make sure that we have ability to attract on a commercial margin, ROA accretive base, higher market share in both these franchises. But whenever we think it's the right time to give more disclosures on PV, CV, etc., we will think about it. Right now, I don't want to just take the 46% that we have put there as the overall wheels partnership that we get from the M&M assets.

Moderator: The next question is from Raghav Garg from AMBIT.

Raghav Garg: So sorry, I joined the call a bit late. I wanted to ask if you've given your disbursement growth guidance for FY27 and '28. That's my first question. And then I have one more question?

Raul Rebello: No Raghav, I'm sure you know by now, we don't give especially the year disbursement guidance.

Raghav Garg: Sure. See, I was going through your annual report for '26 and your disclosures are pretty good and you've disclosed that the number of vehicles financed, those have gone up by 5% year-on-year. While I think the industry growth in terms of autos sold was higher. So that implies that the growth in the number of vehicle finance contracts done by you has been lower versus the industry growth. If you can give me some color as to why you lost that market share or why your growth was lower than what the industry saw in terms of number of cars and PVs sold.

And then when next year, you think about your disbursements growth or AUM growth, how do you think about it? Because it is quite obvious that the volume growth for the industry will normalize lower, right? It cannot sustain at double digits. It tends to be in single digits, maybe between 5% to 10%. So next year, when the auto growth normalizes for the industry, how do you plan to accelerate your AUM growth in that scenario? That's the question?

Raul Rebello: Sure, I mean, since you're referring to last year's number from the annual report, let me just tell you how we think about the unit growth. This 5% number is what you are referring to is across PV, CV, tractor used, right, because every category has -- if I were to just give you how we look at the unit growth dimensionalized to the franchise, in the PV business, we would have lost unit growth last year, specifically because of the segments that we sit out, right, the extremely low IRR business, which happens from the premiumization playbook.

As you know, the PV segment has had a huge premiumization play over the last 4 to 6 quarters. We actively sit out of that very, very low IRR business, and that's the PV unit market share that we have lost. When we look at the entry-level cars, when you look at post GST reforms that happened with some of the entry-level cars, we have from H2 last year till Q1 of this year, gained market share, right? So that's how we look at the PV adjusted to margins and returns. The PV business is growing in a decent clip, we don't look at overall PV over there.

In the CV business, we have gained market share in the SCV LCV business. We have lost market share in the HCV business, fleet business, CE business. Again, a conscious call. In tractor, universally, we have grown significantly higher than industry on unit. And on used, we have kept clip with the market. We have not lost or gained. We have kept clip with the market. That's the way to think about the unit growth that you mentioned.

Raghav Garg: That's very helpful. And then I think the other question that I had was when this industry growth normalizes, the volume growth, how are you thinking about accelerating your AUM growth? Because you need the disbursement growth at that point in time as well?

Raul Rebello: Yes. So see, the unit growth will always keep in mind what is the margin-adjusted growth that we are looking at. In the PV business, we are happy to see post October of last year, some of the segments which has historically been very inactive come back, right? And that favors us. Even if you look at the FADA numbers for rural PV and rural CV, that's been growing at a higher clip than urban. So all of these are tailwinds for a player like us to beat unit and industry growth. We hope that the rural trends to play out and there will not be too much of disruption. That will augment it well for us. You may have joined the call late. Some of the PV business, which has historically been margin dilutive for us, but we have access to that commerce.

We have done very early days evaluation on co-lending, etc., how can we not miss that action, but participate in that commerce. We will see some of that, those instruments, if they play out well, we'll use those instruments to augment the overall growth momentum in the wheels mobility business.

Moderator: Next question is from Prachi Jain from Equitas.

Prachi Jain: Hello.

Raul Rebello: Moderator, this the last question we'll be able to take, please note that.

Moderator: Yes, sir.

Prachi Jain: So I wanted to understand that, so our tractor demand has remained...

Moderator: Prachi, your voice is breaking.

Prachi Jain: Am I audible?

Raul Rebello: Yes.

Prachi Jain: Okay. So I wanted to understand that tractor demand has remained relatively resilient despite the weather-related concerns or the geopolitical concerns currently. But how do you currently assess the demand across your key rural markets, which is now going forward? And any changes you've been seeing in the booking trends or the dealer inquiries in case you've been assessing them?

Raul Rebello: Yes. So Prachi, I did mention earlier on, we saw a little bit of a Q1 departure from normal trends aided by delayed monsoons. The buying period got extended. We also saw a tailwind for tractor purchases in Q1 was a form factor of very high rural cash flows because of rabi mandi arrivals and price discovery. So where the markets that we have seen strong growth was a resultant of, again, people turn up and buy a tractor, when margin money and margin money is generally a reflection of rural cash flows. And rural cash flow is not just agri, it's agri plus haulage plus plus.

So, so far, that's been the trend that we have seen. We'll have to see how the rest of the year plays out, right? And hopefully, with some of the disruptions being the mitigants of some of the disruptions today. For example, I was reading a report about crop insurance is 3x than it was 4 years back. So even if there are disruptions on, let's say, price, does that serve as a buffer. We are already talking about the government adding its weight on MSPs.

Prachi Jain: MSPs.

Raul Rebello: So, it's not an oversimplified monsoon that just has a direct impact. There are multiple factors that go into it. And we are watching as a very significant player; we are pretty agile in our practices to respond in a manner which is befitting of how local geography issues play out.

Prachi Jain: So, any regional differences you are seeing in particular all other states where there could be the rainfall has been below normal or is very rainfall dependent?

Raul Rebello: No. I mean, the departure from normal is higher in states like Rajasthan and MP and Gujarat for now. But too early, are still in its first stage, which we hope that things can normalize. And the same as important to look at state coffers, the states which have better treasuries are more equipped to add their balance sheet to cushion some of these disruptions.

Prachi Jain: I mean, so the credit cost, I mean, how do you assess I mean, in case there are disruptions, how do we take this thing credit cost can go to what level for us?

Raul Rebello: So Prachi, we don't give asset category credit cost. In the call earlier talked about 1.3% to 1.7% being the franchise credit cost bands. Let me also mention that I'm seeing the OEMs play very responsibly. They are not flooding the dealers with huge inventory. If you look at the dealer stocking, even tractor, it's a very reasonable level. It's not over so we don't see any perverse practices in a season, which needs to be, all players have to be responsible. So the OEMs, the dealers, everyone is following the right practices. So credit cost from a franchise like us, we have given this guidance, but let me also remind you that we created certain overlays in Q3 and Q4, specifically to take care if things go extremely violently south, we have buffered up to smoothen any disruption. I don't know whether you're following our overlays that we created. They were created one of the specific reasons was a possible compromised monsoon.

Moderator: Thank you very much, that would be the last question. On behalf of 360 One Capital Markets, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Raul Rebello: Thank you, moderator. Thank you, Pradeep and Rayo. Thanks.