



Poonawalla Fincorp Limited Q2 FY25-26 Earnings Conference Call

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**MANAGEMENT: MR. ARVIND KAPIL – MANAGING DIRECTOR AND
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MR. SHRIRAM IYER – CHIEF CREDIT AND ANALYTICS
OFFICER**

Moderator: Ladies and gentlemen, good day and welcome to the Poonawalla Fincorp Limited's Q2 FY25-26 Earnings Conference Call. We have with us today on the call Mr. Arvind Kapil- Managing Director and Chief Executive Officer, Mr. Sunil Samdani- Executive Director, Mr. Shriram Iyer- Chief Credit and Analytics Officer and other senior management officials.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arvind Kapil, Managing Director and Chief Executive Officer of Poonawalla Fincorp Limited. Thank you, and over to you, sir.

Arvind Kapil: Thank you. A very good evening to all of you. Wish you all and family a happy and prosperous Diwali. It's a pleasure to interact with all of you. Let me begin with a broad quick sense in the industry perspective that I see, which translates I believe into the growth story that we are following right now.

If you look at the domestic economic activity, it remains resilient in our assessment and is expected to maintain momentum. I believe supported by key domestic drivers like GST reforms, moderation in the inflation, cut in the CRR repo rates. I also see the GDP expansion has been very robust in Q1FY26.

Now coming specifically to Poonawalla Fincorp, we are currently in an intensive investment phase that is strategically designed to drive long-term predictable, sustainable profitability with a risk-first and governance-first approach. This expansion will enable us to achieve stronger operating leverage, result in lower credit cost ratios that we're aspiring, higher sustained profitability and, of course, improved ROAs.

Let me give you some precise points or sense on the key highlights for the quarter.

- Our AUM grew at around 68% year-on-year, 15.6% quarter-on-quarter, standing at Rs. 47,701 crores as on September 30, 2025.
- Total disbursements in Q2FY26 grew by around 16% quarter-on-quarter in comparison to 13.6% growth in Q1FY26. Disbursements have almost doubled on a year-on-year basis.
- Our new product disbursement stands at approximately Rs. 750 crores for the month of September 2025. The whole idea was to give you guys a sense as to how the ground level traction is playing out for the new products that we launched probably not more than 5-6 months ago.
- New product contribution to disbursement in Q2FY26 stands at 17% compared to 11% in comparison to the previous quarter, which is Q1FY26.
- Our on-book secured mix stands at 56%.

- Shares worth around Rs. 1,500 crores have been infused by the promoter. You're well aware of that, through the preferential issue on the private placement in Q2FY26, which reinforces the promoter's confidence.
- Net interest margin stands at 8.4% in Q2FY26 versus 8.32% in Q1FY26. So, it's an uptick of around 8 basis points. I think it has started to move up.
- Our GNPA for Q2FY26 stands at 1.59% versus 1.84% in Q1FY26. It's a drop of 25 basis points. I would treat this as a pretty important and noteworthy. Noteworthy, I would treat it because if you really go into the details and you see the GNPA, it remains stable in absolute terms, too, which is the absolute cost was Rs. 711 crores this quarter as against Rs. 712 crores last quarter despite the growth. So, the 1.59%, I think, would be fairly solid in my assessment.
- Our Stage 1 asset rose to 97.1%, another point that I would treat as a pretty solid for our foundation that we've reached as compared to 96.5% in Q1FY26. Now why is Stage 1 assets important? Because this reflects stronger asset quality and stable borrowing performance. And this is, in my experience, a true representation of times to come on the credit cost. Because if your Stage 1 asset rises to 97.1%, even if you see industry standards, we would be fairly on a strong wicket compared to probably the competing landscape. And this improvement underscores our continued focus on the prudent underwriting and effective risk management. So, both GNPA as well as Stage 1 assets, I think, is a significant turning point if I have to look at the future in terms of our credit costs.
- Our stated objective is to achieve one of the best-in-class credit costs. And with that, we stand by. These two indicators that I just gave you are, I think, on a fairly solid wicket.
- We've launched around six or seven businesses. They will pick up scale in different proportions over years. You will have the same calibration playing in the range of 1.5% to 2% as the new product contribution gets more representative in size. So, they have better yields, they're more representative in size, and we are very excited about the momentum.
- Our cost of borrowing has dropped from 8.04% to a 7.69%. That's around 35 basis points. One of the key levers was NCD contribution, which has substantially increased from a 7% in March 2025. As of June 2025, it reached 24% and now closer to 35% approximately till date i.e. as of now, adding strength to long-term capital funding. Our aim is to ensure stable and cost-efficient funding. So, we had promised the markets that our NCDs will come up within a year or two. We're happy to share that it's already ranging in the range of 30% to 35%. And this, I think, will be a very strong sense, not just as a strength in terms of drop in borrowing cost, it also adds a lot of stability from risk management on the liability side because you start developing that market in terms of long-term funding.
- On AI, this quarter, we've identified, again, 10 incremental projects on top of the 35 existing ongoing projects that we had last quarter, taking our total tally to 45 cutting-edge AI projects with specifics. Out of these 16 projects are live. Also to highlight, we are doing some AI projects in finance and operations that will strengthen our governance-first digital initiatives.

