Poonawalla Fincorp Limited

Q4 FY24-25 & FY25 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Poonawalla Fincorp Limited Q4FY 24-25 and FY25 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 the operator by pressing star then zero on your touch-tone 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.

Let me begin by summarizing our last 10 months guidance v/s actual what's happened on the ground, followed by a brief update on our performance during this quarter and the details on couple of initiatives, which we believe will add immense value to our building blocks in business- distribution, tech, AI, digital journeys- one of the key initiatives that we have and execution of various other launches.

With the 10 months behind us, I am clearly witnessing 3 key critical strengths emerging as differentiators for Poonawalla Fincorp. I thought maybe it's a good time for me to share that with you, and this is vis-à-vis the competing landscape in the market.

Firstly, our Digital journeys, In-house AI developed models, and there's a whole lot of AI visibility that I'll give you today more precise and including the update on what we had launched earlier, **Risk analytics-**All these 3 will enable us to use data and insights across businesses from sourcing to underwriting and collections, which will, in my view, make technology as a competitive advantage for us.

Secondly, Deep Product and Risk expertise that we have built in the organization on various asset classes with decades of experience and proven capabilities. What we find is that our very seasoned management team is a very big strength for us.

The above 2 points will create a competing edge for us by making us most agile and quality assessment of external customers. I think in this competing landscape, the strength of using technology, digital journeys, AI for a quality assessment of an external customer in an agile way will be a very strong competing edge, across product basket.

Thirdly, culture of passion, driving execution and results with speed and scale is how I would summarize how the overriding culture is for the organization.

I'm already witnessing these trends emanating, which are visible in our AUM growth that we've achieved this quarter. This has also been possible as our acceptance and credibility with various distribution partners is on a high in both digital plus physical mode.

Let me briefly take you through a quick snapshot of the guidance versus actual on key drivers that we have done over the last 10 months.

In Q1FY24-25, we had given an AUM guidance of 30%-35% for FY24-25 and 35%-40% thereafter. I'm happy to share with you all that our AUM has grown by 42.5% YoY and 15% QoQ and landing up to be ₹35,631 as of 31st March 2025.

So, I think despite the fact that initially we took the STPL down, we recalibrated, brought it back, and we managed to get our AUM growth, and that's probably a signal of how the respect that this team commands in the distribution world. That's a limited point I wanted to park with you.

Our strategy focuses on achieving sustainable profit. That's what we are very clearly set out to do, and therefore, this year, it will be more biased towards robust AUM growth. Just to reiterate our guidance of very robust profitability, which we had given last time on the FY26-27 stands strong and hence, it would be safe for us to say that our confidence is high on the AUM.

Total disbursements for Q4FY24-25 stands at ₹9,378 crores, up by around 31-odd percent QoQ.

Another guidance that we had given was the launch of 6 businesses in the first quarter of this financial year, which would have actually been end of June 2025. I'm happy to share that as a team, we planned well in advance in the last 6 months and have systematically managed to launch all 6 businesses that are already live in the market, as I talk to you.

Our aim will be to have a higher focus on the quality of processes for the first 4 to 6 months in line with our risk-first approach and then gradually scale it up and bring momentum. I'm happy to share that one of our standout initiatives, PL Prime, which we had launched in August-2024 has scaled from 0-₹120 crores by December-2024 and about ₹200+ crores in March-2025. Just to give you a ground-level sense of how certain businesses that we launched, even the very competing ones, we're managing to hold it with a certain momentum. That's nearly double in just 1 quarter. This isn't just a number. It reflects the trust we're building in the middle-income segment. It is initial stages, of course.

But I also want to assure you that 75% of customers work at Category A companies, 72%, that we do have take-home salaries above ₹75,000. So, to give you a sense that we are prioritizing our risk-first approach even at the ground level, just the way we are talking about it. It's a clear sign we are attracting financially stronger and more responsible borrowers.

We've also launched industry-first 24x7 digital journeys for our external customers. We expect this to build quarter-on-quarter, but I see the real gains over the next 3 to 4 quarters. I have a belief that this will become a very strong competing advantage, not just for the personal loans, including the business loan that we might land up launching in the next 3 to 4 months.

On the unsecured side, a 24x7 journey is going to be an innovation route where we'll build our risk appetite step-by-step, gradually, but very progressively. Our businesses have seen healthy credit calibrated growth.

To give you a sense of some of our existing businesses, LAP is now at ₹8,466 crores book, having grown at around 107-odd percent YoY and 24% QoQ. Incremental growth has come at a healthy LTV of 51%. So, we are adequately sensibly lending. Similarly, business loan has grown by 47-odd percent YoY, 14-odd percent QoQ at ₹5,728 crores. The profiles that we have lent to are vintage businesses with healthy and robust cash flows.

Regarding operating costs, we've already guided for approximately ₹50-odd crores per quarter as an incremental investment. We have successfully launched 6 businesses till date with plans to launch another 400 branches in the next 4 quarters. As a result, our operating costs will show an increase in the first 2 quarters. However, by [1]Q4 FY26-27, that's this year, we are fairly confident that we are anticipating that our operating cost as a percentage to AUM will be stabilizing at very prudent levels, reflecting operational efficiencies and scalability. Our confidence on the AUM is fairly strong, and hence, I state the same.

