

May 7, 2026

The Manager, Listing Department, BSE Limited ("BSE"), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. BSE Scrip Code: 532636	The Manager, Listing Department, The National Stock Exchange of India Limited ("NSE"), Exchange Plaza, 5th Floor, Plot C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. NSE Symbol: IIFL
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Sub: - Earnings conference call transcript

Dear Sir/Madam,

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation regarding the earnings conference call for the quarter and year ended March 31, 2026, please find annexed herewith transcript of the said earnings conference call which was held on April 29, 2026.

The same is also made available on the website of the Company i.e. <https://www.iifl.com/iifl-finance/financial>

Further, we hereby confirm that no unpublished price sensitive information was shared or discussed during the said earnings conference call.

Kindly take the same on record and oblige.

Thanking You,

For **IIFL Finance Limited**

Samrat Sanyal
Company Secretary & Compliance Officer
ACS – 13863
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Place: Mumbai

Encl: as above

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“IIFL Finance Limited
Q4 FY26 Earnings Conference Call”
April 29, 2026



**MANAGEMENT: MR. NIRMAL JAIN –MANAGING DIRECTOR – IIFL
FINANCE LIMITED
MR. R. VENKATARAMAN – JOINT MANAGING
DIRECTOR – IIFL FINANCE LIMITED
MR. VENKATESH N – MANAGING DIRECTOR– IIFL
SAMASTA FINANCE LIMITED
MR. GIRISH KOUSGI – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER - IIFL HOME FINANCE
LIMITED
MR. KAPISH JAIN – CHIEF FINANCIAL OFFICER – IIFL
FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to IIFL Finance Limited Q4 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listed only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kapish Jain, CFO, IIFL Finance Limited. Thank you, and over to you, sir.

Kapish Jain: Ladies and gentlemen, thank you very much for joining our quarter 4 earnings call for fiscal year 2025-'26. Joining on this call with me is our Managing Director, Mr. Nirmal Jain, our Joint Managing Director, Mr. R. Venkatraman, Along with them, we have Mr. Girish Kousgi, MD and CEO of IIFL Home finance; and Mr. Venkatesh N, who is the MD CEO for Samasta finance.

With this introduction, I handover the call back to Nirmal to give you an update on the entire macro situation and the strategic elements on the company.

Nirmal Jain: Thank you, Kapish. Good evening, everyone, and thank you for joining us this evening. And let me start with a brief perspective on the macro environment. So as you all know, the Indian economy continues to demonstrate resilience with steady GDP growth, moderating inflation and broadly supportive monetary stands.

Importantly, credit demand, particularly from the retail and MSME segment remains strong and these are the sectors which are structurally under penetrated. In this backdrop, the NBFC sector is entering a more stable phase after a period of recalibration. The industry's focus is clearly stepping towards asset quality, capital efficiency and a sustainable growth, supported by a tighter regulatory oversight and improved risk discipline. And in this context, our strategy at IIFL has been deliberate and consistent. Over the past few quarters, we have repositioned ourselves in terms of the portfolio now towards secured lending. We exited or scale down higher risk segment and strengthened our balance sheet.

So today, we are anchored on 3 clear pillars or 3-pronged strategy, one, secured lending dominated by gold loan and mortgages, mortgages comprised by home loan and loan against property. Two, capital-efficient growth- co-lending and off-book partners at a bank; and three, AI-led operating model to drive productivity and risk control.

We are beginning to see the outcomes of our strategy coming through clearly in our performance now. On technology front, our investment in AI are translating into tangible productivity gain. Across lead generation, underwriting, collections and cross-sell, AI is improving conversion rates, reducing credit costs and enhancing operating efficiency.

Regarding income tax, as you know, there was a search operation in the entire group. The assessment orders have been received for certain group entities. And therefore, I believe that for IIFL Finance also, the order is expected very shortly. I think within few days or a week, we should get it. We have fully cooperated with the tax authorities, and we remain confident in our

position, which I had stated earlier also that the process should not result in any material adverse outcome for our operations or financial positions or business momentum.

With this, now I come to business performance. Our loan AUM has crossed the INR1 lakh crore milestone and we added INR1,08,000 crores of total loan assets. Our gold loan continues to be the standout performer. The business has come strongly post normalization with robust growth, stable yield and a very strong compliance and risk framework and this remains our primary growth engine.

Microfinance is seeing a robust recovery with improving collection efficiency and stabilizing asset quality. We are growing this book cautiously with a sharper focus on quality and sustainability. In housing finance, we have consciously pivoted towards affordable home loan and midsized loan against property as a additional product in that entity.

In the last quarter, our AUM have remained flat and profitability remains subdued partly due to higher-than-expected stress in our legacy micro LAP portfolio. But on the whole, we believe that the business is at an inflection point with new leadership, a sharper product mix aligned to our core strength and improved underwriting, we expect consistent improvement trajectory in our housing finance business as well.

Overall, the quality of our loan book has improved materially. Our provisioning remains strong, the balance sheet is well positioned. And as we look ahead, our outlook remains constructively positive. We expect continued momentum in our secured lending portfolio and further improvement in our asset quality, scaling up of co-lending as core engine of growth and further gains from AI-led productivity initiatives.