Let's quickly move on to the business highlights. Let me now take you through a detailed update on our business.

Our **LAP book** grew at around 136% year-on-year, 23% quarter-on-quarter. Similarly, the **Business loans** portfolio grew by 54% year-on-year and 8% quarter-on-quarter.

Now specifics to the new businesses to give you a sense.

Prime PL launched with a focus in August 2024 continues to demonstrate strong momentum and market acceptance. In Q2FY26, average monthly disbursements have reached approximately Rs. 400 crores, underscoring healthy traction and growing customer demand. A noteworthy milestone is that around 26% of disbursements in Q2FY26 were processed through a fully straight-through journey with zero manual intervention in credit operations. We are very, very excited about this part because this absolutely strengthens our promise to go for external customers successfully on the digital journey. So, it reflects a well-calibrated growth strategy combined with robust business expansion and sets a strong foundation for scalable tech lending as well.

Next is **Gold loans**. As our digital products are scaling rapidly, we're also enhancing our physical presence, especially through the gold loan branches. We are fully operational now at 160 branches as we speak with another 20 to be launched shortly across Gujarat, Haryana, Rajasthan and Maharashtra. Gold adds strength to our secured book of products. To give a sense, monthly disbursement figures moved approximately to Rs. 110 crores in September 2025 from Rs. 28 crores in June 2025. We are seeing a constant increase in productivity across branches.

We are on track to meet our objective of launching 400 branches by March 2026, out of which 95% of these branches will come up in Tier 2 and Tier 3 markets in line with our strategy to create multiproduct distribution points in high-potential locations.

Moving to the **Consumer durable loans** snapshot. As of September 2025, we're live with 10,000-plus dealer distribution points spread across 190 locations approximately. We're confident to hit 12,000 dealership distribution points by the end of the year is what we had committed. The business traction is building well. The market response is substantially better than our expectations. To give a sense, we almost doubled the disbursement value to approximately Rs. 65 crores in September from June 2025.

Confident to keep on multiplying the customer acquisition through this business. This business will create a massive customer franchise for Poonawalla Fincorp at a fairly accelerated level on very well-calibrated hopes. We've started penetrating regional retail chains, which will help us increase our distribution strength. We've already onboarded several major mobile OEMs and are also moving on onboarding leading OEMs in the consumer durable space.

We would also like to highlight our PFIN EMI card, which has been receiving great customer acceptance in the market. Customers have preapproved offers that they can utilize as for their convenience at any of our now 10,000 dealer touch points. 94% of our consumer durable loans, customers acquired in September 2025 have taken our PFIN EMI cards. We will soon be launching the card on our website and app for direct customers as well and build that strength.

In **Commercial vehicle business**, almost all business metrics have doubled, beginning with disbursements, which have doubled have reached approximately Rs. 100 crores in September 2025

as against June 2025. Geographical footprint of CV business has widened to 49 locations till September 2025 as against 27 locations in June 2025. Our channel distribution has more than doubled and has strengthened to 450 channel partners as of September 2025.

Parallely, we have successfully launched new commercial vehicle business through Q2FY26 and have disbursed Rs. 50 crores during the quarter. This will complement our primary business segment, which is used commercial vehicle loans. CV business is now live in all 12 states as part of our Phase 1 geo-expansion plan.

Education loans, a quick snapshot and a feel, 6 months after launching the business, we've logged in over 10,000 files, have onboarded 200 consultants and strategic partners. During the fall season, we've disbursed a milestone of Rs. 100 crores in a single month. As of September, we have approximately 1,000 customers.

By the end of FY26, we are poised to scale our network to 500-plus education consultants and leverage on our unique “**Instant Sanction**” product offering. The idea is to focus on building the distribution and focus on post-grads as a core segment.

On **Shopkeeper loans**, we are undergoing targeted calibration to achieve our desired risk benchmarks over a couple of quarters, following which we will scale up our volumes.

Now let me take you through our scale of **distribution network**. I think it's important to pause here and understand this strength. We're continuously broadening our reach through combined physical and digital channels to ensure greater accessibility and convenience for our customers. Key distribution channels for us are:

- We are live with 160 gold loan branches as against 80 branches last quarter, we are on track for 400 branches by March 2026. A significant increase in our physical footprint.
- Strengthening our DSA network across LAP business on personal loans to improve market leverage and efficiency, quarter-on-quarter is increasing.
- Quantum leap in consumer durable dealer distribution points from 3,000 in June 2025 to 10,000 points in September 2025, which is a jump over 3x from the previous quarter.
- We've doubled the education counselors from 100 in the last quarter to 200
- Collaborating with 450+ commercial vehicles against 200 in June 2025, effectively doubling our presence in the quarter for the customer acquisition.
- Rolling out industry-first end-to-end digital journeys across various products to enhance customer onboarding and servicing.
- Enhancing our experience on the website and digital platforms to strengthen online customer acquisition and engagement
- Leveraging technology-driven marketing strategies to target new customer segments with precision and efficiency, which I'll cover in a little detail later.

