



Poonawalla Fincorp Limited Q3FY26 Earnings Conference Call

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MS. SHABNUM ZAMAN – COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to the Poonawalla Fincorp Limited Q3FY2025 - 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, Mr. Vikas Pandey – Chief Business Officer (Consumer Business), Mr. Veeraraghavan Iyer – Chief Business Officer (Commercial Business), Mr. Harsh Kumar – Chief Human Resources Officer and Head Artificial Intelligence 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 “*”, then “0” on your touchtone phone. Please note that this conference is being recorded.

Now, I hand over the conference over to Shabnum Zaman – Company Secretary of Poonawalla Fincorp Limited. Thank you and over to you, ma’am.

Shabnum Zaman: Thank you. In line with good corporate governance practices, please note:

This presentation may contain forward-looking statements regarding the Company’s future business prospects, strategies, estimates, and profitability, but it is important to note that these statements are based on certain expectations, assumptions, anticipated developments, and are subject to various risks and uncertainties. The actual results may differ significantly from what is stated in these forward-looking statements. Risks and uncertainties related to these statements include fluctuations in earnings, our ability to manage growth, competition, economic conditions in India and abroad, changes in law, rules, and regulations relating to any aspect of the Company’s business operations, general economic, market and business conditions, attracting and retaining skilled professionals, as well as government policies and actions.

Now, I would like to hand over to Mr. Arvind Kapil – Managing Director and Chief Executive Officer of the Company.

Arvind Kapil: Thanks, Shabnam. Thank you. A very good evening to all of you. I wish all of you and your loved ones a very Happy New Year.

Let me open with industry and economic perspective from our side and the ways we are shaping our organization amid the current sector shifts:

India’s real GDP grew at 8.2% in Q2 FY 2025-26, up from 7.8% in Q1 FY2025-26. CPI inflation progressively softened to 1.33% in December 2025 from 4.26% in January 2025. High frequency indicators signal ongoing economic momentum with inflation below the lower tolerance band, falling unemployment and improved exports. Financial conditions in our assessment remain supportive and with robust credit to commerce, while demand holds steady under strong consumption.

Let me start with the performance update. I would like to give a quick update on the Q3FY26 results.

- Our AUM, as all of you are well aware, is growing at around 77.6% year-on-year, 15.3% quarter-on-quarter, standing at around ₹55,017 crores as of December 31st, 2025.
- Total disbursements in Q3FY26 grew by 84% year-on-year and 6.5% quarter-on-quarter. Our new product disbursements have reached a monthly run rate of approximately ₹950 crores in the month of December.
- New products delivered at 25% quarter-on-quarter disbursement growth, demonstrating a tangible momentum and market pull which our new products are generating at a grassroots level, to give you guys a feel. Yes, the new product contribution to disbursements in Q3FY26 stands at 20% as compared to 17% in comparison to the previous quarter.
- Our on-book secured mix stands at around 56%.
- Net interest margin, including fee and other income, stands at around 8.62% in Q3FY26 versus 8.4% in Q2FY26. So, it has increased by around 22 basis points from Q2 to Q3.
- Our GNPA for Q3FY26 stands now at 1.51% versus a 1.59% in Q2FY26. It is a drop of another eight basis points here.
- Our Stage-1 assets, which I think is an important indicator for any finance Company, rose to 97.4% for Q3FY26 as compared to 97.1% in Q2FY26. I think this is important from our efficiency improvement point of view, reflecting stronger asset quality and stable borrower performance. This improvement underscores our continued focus on prudent underwriting, and effective risk management.
- Our stated objective is to achieve one of the best-in-class credit costs, which requires a more balanced and mature portfolio mix for which transition is already underway. We have already launched new businesses, and they will pick up scale in different proportions over the years.
- Our cost of borrowing has reduced from 8.04% in Q1FY26 to 7.65% in Q3FY26, i.e. around 39 bps in three quarters. One of the key levers was the NCD contribution. It has substantially increased from 7% in March 2025 to 27% in September 2025, and now approximately to about 30% - 33% as of December 2025. Adding strength to long-term capital funding. Our aim is to ensure stable and cost-efficient funding.
- On AI, out of the total tally of 57 cutting-edge AI projects now, we have reached 30 projects are live.

Let me start with how we think about credit costs and ROA, because this, I believe, sits at the heart of how we are building this Company. It is important that we are all on the same page.

We are designing a high-quality, stable, low-volatile credit portfolio, not accumulating a balance sheet. From an inception, every product we scale is built to deliver sustainable, healthy ROAs on through the cycle basis. Growth is therefore a means to compound intrinsic value, not an objective in itself.

Let us understand the role of individual products, their contribution design, higher natural provision impact, and the mathematical average of approximately 12 products and then one business of instant consumer loans, making a total of 13 products.

To provide clarity on how total credit cost should be viewed in my assessment, it is very important to recognize that different lending products inherently carry different risk profiles. Instant loans, by design, carry a higher standard on credit cost, while the remaining approximately 12 lending products are more granular, diversified, and comparatively lower risk. We expect credit costs across individual businesses to decline steadily over time, driven by portfolio seasoning, our solid risk calibration, and strong collections, and that is going to be a big focus area for us.

At the consolidated level, reported credit cost represents, and this is important, a mathematical weighted average reflecting the proportional contribution of the instant loan business and the combined contribution of the other businesses based on their respective share of assets. Accordingly, portfolio-level credit cost is a function of portfolio mix and not driven by any single product in isolation.

Accordingly, movements in consolidated credit cost should be viewed as a function of changing composition of the portfolio as different businesses scale at different times. As the portfolio evolves over time, it is important to note products such as gold loans, education loans, salary personal loans, and loans against property are expected to account for 50% to 60% of the portfolio. These businesses have lower inherent risk profiles, lower credit costs, and their growing contribution will lead to a more balanced portfolio in our assessment with growing ROAs and a sustained reduction in overall credit cost.

Let me share our perspective on growth, provisioning, and accounting optics in the credit context.