On the retail side, having credit calibrated our book, we are turning the corner on the risk-adjusted performance. For the digital personal loan or you can call it the new STPL portfolio, through the risk-calibrated approach, cheque bounces have tapered down substantially by approximately 1/3, and we are very excited about this because there's a fair amount of work that we've done on this. We're slowly, gradually and, prudently stepping towards a higher monthly growth rate. We had said that last time, and we're stepping it up.

Similarly, as mentioned during the last call, we are shifting the nature and profile of used vehicle portfolio by keeping risk-first approach. Gradually, we've witnessed a shift in the mix of used vehicle sourcing. We've also introduced a risk-based scorecard to drive smarter decisions and stronger portfolios. The whole idea is sustained and quality growth even in this vertical.

Let me, at this stage, take you through a quick snapshot of all newly launched products and give you a sense of our level of readiness. I'm talking about the 6 that we have launched over the last 1 ½ months.

Starting with gold loan. While our digital products are scaling rapidly, we've also doubled down on our physical presence, especially through our gold loan business. Gold loan adds strength to our secured bouquet of products. We're looking at 400 branches by end of the financial year. They would span across states like Gujarat, Maharashtra, Rajasthan and Haryana predominantly, where we see strong market potential. The idea behind an expansion is to build strategic hubs in Tier 2, Tier 3 cities, locations that are underserved but rich in opportunity. These branches will be more than just gold loan centers. They will function as multi-product distribution points, helping us increase our share of the secured lending.

Similarly, let's look at a quick snapshot of **Commercial vehicles** with an aim to bolster India's infrastructure, logistics and supply chain sectors, we've launched Commercial vehicle loans, and have commenced disbursement in 3 key markets: Pune, Mumbai and Calcutta in the first month of the launch. We're offering a tailored solution in the new and used commercial vehicle space for financing the small, light and heavy commercial vehicle operators.

[1]The reference to Q4FY26-27 stands corrected to March-26.

We are offering a technology solution focused on delivering seamless onboarding experience to customers. In the next few weeks, we will be rolling out mobility solutions with 25-plus integrations through secure sources to validate KYC, customer details, asset details, bureau banking details, valuation and fraud checks. Key leadership teams across business and credit have been hired and onboarded. Further to augment our distribution, we've empaneled 100+ channels from strategic CV markets. So, this gives you a sense on these 2 businesses.

A quick one on **Education loans.** We've seen very encouraging response. It's just been 45 days and over 300 customer files at a ground level have already been logged in. We've got 25 educational consultants already tied up. In FY25-26, we aim to scale up our network to over 500 educational consultants' ballpark, and these consultants will play a pivotal role in helping us take this vertical to the next level. We already have built 100 members strong dedicated education loan sales team and through this engine, we plan to sanction and support approximately 3,000-4,000 students within this financial year in pursuing their higher education dreams. Yes, we have made it digital first, and, it's partly. We are offering an industry-first instant sanction solution, which no one in the industry has, including fairly large players in the market, and I think we're building on that model along with setting up the foundation for education loan business.

Moving on to **Consumer durable**, a space that holds immense potential for everyday customer engagement and growth. The early momentum has been quite promising. We are setting ourselves an ambitious yet achievable goal. We're looking at 210 locations across 10,000 to 12,000 dealer points by end of the financial year. This will give us fantastic visibility and the business model will create a fantastic customer franchise. We've also introduced our PFIN EMI card, which is designed to give customers access to pre-approved CD offers that they can utilize at their convenience at our dealer touch points. This is a huge step in my limited view, creating flexibility and accessibility in the way customers finance their everyday appliances and electronics.

Shopkeeper loans, we provide tailored financial solutions to small retailers and Kirana stores. In first phase, we are operational at 44 locations and institutionalizing our systems for a customer-centric approach.

At this junction, let me quickly pause and move on to a very important vector for us to stay cutting edge. Let me begin by sharing the marketing and the role of AI and subsequent projects of AI. I think this is a very important initiative for us because we're going to look at tech as a very strong competing edge for Poonawalla Fincorp.

Marketing is going to be one of the critical departments where AI will play a critical role for us. While the financial service industry has adopted digital engagement in a big way, customers are flooded with messages we're all aware from multiple organizations, and there's a clear fatigue setting in. We've learned over years that the key to successful conversion lies in how effectively we communicate with our audience. So, the extent of personalization and relevance in our messages is no longer optional. I think it's a very important and essential in today's markets.

To give you a sense, we're building a full suite of artificial intelligence, both generative and non-generative capabilities across marketing life cycle. These capabilities enable us to reimagine our customer engagement and marketing campaigns with higher productivity, creativity and precision.

I'd like to share few quick examples of how we are leveraging the AI technology platform to improve our marketing efficacy. AI-driven customer targeting, that's one important area we're focusing on, one of the most significant advancements we've made is in the area of customer targeting. By utilizing AI, we have created a highly granular micro segments that mirror our best customers. This allows us to attract a high share of applications from top quality prospects. Our algorithms analyze vast amounts of data to identify patterns and characteristics that define our ideal customers, enabling us to target similar profiles with precision. This data-driven approach ensures that we are reaching the right audience at the right time, resulting in improved conversion rates and better customer acquisition outcomes.

At scale, we're looking at performance marketing optimization. In the realm of digital marketing, we are conducting over 100 experiments across our web and app platforms. These experiments involve various lines of communication tailored to specific customers, locations, languages and other vectors. This continuous optimization process will help us reduce the cost of acquisition in the long run. By leveraging AI, we can dynamically adjust our strategies based on real-time data and insights. This also gives us a huge strength of increasing our digital lending business end-to-end done on our websites and on our app. This can be a game changer, like I said, over the next 3 to 4 quarters.