So in summary, last few quarters have been about reset discipline and rebuilding momentum, and we are now entering a phase of sustainable capital-efficient growth on a stronger foundation. With this, I hand over to Kapish, who will take you through granular details of our financial performance and then we'll open for Q&A.

Kapish Jain:

Thank you very much, Nirmal. So while our investor presentation and the press release is already on our website for you to refer. However, to read out some of the critical numbers for the quarter, quarter 4 of fiscal '26. The consolidated profit after tax before non-controlling interest stands at INR623 crores, which is up by 24% on a quarter-on-quarter basis. And we recorded pre-provision operating profit of INR1,173 crores, which is up 80% Y-o-Y and 9% on a quarter-on-quarter basis.

For the quarter, the consolidated loan AUM grew by 38% on a Y-o-Y basis, and up 10% on a quarter-on-quarter basis to close at INR1,08,180 crores, driven by gold, which closed at INR52,581, up by 150% on a Y-o-Y and 11% quarter-on-quarter basis with a healthy tonnage at 62 tons. If I need to further dissect the AUM, our core products, loan AUM comprising home, gold, MSME and microfinance are up 45% on a Y-o-Y and 11% on a quarter-over-quarter basis to INR1,04,198 crores and this segment aggregates around 96% of our overall AUM.

Healthy gross NPA number reasonably below to our stated number of around 2%. Our gross NPA stood at around 1.5 and net NPA of 0.7, which is down 77 basis points and 32 basis points,

respectively, if you compare to the same period last year. The company maintains a cautious stance on the MSME and MFI segment, while they have really recovered well, and the collection efficiency continues to show a smart trajectory.

With the implementation of ECL, our Ind AS provision coverage on NPAs stands healthy at 93%, with a larger share of secured assets that we have in the portfolio. The assigned loan book, which is coming through our partnership with the bank, has grown out smartly to INR23,704 crores, up 85% on a Y-o-Y, 11% quarter-on-quarter basis.

More importantly, interestingly, with the implementation of the new co-lending regulation, the company is able to scale this process well with leading banks and our co-lending asset book stands around INR14,384 crores, which is up 36% Y-o-Y and more importantly, 9% quarter-on-quarter because the new regulation came up 1st of January.

Our quarterly average cost of borrowing decreased 8 basis points Y-o-Y and 25 basis points on a quarter-on-quarter basis to stand at 9.16%. If I talk about our liquidity with the growth, we raised close to INR28,165 crores with a mix of term loan, bonds, commercial papers and INR7,046 crores was raised through direct assignments of loans.

Our cash and cash equivalent, including committed credit lines from banks stood healthy at around INR6,638 crores and are adequate to meet not just our near-term liabilities, but also to fund our continuous growth momentum. We have a positive ALM, thereby inflows covered at far exceed the expected outflows across all buckets with net gearing standing at around 3.8.

Our healthy trajectory with our annualized ROE for quarter 4 standing at around 17.89%, similar to what we have reported in the previous years and particularly prior to fiscal '24. So we are moving towards that. And the ROA stood at around 2.97% for quarter 4.

Our basic earnings per share for the quarter was 13.8%, Capital adequacy has stood well with - standing at around 17.8% for the NBFC. HFC at 42.1% and Samasta Microfinance at 26.5%, each of which are well below the minimum threshold of 15% reflecting a successful movement with the off-book model that we hold. With this, I open the floor for Q&A.

Moderator: The first question is from the line of Yash from Dante Equity.

Yash: First, I want to know what's happening with the special audit or the income tax special audit?

Nirmal Jain: Special audit got over long back within 60 days of given period. So the special audit report is submitted to tax authorities as an input for the assessment.

Yash: So by when will we kind of understand the impact of this port because there are some speculative reports talking about INR300 crores to INR400 crores?

Nirmal Jain: I cannot respond to speculative report. So assessment orders have started coming. Quite a few group companies' assessment order has come. So I believe that in a few days' time, our assessment orders will also come. It's just a matter of few days.

Yash: But could you elaborate on the impact?