Reported credit cost includes normal and regulatory provisioning and therefore reflects both realized losses and prudent forward-looking buffers. Management remains focused on continuously improving credit calibration, underwriting discipline, and collection efficiencies across individual lending products, with an objective of strengthening overall portfolio credit performance over time.

Improving ROA is a key focus area for the Company, and alongside efforts to enhance credit calibration and collection efficiency within individual lending products, management is equally focused on achieving the right product mix to balance risk and returns and the objective of driving sustainable ROA improvement.

Mr. Shriram Iyer will share meaningful insights and early risk indicators across products, which is quite encouraging.

Let me cover my perspective on ROAs, which is going to be a key focus area for the Company.

We have reached an ROA of 1.2% in this quarter, Quarter 3. At this juncture, let me give you a sense of disbursement yield for Q3FY26. I think this could be an important metric. The present disbursement yield, pricing of new originations for Q3FY26, is approximately 15.5%, reflecting the impact of new product launches and disciplined risk calibration across originations. The new products we have launched have scaled well and are performing in line with our internal expectations. This gives us confidence that growth is now coming from a more diversified and structurally stronger portfolio.

On the risk side.

Credit costs are trending better quarter after quarter. The new credit calibration is behaving well. Early indicators are encouraging, and we are seeing improved performance across vintages. As committed, we have increased our disclosure, wherein this time we are sharing product-level AUMs across products, and I think a very important indicator the risk team is sharing in the investor deck is the 6-MOB, early risk indicator, which in my experience is a lead indicator for any finance Company in terms of what the new calibration looks like.

At the same time, I do believe that operating leverage is beginning to come through. Our operating model is built to deliver structural operating leverage as we scale multiple product distributions, digital platforms, distribution partners, and enhanced customer franchise with increasing cross-sell strength, fueling the strength of our operating leverage.

Putting all this together, early disbursement yields, successful product launches, improving credit outcomes, and operating leverage, we believe that the structural levers are firmly in place now. As these trends continue, we see a clear progressive build-up over the coming periods.

On a customer service front, let me share an important perspective. We are launching a next-generation conversational AI platform for omnichannel customer service designed to autonomously resolve 80% of voice and chat interactions, significantly reducing cost-to-serve while improving customer experience. Only high empathy and exception cases are routed to human agent, driving operational efficiency and scale.

Our industry-first contextual agent UI that delivers real-time intelligence, including customer history, loan risk flags, and sentiment analysis, enabling faster resolution, higher first-contact closure, and improved compliance. It is important to note the platform is powered by multi-agent AI orchestration and is currently in CUG (closed user group) testing with Hindi and English. That will go live by March'26. Subsequently, in phase, we will deploy AI voice agent across six regional languages and chatbot in 14 regional languages, unlocking mass market adoption across India, linguistically diverse customer base. This, I believe, in my limited view, should transform our customer service and make it really smart.

Now, let me talk about a quick sense on the debt strategy:

As part of our long-term debt strategy, we endeavor NCDs to be in the range of 30% - 35% of our total borrowings. We shall keep following the highest standard of governance and transparency with complete oversight of the ALCO on the liability management.

I shall share some of the key highlights.

To give you guys a sense, in line with the guidance provided during our last investor call, we have successfully raised over ₹4,500 crores by way of secured NCDs during Q3FY26 and a subset of around ₹12,330 crores during the nine months. The share of NCD in our borrowing stands at 33% as of December 31st 2025, vis-à-vis 7% as of March 31st 2025. This increase in NCD borrowings has also contributed to a significant diversification of our investor base. [#]We continue to expand our investors across mutual funds, insurance companies, banks, corporates, and pension funds.

To summarize, Operating leverage is now structurally embedded in our business. Over the past 18 months, we have made upfront investments in distribution, technology, risk, and multi-product infrastructure, largely fixed in nature and built ahead of revenue. This platform can now support materially higher AUM without a proportional increase in costs. As AUM scales, incremental growth is absorbed by an established operating backbone across underwriting, collections, technology, compliance, and branches, leading to declining marginal costs and expanding operating margins. Operating leverage is further strengthened by product mix improvement. As four core products, Gold Loans, Education Loans, Personal Loans, and LAP scale to 50–60% of AUM over a period of time, higher ticket sizes, longer tenors, and more predictable cash flows drive superior cost efficiency and improve the cost-to-income ratio[#]

[#]Due to technical issues, the above paragraph was not recorded during the call

Our endeavor is that AI initiatives will amplify our strength. We have initiated 12 AI projects in Q3FY26 across credit, collections, servicing, and operations to reduce manual effort, improve decisioning, and enable higher volumes without commensurate increases in headcount or expenses. Crucially, this leverage is achieved with disciplined risk management. As a result, we believe our past 18 months' well-calibrated AUM growth, coupled with present runways, are expected to translate into sustained profitability, driving steady improvements in ROA.

And now, I would like to hand over to the Chief Business Officer – Vikas Pandey, and then subsequently to Mr. Veeraraghavan Iyer to give you a sense on the business updates.

Vikas Pandey:

Thank you, Arvind and good evening to all of you. My name is Vikas Pandey. I am Chief Business Officer for Consumer Business.

Over the past few quarters, our new businesses have scaled meaningfully with constant emphasis on high-quality growth, discipline execution, and technology-led efficiency. Our prime personal loan business, launched in August 2024, continues to gain strong traction.

In Q3FY26, we delivered average monthly disbursements of nearly ₹430 crore, reflecting growing customer confidence. What is particularly encouraging is the quality of the book. Over 70% of customers have bureau scores above 750, are salaried with 'category A' corporates and earn net monthly income exceeding ₹75,000. This validates our risk-calibrated acquisition strategy. Digitally, we continue to raise the bar. 28% of disbursements for prime personal loan in Q3FY26 were processed fully straight through, with zero manual intervention, underscoring is focused on scalable and efficient operations.

Alongside digital scale-up, we are also strengthening our secured portfolio like gold loan. Our gold loan franchise is expanding rapidly, and we remain well on track with the planned rollout of new year branches during the current financial year.

