# “IIFL Finance Limited

# Q2 FY '27 Earnings Conference Call”

# October 15, 2026

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the IIFL Finance Q2 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference call over to Mr. Vikas Jain, CFO of IIFL Finance Limited. Thank you, and over to you, sir.

**Vikas Jain:** Yes. My name is Vikas Jain, CFO of IIFL Finance. Thank you very much, and a warm welcome to all the ladies and gentlemen who have joined us today for IIFL Finance Q2 FY '27 Investor Conference presentation call. Joining us on today's call are Mr. Nirmal Jain, our Founder and Managing Director; Mr. R. Venkataraman, our Co-Founder and Non-Executive Director; Mr. Girish Kousgi, CEO of IIFL Home Finance; and Mr. Venkatesh N, MD of IIFL Samasta Finance.

During this call, we will take you through the company's performance for the second quarter and half year ended September 30, 2026. Before we discuss the detailed financial and operational performance, I would like to hand over the call to Mr. Nirmal Jain, who will share his perspective on the macroeconomic environment, key industry developments and the company's strategy and outlook.

**Nirmal Jain:** Thank you, Vikas. Good evening, everyone, and thank you for joining us. So let's start with the macro environment. Macro backdrop remains very supportive of retail credit in India, but it is not without uncertainty. While domestic demand is steady, formal credit penetration in small towns and areas where we operate in is still very low. At the same time, global uncertainty, volatile oil prices or commodity prices and tight funding conditions means that balance sheet strength, asset quality, diversified funding and liquidity matter most than ever before.

And in this environment, we have chosen to grow with discipline, keeping adequate liquidity and strict control on asset quality. Now to the quarter. So our AUM crossed INR1.24 lakh crores, which is a growth of 38% Y-o-Y and 8% sequentially Q-o-Q. Profit after tax on a consolidated basis was INR805 crores, first time crossing the milestone of INR800 crores, up 13% quarter-on-quarter and 93% year-on-year. What is important is our gross NPA have improved and they remain at around 1.5%. Our return on equity now on a consolidated basis is above 20%, what has been our target.

The book is about 90% secured now. And our liquidity is significantly higher than what normally we keep given the global environment and uncertainty as well as liquidity tightening expected in local market at INR13,805 crores on a group basis. Our capital adequacy on a computed basis is 23.5%, but we can discuss individual companies separately.

So our strategy remains resilient capital-efficient growth and that's based on 6 pillars. One, secured lending as we have pivoted to secured lending, and that is already now 90% of our total AUM, and we will intend to endeavor to maintain it at these levels.

Second is Capital-Light Growth. So our off-book AUM is 34% of our total loan assets. The 18 banks that are active co-lending partners now, many of these relationships have started recently

and will scale up. We have originated in the last 10 years, over INR1.7 lakh crores loans which are either assigned to banks or co-lent.

Third is our funding and liquidity. Fitch upgraded our rating to BB-. We raised $300 million social bond. We also did a small issue for the first time of the tokenized bonds. More importantly, liquidity is already over INR13,000 crores, which is all-time high. In -- the previous quarter, we have taken enabling resolution from our shareholders to raise equity, which will further strengthen our balance sheet as we go along.

Fourth, AI is part of how we operate. And I think many of projects have moved ahead of pilot and they have been deployed with reasonable success. Fifth is branch-led distribution. I mean, our strategy remains digital because our goal that customer pledges with us has to be physically stored in aggregate, including gold loans, microfinance, we have more than 5,000 branches now. And primarily serving underserved customers across the country.

Sixth is our credit and cost discipline. As you'll see in our numbers that we are trying to make sure that our credit cost and the operating costs move southward in relation to our loan assets and which will help us strengthen our balance sheet further. Looking ahead, we are confident that this momentum will continue through FY '27 and will remain disciplined on asset quality and capital. Thank you.

With this, I hand over to -- I hand it back to Vikas to take you through the financial details.

**Vikas Jain:** Yes. Thank you, Nirmal Sir. Now I'll take you through the detailed financial and operational performance for the quarter. Overall, quarter 2 financial year '27 reflects the strong business momentum, improved profitability, continued progress towards our building a secured and capital-efficient portfolio. We remain conscious on the significant portion of recent growth has come from the gold loans. Capital adequacy, liquidity portfolio concentration and risk control, therefore, remains an important area of focus.

Coming to the consolidated financial performance. At a consolidated level, our loan AUM increased to INR1,24,268 crores, representing the growth 8% quarter-on-quarter and 38% year-on-year basis. Our core businesses, Gold loan, Home loan, MSME loan and Microfinance now accounts for around 97% of the overall portfolio and grew 43% on a year-on-year basis.

Our portfolio remains predominantly secured with Secured loan accounting for approximately 90% of our AUM. Gold loans represent around 53% of our portfolio and while Home loan accounts for around approximately 27%. Consolidated net interest income increased to 13% quarter-on-quarter to INR1,481 crores, while total income grew by 6% to INR2,340 crores and pre-provision operating profit increased to 8% to INR1,355 crores.

The loan loss provision has declined by 5% sequentially to INR281 crores. Consequently, the profit after tax, non-controlling interest has increased 13%, a very healthy quarter-on-quarter to INR805 crores. Nirmal just mentioned, this is the first time we have crossed on a quarterly basis the INR800 crores milestone. And on a half yearly basis, it stood at around INR1,518 crores. Again, if we see on the operating efficiency, we continue to improve the operating expense to

average AUM has now declined to 3.3%. What is heartening to note is that this is compared to the peak level of 4%.

The annualized return on assets for H1 stood at 3.1%, while annualized return on equity is 20.1%, which is upward of our 20% target level. The consolidated portfolio yield has declined by 3 basis points on a quarter-on-quarter to 16.5%, so largely remained stable. The cost of borrowing has increased by 3 basis points to 9.08%, again, largely remained stable, resulting to a 6 basis point narrowing in our interest spread to 7.42%.