- Nirmal Jain:** Like this year, our tax outlook shows a normal course.
- Yash:** I'm sorry, I couldn't hear you. Could you repeat what you said?
- Nirmal Jain:** The tax assessment is expected -- okay. The group companies have already started getting the assessment orders. So the process is going at a full -- good speed. And our IIFL Finance also which we're getting our assessment order in a few days' time. So that will be like a conclusion of the assessment process.
- Yash:** Right. And will we be paying the assessment order? Or will we kind of ask for a review or will be appeal for this? How does that work?
- Nirmal Jain:** So actually, we will appeal again. So, because if there is any assessment order asking us to pay more tax, we'll appeal, we'll go for appeal. Because as I said in my opening remarks, we believe that we don't have any tax liability arising out of any tax evasion or not having paid tax, so that's not the situation. So, it's like in our group companies also, their demands are not on strong grounds. So, if they have any demand, we'll appeal against it.
- Yash:** Right. My next question is regarding your gold finance business. Under the assumption that the gold prices kind of stay where they are and consolidate here, what kind of AUM growth are we going to see for the coming year?
- Nirmal Jain:** So, I think if they remain here, we should see AUM growth of around 20% to 25%.
- Yash:** Right. And is there anything happening with IIFL Home Finance. a demerger because we've been talking about this since 2 years, but it's always gotten to this next quarter or to the next year, to want to understand, are there any triggers or -- is there anything happening with regards to the demerger of IIFL Home Finance?
- Nirmal Jain:** I don't know for 2 years. I mean, we never said that we are...
- Yash:** No. There've been rumours about separating this, but anyways.
- Nirmal Jain:** Okay. I'll tell you what. So, in IIFL Home Finance, we have another private equity investor ADIA. Obviously, they need to exit, and there will be the most elegant way to get it listed separately and give exit to private equity investor is through a demerger. Because more than 25% holding is public, so it automatically gets listed.
- The way we had done in 2019, if you remember, our consolidated entity had Wealth Finance and IIFL Securities now IIFL Capital. But I think this is something which will have to take a call at Board level. And I don't want to speculate about it.
- But at this point in time, as we said, the IIFL Home Finance business has pivoted, reoriented its strategy. So, once it stabilizes, we'll look at it. And there's something I -- really, it's a Board call, but it will happen sometime, but maybe I can't give a time line for that.
- Yash:** No, of course, I'm not expecting a time line, but I just wanted to understand that, is this something that you're looking to do? I'm not saying this year or next year, I'm just asking...

- Nirmal Jain:** Yes, definitely an option for us.
- Yash:** Right. And so the standalone business, and the standalone business and the home finance business separately, right? Samasta will stay as it is?
- Nirmal Jain:** No, even Samasta can get separated, so there will be demerger, there will be three entities.
- Yash:** Okay. Okay. So just to clarify, if you demerge, you'll demerge into three entities, right?
- Nirmal Jain:** Yes, right.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir, just on this demerge. So, is there any time line? I mean what should one look at? I mean, by when this can -- we can execute or something like that?
- Nirmal Jain:** I mean I don't think we can't give you any time line this is not something -- the Board has to decide. The Board of respective companies and shareholders.
- Deepak Poddar:** But this is something which actively they're looking? Would that be the right assumption?
- Nirmal Jain:** See, there's nothing, you know, I'll tell you what. When we have done a demerger of our consolidated entity earlier, and nothing actively looking at it. You take a decision and you start the process.
- Deepak Poddar:** Okay. Understood. Fair point. And on this the special tax audit. Now you mentioned the audit is all done. And I think shortly, you expect some orders or some assessment to come out. Is that right?
- Nirmal Jain:** Correct.
- Deepak Poddar:** Okay. So, I mean, any expectation we have? I mean it went well. And you did mention that we should not result in any material adverse outcome, right, for the company?
- Nirmal Jain:** If there is any demand assessment in our other companies, 360 One or IIFL Facilities, they have raised some demand, then it will be contested and we'll go again appeal because we believe that those demands are not tenable. So if there's a demand, we'll go against it. We'll go and appeal against, yes. So, as I say, I don't expect any material adverse outcome because I know that we should not have any additional tax liability. But if for any reason, they make a demand, so we go to the appropriate authority and seek justice from them.
- See, in any way for a company of our size, there are a lot of tax matters which are under litigation, which as you know that there's insurance overriding commission. There are many other things which are always under litigation. So that's a normal process.
- Deepak Poddar:** Okay. I got it. And on the FY '27 next year, now AUM growth of 20%, 25% we are looking at. So, what sort of credit cost and ROA the range that we might be looking at?

- Nirmal Jain:** So, credit cost this year, if you remember, we had given a guidance of 2.7% to 3%. Next year, our credit cost on the whole will be around 1.5% to 1.7%.
- Deepak Poddar:** And what sort of ROA we are looking at?
- Nirmal Jain:** So again that will depend on growth. So that 2.4% ROA should grow by -- I think it should end at 3%, 3.5%, but one can work out the numbers based on assumptions of growth or the way -- and the credit cost. See, significant decline will happen with credit cost because we see 120, 130 basis point decline in credit cost. So that goes to the bottom line. That is -- and that will straight away improve ROA also to that extent.
- Deepak Poddar:** Correct. And when we say this ROA, that is on AUM including the -- I mean, when we say the credit cost, that includes the assignment part as well?
- Nirmal Jain:** No. The assignment part losses don't come to us.
- Deepak Poddar:** Yes. Fair point.
- Nirmal Jain:** So off book, there only whatever remains in our book maybe 10% or 20%, so that is the thing that comes. So credit cost is based on loan book and not entire AUM.
- Deepak Poddar:** So credit cost is based on your book, I mean, your loan book on balance sheet, right?
- Nirmal Jain:** That's right.
- Deepak Poddar:** Okay. Understood. That's very helpful. We would like to wish you all the best.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.
- Shubhranshu Mishra:** Hi, Nirmal. Thanks for the opportunity. Just a quick question on the gold finance. The new regulations are in place from the 1st April despite of the appeals of -- from the banks and NBFCs. So how are we addressing that? Are we going to categorize all our gold loans as consumption loans?
- Are we going to look at the underwriting part of the gold loans and do the other kind of gold loans? What is the new strategy here? What kind of gold loan growth are we looking at in '27, the other NBFCs? There are new entrant NBFCs as well. And my sense is that there will be a huge distribution footprint that a lot of these new NBFCs, including incumbents would put out as there is -- one doesn't need any regulatory approval to put out any new branches anymore?
- So how are we going to address all of this in the gold finance piece? If we can elaborate on that, it will be really great. Second and third is basically if you could clarify on the previous questions on home finance and IIFL Samasta demerger that you just spoke of and also the previous clarification on the appeal for tax audit, if there is any adverse?
- Nirmal Jain:** Okay. So first is the new guidance. So we are fully complied with the new guidelines from 1st April. And basically, loans above INR2.5 lakh, they want the credit assessment to be done and