Now let me cover the critical strategic pillars that will differentiate us as we scale. **Digital transformation, Digital marketing and Artificial intelligence and Debt Strategy**. I think these 4 I'd like to give you a sense because there's a fair amount of work happening, which will

play out as we scale. I'll provide a comprehensive overview for each domain to illustrate the key initiatives underway. I believe this could be a multiplier effect to generate for our businesses.

The first pillar, quick one is **Digital transformation**.

PFL has embarked on digitization and automation initiative for its operational processes that are leveraged across life cycle of the loan. While this would cover the entire life cycle of the loan, the current digitized plan covers loan servicing, regulatory and compliance reporting, EMI presentation and payments, which will strengthen our governance first approach.

On loan servicing, this will reduce the turnaround to action customer requests for foreclosures, part payment, auto refunds and TDS certificates. Additional channels of WhatsApp, SMS for delivering customer documents will be introduced, complementing the current channels like e-mail.

Regulatory and compliance reporting will be made faster while maintaining accuracy of the various digital initiatives like CIC reporting automation across systems and automation of CKYC update. Straight-through processing of EMI mandate will ensure faster payment application and reduce manual effort.

These digitization initiatives will be implemented in the next two quarters.

Overall, these initiatives will ensure faster turnaround and operational activities, reduce manual errors, increase scalability of operations to support the planned business growth without equivalent incremental cost in operations. And the most important is the more you automate pieces like operations and finance, the more closer you get to solid governance because it's absolutely lease audit trails and it's the right way to build the building blocks of the company from here on for the next 12 months.

PFL has also embarked on automation in finance on similar governance-first approach, high on compliance and system- driven process and finance function. This will be achieved by maximizing automation of intermediary processes to deliver seamless financial workflows. Automation is planned across multiple work streams, including budget control, reconciliations, regulatory reporting, liquidity management, payouts and taxation.

To name a few, the budget control automation shall facilitate system-driven budget tracking and variance across departments, improving financial governance and enabling data-driven decision-making.

In liquidity management, the daily computation of liquidity coverage ratio will be automated. The indirect tax automation will include automation of state-level distribution of the input tax credit on common services.

Overall, net-net, the finance automation results in a hand-off system-driven, more efficient finance operation in the next 9 to 12 months. Both automation and finance and operations clearly is, we are walking the talk on governance in my limited view.

Now coming to **Digital marketing** at Poonawalla Fincorp.

We have taken significant strides in strengthening our digital presence in the last 1 year.

First, we're increasing our channel partners for our digital acquisition. While Google and Meta remain important pillars of our digital acquisition ecosystem, we have now built capabilities to scale our presence even beyond these platforms by partnering with over 30 digital affiliates and publisher networks.

This approach has already delivered remarkable results with disbursements growing multifold in just 4 months. We are committed to exploring even more innovative channels and ways to ensure a well-balanced and diversified acquisition mix that drives sustainable growth.

Second, important, driving cost efficiencies through the tech innovation. We have been laser-focused on optimizing the entire customer journey to improve the funnel conversion and manage our acquisition cost. By working closely with Google, we've built a real strong real-time information sharing to our campaigns that enhances our cost efficiencies. We will continue to do experiments and technology interventions to build strengths on to our new campaigns.

Third, strengthening our app and website infrastructure for organic growth is a very important initiative for us. Continuing our efforts on strengthening our app, we've added new features, improved with UI/UX, along with 21+ other enhancements, resulting in a significant improvement in our Play Store ratings and 44% growth in our app installs versus last quarter. We've also invested heavily in enhancing our website performance, focusing on faster page speeds, improved discoverability and reduced load time, leading to 21% increase in non-paid traffic vs last quarter.

These efforts have laid the foundation to now shift towards strong content-led organic growth across both traditional and generative AI search and drive accelerated organic traffic to our platforms.

Fourth, we are building a MarTech-driven growth engine, which is another key area of focus that has been the build-out of cutting-edge MarTech architecture to support our growth ambitions.

Fifth, strengthening our brand through social campaigns. Finally, we're committed to building a stronger, more engaged brand presence. With our latest festive social campaign that we have recently released, we aim to drive awareness of our brand promise of being the most trusted financial services brand. A noteworthy aspect of this campaign is that its production is AI-led, including visuals, music and even vernacular translations. We strongly believe that by leveraging AI analytics and MarTech and a customer-centric approach, we're building a scalable, sustainable acquisition model.

Let me cover the third and important pillar, that's **AI**, on the overall game plan.