In gold loans, monthly disbursements have nearly doubled from ₹110 crores in September to ₹207 crores in December 2025, driven by strong branch productivity. 95% of our branches are in Tier-II and Tier-III markets, creating high-potential, multi-product distribution hubs. Early cross-sell traction from these catchments is very encouraging.

Our next product, **consumer durable business**, continues to scale efficiently, on track to reach 12,000 retail outlets by the year end across 190-plus locations. During the festive month of October 2025 alone, we disbursed ₹118 crore to 54,000 customers entirely through a seamless digital journey, demonstrating both scale and execution capability. OEM partnerships are expanding across mobile and consumer durable segments, and the PFIN EMI card has seen strong market acceptance. With pre-approved limits and availability across all touchpoints and now live on our app and website, the card is becoming a powerful enabler of repeat usage and customer stickiness.

Our next product, **commercial vehicle business**, delivered average monthly disbursement of ₹100 crores in Quarter 3 financial year 2026, representing 35% quarter-on-quarter growth. Used CV Financing continues to anchor the business, contributing over 70% of disbursements. We have significantly expanded our channel ecosystem to 700-plus partners, up from 450 last quarter, and now operate across 55 locations with strong momentum in Gujarat, Rajasthan, Tamil Nadu, and Maharashtra.

Next product, **education loan**. In just nine months since launch, the education loan business has logged 16,000-plus files supported by a network of 325-plus consultants and partners. By financial year 2026 end, we aim to expand our consultant network beyond 500-plus. Our disbursement in the month of December has reached ₹118 crores. Our instant sanction journey in education loan has crossed 300 sanctions, valued at ₹150 crores year till date.

Now coming to our digital marketing strategy:

It continues to evolve toward a diversified ROI-led AI-first model with five key focus areas:

- The first one, **deepening our digital partner ecosystem**. We now work with 38-plus digital partners, driving 42% quarter-on-quarter growth in disbursements while reducing platform concentration risk.
- Second, **driving cost efficiency through technology-led innovations**. Our paid campaigns have seen efficiencies from near real-time data sharing and will continue to optimize and drive precision with the upcoming server-to-server integrations.
- Third, we have further **improved our website performance** through faster load times, better discoverability, and SEO-led enhancements. We have also stepped up our presence off website through content presence across relevant external platforms. This has driven over 150% quarter-on-quarter growth in our visibility across Google's AI-driven search and discovery results.
- Fourth, **our marTech stack now embeds AI across own channels**, allowing us to run and scale experiments on content, timing, channels to drive better retargeting, superior convergence, lower acquisition cost, and improved customer lifetime value.
- Fifth and last, **our contextual and AI-enabled brand investments** are helping reinforce brand trust and salience while remaining closely linked to business outcomes.

So, finally, across businesses, the common thread is very clear, credit-first, compliance-first approach, discipline execution, scale with quality, and leverage AI and technology as a force multiplier. We are building platforms and portfolios designed not just to grow faster, but to grow better and compound over time.

Thank you and now I hand over to Veeraraghavan to give you all a flavor on commercial business.

Veeraraghavan Iyer:

Good evening, everyone. My name is Veeraraghavan Iyer. I am the CBO for Commercial Business.

The commercial business basket of products consists of loan against property, business loans, loan to professionals, medical equipment loans, machine loans, shopkeeper loans, and mid-market finance. Over the past 18 months, we have built the commercial business around three important vectors.

- The first important vector is **people**. People are the key to success of any business, and we have meticulously worked on the same to build winning teams across verticals.
- The second most important vector is **distribution**. In distribution, we have not only worked to increase our reach into new markets and channels, but also, worked to penetrate deeper in existing markets and channels. This we have done by closely working with our channel partners, using our decade long relationship with them, and by providing them with superior TAT and service. Also, we have invested in our in-house direct distribution channel, which would operate mainly out of gold loan

branches launched, sourcing all commercial retail products in the catchment areas and locations.

- The third most important vector is **infrastructure**. By infrastructure, I mean process infrastructure, policy, and product. We have concentrated on the three P's of process, product, and policy, redefined them, re-engineered them for customer delight, bringing in best-in-class TATs by leveraging on our digital expertise. By doing this, we have succeeded in growing all commercial products with our risk-first, governance-first approach.

Here is a detailed break-up of the commercial business numbers:

- Commercial business AUM stands approximately at ₹33,700 crores, exhibiting a very robust growth year-on-year.
- Our LAP AUM stands at approximately ₹15,100 crores and is the major contributor to the commercial business AUM.
- Our unsecured business loan, loans to professionals, and shopkeeper loan AUM stands at approximately ₹8,000 crores, growing substantially year-on-year.
- Our medical equipment and machine loan AUM stands at ₹660 crore. We have now built the base to grow this book aggressively going forward.
- Our mid-market AUM, which includes NBFC and supply chain finance, stands at approximately ₹9,400 crore.
- Approximately 72% of the commercial business AUM is secured in nature.

As mentioned earlier, we started our in-house direct distribution channel, sourcing all commercial retail products around nine months back, and I am happy to announce that this non-DSA channel has started contributing approximately 22% of the overall commercial retail loan disbursements.

We are on track to achieve 40% - 50% of the total commercial retail disbursement through the direct channel over a period of time. As the share of the direct channel disbursement increases in the overall mix, it reinforces the strength of the direct distribution non-DSA channel, leading to sustainable profits of the commercial retail products.

On the digital front, we are ready and piloting our straight through digital business loan offering, which will be the first of its kind in the self-employed space. We are also enhancing the product suite in the machine loan and medical equipment business by launching the lease business.

Summing it up, we believe that the commercial business has methodically implemented the plans with risk-first and governance-first framework and built the foundation for industry-leading growth in all commercial business products, as the commercial business remains one of the most important vectors in the overall PFL strategy.

Thank you. Now I hand it over to Harsh to brief you on digital and AI initiatives.

Harsh Kumar:

Thank you, Veeraraghavan. Good evening, everybody. My name is Harsh Kumar. I Head Artificial Intelligence. I want to take you through what we are doing in AI.