the loans to be monitored. So we have set up our system and detailed credit assessment is done for all the loans above INR2.5 lakh. So I think that in a way is good because companies like us who have good system processes and are trained people, then we can tap this market.

So that's the first question that you asked. So I think that is fully in place. Our system process are working. Most of these loans are entirely there for MSME purposes. So typically, these are small businesses who borrow, in our case the predominant part of loans about INR2.5 lakhs. Two, I think I already clarified about the demerger that this is something which is decided by the Board and shareholders.

So I can't speculate on it. I already said that, in my opinion, this is a logical thing to do given that there's a private equity investor in housing finance company, but when we'll do it, I don't think it's going to happen -- I mean, whenever it happens, we'll obviously communicate to you, communicate to exchanges. But there's no decision on this -- at this point in time.

Third is about income tax. So income tax authorities basically do the assessment and they will send the order, which we are expecting in a few days time. I'm expecting in a few days' time because the entire group search operations happened together, everything happened together. And now the orders have started coming.

We have seen that they come for 360 One, the IIFL facility, the IIFL management. So all the companies are getting their orders. So whatever we hear and we understand that this entire process will get over the next few days' time, maybe the next few working days, give a week or so, maybe is that my personal opinion. But obviously, these are all -- there's no firm guidance on this, but should happen very soon. That's what I believe.

Shubhranshu Mishra: Just one clarification and if you can also give a guidance on the gold loan growth. The clarification is on -- you said that our gold loans are for MSMEs. So we are going to classify these as income assessment. In that case, as per the new guidelines, we'll have to assess the cash flows of the customers or are we going to classify them as consumption loans?

Nirmal Jain: No, you're right. So we have to do the cash flow assessment and our branch already doing that.

Shubhranshu Mishra: Okay. So we will classify them as income assessment -- income generation loan.

Nirmal Jain: and moving towards this.

Shubhranshu Mishra: And what would be the guidance for '27 for gold loan growth?

Nirmal Jain: So -- okay. Somebody asked this question earlier, if the prices remain at similar levels, at these current levels, then we should see 20% to 25% AUM growth.

Shubhranshu Mishra: 30% to 35%, 20% to 25%?

Nirmal Jain: 20% to 25%. One more thing that has happened is that RBI has freed the branch expansion. And as our business motto has always been to get into underserved segments where the banking penetration is relatively poor. When you say banking penetration, many times, you'll see that

bank branches are there, but they are mostly focusing on deposits and they don't have infrastructure for loan and particularly gold loans.

So many of these small customers, their creditworthiness or their income documents are such that they really can't borrow any other type of loan. So we are setting up -- now we are free to set up more branches there and penetrate deeper. So I think that's the guidance that we've given.

Shubhramshu Mishra: Understood. Thank you so much. I'll come back in the queue. Thanks.

Moderator: Thank you. The next question is from the line of Parag Jariwala from WhiteOak Capital. Please go ahead.

Parag Jariwala: Yes. My first question is the subsidiaries or a group company, which received the tax assessment order, were they also subject to the special audit or it is only for us considering maybe size or nature of the business?

Nirmal Jain: No. Yes, they were not part of special audit. The special audit was only for gold loan primarily.

Parag Jariwala: Okay. And Nirmal ji, do we have an access to that audit report or it is directly submitted to the tax authority?

Nirmal Jain: No, we had access to the report, but it's submitted to tax authorities. So special auditor discusses with us.

Parag Jariwala: Okay. Understood. And secondly, in terms of the off book, which is in the form of DA and co-lending, do we -- I mean, what's the intent of proportion which we want to keep as an off-book AUM? And between the DA and co-lending is the proportion going to change in the favor of others? Reason I'm asking is that there is some changes in the co-lending mechanism by RBI. So any comments you want to offer there?

Nirmal Jain: So RBI has formalized and set very detailed regulations and procedures for co-lending. In a way, that's good because there are certain things you always won't know how to deal with it. But if everything is black and white excise, then you know they're okay to follow these rules.

So the total off-book proportion, which is DA and co-lending put together will be 34%, 36% in that range. Our endeavor will be to take it to 40%, 45%. And within that, co-lending also has been growing relatively, and we think that co-lending should grow even further because co-lending has become a very formalized and a very well laid out process.