Building a comprehensive MarTech stack, we are scaling our customer base, we are investing in a full suite of marketing technology, tools designed to maximize customer life cycle value. These tools enable us to perform end-to-end channel measurements, campaign automation and delivery. Currently, we're running over 80 re-targeting campaigns daily across the acquisition funnel with zero human intervention. This automation not only increases efficiency but also allows us to maintain a high level of personalization and relevance in our messaging. We are continuously strengthening the stack to reach the benchmark standards of consumer tech companies. Our goal is to build a robust, scalable data-driven marketing ecosystem. That's the crux.

Another important area is website transformation and can we use AI for that. We've recently undertaken a complete overhaul of our website design to meet best-in-class design and personalization capabilities. This transformation aims to provide seamless engaging experience for our customers.

New capabilities to give you a sense like self-serve customer portal, QR code-based referral journeys and credit score checks powered by the bureaus, CIBIL and Experian. These features empower customers with greater control and convenience.

Transparency has been a cornerstone of this transformation. Customers now will have complete visibility into their journey. Looking ahead in Phase 2, we plan to further enhance our websites with a multilingual interface, a 24-hour support powered by conversational-AI, 5 new languages for broader inclusivity and integrated data platform with hyperpersonalization for real-time and tailored recommendation and an AI-powered interview system to streamline recruitment. These are the 4 fundamental ones for our website transformation besides what we've already done.

As I engage with my marketing team, I'm gaining deeper insights in today's consumers. They are no longer passively looking at traditional ads but are instead consuming content in diverse forms across multiple platforms. We fully recognize that at Poonawalla Fincorp, this shift in behavior requires us to adapt as an organization and meet our customers where they are with content that resonates. Generative-AI is playing a pivotal role in this transformation for us. It is helping us scale our content creation processes, enabling us to produce high-quality, personalized content across formats, text, images, videos and more, at unprecedented speed and cost efficiency. This allows us to engage with our customers in a meaningful way while also driving a higher productivity.

While we're excited about the transformation potential of AI, we are also mindful of the associated risks, and we are managing them with full responsibility.

At the outset, I shared Analytics and AI are clearly emerging as key strengths, which will play a big role in all the models which we are creating and building in-house.

We are driving the AI-first approach across functions. And as we scale the organization, leveraging on our internal capabilities and strategic partnerships, these future-ready initiatives will lead to increasing operating efficiencies and productivities.

For a quick snapshot again, we had announced 7 precise AI projects in the last earnings call. Let me give you a quick update on the progress. I began with credit underwriting. We had deployed AI powerful tools to streamline operational aspects of the underwriting process. These tools assist in reading, validating and organizing inputs, data along with taking care of the basic communication to customer and field investigation agencies. This helps in improving turnaround time and productivity of our credit managers in retail lending, thereby accelerating human decisioning and enhancing risk management. We have already shared that this is leading to 35%-40% increase in credit managers' efficiency, and we've already launched the first phase of this.

In debt management, with the aim of enhancing efficiency, we now have capability to have micro strategies along with customer profiles, communication channel and engagement timings on a unified platform. This transforms the collection journey while reducing manual effort and enhancing efficiency through predictive models, delivering around 2x to 3x sharper risk assessments, and we're able to hit the customer or reach the customer much faster.

In audit, we have collaborated with ServiceNow to deploy generative AI solutions for improving audit and governance. This is with an aim to enhance accuracy and reliability of our audit outcomes. The AI-powered analytics shall provide predictive insights, enable us to forecast potential risks and take proactive governance measures.

In compliance function too, we've also introduced AI-based regulatory requirement scanning and gives a summary to compliance team with the recommendations that suggest updates to existing policies or the creation of new policies for relevant functions. This reduces any chance of delay in implementation. So, whether it's operating efficiencies or accuracy, each of the projects we are successfully executing.

This brings me to another important function for us, **HR**. As I've already shared details during my last call, we are utilizing AI tools like ML, LLM, computer vision in the area of talent acquisition, recruitment. We have reduced our time to 1/10 and increased our offer capacity by 10x. Further, as we continue to focus on improving the engagement and experience of our employees, the other AI initiative for us is the launch of MS Teams-based employee conversational agent. It will help resolve employee queries with a plan to make it agentic so that the agent can aid in acting on behalf of the employees.

In our ongoing endeavour to have a customer-first culture, our customer service department as part of the road map has introduced quality assessment tools for calls and e-mails, ensuring that time and efforts are saved. Review, assessment and feedback are being well managed, helping us improve customer experience and aiding in the reduction of complaints and repeat calls.

We've also done a fair work to identify 18 further incremental projects across departments, Credit, Internal Audit, HR, Admin, Infra, Analytics, IT, Customer service, Operations and other departments. They're based on the feedback received from the ground, which will improve productivity, bring in efficiency over a period of time. This is how we are building our in-house model and going about identifying and building the AI models.

Let me quickly give you a short sense on these 17 to 18 projects.

To begin with on the **Analytics department**, the team is working on automation of model design, orchestrated from data preview, preliminary insights to optimal algorithms, selection across the family of traditional machine learning and AI algorithms. The workflow is designed to save time for the analytics team, while at the same time, evaluating multiple algorithms and select/recommend basis performance comparison. This with an agentic architecture at the submission stage will support reporting and documentation. This is expected to be delivered by Q2FY25-26.