AI continues to be a central enabler of our operating model transformation. In Q3FY26, we advanced our AI initiative, focused on lifting productivity, reinforcing governance, and streamlining customer and employee journeys. These action materially strengthen our ability to scale efficiently and deliver sustained performance as we transition towards a more intelligent and data-driven operating model. We have built a governance framework for all our AI projects, incorporating the 'Seven Sutras' as defined by the regulators. This has been adopted to ensure consistency of delivery along with safety and accuracy.

Given update on AI landscape at PFL, I would like to take you through a few of the major projects introduced across the organization in the last quarter:

IT development team has taken significant steps to accelerate and optimize the application development lifecycle with the **introduction of BuildBuddy**, an AI-powered assistant acting as a development buddy that aids in writing code and also suggests fixes before code is committed. It does this by providing contextual feedback on logic, performance, and readability, along with automated refactoring.

The rollout of DartGenie, an AI-driven natural language insight engine, empowers the internal team to access data insight simply by asking questions in plain language. Currently available in the operations and HR team, this capability reduces dependency on specialist support and accelerates decision-making at scale. With plans to extend its reach to other functions, including customer service and finance too.

Within the risk team itself, we have delivered an **AI-driven solution that aids in post sanction review for the personal product** by enabling teams to operationalize a comprehensive risk hindsight process. The system automates document interpretation, field-level validation, and detailed audit logging, materially improving accuracy, reducing manual intervention, and strengthening the discipline of our risk governance.

The next step is to extend the risk hindsight framework enabled by AI across broader lending portfolios. To aid our strategic initiative, we have created an **AI-powered competition benchmarking engine** that, on its own, searches for changes, analyzes market and competition, and delivers timely insight on pricing and product shifts. By embedding AI into our strategic decision-making, we are not just benchmarking competitors. We are building a future-ready financial organization that leads with insight, agility, and customer centricity.

We have our in-house **employee support assistance by HR** that has been enhanced with additional agent-driven capability. This smarter AI-powered solution executes contextual actions such as instant various employment related document generation, with improved accuracy and intelligence. By introducing autonomous agent driven workflows, the tool

significantly improves employee experience and enables HR teams to shift their focus towards strategic initiatives.

We have introduced our **central KYC AI platform**, embedding upfront AI-driven checks into KYC workflow. This brings intelligent upfront validation of KYC data, reducing manual intervention by roughly 15% and materially strengthening both accuracy and turnaround performance.

Credit AI, our AI-enabled underwriting support engine, has achieved full adoption in personal loan underwriting, significantly enhancing productivity and enabling underwriters to concentrate on risk judgment over manual processing. We have started scaling this across our broader portfolio, and the upcoming launch of 'Saarthi' will add a new layer of AI-driven portfolio intelligence.

We have also launched a multilingual AI-driven conversational agent that initiates calls to prospective customers, screens them on key eligibility parameters, validates interest, captures required data, and initiates the loan journey before connecting them to respective teams based on their requirements. This brings more contextual and consistent conversation and improves productivity and conversion rates in key customer acquisition units. The solution is currently implemented for specific business units with plans to extend the same to other product lines.

In conclusion: AI initiatives delivered in Q3FY26 constitute a significant advancement in the organization's ongoing transformation. They enhance the effectiveness of our workforce, reinforce the robustness of our governance framework, and enable a more seamless and intuitive experience for our stakeholders. More importantly, these initiatives further activate our long-term vision to become a digitally fluent, data-driven, and highly scalable financial organization, with AI-first approach being adopted across functions.

I would like to now hand over to Mr. Shriram Iyer, our Chief Credit and Analytics Officer.

Shriram Iyer:

Thank you. Thank you, Harsh. Good evening, everyone. I am wishing you all compliments of the season.

The economic landscape has observed a series of monetary policy adjustments, including cumulative repo cuts of 125 basis points since February, GST rationalization, and tax reforms highlighting government aim to support growth and enhance liquidity in the system. Northward movement in the consumer vehicle sales in Q3FY26 reflects positive movement in domestic demand, resulting in improvement in credit offtake.

India's outstanding loans grew at around 11% year-on-year, and positive economic momentum favor growth opportunities. Poonawalla Fincorp is aligned to this positive momentum and focused towards building a resilient portfolio. Effective orchestration of risk-calibrated framework has supported growth trajectory, ensuring stability and predictability in business

performance. Risk, credit, and collections working in synergy are the backbone of a resilient and well-structured portfolio.

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

- The GNPA has improved to 1.51% in Q3FY26 versus 1.59% in Q2FY26.
- Over the last four quarters, there has been a sequential quarter-on-quarter improvement in Stage-1, stage 2, and Stage-3 composition of assets, which highlights our calibrated approach to portfolio expansion and strengthened debt management practices. Stage-1 composition in Q3FY26 is at 97.4% versus 97.1% in Q2FY26. Stage-2 composition in Q3FY26 is at 1.1% versus 1.3% in Q2FY26. Stage-3 composition in Q3FY26 is at 1.51% versus 1.59% in Q2FY26.
- The quarterly credit cost has improved to 2.62% for Q3FY26 versus 2.67% for Q2FY26. For all products other than the instant consumer loans, the quarterly credit cost has been a range bound around 1.4% to 1.5% for Q3FY26. Our endeavor is to be committed to a stated objective to hold best-in-class credit costs in the industry.

Let me highlight how we are aligning our credit philosophy into action:

The first key aspect being Credit by design. We expect a structurally improving asset quality trajectory driven by deliberate choices in product mix and disciplined risk calibration. Portfolio will be focused on products and customer segments that have inherently lower risk and more stable behavioral patterns. Our focus is on salaried low-risk asset class.

Loan against property book has a portfolio LTV of around 45% - 50% of the market value, providing higher margin against outstanding principal. 70% of our exposures are extended against self-occupied residential or self-occupied commercial properties. 85% of our customer profile is being catered to the segment that has a bureau score of 750 plus. Early risk indicator of 6-MOB 30-plus delinquency ratio for LAP portfolio remains strong at a sub 0.05% limit.