So we'll let the co-lending grow faster. If you see the slide, which also shows that the co-lending has been growing in our presentation, if you see the Slide 9, which is 6%, 15%, 14%, 13% or so is in that range now, and we would like it to grow to 20% or so.

Parag Jariwala: Okay. Thank you so much.

Nirmal Jain: Thank you.

- Moderator:** Thank you. The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.
- Chirag Singhal:** Yes. So regarding the special audit, what is the typical time line from the conclusion of the audit until you receive the final assessment order?
- Nirmal Jain:** No, there's no time line that tax authorities have. But my -- because they already -- so normally, all the group's tax they will do together. So that's what my understanding is. But there's no time line -- I'm not aware of any time line.
- Chirag Singhal:** Okay. And one of the earlier participants mentioned a rumoured tax liability. So are you expecting such high tax liability because we have been mentioning that nothing material should come out of the special audit? So what is the expectation...
- Nirmal Jain:** No adverse outcome, and the demand, whatever it is, it will be contested. But I have absolutely no idea of what is the actual demand going to be. See, if you see most of the searches that have happened in other companies, then typically, they will raise some demand and then that gets basically appealed. And in most cases, settles or removed kind of a thing.
- Chirag Singhal:** Okay. On the growth trajectory for the housing finance book, what are you expecting for the current financial year?
- Nirmal Jain:** Girish is here. Maybe you want to talk about it?
- Girish Kousgi:** Growth trajectory you're asking.
- Girish Kousgi:** So what we have done is we have recalibrated our strategy depending on the mortgage landscape and the focus going forward will be on affordable and emerging, including affordable earlier also. And I think going forward, we will do more of affordable at a higher yield. Now in terms of growth, we are expecting a book growth of about 18%, 20% in FY '27 and disbursement growth would be about 25% to 27%.
- Chirag Singhal:** 18% to 20% growth in the advances. Is that...
- Nirmal Jain:** 18% to 20% in the loan book and 25% in disbursement because there can be some balance transfers and repayment also. So that is what the guidance for home loans is. AUM growth of 18% to 20% and disbursement growth of 25%.
- Chirag Singhal:** Got it. Okay. That would be it from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Vansh Solanki from RSPN Ventures. Please go ahead. Mr. Solanki, please go ahead with the question. Your line is unmuted.
- Vansh Solanki:** Yes, yes. So as we discussed and also you told that the IIFL Home Finance and Samasta needs to be demerged and it is a very logical thing here. Just want to understand your point of view. I know that it will be a Board's decision.

But in your point of view, what will be a better way to demerge the company like while we have done the IIFL Wealth and IIFL Capital years ago and completely demerged without any cross holding, will that be a better way or just we will IPO out the Home Finance and Samasta?

Nirmal Jain: So we are saying that needs to be demerged. But I think, yes, that will be a similar way what our earlier way we have done, the demerger. So that's the most clean way of doing demerger that the subsidiary shareholders get the shares in the similar economic interest. And then the parent -- okay, the listed company shareholders get shares of subsidiaries in the same economic ratio, and it gets delisted separately.

Vansh Solanki: Okay, okay. Thank you. That's from my side.

Nirmal Jain: Thank you, thank you.

Moderator: Thank you.

Nirmal Jain: Yes, there are in the queue, I can see the participants. So you can pick them out.

Moderator: Yes, sir. The next question is from the line of Navneet Bhaiya, an Individual Investor. Please go ahead.

Navneet Bhaiya: Hi, sir. Congrats for a good set of numbers. I have just one question. Your leverage level has increased meaningfully this year. Obviously, it's following the growth. So what are you thinking about leverage, capital raise? I believe if you want to continue growing at 20%+, you would need capital?

Nirmal Jain: Yes. So there are -- as I discussed, our strategy of growing co-lending and off-book faster will probably keep the leverage also under control and meet the capital requirement also. And at appropriate time, we can raise capital by -- I mean, the debt capital that we continue to raise periodically. And equity whenever the time is right, we'll do that. But without that, I think if we can grow our co-lending and DA to target level of 40 -- between 40% and 45%, we are safe in terms of our leverage as well as capital.

Navneet Bhaiya: So sir, what is the leverage ratio that you would be comfortable with in your books, in your consol book?

Nirmal Jain: 4.5x is okay. I don't think up to 4.5x is any challenge. Typically, you can go up to 6.7x based on the capital adequacy. Actually, the equity requirement is 10%. It can go 10x also, but less than 5 up to 4.5 is good.

Navneet Bhaiya: Okay, understood. Thank you so much.

Nirmal Jain: Thank you.

Moderator: Thank you. The next question is from the line of Pranay Shah, an Individual Investor. Please go ahead.

Pranay Shah: Hello. Sir, my question is on tonnage growth. We've seen around 1% growth on a Q-on-Q basis on the gold tonnage. So like what has led to this flattish growth? And secondly, when we are expecting a 25% AUM growth, that will be purely on a tonnage basis you are saying? Or -- and how are we planning to achieve this like the road map for it?