Asset quality remains broadly stable. Consolidated gross NPA declined by 7 basis points on a quarter-on-quarter to 1.48% and net NPA stood at 0.87%. Overall, the provision coverage ratio again remains very strong upwards of 90% i.e. 91%. The combined 1 to 90 DPD portfolio stood at 9%, while the 90-plus DPD portfolio remains at 1.5%. Nirmal just mentioned the key strategic things. Our liquidity position now has strengthened significantly during the quarter. We had approximately around INR13,805 crores of our cash and undrawn credit lines, providing adequate coverage for our near-term liabilities and supporting our future growth.

We continue to remain cumulative to ALM surplus across all our maturity buckets. Our funding profile remains diversified, stable across all term loan, debentures, refinancing, ECB, securitization and other source under different maturities. This indicates our efficiency to raise further funds across all the maturities.

Consolidated capital adequacy stood at 23.5%. Net gearing is broadly stable at 4.1x compared to 4x in the previous quarter. Shareholders equity has now crossed increased to INR15,432 crores, supported by profitability record during the first half.

Now we will look at the IIFL Finance stand-alone financial performance. Coming specifically to IIFL Finance stand-alone, loan AUM has increased by 11% on a quarter-on-quarter basis, crossing first time INR70,382 crores, which is 97% secured. Net interest income increased 21% sequentially, very healthy growth. Total income grew by 8% and PPOP has increased by 10% to INR894 crores.

With loan loss provision declining by 11% the profit after tax has increased by 17% quarter-on-quarter basis to INR548.5 crores. The stand-alone yield has increased by 12 basis points to 18.6%, while the spread increased by 11 basis points to 9.2%. Operating expense to average AUM has moderated further to 3.1%. Stand-alone gross NPA stood at 1.3%, representing a modest increase by 3 basis points. Capital adequacy ratio stood at 17.03%, while net gearing increased to 4.7x.

Gold loans now account for almost around 93% of our stand-alone AUM. On IIFL Home Finance performance, the AUM increased by 4% sequentially crossing INR43,070 crores, while disbursement grew by 10% on a quarter-on-quarter basis to INR3,498 crores. PPOP increased 6% sequentially to INR330 crores. PAT has broadly stable at INR188.7 crores. Gross NPA has improved by 8 basis points to 1.38%.

At Samasta Finance, AUM has remained stable at INR10,816 crores and business maintained a calibrated approach to growth. Gross NPA has improved by 46 basis points to 2.82%. Net NPA

has improved by 14 basis points to 0.86%. PAT has increased 13% sequentially to INR69 crores, supported by lower credit cost.

Our strategic funding highlights mentioned, capital efficient distribution and continued model to scale off-book AUM comprising of assignment and co-lending INR42,796 crores around-34% of our consolidated AUM. We have now 18 banking partners across all IIFL Finance, Home Finance and Samasta Finance.

During the quarter, we have -- during the first half H1 financial year '27, we have raised aggregate USD800 million through international bond issuances. This also includes USD300 million social bond tap issuance during the second quarter, which was approximately 2.3x subscribed. –This reflects strong investor confidence in our diversified access to the global fund.

In my closing remarks, in summary, quarter 2 financial year '27 was a stronger quarter in terms of AUM growth, operating profit, profitability. The quarter also demonstrated continued progress in our operating efficiency, asset quality, liquidity and funding diversification.

With that, now I will now invite for Q&A session for everyone. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Gaurav Khandelwal from JPMorgan. Please go ahead.

**Gaurav Khandelwal:** I've got a couple of questions. The first one is on Gold NPAs. Why have the Gold NPAs increased by almost 30 basis points quarter-on-quarter? Any color there, please?

**Nirmal Jain:** So towards the end of quarter, gold prices were lower as compared to the beginning of the previous quarter and in these, it's a very small increase. So these are actually small customers and some of them are not able to pay in time. But historically, we have seen that these kind of variations happen but the losses will be minimal because we have the collateral. Some of the customers are not able to pay on time, say, and they get delayed by 90 days, they get classified. But I don't think there's any worry in terms of -- see, these had gone up to say, 5%, 10%, then been better. 60 to 90 basis points is a variation, which we are very happy with.

**Gaurav Khandelwal:** Got it. But when I'm looking at the data, sir, even the 1 to 30 DPD bucket for gold loans has increased quite a bit quarter-on-quarter. So almost 7% of the book is at 1 to 30 DPD. So let's say, if gold prices were to correct hypothetically 10% odd from current levels, what would that then mean in terms of both the NPAs as well as LGDs?

**Nirmal Jain:** See the sudden correction -- I mean, 10% correction has happened in the early part of the year. So NPAs may vary. They may go up to 1%, 2%, 3% also in such scenario. But ultimate loss will be minimal because most of the time what happens that customers also know that the gold and the jewellery that they pledged the value is significantly higher. But they may take some time to get money. And many times, these customers have relationship with us for a long time. So they also know that a few days here and there, we are just not going to be harsh on them in terms of auctioning the gold. So the NPAs can spike if there's a sudden fall in gold prices. But ultimate losses will be still negligible. That's how this industry is.

**Gaurav Khandelwal:** Got it. And sir, only for this 90 DPD plus cohort, can you tell us how much is the LTV for their loans?

**Nirmal Jain:** It will be close to around 85%.

**Gaurav Khandelwal:** 85% Okay. And my other question is on the capital raise at the stand-alone. Where are we in the process? What are we finalizing in terms of QIP or a strategic shareholder? Any color there? And what is the size of quantum of money that we are looking forward to raise?

**Nirmal Jain:** So we got a Board and shareholders' approval last quarter. And now obviously, the result announcement is a time period, which is quite period. And now we are talking to various investors from time to time. Today, I don't have an answer whether it's going to be private equity or a QIP. But one thing is that, that we are committed to raise equity capital at the earliest opportunity. Hopefully, this quarter, we should be able to close something.

**Gaurav Khandelwal:** And sir, okay, this quarter and maybe in terms of size, any indication?

**Nirmal Jain:** So you know our market cap. So dilution will be anywhere from 10% to 20%.

**Gaurav Khandelwal:** Got it. Okay. And if I can ask one more question. The off-book AUM is up quarter-on-quarter, but the off-book income is actually down quarter-on-quarter. What explains that?

**Nirmal Jain:** See, it's a good question actually. Co-lending is increasing. And in co-lending, we don't have any upfronted income. Also in the DA assignment, as the DA book runs off, that income also gets amortized over a period of time. I think off-book income will continue as we move more and more towards co-lending. Off-book income will continue to decline or will not grow at the same pace.