Gold loan portfolio is built with a skew towards emerging affluent households, with strong upward bull rate momentum, right customer profile selection gives them additional cushion to unforeseen market fluctuations. As of Q3FY26, there are no accounts that have crossed 30 DPD.

Education loan exposures are driven towards students opting for top-tier universities, post-graduation international courses, and wealth-progressive households. Students' credibility, along with backing from strong parental credit history, provides alignment towards financial resilience. Repayment performance is showcasing robust portfolio build-up.

Commercial vehicle business offers secured and income-linked finance. 75% of our portfolio is built by used commercial vehicles. 60% of the customer segment is large fleet operators, providing long-term stability. As of Q3FY26, there are no accounts that have crossed 30 DPD.

Unsecured personal loans to salaried professionals being built is skewed towards higher bureau score. 70% of our customers have a bureau score of 750 plus. 75% of our portfolio is working with top corporates. The 6-MOB 30-plus delinquency remains range bound at around 0.4%.

Instant consumer loan is driven by existing-to-credit (ETC) profile, non-credit hungry and skewed towards formal credit-related cohorts. Given this is a digitally sourced book, the 3-MOB 30-plus delinquency metric serves as a more reliable indicator of digital acquisition quality. We are pleased to report that this metric has shown consistent improvement on quarter-on-quarter basis, with Q3FY26 reflecting a 70% improvement compared to Q3FY25. This positive trend underscores the effectiveness of our good strategies and continued focus on portfolio quality.

Consumer durable, funding is skewed to existing-to-credit, along with sizable influence of credit-diversified borrowers within ETC segment. Right cohort selection in consumer durable business also sets precedents to control and minimize cash funding and fraud risk events prevalent in this product. As CD is a lower tenure book, the early vintage risk is tracked at a 2-MOB 1-plus, which is at 0.15%, and 3-MOB is at 0.06%. This metric has also been showing encouraging trends over the last three months.

Business loan portfolio growth is driven by customer segments with controlled lender position, credit history over five years, controlled unsecured leverage, non-credit hungry profiles, profiles with around at least two business cycles seasonally. The 6-MOB 30-plus delinquency trend is range bound for around the last two quarters and is 1.15%.

Pre-owned car mix is driven towards profiles with controlled recency of exposure build, seasoned credit history for over five years plus. The change in mix of the portfolio has reflected encouraging reduction of 15% in 6-MOB 30-plus performance in Q3FY26 versus Q2FY26, and around 30% reduction as compared to the same quarter previous year, Q3FY25.

PFL continues to manage risk in alignment with banking standards, as reflected in our 30-plus delinquency levels, which benchmark favorably against the others. There has been a sequential improvement in the 6-MOB 30-plus for the last four quarters. The 6-MOB 30-plus for sourcing of Q1FY26 is 1.34%. This demonstrates the improved quality of a new acquisition. We expect credit costs across each of our individual businesses to decline steadily over the coming years, driven by improved portfolio and disciplined risk calibration, to strong collection efficiency across products.

In addition, we have consciously invested in products that have combined high ROA potential with structurally lower credit costs, which will further support improvement as the portfolio matures and their sizes increases. At a consolidated level, reported credit costs represent a mathematically weighted average of our portfolio, comprising of four business lines and one instant loan business. The consolidated figure primarily reflects the portfolio mix, particularly the relative weight of the instant loan portfolio versus the rest of the portfolio.

Accordingly, movements in the consolidated credit costs should be viewed as a function of the changing composition of the portfolio, as different businesses scale at different rates. Over time, products such as gold loans, education loans, salaried personal loans, and loan against property are expected to contribute an increasingly larger share of the portfolio. These businesses have lower inherent risk profiles and lower credit costs, and their growing contribution will lead to a more balanced portfolio with growing ROAs and a sustained reduction in overall credit costs.

Overall, our focus is to build the Company on a strong ROA, and for which we will mix the well-calibrated instant consumer loans with the rest of the products, so the mathematical mix of well-calibrated portfolios builds a stronger value proposition.

Second key aspect as we grow the book is calibration, quality, and pace. The calibration drive is focused on optimized cohort selection via multi-source inputs. Information cover is not just limited to existing relationship behavior with PFL. We also look at bureau overall credit exposure history, banking via the account aggregator, GST, salary, and partner data.

Augmentation of risk strategy via in-house proprietary models at product and cohort level are used as levers for optimizing risk metrics. Across the model lifecycle, from design to development to post-deployment monitoring, the model strength and accuracy is rigorously tested. This is augmented with real-time through-the-door monitoring to control the expected PD against the sanction cost. As we speak, the decisions across credit lifecycle are supported by 50-plus AI/ML models and designed with over 5,000-plus feature evaluation. Further, given the portfolio build-up phase, dynamic model calibration with 4 months to 12 months supports the continuous improvement.

As I conclude, together, these step-by-step execution across origination, risk containment, and collection is translating into a structurally stronger portfolio. This approach is delivering cleaner incoming cohorts, lower embedded volatility, and sustained improvements in collection efficiency over the cycle.

Thank you, and now I hand over to Mr. Sunil Samdani.

Sunil Samdani:

Thank you, Shriram, and good evening, everyone. Let me quickly take you all to the financial highlights of the quarter.

- The Asset under management stood at ₹55,017 crores, representing a growth of 77.6% year-on-year and 15.3% quarter-on-quarter.
- As part of our debt strategy and projected AUM growth, we continue to diversify our liability book, focusing on long-term borrowings. Hence, the share of long-term borrowing has gone up by about 4% from 80% to 84% in an overall borrowing. The share of variable-rate borrowing stood at approximately 50%, with another 9% of capital market borrowing, with an average tenor of approximately three months. The judicious use of short-term borrowing has helped us maintain our cost of borrowing at a competitive level.