Nirmal Jain: See, tonnage growth in the previous quarter was better, stronger. But see, what has happened is this that customer requirement of loan basically is really not dependent on the price as such. But whenever the gold prices go up, then and you will see with other gold companies also, you have probably seen some decline also there. But your customers will keep only as much gold as required. So the demand for credit is there. And sometimes tonnage will follow that.

So if they can meet their credit requirements without giving extra gold, they will do that. And when the additional gold has to be given, then that will be done. So it's not really linked to that. That is one. Two, we'll also be expanding our branch footprint a little. I mean, last year, we did not, but now we may. This year, we will. So not aggressively, but just to make sure that we keep the growth momentum.

Pranay Shah: Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Yash from Dante Equities. Please go ahead.

Yash: Yes. So just a continuation question on the net gearing ratio. We've seen that Samasta and Home Finance, both of them have actually operated on -- IIFL Home Finance, especially has operated on quite low leverage, like 2.6, 2.7 net gearing ratio.

I just want to kind of understand when will the ROE and ROA pick up here? Because we've just reached single-digit ROE in IIFL Home Finance, right? And we've done very well historically. So what is -- so you guided for 18% -- 18% to 20% growth, IIFL Home Finance, but I still want to understand the ROE and the ROA movement here.

Nirmal Jain: Yes. So good question. So actually, we raised equity in Home Finance 2, 3 years ago. And the book has not grown because some of the businesses particularly micro LAP and one that we discontinued. So therefore, the leverage has also fallen and that has also impacted our ROA, ROE. But this year, as we said that as we grow our disbursements and our loan book and loan AUM, then these things will start falling in place.

Yash: Which segment are we targeting to get this 18%, 20% growth?

Girish Kousgi: So, Girish here. We predominantly focus on affordable and emerging. As we had confirmed earlier, we have shut prime business because of margins. So, we currently have about 94 branches focusing on emerging and 221 branches focusing on affordable. We are also increasing our branch network on the affordable side.

We plan to open about 100 branches this year in a phased manner. So, we have dedicated branches for affordable and emerging dedicated teams, and we are also pivoting towards higher yield. We were doing affordable business earlier also, but we were doing at a lower yield. Now we are pivoting towards higher yield, which will be to start with about 12% plus this year.

And going forward, we will further up the yield in line with the market. So, this is what we are planning. So as mentioned earlier, we plan to grow at about 18%, 20% on AUM this year. On book, also it will be almost similar. On disbursement, it will be about 25%, 27%. So, 2 things are happening.

One is very clear strategy and focusing on affordable and emerging, where we have an opportunity of higher yield. And number two, upping the yields both in affordable as well as emerging.

Yash: But just a question on your strategy to focus on affordable housing. Hasn't premium real estate outperformed affordable housing in the last 4 to 5 years, especially post-COVID? Also on the yield part, I think our yields are around 10.55%, right, if I'm not mistaken, in IIFL Home Finance?

Nirmal Jain: Yes. On an aggregate basis, yes.

Girish Kousgi: Yes, you are right.

Yash: So, are we -- so by -- let's say, by next year, where are we looking for the yields to move towards from 10.5% to...where?

Nirmal Jain: So prime market has outperformed, luxury segment has outperformed, the affordable in the last 2 years. That's a fact because interest rates were slightly elevated. But that is not our sweet spot because that is at a very low interest rate, 8, 8.5, 7.5. I mean it can start based on AAA, but still, it is at a much, much lower rate. And on the contrary, affordable may not -- I mean, has not probably grown very strongly in the last 2 years. But there's an opportunity there. Girish, do you want to add something?

Girish Kousgi: Yes. So, if you look at the overall mortgage industry, the growth is about 13% to 14% for the last 4 to 5 years' time. If you look at affordable per se, the growth is about 18% to 20%. So, the growth in affordable is.

Nirmal Jain: So further lopsided is that the super luxury market has really grown, but that's just 1 or 2% of the market, the Bombay and Gurgaon. That has grown very rapidly, yes. But there is an exception, yes.

Girish Kousgi: But if you look at overall growth in affordable is much, much higher than all the other segments.

Yash: Right.

Girish Kousgi: And we have a lot of opportunity affordable given the backdrop of government focus on affordable with PMAY 2.0 which specifically focuses on retail subsidy scheme, which was launched last year October. And this time, this scheme would ensure that customer on book would be there for a longer time because there is incentive if customer stays with the company for 5 years.

So, the customer attrition would come down, number one. Number two, this would largely improve the repayment behaviour of the customer because one of the asks is that customers

should be current and non-delinquent during the entire period of subsidy time, which is 5 years because going to pay subsidies in 5 annual equal installments.

So, all these things would ensure that affordable as a segment would grow at the same pace or maybe slightly higher vis-à-vis compared. Of course, there are certain pockets in certain segments, which is luxury and super luxury in certain markets, the growth could be higher. At an aggregate level, there's a lot of opportunity on the affordable sides.

Yash: So just putting on a point here, why aren't we focusing on LAP loans? Through my personal experience, I can tell you that LAP loans have a higher yield than housing loans. So, are we planning to focus on LAP loans going forward?