But if you see the net interest income because in the co-lending, it's just like loans are on your book because your interest keeps accruing quarter after quarter. For a long time, many analysts are concerned that there's upfronted component in our profit. But in a way, upfronted component is only on the flow. On the stock, you don't get anything, and it harmonizes over a period of time. But I think as we go along, co-lending will keep increasing, and you'll see that upfronted income reduces, but the interest income maintains net interest income.

**Gaurav Khandelwal:** Got it. And sir, just a final question, sorry. This entire draft by IRDAI on the insurance commissions, right? So if I look at the FY '26 insurance commission that we won at a group level, which is closer to INR240 crores and almost 10% of the PBT. If, let's say, this were to come in the current form, how much of this gets impacted? And then how are you and the management and the Board thinking about this, the impact of this? How will we make up if this gets lost?

**Nirmal Jain:** So, a significant part of it is part of housing finance, and then MFI. IIFL stand-alone has hardly any. In FY26 It is just about INR3 crores in the holding company Samasta has about INR78 crores and HFC is about INR160 crores. HFC will have an impact. Maybe Girish, do you want to talk about it?

**Girish Kousgi:** Yes. So, I think we have been very closely watching and interacting with all the insurance partners. So as of now, insurance income, to total revenue is about 4.5% to 5%. So, we will figure out how to cover that up. We are constantly in touch with all the insurance partners as to ensure that the impact is minimum. I think as per the initial consultation paper, this was to be effective from 1st of April. Maybe it might be slightly deferred. So, this will be in the coming financial year. So we are very closely working on the plan as to how to try and diminish this gap.

**Nirmal Jain:** Venkatesh, so impact on microfinance?

**Venkatesh N.:** Yes. I mean we will definitely have slight impact in the things because we do the credit shield aspect of it for the customer.

**Nirmal Jain:** What is the commission decline on that?

**Venkatesh N.:** We have close to around 14%.

**Nirmal Jain:** And what will it be under new regime?

**Venkatesh N.:** It will be close to around 2.5% to 5% -- 3.5% to 5%.

**Nirmal Jain:** So it will be at a -- PBT level will be around 5% or so, not 10% for us, maybe a little less than that. So, some part of it, the industry will have to be working on other cross-sell products, and we have to watch how it is. But yes, there's an impact.

**Gaurav Khandelwal:** Got it. Those were all my questions. Thank you very much.

**Nirmal Jain:** Just going back to the insurance, significant part of our profit was stand-alone, where there's no impact or negligible impact. So for a consol basis, the impact for us is significantly lower.

**Moderator:** Next question is from the line of Pavan from Edelweiss.

**Pavan:** Congrats on the good set of numbers. On the -- I have two questions. One on Gold loans. How much of the gold lending is through income-generating loan option? What are the pre and post disbursal documentation or the processes that we are doing to illustrate that these are income generating in nature, having to meet the RBI requirements whenever that happens.

Just part of it is on the auctions, right, you have always maintained that you would rather not auction the gold but maintain the customer trust. But when I look at yesterday's business standard, there is a whole host of auctioning by you. What is driving this? Is it to maintain the CRR at the stand-alone entity? Or is it more like customer delinquencies are increasing? That's the first question.

Second question, I mean, part of the gold again. The tonnage improvement has been quite strong, like from 64 tons to 69 tons, whereas all the gold tonnage improvement has been quite strong this quarter, right? But generally, going into the festive quarter, the assumption is that while the merchants want to increase the stock in the store and then pledge more gold, the families would

want to have the gold at home. So how are you managing to balance these factors, but increase the gold tonnage? Those are my two questions.

**Nirmal Jain:** Yes. Thanks, Pavan. So first question is about the auction. So in retail, we have millions of customers. So even if one percent goes for auction, it would be like tens of thousands. So the newspaper ad, you'll see every sample being listed out. But -- when we say that our auctions are minimal, but they are not 0. And as I said that the number of transactions that we do in a year is about almost like INR40 lakhs, INR50 lakhs or maybe more. And therefore, even if maybe around, say, give or take 1% goes for auction, there also will be significant number in terms of count. We try to minimize auction, but you cannot avoid them 100%.

So there will still be some customers who may not be traceable, some customers who just may not be able to pay. And every year after year, last few years, our auctions have not been very significant, but of course, yes, they are in the range of 1% to 2% or depending on the year, it can be a little more a little less.

Secondly, tonnage growth is the important part -- as we have been recouping our market share. We also set up new branches in the last 2 quarters. So, 2 years ago, when we resumed our business after the embargo, to gain the market share gain and bring many customers back, it really takes a long time. Also, the market is expanding. So I think our tonnage growth is there, which shows that we are getting new customers as well as our new branches are becoming productive.

**Pavan:** Just a follow-up on this. Are you seeing any increase in intensity of auctions this year considering the gold prices have come off vis-a-vis earlier years? And also on the first question...

**Nirmal Jain:** Yes. In last 2, 3 quarters, we almost had negligible gold auction, almost zero kind of a thing. So there's a slight increase, in NPAs from 60 to 90 basis points they are very insignificant for a business like this where the ticket size is small. So there's an increase, but the percentage increase or the basis point increase is very insignificant.

**Pavan:** Got it, sir. Just one part of the first question on the income-generating loans. How much of the loans are...

**Nirmal Jain:** We started late. We just started last quarter. I don't have a precise number, but I think about 20% to 25% will be income-generating loans as of now, and this might go up a little bit as we go along.

So, when I say income-generating loan, I mean the loans processed on that basis. But otherwise, 70%80% of our customers will be MSME customers and they all qualify for income generating loans. But the income-generating process, which allows you to go up to 85% to 90%, although we don't go that high in terms of LTV. That process we started last quarter. What we do is we take the CIBIL data. We also take the bank and the GST data wherever available, and we triangulate that data to forecast income and also, of course, our branch people talk to the customer.

Also, we have a very strong co-lending relationship with banks and banks have even tighter process. So when we do co-lending, we have to comply with the requirement to the satisfaction of bank. So we believe that relative to peers, we will have a much stronger system for document collection and monitoring the income-generating loans.