In **Customer service**, like I said before, for improving customer service, we are creating a model of AI-first initiatives covering topics like predictive analytics that will help us, and will be used to analyze and anticipate customer needs/requirements. We're talking about human agent assist, leveraging the contextual UI and expect it to enhance productivity by providing agents with seamless access to all relevant information. We're talking about customer service AI agents with voice and chat created to ensure the customers get consistent customized service standards.

Incoming calls to call center agents will decrease systematically with enhanced productivity, leading to a more autonomous process that requires less human intervention. We are expecting all three to be completed by Q3FY25-26 and one on the predictive analytics by Q2 of this year.

To further strengthen our **risk management and credit and risk department**, we are coming up with AI-based support tools for faster and standardized data interpretation, optimizing document parsing and validating to assist credit team and decision workflows, enhance multi-medium customers and stakeholder communication, automation in the underwriting process. These 3 interventions are slated to be implemented by Q4FY25-26.

The internal audit and compliance department, our aim is to quickly flag unexpected behaviors and transactions, reducing potential frauds and errors in our models that we are creating, and this is to help us in automating the review process and minimizing false positive with more refined pattern detection. To be launched in Q2FY25-26.

We aim to proactively manage the portfolio by detecting early signs of issues and leveraging on predictive insights and timely portfolio adjustment. This will be launched in Q3 of this financial year.

We will develop suspicious transaction report with the help of AI/ML, LLM, which will help reduce manual workload by automatically flagging potential suspicious transactions and model builds. To be launched by Q3FY25-26.

We believe in improving the employee experience to level up the engagement. **The first ongoing one is to be building an early warning system**, which will analyze input variables related to employees, including sentiment analysis and to be able to predict probability of attrition at an individual employee level. This could be very useful as a dipstick. The AI system will keep on learning from every event. That's the important part. So, a couple of quarters down the line, I expect this to start giving us much more multiple learnings on which we can build new models. This is likely to be implemented in Q2FY25-26.

The **second one is skill building and enhancement assistant for employees** as well, to be launched and implemented by Q3FY25-26.

Since, we plan to launch 400 gold loan branches in the current financial year, we will introduce AI-driven solutions for infrastructure team, which will check the final draft vis-a-vis hard copy agreements received, alerts to any deviations and reduce manual effort. This will be implemented in Q1FY25-26. Similarly, AI system will assist legal documenting vetting as well. By the time we go live, it will be Q2FY25-26.

In IT as well, we are building in 2 broad areas with the launch of new product lines like education loan, commercial vehicle loan, shopkeeper loans, it's increasingly critical to track the performance and progress of each product line. This would mean increasing requirements in our reporting capability. With the objective of optimizing and reducing turnaround time for reporting so that business is empowered, operations teams are enabled to generate reports. It's envisaged to launch DartGenie, which would enable the business and operations team to directly send reporting requests to datalake in natural language and in return, get the desired reports without any IT intervention. This will basically make it much quicker on the go.

BuildBuddy, this envisioned solution is integrating copilot with the existing toolkit, which would enhance the efficiency of the development teams to build and deploy much faster. This would increase IT teams' output per unit of investment in the resource pool, while reducing the overall cost of development and deployment. This is expected to go live by Q4FY25-26.

Finally, **in Operations**, AI tools will be implemented for RC limit management. To give you a sense, that will analyze diverse data, including the post-disbursement document details, branch RC limits and other critical factors. This enables accurate, compliant, recommendations and automatically adjusting the risk limits. This will help the organization systematically process large volumes of data and add seamlessly to organizational requirement. To go live by Q2FY25-26.

In Operations, Governance, Auto DQI report will be used for predicting and enhancing accuracy of credit information company reporting. Leveraging AI-driven methodologies, this can streamline and optimize data management processes, ensuring that customer data is precise and up to date. It will identify discrepancies, rectify them proactively. To be expected to go live by Q2FY25-26

Now let me give you a quick sense on **Collections**.

Over the past few quarters, we've significantly enhanced our collection processes and now are focused on fortifying our progress. In the last 6 months, we've improved forward collection efficiency by 9% to 10% in one of the toughest product lines and early bucket flows have moderated by more than 40%. This gives us great confidence.

Three pillars, I believe, has given a lot of strength to our collections: extensive use of advanced analytics, technology advancements integrating digital and physical collection stack, strategy and line teams embracing these changes. Effective data usage has shown that prioritizing and risk grading of borrowers enhances operational efficiency substantially. Our bounce rates and collection efficiencies rank well with our internal risk scores, and we now reach customers 2x faster. The collection team has fully adopted technology, including the field app real-time productivity monitoring and persona-based digital engagement. We are also in the final stages of implementing industry-first technology for the real-time allocation systems. With these advancements, we are well positioned for the new product launches that we've discussed.

A quick minute on the important element of **debt strategy** that we are raising on the liability management side.

Robust liability management is pivotal to our business's growth and profitability. We are fully geared up to be able to raise the quantum required to achieve our growth rates. We shall continue to diversify our sources of borrowing as well as broaden the lender and investor base to have an adequate liquidity available. We have already achieved diversification across instruments like bank loans, ECB, commercial paper. Now an important element of our debt strategy is to have clear and significant focus on raising long-term funds through NCDs over the next 3 to 5 years.

We have recently raised ₹1,525 crores through NCDs in April-2025, which is in public domain. This issue was a fantastic success with competing pricing and participation from top 5 mutual funds and a bank. With this, NCD contribution increased now to 12% of the total borrowings as against the 6% as of March-2025.