Girish Kousgi: Absolutely. I think we will be focusing on LAP both on affordable as well as emerging. We are completely out of prime as a segment, but we will focus on LAP. Today, if you look at the overall AUM, our LAP mix is about 18%, 80% is HL, 18% is LAP and the rest is construction finance. So, 18%, if you look at the mix, it is quite low, but there's a lot of opportunity. Also, it comes at a higher yield, both on affordable and emerging. Our focus is very clearly there on LAP as well.

Nirmal Jain: Just to add micro LAP is INR3 lakh, INR4 lakh of loan to microfinance customers that we discontinue. Now when we say affordable LAP is typically about INR13 lakh, INR14 lakh, INR15 lakh of LAP, similar to what our home loan customers are, which you know it may hold around 16%, 17% high.

Yash: Right. No. See, this one?

Nirmal Jain: That's a great business to be -- I mean that's a good business, and we are there in that business, yes.

Yash: No. Like sir just pointed out, we have an 18% exposure to LAP. And if we want to focus on higher-yielding products and get our yield higher from 10.55% because 10.55% is basically like a very low yield for a housing NBFC, right? But there are a lot of -- obviously, LAP as an opportunity is big and LAP in terms of ticket size also is pretty huge, at least in metro cities, right?

The only thing I kind of wanted to point out is our leverage in the home finance business is quite low now. And I really hope that your AUM growth through LAP or affordable housing or premium prime loans or emerging loans kind of picks up this year and we again move back to the double-digit ROE. Do you think that is going to happen this year?

Nirmal Jain: Yes, that will happen. That should happen. What you are saying is right that there's an opportunity to grow faster. And Girish has got a team and things in place, which is in the last few months, we were just trying to get that in order. Hopefully, what you are saying is the correct strategy to work on. We are working on the strategy, let's see.

Yash: Right. And as far as IIFL Samasta is concerned, I just wanted to understand which segment are we going to focus from here onwards for this year, for this financial year?

- Nirmal Jain:** So, Venkatesh is here, Samasta, just take this question.
- Venkatesh:** See, in terms of -- we want to get back to our AUMs where we let off in March '24. So that will be the key thing. And we are cautiously growing. And in terms of the guardrails have been working well. So, within these parameters, we are looking at how we can retain our existing customers and grow our book within the geographies we are already operating in.
- Yash:** No. But my question was regarding the segment, right? We've been growing in the MSME, I think. But I wanted to understand if you're focusing on the individual group loans or what kind of unsecured loans are we going to focus on?
- Venkatesh:** No, if you look at it, see, we have the qualifying assets need to meet the criteria of 60%. So our key growth driver would be the microfinance loans. Our micro LAP would also grow. We will be growing overall on around 20% odd. So I mean, within the thing, micro LAP is the only thing which we are -- other than the microfinance, which we are focusing on actually.
- Yash:** Right. And your average ticket size in these loans are going to stay here? I think it's around INR68,000 per loan? Or is it going to move upwards? Where are we seeing this kind of sustain average ticket size?
- Venkatesh:** Average ticket size in microfinance is around -- when we are lending, it's around INR68,000. But in a micro LAP, it's much, much higher.
- Yash:** Is it around -- is it upwards of INR4 lakhs to INR5 lakhs?
- Venkatesh:** It's around INR4.8 lakhs.
- Yash:** Right Okay. Thank you so much. Sorry?
- Nirmal Jain:** Slide 33 has been taken in detail
- Yash:** Understood. Thank you. so much for taking all my questions. Thank you to the entire team. Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Khandelwal from JP Morgan. Please go ahead
- Gaurav Khandelwal:** Hi, good evening. Thanks for taking my questions. If I can just understand a bit more on the mortgage loans. Number one, why was the growth almost kind of muted at INR32,000 crores, INR33,000 crores in FY26? How are we thinking about it going forward? And the other part of my question is, how are we looking at competition in this space?
- So competition is always tough, but do you see the competition accelerating and especially from where I'm coming is that some of the other companies, housing finance companies like Bajaj Housing, PNB Housing, they've been actively entering the affordable and the lower ticket size near prime housing, which is in the INR15 lakh, INR20 lakh, INR25 lakh zip code. So do you think that the competition incrementally tightens further? And how, what are you trying to do to mitigate that? Those are all my questions. Thank you.

Girish Kousgi:

Let me take the second and third question first. So one, talking about growth, as I had mentioned earlier, we plan to grow from this year onwards. And the guidance what we have given is about 18% to 20% on AUM on the book and 25% to 27% on disbursement. So if you look at competition, so what is to happen is that amongst all the 4 segments, which is there in the mortgage business today, which is super prime, prime, emerging and affordable largely, housing finance companies are focusing on affordable and emerging to a small extent of prime.

We took a decision of not getting into prime because to start with, you will have a challenge on the margin. And after 1 year, 1.5 years, you would have customer attrition, right? Now what has largely changed? If you look at any affordable company, once they reach a particular size, growing the book was a challenge. So going forward, this has eased out, you know as I mentioned about the lock-in, which is there for 5 years on the interest subsidy, and this is, it is a large thing. This is on home loan and most of the loans depending on where we want to focus in terms of segment and geography would fit into interest subsidy.