**Moderator:** Next question is from the line of Kush Chaurasia from Ujjivan Small Finance Bank.

**Kush Chaurasia:** My question is related to the AI strategy; this slide shows that there is a 30% productivity increase.

**Kush Chaurasia:** I was looking on the AI strategy and slides of products. So it was mentioned around 30% of productivity increase. I'm sure this is very new tool which you all -- everybody is using in the industry. So sir, can you just highlight what kind of productivity increase do you see? And also in microfinance, these numbers are helping us in terms of collections? Or is it only for a customer acquisition aspect only?

**Nirmal Jain:** So these numbers are for the processes that we have piloted, like audit or collection. So wherever we are able to implement this, then we can have a chatbot, we can have automated WhatsApp journeys as well as -- so there are quite a few tools that are being used.

So the processes where we have applied this, we have seen about 30% improvement in the productivity. So supposing, what 100 people could do now 70 people can do. And this number will further improve in terms of productivity or the cost and these numbers will go down as we become mature in applying the AI technology.

**Kush Chaurasia:** Understood, sir. So in microfinance related aspects, are we getting some kind of collection benefit by doing the AI call? How this strategy is working? This tool is working in terms of collection, improving of the collection bucket?

**Venkatesh N.:** This, it's especially helping us in the 1-90 bucket and 90-plus bucket where it's feeding our field officers in terms of giving them heads-up. So it is definitely helping them helping our field officers in especially on collections. And also, we look at lead generation for our existing customer base. If any of our existing customer base is interested in renewal loans or add-on loans, so we are able to work on that.

**Moderator:** Next question is from the line of Yash Dantewadia from Dante Equity.

**Yash Dantewadia:** Congratulations on a great set of numbers. My question is -- first question is regarding the fundraise, right? There are three verticals that we obviously have, one is home finance, Samasta and the stand-alone business that is majorly gold. I just want to understand if we're looking to -- because I think Samasta and home finance is majorly not growing at the rate at which your stand-alone business is growing, right? So just wanted to understand in terms of fundraise, are we looking at the stand-alone entities, any of these three or we are looking at the consolidated entity?

**Nirmal Jain:** No fundraise for subsidiary company, we don't need because we have adequate capital adequacy. Fund is required only in the listed holding company...

**Yash Dantewadia:** But we are looking at selling Samasta, right, initially? I mean that was the correct...

**Nirmal Jain:** Yes, you're right., The issue that we need to resolve is that there is a faster growth in the stand-alone entity, which is in gold loan and LAP business primarily, and we need to provide for more capital there. So, capital can be provided even if you are able to sell the subsidiary company, the listed company or the parent company gets the capital and -- or we can do a primary raise also.

Now the question is the timing, it is of importance. So Maybe it appears at this stage is that divestment or part or full sale of of subsidiary company will take time. And in the meanwhile, we need to make sure that we do the equity raise so that the growth is not affected.

**Yash Dantewadia:** Understood. Understood. I think that is a great answer. My second question is regarding your guidance because I feel like home loans, I think, are not growing that well in general. And you see we had guided for, I think, 18%-ish growth in your home finance business, but that's not growing. Obviously, H2 should be stronger. So what is the overall AUM guidance? I mean gold finance will majorly depend on gold prices, so I understand. But what are we looking at in terms of ROE guidance and AUM growth guidance from here onwards?

**Nirmal Jain:** So, in home finance disbursements have grown and the AUM is growing on the whole around 4% per quarter. So, when you say 18% guidance, the loan assets will grow at that pace. The core home loan PAT has grown by 2% quarter-on-quarter, but LAP has grown faster. And in terms of structurally, if our target is that we should have about20% to 25% LAP, then LAP is what we are catching up. In home finance, we have completely reoriented our strategy towards affordable home as compared to earlier when we had -- we were struggling across all segments. For that, we have set up the branches, people, the infrastructure. So a lot of work has already been done.

So I think as you are right, then the second half, we should see accelerated growth in the core home loan segment as well. But I think on the year basis, we should be able to meet our guidance. And ROE is 16% to 18% for home finance target is for next year. But it will be a continuous improvement quarter after quarter. And there's an operating leverage that works here also. So as the volume growth accelerates, we see more than proportionate growth in the bottom line.

**Girish Kousgi:** Just I would like to add, I think if you look at the disbursement, which is based on clearance, so if I compare with last year, the growth is 64% in H1FY27 on disbursements. And on AUM, the growth is 8% Y-O-Y So, we've just caught up on the growth in the last few quarters. If you look at last couple of years, it was pretty flat. So now we are back. -- this is on the numbers what we report, which is based on clearance.

But if you look at the booking, which means what we actually disburse, even sequentially, if you look at disbursements, we have grown by 41% quarter-on-quarter. So I think there's a clear growth on disbursement. It will catch up with the growth in AUM. We had guided growth of 18% to 20% on AUM, we'll be well within that because we are already at 8% after two quarters.

**Yash Dantewadia:** Right. And the ROE for the consolidated entity?

**Nirmal Jain:** ROE for consolidated entity. It will be above 20%. So, what will happen is if we do equity raise, it can be a bit low temporarily for IIFL Finance or the NBFC, the parent company. But as the

profitability catches up, in just a quarter or two, we should be able to catch up. So in the medium to long term, we got to keep it above 20%, that's what our target is.

**Yash Dantewadia:** I just hope with the way the business is going, we do not dilute at a very disappointing valuation. Of course, those numbers are going to be confidential and based on demand and supply in general. But all I'm trying to tell as a shareholder is that I really hope you guys are able to at least maintain a basic -- based on your current ROE and ROA, you guys are able to maintain a Lakshman Rekha in terms of raising at a particular -- or above a particular price to book.

And I really hope that investor and stakeholder interests are maintained in that sort of a direction, and we do not raise at a suboptimal valuation in terms of price to book, especially when we are throwing the kind of numbers that we are throwing. And you guys are working extremely hard to get these numbers out there. And I really hope the dilution is not something that holds -- dampens the stock price from here onwards.

**Nirmal Jain:** See, there's always a trade-off in the market price. That's the truth. We can't really fight with it beyond a point. But there's a trade-off that you have to maintain your growth. So I mean, there's some time you can wait and have this thing. But I think longer term, all shareholders should have good return and create good wealth, and that's what our endeavor will be.