- Our net interest income, including fees and other income, continues to grow healthy, standing at ₹1,080 crores for Q3FY26, which is up 19.3% quarter-on-quarter. This is despite maintaining a healthy share of secured asset book at 56%.
- The cost of borrowing reduced to 7.65% for the quarter versus 7.69% in Q2FY26. This is on account of overall reduction in the interest rate environment in Q3FY26.
- Opex-to-AUM for the quarter was at 4.41%, a reduction of 40 basis points quarter-on-quarter, primarily on account of improved productivity and efficiency. Further, this reduction is despite continuous investment in new businesses and distribution.
- We have expanded our branch network to 320 branches as on date and increased employee strength to 5,264 as on 31st of December 2025.
- The pre-provision operating profit during the quarter was ₹528 crores, which represents a 36.5% increase quarter-on-quarter.
- The asset quality improved quarter-on-quarter with gross NPA at 1.56%, which is a 8 bps reduction quarter-on-quarter, and net NPA reduced to 0.80% against 0.81% previous quarter.
- Our profit after tax stood at ₹150 crores for the quarter, representing a 102% growth quarter-on-quarter and 702% growth year-on-year. We can now see the benefits of AUM growth and investments in the new businesses coming in.
- The debt-to-equity ratio stood at 4.25 times, which gives us headroom for growth.
- The capital adequacy ratio continues to remain healthy and comfortably above the regulatory requirement at 18.17%, of which the Tier 1 capital is at 17.15%.
- The liquidity coverage ratio at 156% as on December 31st, 2025, is well above the regulatory requirement of 100%.
- On the liquidity front, we remain comfortable at a surplus liquidity of ₹6,488 crores as of December 31st, 2025.

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

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. The first question comes from the line of Chintan Shah with ICICI Securities. Please go ahead.

Chintan Shah:

Yes. Thank you for the opportunity and congratulations on the strong set of numbers and crossing the 1% ROA mark. So, my first question is on the asset quality. So, if I look at the provision coverage ratio for Stage-1, stage 2, as well as Stage-3, it has been coming off since the last four quarters. Since December 2024, the Stage-3 PCR is almost down 10% to 48% now, versus 57%. The Stage-1 and stage-2 PCR combined is now less than 1% versus 2.8% a year ago. So, considering that 44% of our book is currently still unsecured, where do we see this number settling on a steady state basis? Yes, that is the first question.

Shriram Iyer:

Yes, hi. This is Shriram here. See, as I said, there is a change in the product mix, and if you see your Stage-1 book has increased from 97.1% in Q2FY26 to 97.4% in Q3FY26 and if you look at even prior to four quarters, it was close to around 95.6% (Q3FY25) something. So, we are seeing that the Stage-1 assets itself has increased, so in terms of the overall Stage-1. Another

important point to note here is the Stage-3 book has also reduced from 1.59% to 1.51%, that kind of explains the reduction in the PCR, right? Also, we will have to note that the reduction in the PCR is also on account of the rundown of the old STPL, which had a higher provisioning. So, as the product mix changes and then you have low-risk kind of assets, the ECL also kind of changes accordingly, and that is the reason your PCR is lower.

Chintan Shah: Sure. So, in terms of a steady state, so something around 50% PCR on Stage-3 could be considered from a one year or two year perspective?

Shriram Iyer: I cannot comment on that because each product, as the mix changes and we start scaling up, we may look at a time horizon or something which we will have to look at and based on which the provisioning will be made.

Arvind Kapil: I think on the calibration, let me just add, Chintan, that we have this time disclosed very precise, I think if I am not mistaken, 1.5 years approximately, six quarters of data for 6-MOB, which will give a very good insight into how we are underwriting and what is the bureau based information in terms of the quality on our entire book. I think that is another very strong data, first time we have disclosed, that should give you a complete insight and confidence into the solid credit calibration underwriting that we have been speaking about.

Chintan Shah: Sure and sir, if you would just help me with the write-off policy for our unsecured products, what would be the write-off policy on that?

Sanjay Miranka: 180 DPD.

Chintan Shah: On overall products, whether secured, unsecured?

Sanjay Miranka: Yes, so unsecured is 180 DPD. Vehicle secured is 365 DPD and even loan against property is 730 DPD, which actually is case-by-case basis across the industry.

Chintan Shah: Sure and just one more thing, on the 294 branches and currently 320, I think which we mentioned, so apart from gold loan, what other products would we be currently offering? So, what is the plan there? Just wanted to understand that, yes.

Arvind Kapil: So, I think our branches that we are talking about are focused. Our gold loan branches are going to be fairly die-hard gold loan branches. That is the plan right now, and that is what I had mentioned last time. We are very focused on the branches. There will be some benefit of cross sell, but I think it is going to be a very gold, gold kind of branch, which is focused.

Chintan Shah: Understood. And sir, so on the new disbursement, which is like 20% of the overall disbursement.

Arvind Kapil: Cross sell might happen, but directionally, it is a very focused gold loan branch for us. Sorry. Yeah, you were asking a question.