So this would ensure that we'll be able to retain customers on book for 5 years from now onwards, which was earlier about 12 to 18 months back. So once we on-board the customer in affordable segment, after 12 to 18 months because of the pricing difference, customers would switch from a company focusing on affordable to companies focusing on emerging because you know, customer would have upgraded in terms of bureau score and customer would get a lower rate and therefore, BT outs were higher. But going forward in affordable, BT out would come down given the backdrop of interest subsidy, number one.

Number two, if you look at competition, competition is there. It was there even 10 years back, last 5, 6 years also there is competition. But the only point is the market is huge. Affordable market is huge, right? And today, if you look at, there are not more than 7 to 8 big companies in affordable who are actively doing business. There are another 80-plus other companies, but their AUM is very, very small. The book is very, very small. So opportunity is huge. And earlier, the challenge was growing the book was not a challenge. Customer retention, book retention was a challenge. Now there is a solution for that thing.

So as long as we get a strategy right in terms of geography, segment and pricing, I think book retention won't be a problem. And in terms of competition, huge opportunity, and we don't see any challenge at all in terms of growing our book.

And answering on the last point, so if you look at last year, our disbursements and book growth, was muted. I think earlier we had said that earlier we were into micro LAP and that had a lot of overlap on the MFI customers. We all know that since last 2 years, 3 years back, the issue, the challenge started in MFI industry. Of course, now it has almost recovered.

So last 2 years, since some of the customers, there was an overlap between the MFI business as well as our micro LAP. So we also faced a challenge. So we had to rework on our strategy, which we have done now. So we have exited that business, and we don't intend to do that business going forward. So that is one big reason as to why the growth was muted. So now we have reworked on our strategy. And going forward, you will see growth happening in IIFL Home in line with the industry.

Gaurav Khandelwal: Got it. Thank you for that. That's very helpful. And if I can just ask for your short-term borrowing at the shorter end of the curve, how are the money market rates behaving today for you versus, let's say, the fourth quarter average, if you could give us some sense?

Nirmal Jain: You know, when the war broke out, the last month, the rates had shot up and liquidity became a little tight, but it's normalizing now very soon. So I think as we speak, rates are coming back. So in between maybe month of March and April, a bit of aberration and maybe April first half at least. So things are getting back to where they were. And what we see that the rates are trending down.

So we need it as a function of liquidity rather than the benchmark rate. And what we see is that the RBI monetary policy has been pretty pragmatic in terms of managing liquidity. So we see that things are getting better.

Gaurav Khandelwal: Got it thank you. It's very helpful. Thank you so much.

Nirmal Jain: Thank you Gaurav.

Moderator: Thank you. The next question is from the line of Murli Khandelwal from Murli Khandelwal Equity Research. Please go ahead.

Murli Khandelwal: Can you share the road map of improving standalone credit rating and how that translates into reduction of cost of funds? Also.

Nirmal Jain: Can you repeat? Your voice is low. Your voice is a little muffled can you repeat please?

Murli Khandelwal: Yes. Sir, can you share the road map for improving standalone credit ratings and how that translates into reduction of cost of funds?

Nirmal Jain: Okay. Thank you. So a road map for standalone credit rating when we have been talking to credit rating agencies, one of the criteria they had was size and maybe INR 1 lakh crores is a good benchmark, so that we have crossed. Two our, obviously, they look at the profitability and the capital adequacy. So the road map to improve that is the focus on profitability, focus on asset quality, which you see that our asset quality has improved significantly. GNPA at 1.5%, way below our guidance of 2% and less.

Our NPA is around 0.7-odd so which again is pretty you know, healthy. Now I think the only one thing that we need to work on is our capital adequacy, which either we improve our co-lending and off-book significantly or we raise capital. But besides that, I think we are on track on many other criteria as I spoke upon the size of the business, asset quality and profitability.

Murli Khandelwal: Okay, sir. And what would be the estimates?

Nirmal Jain: Okay. Now see, we are AA stable and we are 2 notches below the best. So they can be AAA, they can be AA plus and AA. So obviously, our first step will be AA plus. I believe that our cost of funding can go down easily by 100 to 120 basis points once the rating improves.

Murli Khandelwal: And sir, what would be the estimated impact of a 1 notch upgrade on borrowing cost and profitability?

Nirmal Jain: It's very difficult because that depends on rating agencies that take a call based on the macro environment, sector view and everything. So obviously, like anything like geopolitical inflation, crude, weighs on their mind for the sector. But really, this is not a question that I can answer correctly.

Murli Khandelwal: Okay thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to management for closing comments.

Kapish Jain: Thank you very much, ladies and gentlemen, for joining this call late evening today. For any further queries, we are available, and you can drop an e-mail to our Investor Relations team, and we'll be happy to answer. Thank you very much, and look forward to meeting you again soon.

Nirmal Jain: Yes. Thank you so much. And as Kapish said that you know, anything else, you can always reach out to us by Investor Relations. Also, in the data book, which has got a very detailed Excel sheet about all the relevant data that can go into any details done this quarter. Thank you so much.

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