But in a finance or a lending institution, it's important to maintain margin of safety and equity because that will also help us in upgrade of our credit rating and bringing the cost of funds down, which will further accelerate the profit growth and the ROE. So we have to keep all dimensions in mind. Yes.

**Yash Dantewadia:** No, I completely understand and agree, but I just hope a particular price-to-book ratio is maintained in terms of raising because see, currently, we are at all-time high profits in terms of annual quarter. Our ROE, ROI, everything is extremely, extremely healthy. So obviously, when you look at it as a shareholder, you expect a certain price-to-book equity fund raise. But looking at the current price action, the general assumption is...

**Nirmal Jain:** No, I appreciate your honesty. And when we raise equity, it is also important, the quality of investors that we bring in because that also helps in re-rating and perception change.

**Moderator:** Next question is from the line of Vansh Solanki from RSPN Ventures.

**Vansh Solanki:** So, my question is on GNPA and NPA. At the consol level, if I see the GNPA is declined, but the NPA slightly increased on quarter-on-quarter basis. So why this so happened?

**Nirmal Jain:** So GNPA has declined, but within the GNPA, gold loan GNPA has gone up, as I said that the loss given default is much lower. And that is why you see that the provision has not gone up at the same pace. It's slightly lagging the GNPA. So that's why you see that the GNPA has marginally come down and NPA has marginally gone up. But even the lower GNPA would have been much lower, but for gold loan, which is slightly up.

**Vansh Solanki:** Okay. And second question is on our IIFL Home Finance. So like for home finance and for Samasta, we were talking about shareholders' value creation. So is there any plan of divestment

of any of the company as of now maybe Q-sell or IPO or any something like that of any company with home finance or Samasta?

**Nirmal Jain:** No, I don't think there's any such plan at this point in time. So whatever we have said earlier, we'll look if there are any opportunities, we will look at raising or boosting the capital of parent company by either of these ways.

**Vansh Solanki:** Okay. So why if we are raising the equity for a stand-alone, so can't we sell some portion of equity within our subsidiaries and raise funds from there?

**Nirmal Jain:** Yes. So within our subsidiaries, we can raise equity, but we can't put money in the parent because dividend is taxable. But if we can sell part of the subsidiary, then we get capital. But we are looking at all the options, all possible options.

**Vansh Solanki:** Okay. Okay. And the last question is like -- can you just reconfirm FY '27 guidance or all the guidance you have given?

**Nirmal Jain:** So there's no change in guidance as such. But I think, hopefully, we are on track to meet and exceed the guidance. So the guidance there is like 25% AUM growth and similar profit growth and ROE of around -- the upper end of the guidance and ROE is 20%. So I think we are there.

**Vansh Solanki:** Okay. And will it be possible for us like maybe you have done the calculations. So will it be possible for us to close FY27 with this 20% ROE because maybe there will be a dilution of our loan and equity will be more in a standalone.

**Nirmal Jain:** It's possible.

**Moderator:** Next question is from the line of Deep Vakil from Bandhan AMC.

**Deep Vakil:** Congratulations on a good set. Sir, one question on the industry. I think you already highlighted the draft consultation paper that has come on the insurance norms, right? So earlier also, there was a draft consultation on -- I mean, the broking entities with respect to MTF and STT and all that. But the final guidelines were a lot more not harsh as the initial draft.

So what do you expect -- do you expect such -- I mean, something on those lines also in the current consultation paper that it will be more easy out and not harsh like just proposed in the draft? What do you sense on market or what's your overall idea on this?

**Nirmal Jain:** It is very difficult. I'm not an expert on this, but it's possible that it might be diluted a little bit. But some changes will happen and the industry will have to learn to adapt, become cost efficient or do more different cross-selling. But yes, it's quite possible that they say 10, industry wants 100, they might settle at 50, we don't know. So in my personal view, which is like maybe completely different or may not be true. But I think, yes, some middle part may come because there's a lot of resistance and a lot of worry about the job losses also.

So insurance is a great product, and it can be a great price, but then who will sell it. The problem is that selling is a very huge effort and takes time. There's only certain productivity that people

can achieve. So therefore, when you sell it, there will be some middle part. That's not my personal belief, but I'm not sure.

**Deep Vakil:** And sir, generally, in home loans and our subsidiary, so can you just guide -- I mean, usually, we have a condition attached to the loan that you'll get the loan only if you take insurance or we try to cross-sell it?

**Nirmal Jain:** No it can never be. It's not done like that.

**Deep Vakil:** Okay.

**Nirmal Jain:** But what happens, like selling a bundled insurance, then something happens to the breadwinner of the family, then the family does not have to pay any more installment when they get the house to stay forever. So in a way, that works very well for a nominal premium is fully protected. But it is never forced, it's never conditional, not in our case.

**Moderator:** Next question is from the line of Pavan from Edelweiss.

**Pavan:** On the MSME, the MSME yields have come down 0.98% quarter-on-quarter, right? Again, the home loan yields have also come down 11 basis points quarter-on-quarter. What is driving this? At the same time, we are seeing GNP also come down significantly. Can you give some comment on the -- on-the-ground situation and your internal approval rates? Are you seeing increase in the approval rates, the MSME loan?

**Nirmal Jain:** So Pavan, they are linked. So as we move towards superior quality of borrowers, you get lower yield and the quality of asset improves. So this trend will continue because the LAP now lower unit property. There was a time when we had a micro LAP with 34% yield or 18%-24% and had massive losses.

Now the new business that we are doing is maybe around 12.5% to 13.5%, but then quality is very superior and the losses are minimal. So I mean, it's a strategic decision that we took, and we have to sacrifice on yield a little bit and over a period of time gradually. But it will improve the quality of assets significantly.

**Pavan:** Sir, just a follow-up to that. Like we are giving up yield of almost 1%, right, but the credit cost won't go down by a similar number. So what will be the overall impact...?

**Nirmal Jain:** Yes, it's a very good question. We have debated a lot on this over the last 10 years. The problem is in the cycle. Right now, we are in a fairly good cycle of credit and collection. But when the cycle goes bad, these things really go much worse. And that's one.