Our debt strategy will have a bias to long-term funding through NCDs and our strategy will be a prudent balance of long-term funds and cost of borrowing. Our priority will be biased towards long-term funds. That's the limited point I wanted to park on the liability side.

With that, I've covered almost all the vectors. Thanks for your patience. I did cover the AI piece a little in excess, but I thought it's important because it's important for the company. With this, I would like to hand over to Shriram to give you a flavor of risk management and where we stand.

Shriram Iyer: Thank you, Arvind. Good evening, ladies and gentlemen.

The lending landscape has witnessed recent changes via regulatory guidelines aiming enhanced transparency, protecting consumers and harmonizing lending norms across financial institutions. This, coupled with a steep repo cut of 50 basis points in the last 2 quarters, intends to boost our country's economic growth.

With this emerging backdrop, Poonawalla Fincorp is geared and well positioned from a risk management standpoint. We are ensuring a well-calibrated AUM growth with risk diversification through launches of various products, along with consistently strengthening the existing product suites.

Now let me give you a glimpse of the asset quality.

Our first EMI bounces improved over the last quarter by more than 25%. Sequentially, our overall credit cost, which was ₹348 crores in Q3FY25 came down to ₹253 crores in Q4FY25, resulting in a significant reduction in the credit cost by 27%.

The erstwhile STPL portfolio, which was at 21% of the total on-book AUM as of September-2024, had come down to about 15% as of December-2024 and further, now it is down to about 8% as of March-2025. It is important to note that 80% of the residual book is zero DPD, and we do not expect any increased stress on the residual book.

Last quarter, we had ₹520 crores of write-off in the erstwhile STPL, which included ₹163 crores of accelerated write-off. I would like you all to take the note that there is no accelerated write-off in Q4FY25, and the policy write-off is only ₹141 crores.

Our overall credit cost for erstwhile STPL has come down to ₹137 crores in Q4FY25 as compared to ₹200 crores in Q3FY25. That is a reduction of 33% over the previous quarter. This makes it quite clear that the erstwhile STPL issue has been addressed and with significant improvement in collection efficiency, we are in control of the residual book.

As I move on, I would like to apprise you all on the key building blocks the team has focused on by re-emphasizing sustainable profitability through a calibrated risk management approach.

First and foremost, with respect to risk framework, the rigorous recalibration taken up by the risk team with month-on-month tracking and cohort level decision variations on the existing book has meticulously yielded reductions in early delinquency, and I spoke about this on the first EMI bounces earlier.

The team is closely monitoring our Prime PL 24x7 that was launched, the industry's first end-to-end digital product, which is tailored with enhanced credit swim lanes to augment the credit decision journeys. The decision engine is supported by insights driven by alternate data, digitized information, company risk calculation and much more.

You will notice a strategic move on the secured product launches covering gold loans, commercial vehicles, education loans over and above the existing secured product, there is a clear drive to improve the secured mix in the overall AUM.

Point number two, furthering the focus on strengthening and enhancing efficiency of the physical credit underwriting framework, PFL launched an industry-first AI-powered credit decisioning aimed at boosting the credit managers' productivity by 40% in retail lending. In partnership with IIT Mumbai, this solution combines artificial and human intelligence to automate the credit evaluation processes. By analyzing multiple data points, the solution helps credit managers to make quicker decisions while ensuring accuracy, efficiency and scalability.

In the next phase, PFL aims to evolve the current AI functionality to more sophisticated self-learning AI model. This will leverage powerful deep learning algorithms, enabling autonomous decision-making and continuous system improvement through pattern recognition. Multi-modal communication capabilities will further solidify PFL's leadership position in technology-driven financial services, providing agility while ensuring the best risk management practices.

On the credit and fraud risk decisions, we are leveraging multiple solutions at a cohort level, driven by varied sources of information across credit history, alternate data, banking information via account aggregator, GST, partnership data and much more.

In-house calibrated models are augmenting the risk management framework, supporting decision around auto rejection, differential credit swim lanes, higher deviation authority, exposure limitation and pricing.

The analytics team has institutionalized a process of continuous model recalibrations used at various decision points across different products to align the evolving product mix. Given the complexity and the velocity of data being utilized, the teams are moving the design structure from traditional models to machine learning algorithms.

Finally, our pivotal transformation **initiatives in debt management** have significantly bolstered our confidence. So let me detail some key initiatives already deployed in debt management.

A. On the collection side. Our in-house analytics capabilities have enabled us to design and deploy sharper machine learning models to assess not only repayment propensity at the borrower level, but models to identify optimal channel of customer engagement across the customer collection life cycle. To be specific, at the early bucket stage, sizable proportion of the customer cohorts are engaged digitally only for resolution, supporting cost-efficient channels.

B. Technology synchronization with business goals has supported monitoring near real-time portfolio performance, giving agility to take corrective intervention on the go and this is extremely important area in the debt management practices. Well thought through views of key input and output metrics get refreshed almost every 30 minutes. These dashboards are clickable with actionable insights, enabling even the ground level collections team to make timely, data-driven decisions and optimize performance at every stage.

I am humbled by the pace at which our collection team has adopted some of the best-in-class technologies to improve productivity, speed and precision to connect with the customer.

Our digital collection campaigns are getting sharper to balance the cost of engagement versus payment performance metrics.

We have introduced campaign management tools, allowing us to orchestrate digital and telecalling campaigns without human intervention, saving critical product time and ensuring error-free strategy implementation. We are also monitoring our digital campaign performance in real time, refining our deployment plans with multipronged personalized strategies.