At the very outset, we had shared our vision to become an AI-first organization with analytics and AI positioning as the foundation pillars of a transformational journey with several AI

solutions being built in-house to strengthen internal capabilities, a few being developed in collaboration with strategic vendor partners to accelerate delivery and scale.

We have mapped out incrementally 10 AI projects, which takes our total tally now to 45 AI projects across the organization. We are truly excited with this. Let me give you a sense.

In taxation, for example, we are solutioning the TDS receivable consolidation process within the taxation function to eliminate manual reconciliation across multiple systems. Leveraging AI, the solution will extract, format and consolidate data into standardized TDS registers, enabling accurate year-wise reconciliation. AI-driven anomaly detection will enhance data integrity, reduce errors and support compliance.

Imagine the next one - First, an AI-powered speech analytics platform that can enable 100% automated audits of outbound calls, eliminating manual sampling, enhancing compliance oversight and delivering deep behavioral insights across agent performance, sentiment and script errors. It will proactively flag risk events such as mis-selling or unprofessional language, enable real-time supervision intervention and sharper lead conversion strategies.

Third, a Gen AI voice bot is designed in-house to automate L1 level customer interactions, handling initial screening, data capture, intelligent call routing. This will significantly improve human agent productivity and ensure consistent multilingual engagement at scale with capability to manage up to 30,000 calls concurrently. Both solutions will drive measurable gains in order to bridge lead qualifications and operational efficiency.

The fourth most important is as part of our operational AI strategy, we're introducing a modular agentic AI workflow to streamline branch disbursement processes for LAP and business on products. This system automates 70% to 80% of marker efforts through 6 intelligent agents covering data capture, credit assessment, collateral validation, fraud checks, disbursal readiness and a human checker interface. Built on a compliance-first explainable AI architecture, it integrates OCR policy engines and external APIs to ensure transparency, auditability and alignment with regulatory norms.

The fifth as part of our AI-first strategy to strengthen risk governance and operational efficiencies, we've launched risk hindsight automation initiative under the CPA Automation Phase 1 aimed at reducing manual sampling and enabling scalable rule-based hindsight execution. The solution leverages AI-powered OCR to extract and classify key documents like PAN, Aadhaar, bank statements and salary slips followed by automated checklist validation to determine first-time right or first-time not right status. It performs basic credit checks, including geo limit validation, age tenure income thresholds, employability stability and EMI bounce detection. Every action is a log for auditability with structured output and evidence backs.

In credit, the sixth one, the proposed AI-driven fraud control management project aims to enhance fraud detection and retail lending by automating the analysis of customers' submitted documents such as identity proofs, address verification, bank statements, salary slips and property records. Using the advanced AI and machine learning model, the system will intelligently read, extract, cross-validate data across documents and applications and access the

probability of fraud. This initiative has significantly improved detection, accuracy, and reduced manual review time.

Seventh, the proposed AI document digitization and data automation project aims to streamline data processing and retail lending for automating the reading, extraction and summarization of customer submitted documents such as identity proof, business verification, bank statement, salary slip. Leveraging AI-powered documentation passing and natural language processing, the system will accurately digitize and interpret relevant data.

In compliance, the eighth one, we've unveiled an AI-powered solution 'RegIntel' designed to autonomously address queries related to internal guidelines and regulatory frameworks.

In strategy, the ninth one, AI-driven RPA. This initiative is designed to create intelligent agents that execute tasks based on user-defined instructions or end objectives while maintaining process governance to human-in-the-loop interaction. The agent performs routine actions autonomously but prompts the user for critical steps. It is completing payment transactions or submitting application, ensuring compliance and oversight.

Tenth, the competition mapping. The competition mapping project aims to deliver real-time AI-powered insights into the competitive landscape, enabling data-driven strategic decisions, improving our ability to respond to the market forces.

So, these are the 10 AI projects. The whole idea is to have every small and large piece of the organization walking the role of AI and building your skill sets around it and efficiencies kicking in thereafter.

Finally, let me talk about our liability **debt strategy**.

Just to reiterate, our cost of borrowing, I've shared with you has improved to 7.69% from 8.05%, 35 basis points. As part of our long-term debt strategy, it's personally driven by all of us. We'll continue to focus on raising NCDs to optimize the borrowing cost and improve diversification of the borrowing mix. That's the important part here. I'm again happy to inform you that in line with the guidance, we successfully raised Rs. 2,355 crores through the secured NCDs during Q2FY26, a total of Rs. 7,800 crores during H1FY26. As a result, the share of NCDs in our total borrowing has increased from 7% in September 2024 to 27% as of September 2025. As we speak, we've raised additional Rs. 3,000 crores. So, we are heading towards a 30% to 35% on a steady-state basis. That's what we're aiming for. This increase in NCD has also contributed to significant diversification of our base.

Awards and recognition.

I'm very proud to announce that we have facilitated with the 'Most Innovative Practice' for our AI-Powered underwriting and AI-Powered hiring at the prestigious CII National Awards for Artificial Intelligence 2025, highlighting our continued commitment in digital transformation through AI.