And two is too much of volatility in the asset quality and the reported numbers. So on balance, over a period of time, also they have a higher collection cost, which will appear somewhere in the operating cost, when we have a small ticket and a high-yielding asset. So from a longer-term point of view, strategically, I think this helps to have a lower yield and lower credit cost, lower collection cost and stable or a lower band of the NPA wavering.

**Pavan:** Yes. Got it, sir. The overall impact on the ROA would be -- I mean, at the segment level? Any comment on that?

**Nirmal Jain:** Yes, go ahead.

**Pavan:** No, just at the segment level of the MSME, what would be the kind of overall ROA impact that we can expect because of these going higher up in the curve in terms of quality?

**Nirmal Jain:** Yes. I think ROA this year will be not much, maybe breakeven or a little bit of this thing. So again, housing finance and NBFC, they operate differently. A lot of costs are common, which also depends on how we allocate. But next year, we'll be back, will be around 2.5%-3% ROA, what our target is for all of the businesses.

**Pavan:** Got it, sir. Last question from my end. Can you give any kind of status update on the tax-related aspects, both at the parent level and the subsidiary level?

**Nirmal Jain:** So there's no further update because there was assessment order, there was a tax demand. We've got stay on that, and we are litigating and we are presenting our case. So no update since whatever we have updated last.

**Moderator:** Next question is from the line of Rajiv Mehta from Yes Securities.

**Rajiv Mehta:** Congratulations on strong numbers. My first question is on the gold loans business. I think on the gold loans business, we've performed very well. We have had a good tonnage growth, good overall portfolio growth and even the yields have improved. So if you can just comment on the competition landscape because Q2 was supposed to have a more intense competitive landscape after the regulations changed from Q1. I mean Q1, the industry adopted with the new products. And then Q2, I think as far as we know on the ground that the competition has kind of intensified.

But even amidst this environment, we've been able to grow in volume terms and even improve our yield. So how have we done it? And secondly, if you can just comment on the competitive intensity even amongst the NBFCs vintage player?

**Nirmal Jain:** So one, market is expanding and two competition is also increasing. But in competition, there's a lot more noise rather than the real because competition will take time to set up branches, hire people, train them and the customer acquisition in a retail walk-in or a retail shop kind of a business is over a period of time.

But having said that, yes, competitive intensity is increasing. But fortunately, at this point in time, we are market expanding very well. Market is expanding for two reasons. One is the gold prices have increased the borrowing capacity of the households or the small businesses that have the collateral.

And two, unsecured lending and micro finance has been tightened across the industry many of those customers are now moving towards gold loan also. And also, third thing I would add is the economy has been doing pretty well despite whatever we hear in news about geopolitical, everything, but in the economy there's a demand for credit and small businesses are picking up.

**Rajiv Mehta:** And if I were to kind of break your growth, say, on a month-wise basis, even in maybe September month, when I believe that some of your larger competition was running some lower rate schemes, even in that month, we were able to hold our yields and we were able to hold our growth?

**Nirmal Jain:** So we are focusing on customers and not competition as such. So we want to make sure the customer experience is good. Our policies are transparent. Not that we attract customer by offering 10%, 12%, and within 1 month, we charge 16%, 18% -- and also our people are trained and motivated and they are doing a fairly good job, I guess. So we are continuing to get some part of our market share and working towards it.

**Rajiv Mehta:** So broadly, do we remain kind of -- I mean, mostly assured about maintaining yields and the growth momentum in the second half then?

**Nirmal Jain:** Yes. I think market is a very large one. We have set up new branches that will also gain market share. I personally think that if the gold prices remain stable. I'm not saying that they will go up even if they remain plus/minus 10% and environment economy remains what it is, then we should be able to maintain our growth momentum. We are seeing continued growth momentum, let me put it this way. And I think at least second half looks good.

**Rajiv Mehta:** Okay. And just lastly, on housing business. And when I look at the core housing portfolio within the IIFL Home Finance book, the growth is slow. Even the yields are kind of coming down. And when I look at the segment that we are trying to signal or indicate in the presentation, the average ticket size seems to be INR17 lakhs. So I'm just trying to understand what is happening in that portfolio. When does it turn around in terms of growth? When do we see yields or disbursement yields start to improve there?

**Girish Kousgi:** Yes. So if you look at probably yield a year back, this is the incremental yield. That is yield on disbursement, it was about 10.69%. So in April, we took it up to 11%. If you see for quarter 2, the yield has gone up to 11.81%, which is much above the portfolio rate. So with every passing quarter, this will pull up the yield. So in terms of margins, in terms of yield, it has gone in last 1 year, the lift is about 110, 115 bps. Even compared to last quarter, it was about 33 bps higher on the onboarding, which is the new disbursements.

**Rajiv Mehta:** But I think the yield that you're talking is about the blended yield, which is including MSME secured LAP because I'm just looking at the home loan yield at the portfolio level, that has come down on a Q-on-Q basis, which also means that the incremental yield are -- is not improving there.

**Girish Kousgi:** So if you look at the AUM, so we had a pool of assets within home, which is running off. But if you look at the same HL, in last 1 year, the yield was about 9.3%, 9.4%. Today, the same HL yield is coming at 9.6%, 9.65%. So within HL, the yield is going up, but if you look at the overall yield, there is a drop.

**Nirmal Jain:** See, earlier, we had a high-yielding portfolio of micro LAP and also the BHP of those loans. So there was a small segment of the portfolio of high yield, but that had higher losses. So that is what has -- is impacting the weighted average yield but on a quarter-on-quarter basis, you are

right. Home loan portfolio yield has come down by 10 basis points, but it's a mix change. As Girish said that the boarding yield continues to be healthy. So it will take 2, 3 quarters to pick up, but there are yields to improve.

**Rajiv Mehta:** And just last clarification is...

**Nirmal Jain:** Earlier we had certain high yield mix, which is going away. And I think now it should pick up.

**Rajiv Mehta:** And what is that mix still left in the book, that high-yielding portfolio, which you're running down or which you are not doing incrementally? How much is it left?