Additionally, we are in the **implementation of humanless field agent allocation system** that reduces the time taken from 3 to 4 days to under a few hours to complete allocation. As of now, we are the ones who are going to implement that, enabling faster customer engagement post delinquency across digital, tele calling or field channels. Centralization of standardization of the processes reduces subjective decision-making and human errors, thus ensuring fairness and consistency. This data-driven approach blended with digital process adoption optimizes resource utilization and efficiency, and that's where we will be able to bring in resource management.

Lastly, GenAI is enabling us to monitor the call across agents with a focused scorecard and training guidance, replacing traditional limited manual sampling process. The scorecard provides insights into engagement quality, identify areas of improvement and drive targeted upskilling. This reinforces compliance and accountability across the collection engagement channel, and this is extremely important in collections.

Now over the next few quarters, we will be moving towards the **adoption of a few advanced workflows**, and I want to cover this.

1. GenAI-based actionable using near real-time performance insights for our line management teams. Managers will be able to sharpen their focus on areas requiring immediate attention by concentrating on micro cluster on the leaderboard.

2. Digital adaptation of state-of-the-art legal module. This will enable us to initiate paperwork digitally and monitor the impact of legal recourse in real time. This will reduce the long processing time due to manual efforts and enhance the seriousness of such actions for delinquent borrowers.

The campaign management engine that we discussed earlier will autonomously consume and analyze data across every customer interaction, including digital communications, tele-calling, field operations and legal actions. The tool will determine the best action for each customer without the need for manual intervention. This is an enabler for the strategy team to deploy 100+ micro strategies that are aligned with the customer profiles, preferred communication channels and optimal engagement timings.

As I conclude, I would like to share that we are excited about the future, and we are confident in our team's ability and unwavering commitment in continually delivering remarkable results by leveraging the tech advantage and focusing on risk-first principle.

Thank you and I would like to hand over to Sunil Samdani.

Sunil Samdani: Thank you, Shriram, and good evening, everyone. Let me take you all through the quarterly and full year financial highlights.

- The Assets under management stood at ₹35,631 crores, reporting strong growth of 42.5% YoY and 15% QoQ with good momentum across all our product lines.
- In terms of our AUM mix, contribution from MSME was 36%, followed by personal and consumer finance at 23%, loan against property and pre-owned cars at 24% and 14%, respectively.
- Our on-book secured to unsecured mix was 57:43 compared to 54:46 in previous quarter and 49:51 in the same quarter last year.
- In line with our debt strategy and projected AUM growth, we have further diversified our liability book with focus on long-term funds. The share of long-term borrowings has gone up by 207 bps QoQ.
- Going forward, the share of long-term borrowings is expected to improve further with greater focus on NCDs. In fact, in April of 2025, we've raised ₹1,525 crores through NCD issuance subscribed by top 5 mutual funds and a bank. The share of variable rate borrowings in our total liability stood at 70%, which puts us in the advantageous position with the declining interest rate environment envisaged.
- Our Net Interest Income for the quarter stood at ₹715 crores, up 12% YoY and at ₹2,708 crores for FY25, which is up 23% YoY.
- Pre-provisioning operating profit (PPoP) during the quarter was at ₹333 crores, as against ₹373 crores last quarter. The PPoP in the quarter was lower due to investments in new

businesses and the change in mix with bias towards secured book. The PPoP for FY25 was ₹1,417 crores, up 2% YoY.

- Opex-to-average AUM was 4.8% for the quarter and 4.6% for FY25.
- During the quarter, the credit cost reduced by 27% QoQ at ₹253 crores against ₹348 crores in the previous quarter.
- Our profitability has continued to improve in the quarter with a profit after tax of ₹62 crores as against ₹19 crores in Q3FY25.
- The asset quality remains stable with GNPA at 1.84% and NNPA of 0.85% for the Q4FY25.
- The provisioning coverage ratio stood at 54.47%. Cost of borrowing remained flat QoQ at 8.07% despite an increase in share of long-term borrowings.
- Our debt-to-equity ratio stood at 3.2x. This gives us enough headroom for our growth.
- Our capital adequacy continues to be healthy and comfortably above the regulatory requirement at 22.94%, of which the Tier 1 Capital is 21.67%.
- The LCR, the liquidity coverage ratio stood at 126% as of March 31, 2025.
- On the liquidity front, we remain comfortable with positive cumulative mismatch across all buckets and a surplus liquidity of ₹4,686 crores as of March 31, 2025. Thank you, and I would now like to open the floor for question-and-answer session.

Moderator: The first question comes from the line of Roy Menes from Flagpoint Capital.

Roy Menes: So just 2 questions from my side. The first question is that, obviously, we are seeing a significant divergence between the asset AUM growth and the NII growth. Can you give us a guidance or some sort of indication in terms of how will it trend going forward? Because I'm assuming that you are investing in secured businesses, more prime customers, et cetera, because of which the divergence is quite high. But FY27-FY28, how would it trend is something that I wanted to ask was my first question.

Arvind Kapil: Yes, I think not a specific guidance, but I'll give you an answer, which will give clarity.

AUM growth because you see a diversification and our acceptance in the market of distribution. So, we are sticking to whatever guidance we have given on the AUM growth. It is moving better than expected, and it should continue on a robust scale from here on quarter-on-quarter.