We've also been awarded the 'Most Innovative Digital Journey for Education Loans', which underscores our commitment to build the best-in-class industry-first journey across products. Additionally, we've been awarded the winner in the 'Future of Work' at FICCI National HR Innovation Awards of 2025 for our talent acquisition AI solutions.

Finally, thanks for your patience. And to summarize, we've methodically implemented our plans across every business front from product launches to asset growth and risk controls, including our digital transformation through AI initiatives.

Our AUM growth trajectory is looking robust and very well risk calibrated.

We've continuously optimized our borrowings to secured NCDs and our new product disbursements on a very healthy robust growth trajectory, even at a healthy rate. We have clear plans to achieve healthy ROAs through lower credit costs and efficient product mix.

Our diversified investments, technology-led transformation and distribution expansion are laying a strong foundation for growth, operational efficiency and sustainable profitability in the coming quarters.

With this now, I'd like to hand over to Shriram to give you a flavor on the risk management.

Shriram Iyer:

Thank you. Thank you, Arvind. Good evening, everyone.

Recently, there has been a pivotal evolution in India's indirect tax framework, the GST 2.0. This evolution is signaling a strategic shift in policy direction aimed at enhancing compliance, transparency and efficiency. The reduction of GST in major categories is projected to foster consumption, credit demand and MSME growth. The reclassification of goods and services is expected to lower household expenditure, encouraging spending, particularly during the high demand period such as the festive season. Strategically, GST 2.0 aligns with the government's broader objective of fostering inclusive economic expansion and reinforcing India's growth momentum.

This, accompanied with the RBI's proposal on strengthening the credit quality assessment tool by moving to a weekly bureau reporting would make credit reports more current and reliable for lenders. Reforms released by government and calibrated recommendations on strengthening credit quality framework resonate to provide a healthy credit growth demand and supply equation.

Poonawalla Fincorp has been able to ride the growth momentum wave with a risk-calibrated approach, ensuring sustainable, predictable business growth. The collaborative efforts across risk, credit and collections have supported to build a calibrated book, resulting into superior risk-adjusted return.

Focusing on the asset quality, let me give you a glimpse of the key trends.

- The GNPA has improved to 1.59% in Q2FY26 versus 1.84% in Q1FY26. In absolute terms, GNPA is at Rs. 711 crores for the Q2FY26 versus Rs. 712 crores in Q1FY26, indicating stable asset quality.
- Over the last 4 quarters, there is sequential quarter-on-quarter improvement in Stage 1, Stage 2 and Stage 3 composition of assets and advances, which highlights our calibrated approach to portfolio expansion and strengthened debt management practices. On Stage 1 composition in Q2, it was spoken about a little earlier, Q2FY26 is at 97.1% versus 96.5% in Q1FY26. Also, on the Stage 2 composition in Q2FY26 is at 1.3% versus 1.6% in Q1FY26. Stage 3 composition in Q2FY26 is at 1.6% versus 1.8% in Q1FY26.
- The quarterly credit cost has remained range bound at 2.67% for the Q2FY26 versus 2.61% in Q1FY26 for the overall PFL book.
- For the 12 core products, the annualized credit cost is at 1.51% for the Q2FY26.

Our stated objective is to achieve best-in-class credit cost in the industry. For us to do that, we will normalize STPL and instant loan book to reasonable levels, and the mix will show a declining trend as other products will start gaining full-scale participation in the product basket.

We have launched 6 to 7 businesses to our existing product suite. All the new businesses are picking up scale in different quarters and different years and different proportions. Once all these start gaining adequate composition. Gold will be having a fairly strong delivery and model and distribution. Education loans will be strongly focused towards postgraduates. Likewise, commercial vehicles and LAP will also have a strong secured product foundation. Even if you look at unsecured, we will have a higher bias to salaried segment, and with our digital journeys, we get the first right to refuse. You will have the same calibration playing out closer to the best-in-class credit cost in the industry as the contribution of the new products gets more representative in size.

All these factors put together will support building a very strong credit calibrated book and credit cost with downward bias on a year-on-year basis. With reference to the erstwhile STPL, the credit impairment charged to P&L in FY25 and attributed to the erstwhile STPL book was Rs. 1,339 crores on an average AUM of Rs. 4,839 crores. This was out of the overall credit impairment charged to P&L of Rs. 1,553 crores, representing 27.67% for the FY25.

In the last quarter, the credit impairment on the erstwhile STPL book was Rs. 64 crores and in Q2FY26 is Rs. 57 crores. The erstwhile STPL book, which was 4% of the total on-book AUM as of June 2025 is now down to approximately 2% as of September 2025, of which 70% is zero DPD and the book is adequately provided. The worst is behind us. We are excited as we look into the future quarters.

Further, let me give a short deep dive on select areas as we build our AUM.