**Nirmal Jain:** Will not be much now, but how much is that?

**Girish Kousgi:** 250. It is coming down.

**Nirmal Jain:** In the home loan is about INR250 crores of BLC, and in LAP it will be about INR1,500 crores to INR1,000 crores.

**Girish Kousgi:** 390 Shakti and BLC is about 200.

**Nirmal Jain:** So yes, CL is about INR600 crores in total, INR250 crores in home loan, around INR400 crores in LAP.

**Moderator:** Next question is from the line of Yash Dantewadia from Dante Equity.

**Yash Dantewadia:** So you said the overall equity dilution is anywhere between 10%-20%, right? That you are looking at?

**Nirmal Jain:** I'm saying it can be up to that, but that depends on the investors. So it's very difficult to see as soon as something happens, we'll obviously report to all the investors and exchanges. But it will be in that range. That's what I'm saying.

**Yash Dantewadia:** Let's say, your current growth rates -- I was just trying to understand that, hence, the question.

**Nirmal Jain:** Yes. Tell me.

**Yash Dantewadia:** Did you get the question?

**Nirmal Jain:** You said -- no, I haven't got the question. You said the current growth rate, I missed after that.

**Yash Dantewadia:** Yes, sorry. I said at the current growth rate, even if we dilute, let's say, 15%, how long is it going to sustain for us? Because obviously, if the dilution is not sizable, then I don't think it's going to sustain us for more than 6, 7 quarters, right?

**Nirmal Jain:** So no, I think it's a good point. But two things. One, our profits will get added to the net worth, and we expect strong profit growth. Two, in 6, 7 quarters, we'll have an opportunity to either demerge or divest or unlock the capital block in the subsidiary companies.

**Yash Dantewadia:** Right, right. And as far as Samasta Finance is concerned, we are clearly not growing that business, and we're not focusing on that business. So is it safe to say that within a year or 2, we are going to be out of the microfinance business?

**Nirmal Jain:** No, I don't think so. I think the growth will now pick up a little bit. I mean it may not be as strong as it used to be 2, 3 years ago, but the growth will pick up once. And Venkatesh, if you want to say something about your…?

**Venkatesh N.:** Yes. I mean...

**Nirmal Jain:** We are cautious, but it will become positive now going forward.

**Venkatesh N.:** See, we were looking at various situations across, we were being cautious in terms of growth. We see we have muted certain geographies in terms of where we see some drought conditions and so on. We have muted growth in those pockets. And now I think the second half of the year, you can see a little more momentum building up during the festival season and there, we can see the momentum building up.

**Yash Dantewadia:** The only shocking part for me is that we've not capitalized much on the motor finance. Is that something -- looking at the current auto sales, I'm sure all of you have looked at the numbers, right? Looking at the current auto sales, do you think this is a missed opportunity that we've not been able to capitalize on? Or is it deliberate in nature?

**Nirmal Jain:** To capitalize upon this requires a whole infrastructure of understanding the credit for auto and also connecting with dealers or even secondhand. So when you set up a new product line, it's a long effort because you set up all kind of things from credit underwriting, operations, sales, risk management, getting the customers, marketing. So, it's a long-term call that one has to take. And seasonally, I mean, there will be a spike, but it's not possible to capitalize upon seasonal spike. We have to take a strategic call, if we want to get into this business. Then we set up our entire team.

**Yash Dantewadia:** Honestly, only one single segment is currently driving our growth. And currently, LAP and home finance in general, because of the real estate cycle is, I think, 15%-20% in general for all companies in that segment. And again, microfinance, we've not traditionally historically done very well in microfinance.

So the question that I raised regarding motor finance was, obviously, one is there's a lot of -- obviously, there's a lot of in general, in that industry for people to get into. And for the sale number -- sales numbers are also picking up very, very drastically. So I think we should actually consider getting into this sort of a segment also. I think that's just a suggestion from our end, but then it's obviously up to you and your long-term planning in general.

**Moderator:** Next question is from the line of Abhishek Murarka from HSBC.

**Abhishek Murarka:** Congratulations for the quarter. So the first question is on housing. This disbursement growth of -- disbursement of INR2,000 crores that you have reported this quarter, last quarter as well, can

you give a split between how much is in affordable, how much is in emerging? Just to get a sense of where we are headed in terms of the mix?

**Nirmal Jain:** Sure. Broadly, Girish can give you…

**Girish Kousgi:** If we look at quarter 1, we disbursed not INR2,000 crores, INR3,175 crores. This is based on...

**Abhishek Murarka:** You're including MSME...

**Nirmal Jain:** Is it affordable home loan...

**Abhishek Murarka:** Yes, affordable home loan deals?

**Girish Kousgi:** Yes. In Q2, we have disbursed affordable now almost about INR790 crores. In quarter 1, it was about INR400 crores. So, there is no significant growth in the affordable business what we are doing because out of total, only about INR100-odd crores is CF. Rest all is retail. So within retail, affordable is about INR400 crores in quarter 1 and the rest is emerging. And in quarter 2, INR790 crores is affordable and the rest is emerging.

**Nirmal Jain:** So it was INR400 crores, close to INR800 crores in quarter 2.

**Abhishek Murarka:** Yes, almost double. Okay. But that would mean that your emerging numbers have fallen. So 1,600 come down to 1,300 or so. Right? So...

**Nirmal Jain:** Yes. As we move to affordable...

**Girish Kousgi:** On branches, we have added 38 branches, new branches. So we were at about 311, now we are 350. All the branches are in affordable. So the idea is to try and focus the affordable business because we will get a higher yield, and that's the plan.

**Abhishek Murarka:** Right. And currently, what is the yield for affordable versus emerging disbursement yield?

**Girish Kousgi:** So for affordable, the yield will be about 12.5%, 12.6%. This is blended. And emerging will come at about less than half percent.

**Abhishek Murarka:** Okay. Got it. And this kind of run rate should actually accelerate now, right, like your quarterly disbursement run rate?

**Girish Kousgi:** Yes, definitely, yes. So it will accelerate. It will accelerate. If you look at H1 to H1 comparison, we have grown the disbursement by 64%. And this is based on check clears because whole of last year was based on booking, whereas this year, it is based on check clearance. Even if you look at disbursement, which is not the clearance of quarter 2, that is a good about INR4,000-plus crores, which is again 41% compared to quarter 1, sequential growth of 41%. So there is a good growth on disbursement, which is why we are also seeing growth of 8% on AUM.