Now why you find a difference in NII? Because if you recall, I had said that the earlier STPL, which was at a very high rate, which was creating a high interest- NII at that time or boosting it. We had for 6-7 months, slowed it down considerably from 1,000 to 150-200 levels and recalibrated it. But over the last 2 months, it started to inch upwards because the bounce rates there have actually improved considerably to 1/3 level. It's a very robust business for us now and we have now started calibrating it upwards. So, the future guidance is, it's going to inch upwards, but we're not giving any specific number to it right now. And that gap will start getting narrower, and it will be a strong strength for us because we managed not only to calibrate it well, it's actually turning out to be a big strength area for us from here on, not just for 1 year, but probably for a couple of years.

Roy Menes: Sure. That is helpful. My second question is, obviously, this year, the credit costs have been elevated. Again, I wanted to understand, I think I missed this part, what is the write-off for the full year? And for FY27 and even FY26 because that might be a stabilizing year. For FY27, any guidance on the credit cost and full year write-off number, if you can share that?

Sanjay Miranka: So, our full year write-off numbers are ₹1,548 crores, and however, if you look at the Q4, the write-offs have significantly come down as compared to the write-offs which we have done in [2]Q2FY25 and Q3FY25.

Roy Menes: Right path in terms of credit costs?

Shriram Iyer: So, see, in the last 10 months, all our credit underwriting for incremental businesses, which we have risk recalibrated, every signs are showing better than industry trend. However, I would like to see the seasoning it out in the next 3 to 6 months before we put it out as a regular information to all of you.

Arvind Kapil: Just to give you a sense that every business that we have come in after the 10 months that we've been here, the calibration is showing better than industry across products. So, we are very clear because risk first is not just English for us. This is the way the business, we not only have capability to grow AUM, we have very serious capability to conduct risk railroads well calibrated enough that you will see scale of business and risk well calibrated. So, this area, as an MD, I can tell you that we'll only get better and better, and we'll probably strive to be the best-in-class on risk.

Moderator: The next question comes from the line of Chintan Shah from ICICI Securities.

Chintan Shah: So firstly, on the Opex piece, I think strong growth on Opex-to-AUM has also inched up for this quarter, and we have guided that it would be higher for another 2 quarters post it, it settles down. So, any broad ballpark number on what could be the prudent level which we are looking at Opex would settle in this ballpark rate? So that would be helpful on that. Yes, first is on that.

Arvind Kapil: See, Chintan, sorry, you finish. Sorry, I thought you finished, sorry over to you.

Chintan Shah: Sir, should I ask all together?

Arvind Kapil: No, no, let me answer the operating cost piece first, you can ask your next question. Would that be fair?

See, on the operating cost, we've already guided for around ₹50-odd crores a quarter. Now the minute you launch 6 businesses, and you launch 400 new branches, there will be a temporary percentage to AUM increase, while our AUM is going to be very robust. But as a direction, a year down the line, which means March, 12 months later, we are internally aspiring to see a decline of the operating cost to the percentage of AUM. So, I've set a prudent measure, prudent levels reflecting operational efficiencies and scale. Internally, we put on ourselves that we probably should be in a position to have an operating cost with a slight declining trend.

[2]The reference stands corrected to 'the write-offs which we have done in Q3FY25'.

Chintan Shah: Okay. Sure, sure. And secondly, on the capital, if I look at the capital consumption, so we have almost consumed 1,100 bps capital during the year. And now we are around 22% on capital adequacy. So, in this year, can we see, given the strong growth momentum which you're looking at and the limited ROE profile, do we expect any fundraise in the near term?

Arvind Kapil: I think if I look at the crystal gaze, and we probably would look at early next year.

Chintan Shah: Sure, early next year means calendar year, yes, right?

Arvind Kapil: Yes. We'll see calendar or financial year.

Chintan Shah: Okay, sure.

Arvind Kapil: We're not giving any guidance on that, Chintan, let's just keep that open.

Chintan Shah: Sure, sir. That is fair. And just lastly, on this environment, if we see many players, they have been reporting some inch up in the asset quality in some line there. But given that we are growing at a very stronger pace and getting market share, so do we see any risk to our growth or probably if things are to go back, do we trim our loan growth estimates from here on? Could that be a possibility?

Arvind Kapil: See, if you look carefully at the minute details other than the fact that this management team has a fantastic credibility with the distribution, which is playing out very well with our growth. We are also, if you notice carefully investing in digital journeys. We're investing in 24x7, across the salaried, we're working on something on the business loan, which are probably the first of its kind.

We've launched 6 businesses. All these 6 businesses, even if you look at the base effect, you might see the percentage of AUM growth on the robust level and the whole idea of diversification was, one, from a risk perspective, which is priority one. When you have 10 to 12 products, the diversified risk is substantially more manageable at all times in years to come.

And the second is if you want sustained profits and sustained growth, you need a representative pool of businesses to help you grow. So, our confidence is that the base we are at and the kind of products we have launched I think the guidance is, if you notice also, Chintan, every guidance that we gave even 10 months ago, despite the multiple challenges, as a team, I think we've stood by or exceeded most of them. And that's going to be our endeavor from here on as well. We see robust growth ahead. And I think if the economy is operating at healthy rates the way it is right now, I don't see any concern.

Chintan Shah: Sure. And just sir, lastly...

Arvind Kapil: The asset quality -- gets stronger, both on the quality of risk and asset building.

Chintan Shah: Sure, sir.

Arvind Kapil: Sorry, over to you.