A comprehensive overhaul of our instant digital consumer loan policy and control framework was done that aimed in strengthening credit risk management and improving portfolio performance. We have incorporated specific correction and calibration driven by 6 to 7 enhanced controls beyond account aggregator to improve the credit quality.

This multipronged risk framework covered the multi-bureau strategy augmented with cohort level risk model, industry fraud alert controls, identity triangulation framework, introducing of channel prescreening criteria, alternate data-driven profiling, geo risk intelligence enabling location risk categorization and enhanced predictive risk framework. These refinements have supported to building a better calibrated instant digital consumer book.

To ensure agility and responsiveness, a dynamic monitoring mechanism was put in place to track disbursement patterns and early risk indicators. This allowed for timely interventions and policy recalibration based on observed performance trends. As a result of these strategic changes, the latest first EMI bounce has improved by 70% compared to the erstwhile STPL book while also having a 40% better collection efficiency.

Collection management is another core pillar at Poonawalla Fincorp, wherein we are reimagining collections as a core strategic capability anchored in automation, real-time data intelligence and AI. Scorecards have been deployed across every stage of the customer life cycle from pre-delinquency to recovery that enable precision targeting and differentiated strategies. Each digital ML and AI capability scorecards, automated allocations, intelligent communications and Gen AI productivity tools creates impact individually, but together, they unlock a multiplier effect supporting higher efficiency, lower cost and better customer experience. To balance information to action, Gen AI-based tools are in development to optimize actionable insights for every manager daily, enhancing decision speed and field productivity across levels.

As I conclude, our commitment is anchored in a robust risk-first framework that leverages data-driven decision-making, advanced analytics and digital innovation. This integrated approach not only strengthens our governance and responsiveness but also empowers us to deliver consistent results with long-term sustainability. Guided by this philosophy, we remain focused on driving impact through precision, agility and continuous transformation.

Thank you all and wishing you all and your families a happy Deepavali. Over to Sunil.

Sunil Samdani:

Thank you, Shriram, and good evening, everyone. Let me give you a quick financial highlights for the quarter.

- The asset under management stood at Rs. 47,701 crores, reporting a strong growth of 68% year-on-year and 15.6% quarter-on-quarter. It is with the help of continued strong momentum across all our products.
- Part of our debt strategy and the projected AUM growth, we continue to further diversify our liability book with special focus on increasing the share of NCDs. Accordingly, the share of long-term borrowing has gone up by approximately 5% quarter-on-quarter from 75% to 80% in the overall borrowings.
- The share of variable rate borrowing stood at 55%, with another 10% of capital market borrowings with an average tenure of approximately 3 months puts us at an advantageous position in a declining interest rate environment.

- Our net interest income, including fee and other income, continue to grow healthy, standing at Rs. 905 crores for Q2FY26, which is up 17.8% quarter-on- quarter. This is despite increase in share of secured asset books and recalibration of erstwhile STPL portfolio.
- The cost of borrowings dropped to 7.69% for the quarter versus 8.04% in Q1FY26. This is on account of overall reduction in interest rate and increase in capital market borrowings.
- Opex to AUM ratio was stable at 4.8% as we continue to invest in new businesses and distribution.
- In line with our growth strategy, during the quarter, we increased the employee base to 5,081 and expanded our branch network to 260+ currently, we are talking about today.
- The pre-provisioning operating profit during the quarter was Rs. 387 crores, which is a 19.1% increase quarter-on-quarter.
- Our asset quality improved quarter-on-quarter with gross NPA at 1.59%, resulting in a 25 bps reduction quarter-on-quarter and net NPA stood at 0.81%.
- Our provisioning coverage ratio stood at 49.65%.
- Our profit after tax stood at Rs. 74 crores during the quarter. This is despite the company making significant investments in new businesses, branches, AI and technology.
- The debt equity ratio stood at 3.64x. This gives us enough headroom for growth.
- Capital adequacy ratio continues to remain healthy and comfortably above the regulatory requirement at 20.85%, of which the Tier 1 capital is 19.63%.
- The liquidity coverage ratio stood at 141% as on September 30, 2025.
- On the liquidity front, we remain comfortable with positive cumulative mismatch across all buckets and surplus liquidity of Rs. 6,261 crores as of September 30, 2025.

Thank you. Happy Diwali and I would now like to open the floor for question-and-answer session.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Chintan Shah from ICICI Securities.

Chintan Shah: Thank you for the opportunity and congratulations on good set of numbers. So, sir, just on the opex front, so basically out of this Rs. 518 crores of opex.

Arvind Kapil: Chintan, can you be slightly louder? I can't hear you.

Chintan Shah: Sure. Is it better?

Arvind Kapil: Yes, much better.

Chintan Shah: Yes. First of all, thanks for the opportunity and congratulations on a good set of numbers. So, sir, on the opex front, largely, I wanted to understand, so of this Rs. 518 crores of opex, so what will be the split of the opex in terms of basically for the non-employee cost, how much of that would be towards this technology initiatives that we have been taking? And what would be towards probably outsourcing or the DSA cost, just firstly on that?