- Chintan Shah:** No, sorry. Got it. So, basically, dedicated gold loan, but some other benefit from cross-sell, then we would not deny that.
- Arvind Kapil:** It is not like other product cases would not happen from gold loan branches, but we are a focused, branch designed for gold loan. That is all our limited point. Sorry, over to your question.
- Chintan Shah:** Sure, sir. Understood, sir. And also, sir, on the disbursement from the new products, which was currently around 20% for the quarter and 11% of the AUM, so any ballpark targets here? So, what kind of percentage in the overall AUM mix are we looking for the new products by the time we reach Rs 1 crore of AUM?
- Arvind Kapil:** I think, see, the plan for these new products are, we are well calibrated, we are servicing a very distinct objective. Personal loan is a very salaried profile, we are getting fantastic build up there. We are very happy with the way it is building up, acceptability of corporates. You heard that it is high-quality asset. If you look at consumer durable, we are investing behind a customer franchise. If you look at commercial vehicles, it has picked up very good momentum. If you look at gold, I think it is continuously quarter-to-quarter building up fantastic. So, objective is going to be, we will keep investing behind these businesses to increase. But remember, bulk of the heavy lifting investing has been done and I think it will be probably fair to say that operating leverage will start kicking in now and that was the whole original plan.
- So, we had said that in the first 18 months, we would be probably biased to a little more AUM and investments. I think all that heavy lifting done, you started to see probably operating leverage started to kick in, and you can start seeing the sparks now in terms of probably robust profits. You can start smelling that, and I think we are very excited from here on.
- Chintan Shah:** Thank you for patiently answering all the questions. I have more, but I will fall back in the queue. Thank you and all the very best. Yeah. Thank you.
- Moderator:** Thank you. The next question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Good evening and thank you for taking my question. Sir, the first question is on the gold loan and the CV business. What I heard during the opening remarks is we have crossed 300 gold loan branches. But when I see our presence, it is predominantly the western India, Gujarat, Haryana, Rajasthan, Maharashtra. So, if you could just help us understand, is the idea to first capture the central and northern parts of the country, and then eventually go to southern India and in consumer durable, also, I kind of heard that 90% of our dealer presence is somewhere in Tier-II, Tier-III cities. So, what is the playbook which will be there in CD (consumer durable) as well?
- Arvind Kapil:** I could not hear your full questions, but gold loans, I think if you are asking effective Quarter 3, I think we should be in the range of approximately 190 – 192 branches, somewhere there. But all the LOIs, identification, all of that has been done, and the remaining branches, we should be

on track in this quarter. We should be in a position to build a very solid franchise, like I said earlier, with a focus on gold. Gold is giving us good yields, good asset class, and it is in line with plan.

On consumer durable, whatever little I could hear, and please correct me and add to the question if required, whatever I understood you said was, what is the momentum feel on Tier-II, Tier-III cities? I think, if I am not mistaken, we already have close to 10,000 plus outlets, and our strategy is mix of consumer durable. Because, as a Company, we have strong strength on unsecured digital, we do not need additional manpower. We are finding that we started as an experiment probably, now, along with consumer durable, we could be the first Company where our resources are not only doing consumer durable, but also digitally we have a certain proportion of origination, which is coming with the same team on unsecured digital loans, and very successfully so.

Remember, just to give you a sense, consumer durable might have an average ticket size of, let us say, ₹28,000 approximately. But an unsecured loan in throughput could be ₹4.5 lakhs to ₹6 lakhs. So, the throughput and productivity of the team with the yields, even at the point of origination, not at cross-sell, we could be the first Company to successfully pull it off. That itself gives us a huge advantage on consumer durable reach as the business model being more robust, then a conventional, pure, only consumer durable model has the same team. I hope, I am able to get across.

Abhijit Tibrewal: Got it, sir. So, that answers my question. The only other follow-up I had on gold loans was, I mean, right now, I have seen the branch presence is predominantly in western India. Is that the thought process to first capture western India, central, and northern India, and then move to southern India?

Vikas Pandey: Yes. Actually, we have covered already Gujarat. We are in Maharashtra, Rajasthan. We are going state by state because gold loan is a product where you have to have a supervisory depth because we are opening branches. The next geography which we are picking up now is Karnataka and some part of Odisha. So, that is how we will spread our branches.

Abhijit Tibrewal: Got it.

Arvind Kapil: You do not want to just spread yourself in gold, it is important we have done this business in the past. It is very important to have density pockets with supervisory depths because one of the biggest advantages and risks is you need very solid control when it comes to gold branches. You will appreciate that. That is the background.

Abhijit Tibrewal: Got it. The second question I have is about credit costs. Just trying to understand while, I think, again, during the opening remarks, I kind of picked up that barring instant loans which have higher credit costs, most of the products are showing range bound credit costs of about 1.4%-1.5%. So, I had two subparts to this question, Arvind, sir. First thing is, I mean, whatever credit costs that you see right now, are they all attributable to the newer and existing products that we

earlier had? So, this has nothing to do with any accelerated write-offs, which you called out in the presentation. These are all business-as-usual credit costs, right? This 2.6% credit costs that you are seeing right now?

Arvind Kapil:

So, I think let me explain that point again. It is very nice of you to raise it again. I think the point that I and Shriram are highlighting is that whether it is instant loans, whether it is the remaining 12 products, all individual credit costs are showing constant improvement so far. That is point number one. I think the limited point we wanted to share with you that it is part of our design to optimize. When you look at our credit costs, you must keep in mind that you should treat it as, in simplistic terms, a mathematical average of instant loan, consumer loans, and the remaining 12 products. So, while explaining, I said instant loans relatively by design, have higher yield and higher credit costs, whereas the others are normal yields and normal credit costs. More as a reference point. But I think the larger point I wanted to say is that when you look at our credit costs, look at two important things, it is a mathematical mix of the 12 products and instant loans. So, let us say the contribution is 15, 18, or 20, because individually all products might actually end up reducing our credit costs, and we could have a great opportunity for ROA build-up. So, it is a very limited point just to understand.

Also, looking at our growth rate, please remember, as NBFCs, you have a higher natural provisioning. So, that also complements, if you grow at a higher rate, becomes part of your total credit cost. It is just sensitizing the total picture. That is about it.

Abhijit Tibrewal:

Got it. And when we said that credit costs will reduce in the coming quarters and years, the primary driver is going to be the improvement in product mix in favor of gold loans, LAP, education loans, right? Rather than the seasoning of these products because once the seasoning, maybe the credit costs will start inching up. So, the primary driver is going to be primarily the improvement in product mix.