**Abhishek Murarka:** Right. I was just trying to figure this whole yield compression that you're currently seeing in your portfolio yield for home loans. When do we see that sort of stabilizing and moving back

up? Because incrementally, you're disbursing almost more and more percentage in affordable. So where do we see the yield benefits coming in?

And the other question is, see, between affordable and emerging, the both your yields are much higher than the 10.4% that you have reported as your portfolio yield. So what part of the portfolio is dragging down the yield? You said it's just INR250 crores or something in home loan, but that's a very small number. So it's not reconciling. That's what I'm trying to figure out.

**Girish Kousgi:** So on the AUM, the pools which are at a higher yield, that runoff that is pulling down the portfolio yield. However, as I mentioned to you, the boarding yield has now gone up to 11%.

**Nirmal Jain:** The question is that only INR250 crores can you pull it down so much.

**Abhishek Murarka:** Yes.

**Abhishek Murarka:** In INR34,000 crores home loan, INR250 crores is a very small number and the differential between disbursement and portfolio is more than 100 basis points. Why is that differential? I mean there must be some part of the home loan with really low yielding, which is not INR250 crores, which is a much bigger number. Is that the case? So I'm just trying to figure out when the yield compression will plateau out and go up.

**Nirmal Jain:** When you have such a large portfolio, why the weighted average is lower?

**Abhishek Murarka:** You can take it offline or some explanation now.

**Girish Kousgi:** So there could be some interest reversal or something, but we need to check this thing.

**Abhishek Murarka:** Yes. The second question is on MFI. I know that disbursements will pick up next half. But can you give a sense of what is, say, the monthly run rate for September or something, just September, maybe so far in October, targeted in October. So just to get a sense of how much that pickup could be?

**Venkatesh N.:** September, we did around close to around 550. We are looking at close to 800 in October.

**Abhishek Murarka:** Okay. And second half, it should obviously improve, right? Because generally, 3Q, 4Q are much busier than the first half.

**Venkatesh N.:** That's right.

**Abhishek Murarka:** So what is the exit you are targeting, let's say, Feb, March, what should be the run rate by then?

**Venkatesh N.:** We should be looking at around 1,000 a month.

**Abhishek Murarka:** 1,000 a month, yes. Got it. And finally, just a clarification. So in the beginning of the call, you gave the insurance revenue numbers. That was as a percentage of overall revenue or percentage of PBT, I didn't catch that properly. You said 4.5%-5% revenue...

**Nirmal Jain:** Its cross-sell. So it's about INR250 crores, INR260 crores what we have, that revenue then goes into PBT actually, more or less.

**Abhishek Murarka:** Okay. INR250 crores. Okay. And is there a breakup between HFC, Samasta?

**Nirmal Jain:** 150 or so in HFC and around 75, 80 Samasta.

**Moderator:** Next question is from the line of Shubhranshu Mishra from PhillipCapital.

**Shubhranshu Mishra:** So I am just focusing on this slide which talks about co-lending and assignment. So almost like 40% of the gold loans are either assigned or we are doing co-lendings versus we having close to 2,500 branches pan-India. So I'm just curious as to about the co-lending part of it, assignment I do understand.

But again, in terms of assignment, I think there are certain regulations of RBI which prohibit NBFC from doing assignment because these are bullet loans and not monthly repayment loans. So how do we understand the true nature of these assignments in terms of unit economics or the commercial transactions which have been enacted?

**Nirmal Jain:** There is no ban on the assignment. Only thing is that RBI regulations, if you assign, banks don't get the priority sector credit for that. So even if those loans are smaller priority sector customers, when you do assignment, it is not considered as a PSL. And in co-lending, it works simultaneously so that we basically disburse the loan, money comes to syndicate through the escrow account and the co-lending happens on the same day.

So that process of the integration has started. And if you really look at it, in gold loan in particular, almost about 40% of our portfolio is co-lending out of the total output portfolio. We don't do much of bullet loans. So sorry about your question about bullet loans. So our portfolio does not have much of bullet loans. I mean not in the co-lending assignment. Some part we might keep in our books.

**Shubhranshu Mishra:** So essentially, what we are saying is that 40% of our assignment and co-lending book for gold loans is basically a monthly repayment...

**Nirmal Jain:** Could be monthly, but not bullet.

**Shubhranshu Mishra:** Understood. So which means that it would be far more yield dilutive versus the rest of the portfolio. So 60% of the portfolio would have upwards of 20% kind of yield versus the 40% of the portfolio. Is that a fair understanding?

**Nirmal Jain:** Yes. I mean broadly, yes, but not exactly.

**Shubhranshu Mishra:** So where am I lacking the understanding in that case? Because if we make it monthly, then it is yield dilutive.

**Nirmal Jain:** It's not entirely that way. But what you are saying is right in terms of the broader trend or indication. But it's not precise that every loan that goes is higher yield and every loan that we retain is higher yield. But yes, most part of it, what you're saying is right.

**Shubhranshu Mishra:** Right, right. And my -- the only question I think, which remains unanswered is that why we are doing co-lending at all in gold loans because we've got enough distribution. We've got enough experience in gold loans. We've been doing it for quite some time. So what is it that we are drawing out of the co-lending apart from -- I understand the economics of it, but I'm just trying to understand from our own distribution perspective that we have a large enough distribution across various Fin codes and the...?

**Nirmal Jain:** Yes. To tell you candidly, we don't have enough capital and we need -- so our capital adequacy is not adequate to meet -- to keep everything on the books.

**Shubhranshu Mishra:** Right. Understand. I'll possibly take this offline.

**Nirmal Jain:** Yes, I think there is none. So we can wind up. Thanks.

**Moderator:** Yes. We do not have any further questions. Over to the management for closing comments.

**Vikas Jain:** Yes. Thank you so much for joining today's conversation in the financial performance and the Q&A session, and we look forward for the quarter 3, and thank you so much. If you have any more questions, always reach out to us. Thank you so much.

**Moderator:** Thank you. On behalf of IIFL Finance Limited, that concludes this conference call. Thank you all for joining us today, and you may now disconnect your lines.