Arvind Kapil: Chintan, we've not given a breakup right now on the same. But I think what's important is, if I remember the figures we were close to, we had given a guidance of being crossing 5, but we are

close to 4.8x AUM. And I like to normally look at opex cost as a percentage to AUM because all of it is getting used for those seven businesses that we are actually calibrating and building the whole distribution. So, our efficiencies for this year, I have already stated, should be measured on how efficiently we can build AUMs. I mean that's the kind of an answer, which I think at this junction would be more appropriate.

Chintan Shah: Okay. Sure.

Arvind Kapil: Be little louder, please.

Chintan Shah: Yes. Sure. Sorry, sir. So, sir, probably just to ask something in a different manner. So, in terms of our current sourcing mix for across the products, how much of that would be brand driven and how much of that would be via Fintech partners or DSA or any other sources? Basically, just trying to understand direct sourcing via Poonawalla's own network and indirect sourcing? Any breakup or any numbers on that would be really helpful?

Arvind Kapil: See, let me, for a moment start with a breakup like what do we acquire from our own sources and what do we acquire from partners? Let me, for a moment, split that. So, I think it will be a mix of close to 18% to 20% will be on our self-reliance and the rest would be still a mix of DSAs, Fintech partners and various distributions that we rely on. So, we've reached close to 18% to 20% acquisition happens with self-reliance.

Chintan Shah: Okay, and self-reliance would largely mean branches, right, or anything apart from that as well?

Arvind Kapil: So even our website, by the way, our digital journeys, what I announced, if you take, for example, even PL Prime, the digital part is almost 25% of what we do now on a monthly basis. So, if you see even the Prime business, we are pretty robust. And similarly, we are building various digital journeys. And if you saw the reason I shared our marketing plans of using Google and Meta was to tell you that, that is basically a hint in the direction that we are doing a fair amount of bid to make our awareness in the virtual world to build that strength, to rapidly expand our acquisition directly on all digital acquisition that we do today.

Chintan Shah: Understood. And sir, any ballpark sense on what this number could look like 18%, 20% by FY27 or FY28?

Arvind Kapil: To be honest, the plan is to grow it. I mean, it should be year-on-year growing. It is difficult to say what number it will be, but self-reliance would be an important initiative for us. But it should grow upwards and grow in a growing direction because the businesses we are acquiring obviously has much better cost, has much better efficiencies and are much more self-reliant.

Chintan Shah: Sure, understood. And just one last thing just happening on this again...

Arvind Kapil: And one more thing, as your customer franchise, sorry, I'll just add one more thing. As your customer franchise grows, remember one thing, as your cross-sell base grows, the number of customers actually coming back to us on the initiatives of marketing as well as all the in-house reliance substantially would go upwards. You just need to have a very good acceptability with

external customer base as well. So, I would not like to decrease that as far as possible while growing our internal strengths.

See, look at our consumer durable, while that might be dependent initially on the point of acquisition of this 10,000 outlets that we've got, but what happens a year or two later when the cross-sell starts. So, you have the same probably, let's say, approximately 3 lakh, 4 lakh customers additionally acquired, go to 10 lakh, 15 lakh customers next year. All this cross-sell, which starts, creates multiple customers at much lower cost, increases your customer franchise by a very significant proportion over last year even now, and it will increase substantially over the next year. So, this will create a far more environment for self-reliance.

Chintan Shah: Sure, understand. And just one last thing on what would this number be around March 2025 quarter, that is Q4FY25, this would be how much, around 10%, 12%?

Arvind Kapil: I think you should take it as 18% to 20%. I mean, I haven't mastered every quarter-on-quarter for the exact number, but in case you feel that. One thing, self-reliance is increasing, but I'm also building multiple distributions. Like in education loans, we are building our entire franchise. I shared with you that entire distribution we are building on counselors. On commercial vehicles, we've gone to 400-plus dealers. On consumer durable, we are building a whole 10,000 outlets going to 12,000, maybe 20,000 next year. So, with this kind of thing, we are building almost five, six distributions. That's why if you heard my second or third page when I was, I actually took out some time to recalibrate for you.

One of the big strengths the company is building, I realize in my limited assessment is we're building multiple distributions. So, one strength could be in-house in that. Otherwise, we are also calibrating and building multiple distributions across gold, across geographies, across our digital penetration, across various products that we've launched.

Chintan Shah: Sure. This is super useful. And I will probably get back in the queue for further questions. All the very best.

Arvind Kapil: And if you see the deliverables also, which is the brass stacks, quarter-on-quarter, we're almost either doubling or tripling stuff, and we are moving at a very healthy rate. So, all the projections that we had done for this year, we do expect most of the run rates to be fairly more robust than our plans.