Arvind Kapil:

So, let me repeat again. All 13 products with seasoning are expected, and calibration and strong connections are, in our assessment, expected to constantly improve every quarter. That is point number one. Point number two, it is in our hands, how do I mix it for respective total credit costs to optimize the ROAs of the Company. As from here on, ROAs will become an important thing. So, let us say, for example, hypothetically saying you have an X product at a credit cost of, hypothetically, let us say, 2%, and you have another credit cost at let us say, 3%. Now, either you take 50/50 and have a credit cost total, or you can have a 60/40 mix and do it. Similarly, when you have a mix of approximately 12 to 13 businesses, all we are saying is that the mix will be optimized. So, you actually might land up with quarters going the 2% might become 1.8%, and the 3% might become 2.8%. But the mix could be in such a manner which could reflect the total credit cost that you actually land up making very healthy ROAs despite individually improving, thanks to collections, thanks to product seasoning, and our credit calibration. That is why I said you must check our 6-MOB because, if you check our 6-MOB, you will get the pulse. Not only is Stage-1 improving, which is one part of the story. Not only is the GNPA improving, that is another part of the story. But if you see carefully, 6-MOB normally in any banking or finance business is a very solid indicator of what is the quality of calibration that you are doing

across the portfolio and you will get a firsthand sense of how individual products will be fairly solid.

Abhijit Tibrewal: Got it, Arvind sir. This is very useful and thank you so much for your enhanced disclosures in this quarter. So, just last thing I was asking, today we have taken board approval for reaching ₹5,500 crores of cash equity? We plan to consume it in this quarter or after the end of this fiscal year?

Arvind Kapil: Are you talking about capital raise, if I get you right? If you are, then I think we have taken a 12-months enabling approval, but I think you are well aware of our growth rates.

Moderator: Thank you, sir. Our next question comes from the line of Nischint Chawathe with Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: So, across these 13 products, how do you think about the duration of the book, let us say, across short, medium, and long tenures, how are you really kind of thinking about balancing this? And in that sense, is there a little bit of a scope to play the yield curve? I believe you have increased the duration of the liabilities in the last two - three quarters.

Arvind Kapil: Duration of the liabilities.

Nischint Chawathe: Yes. So, on the asset side, first of all, how are you thinking about the contribution of short, medium, and long tenures? And I mean, are you kind of targeting a particular average duration of the book? And in that sense, how are you placed on the liability side?

Sanjay Miranka: Yes. So, see, across these 13 products, these are into different tenure buckets, right from the ultra long-term, like loan against property to consumer durable, which is ultra short-term. So, I think the products are now there in every space of duration which we want to be and like Arvind articulated, we look at how these products ramp up, and it gives us better risk-adjusted return. So, with that, I think we are pretty fine with the duration being six months here and there because we have a well-diversified liability profile and have the capability to raise money in every single tenure bucket on the liability side. So, right now, also, if you look at our ALM, it is positive across each of the buckets, except that three years to five years, which anyway, with the capital raise would be taken care. So, I think that is fine, we are flexible on the duration. So, there is no specific.

Nischint Chawathe: What is the current duration of the book on the asset side?

Sanjay Miranka: Current duration of the asset would be somewhere between 2.5 to 3 years.

Nischint Chawathe: Okay. And does it kind of change, maybe in a year or so when the contribution of the newer product goes up?

- Sanjay Miranka:** While it may not change dramatically, like I said, it will depend on the evolution of each of the products and the way they scale up. So, this is it. But I think we are pretty broad. We will take care of that in whichever way it goes. Yes.
- Moderator:** Thank you. The next question comes from the line of Kaitav Shah with Anand Rathi. Please go ahead.
- Kaitav Shah:** Yes, thank you so much for taking my question. First of all, congratulations, good quarter, and thank you so much for the increased disclosure. I think they are pretty useful. So, my question is more on the operating leverage. I think you already pointed out that we have seen signs of improved operating leverage, and do you think this trend can continue, or there is still some investment that is left to be done at an overall aggregate level, which can keep the cost-to-income ratio topped up?
- Arvind Kapil:** I think, see, the very facts are designed hand and a lot of strategic investments, which we did over the quarters of this financial year and if you ask me, the trade-off is in complete favor of operating leverage. So, not that you would not make incremental sales teams, and not that you would not have new branches. You will have a certain proportion of that investment which are going on. But I think it is usually in favor of operating leverage from now on and I would term this as we would be excited from here on the operating leverage side.
- Sunil Samdani:** Directionally, the Opex in percentage terms.
- Arvind Kapil:** Opex yes. But then we have said every year directionally it should and I think you mentioned cost-to-income, and I think probably it will be a heartening to see similar trends there as well, as the years go by.
- Kaitav Shah:** Okay. Sir, second question was on the AUM growth front, would you like to reiterate the target because we have been growing slightly higher than our long-term average is? So, near-term, will we continue to grow higher given that the new products are firing much better than expected?
- Arvind Kapil:** Our focus is going to be completely biased to the retail products, the full bouquet of retail products, especially the new ones. But I think our broad guidance of 35% to 40% is what I like to say is a good guidance. There could be some moments where we may have had much better than that. But I would probably hold that broad approach directionally to be 35% - 40% is what I would like in today's economy.
- Moderator:** Thank you. Ladies and gentlemen, this will be our last question. It is from the line of Agam with Agam Investments. Please go ahead.
- Agam:** Thanks for the opportunity. Just a quick question on the credit costs. The credit costs of this quarter, so going ahead, as you said, it will go down. What can it be? Any thoughts or color on that?

- Shriram Iyer:** We are not giving any forward guidance, but as the contribution of these new products such as gold loans, education loans, PL prime, and all of the new products keep growing and gain full-scale participation in the product basket, the share of the credit calibrated book will be normalized at a lower level and this will have a favorable bias on the overall credit cost.
- Agam:** Okay. Just a last question. On the fund raise part, I think maybe I missed the voice. Can you repeat what is the, so we have mentioned 12 months. What is the timeline? Realistically, when are we looking to close since we are growing at a much faster pace.
- Sanjay Miranka:** So, we will basically look at the way the growth pans out from here on, and on the basis that, we will do the capital raise. So, we do not have specific timing in mind right now.
- Arvind Kapil:** I think, you know, the part is that we have taken the approval that gives us strategic flexibility now, and it is in our control, and we are well on top of it. I think that is a limited point. There is no particular guidance we are giving on the timelines.
- Moderator:** Thank you, sir. Ladies and gentlemen, that was the last question for today. With that, we conclude today's conference call. On behalf of Poonawalla Fincorp Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.