Moderator: We have the next question from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe: Nischint here from Kotak. Just a small one. Thanks for the detailed introduction. But just a small one is if I look at your coverage on Stage 1 loans and that has kind of come up quite significantly from like 2.8% to 2.7%. I understand that, obviously, there is a big change in the composition of book. But I think as you further add the secured assets, where do you really see this settling down? And the other one also is that when you are just about starting these businesses, you obviously have an internal track record of the PDs and LGDs. So how do you kind of work out this number?

Arvind Kapil: Could you be louder on the second question.

- Nischint Chawathe:** Yes. So, when you start building out some of these businesses, those business lines, which Poonawalla has probably not done in the past, how do you kind of assess the PDs and LGDs and hence, work out the Stage 1 or 2 coverage ratios?
- Sanjay Miranka:** Yes, you're right that Stage 1, if you see, has been increasing significantly, and it has crossed 97%, 97.12% to be precise as on September 2025. The ECL provision across stages is well provided book, and the way the PD, LGD for the new clients is new to PFL also. So, at product level, for each of the products, where we may not have significant experience of our own, so we have taken help of professional agencies.
- Arvind Kapil:** And Professional Managing Director, who has done all these businesses and a professional team who has done this earlier.
- Sanjay Miranka:** So, this is there, they have mapped our product basket with a similar set of peer groups and accordingly, the PD, LGD has been worked out at each product level.
- Arvind Kapil:** So I think, see, remember, none of these businesses, as I said earlier as well, is a surprise to us. Whether it's my risk team, whether it's the Chief Business Officers, we are well-versed with all these businesses. As a company, Poonawalla, you're absolutely right. These are new businesses. But it's a new management team who's probably done it for a couple of decades, and we come here with that experience. So, we are not new to the nuances, both in business, risk, collections. I can assure you, this is all very planned and thought through. So, which is why you see Stage 1 improving. If you notice, most companies, by the way, don't show Stage 1. And it's quite interesting, I noticed that, because Stage 1 to get that kind of thing, can give you a very clear indicator. I'm talking about the business guy, not a specialist or analyst. Normally, Stage 1 gives a very clear picture of the future.
- Shriram Iyer:** And add to what MD said. Of course, all the products have been done. We have 21-22 years experience of doing all these products. We have all the information today available with the bureaus, and we know each product, how do they perform across ticket sizes, geographies and all of that and that also kind of helps us when we build those kind of look-alike customers. So it's not that difficult to do that. And if you see, sequentially we have improved over last 4 quarters. So that kind of gives you a sense in terms of what we are kind of handling now.
- Nischint Chawathe:** Got it. That answers my question. Thank you very much and all the best.
- Moderator:** Thank you. We have the next question from the line of Kaitav Shah from Anand Rathi. Please go ahead.
- Kaitav Shah:** Sir, just a couple of quick questions. Number one was on the STPL book. How is that shaping up? I think you mentioned in your commentary that it has been growing at a pretty good pace. So one is if you can perhaps throw more light on that? And second was on the credit cost. So that still remains at slightly sticky at 250 bps. So how do you see that going ahead over the next 1 year or so?
- Shriram Iyer:** Coming to the part 2 of your question. See, if you look at our overall credit costs have been range bound to around 2.67%. Stage 1, Stage 2 and Stage 3 assets have sequentially improved

quarter-on-quarter. As the contribution of the core products, including the new product keeps growing and gain full-scale participation in the product basket, the share of the credit calibrated instant loan book will be normalized to lower levels. This will have a favorable bias on the overall credit cost for the next 3 to 5 years. The strategy here is to continuously calibrate and the product mix adjustments will aid in our stated objective in achieving our best-in-class credit cost in the industry.

Arvind Kapil:

Yes. I think on the new instant loans that we like to call it now, with the calibration that I think Shriram's team has done over the 6, 7 calibrations. We are, Kaitav, moving on a pretty decent levels. Right now, on a monthly basis, quarter-on-quarter, it's taken an upward trend. We are quite pleased with the last 12 months' credit calibration. It's pretty much in line with where we are. The advantage is that as you go forward and you start getting your good-quality cross-sells and stuff, I think we could see even a strength of ROAs going up on this one. Today, everything is new acquisition for us, not just here across businesses. So, you'll appreciate that across businesses, our strengths with new customers will start increasing. By the same time next year, we could be on a very robust cross-sell. We are building in a lot of efficiencies for ourselves. And I think, let me be honest with you, we are excited about it. I think that probably gives you a feel.

Shriram Iyer:

Kaitav, also one point which I had kind of called out that the new calibrated book, we are seeing the bounce rates have come down 70% now. So, that kind of gives us the confidence. And the collection efficiency has also equally improved to 40%, right? And with the product mix changing, this will have a bias towards the best-in-class credit quality.

Moderator:

Ladies and gentlemen, due to time constraints, that was the last question. I now hand it over to the management for closing comments.

Arvind Kapil:

I think I wish all of you a very happy Diwali, and thanks for always being kind and supporting. We are looking confident and excited for the journey ahead. Thank you. Thank you all. Have a great weekend.

Moderator:

Thank you. On behalf of Poonawalla Fincorp Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.