Chintan Shah: And just lastly on the ROA for FY27. So, any ballpark range on what kind of ROA are we looking for FY27 or FY26, given that it would be a robust year? And the ROA range probably for the secured business and the unsecured business, if you could just give any ballpark ranges that would be helpful. That's it from my side.

Arvind Kapil: See ROAs will, in my view, keep improving because remember one thing I've said that our new STPL book also, we've started building, which is fairly decent ROAs. Our business loans are moving up quarter-on-quarter. So, I think we are very optimistic. I've given a clear guidance of 3%-3.5% in 3 years from the day I joined, it's 10 months gone, so you can subtract and do the math. We are looking at 3%-3.5%. So, I think you will, at some point, start inching upwards. The AUM, I can assure you, are all being constructed at 3-plus percent ROAs and fairly robust sensitive to the ROA models that we are trying to build. So, I think it's more about mixing of the portfolios and gradually with every quarter getting better.

Chintan Shah: Sure, I think this is very helpful, yes, so I think that's it from my side.

Arvind Kapil: Even our guidance for profit for FY26-27 looks clear and strong, which we had given last quarter. I'm just reassuring that it looks fairly on robust scale.

Chintan Shah: Sure. This would be largely on the back of lower opex and improving credit cost, right?

Arvind Kapil: Yes. So opex in 4 quarters, I think, we should measure of that opex in my limited view every March for the next 5 years, and we'd like to keep an efficiency improving every year. That's going to be our internal passion, internal what we assess is something we could pull off. And I think we are working on a very well-calibrated model and fairly tightly measured. And every step that we take, we are trying to make sure that our commitment stands strong. Now with 10 months, you can measure as well on all the commitments we gave and what we've achieved so far.

Moderator: The next question comes from the line of Abhijit Tibrewal from Motilal Oswal Financial Services Limited.

Abhijit Tibrewal: Just wanted to understand 2 things, sir. First thing first, I mean, how are we thinking about distribution? I recall when we had put out the press release for the launch of our gold loan business, we had spoken about, I think, 300 to 400 branches that we plan to add. But how are we thinking about approaching the distribution for the other 5 newer businesses that we have launched? That's the first question.

And the second thing is, sir, when you joined, you had spoken about opex to the tune of about ₹50 crores higher for the next 6 quarters. Is it going to be the same trajectory? Or are we looking at maybe accelerated opex for the first few quarters and which is where we talk about opex to AUM declining significantly by the exit quarter, Q4 of this fiscal year?

Arvind Kapil: All right. Let me start with your second question because I gave some color to it just some time back. I think on the operating cost, it might go slightly higher in the next 2 quarters, and then it will start tapering down is my assessment. And like I said, Q4 this financial year, we should be able to get fairly prudent levels vis-a-vis this March to next March, and we should be on pretty solid expectations in terms of efficiencies and scalability that we are trying. That's one.

Your first question was regarding distribution of each of the businesses. See, each of the businesses, if you see carefully, has a very distinct distribution.

For example, branches which we are opening are going to be gold loan branches. So even if you see these branches, they have a headline of gold loans. So, they're going to be focused gold loan branch. If you look at each of the business, consumer durable is more at a point of sale. We are focusing on Tier 2, Tier 3 cities. And we've received very robust feedback and promising start that we've had. Our risk calibration is very tight. So, at the point of sale, I've said around 10,000 to 12,000 outlets is what I'm looking at within the 4 quarters. It will give us massive visibility and business.

If you look at Kirana stores, it's going to be shopkeeper loans. We could have 1 to 3 people depending on the catchment running a unified direct channel, just sitting there, not customer-facing, but utilizing the space for business loan, LAP and Kirana store, which we will utilize it for good ROA combined business.

And commercial vehicle, obviously, the business runs at dealerships, and that's the point of sale like you have consumer durable dealers. Commercial vehicles, we've given you an idea about a couple of them that we've already started business in a robust manner, and we are scaling that up. So similarly, I think each business has a very precise plan.

On the personal loan side, we are focusing a lot, not only on the DSA network, but we are very excited about the 24x7 product for top corporates and the scale we are building. So, as I talked to you, we're already seeing business happening every month on an end-to-end fully digital. And if you see the micro details of the industry, most banks, or for that matter, most of the industry players are not able to pull this off.

At Poonawalla Fincorp, we've already managed to walk this road for an external customer. And like I said that one of the biggest strengths of Poonawalla Fincorp will be using digital journeys, risk-first approach, risk analytics and AI, in our assessment of external customers with technology. I think that's going to be a very strong tech competing edge for us. And this is not a theory anymore. We can see this monthly, daily, business run rates have started kicking in.

So, I hope that gives you a quick sense.

Abhijit Tibrewal: Sir, and just one follow-up on the?

Arvind Kapil: I said we are not seeing any surprises. We are on course to what we decided to achieve and whatever guidance we are giving you, seems to be we are walking that road. Statistics will all fall in place as long as we keep galloping on whatever we are promising you. I see that as a strength. Now with 10 months down the line, it's much easier to see ahead. It's a clear road ahead for us now, the way I see it in my limited view. Sorry, over to you.

Abhijit Tibrewal: Got it. Got it. And sir, just one last question that I had on the opening remarks that we gave. I think during the call, we shared that 80% of the residual STPL book is now zero DPD, and we are not expecting any additional stress from the residual STPL book. So, suffice to say that, I mean, going forward, maybe in the next couple of quarters, there will be no accelerated write-offs or higher credit costs coming out of the residual STPL book?

Arvind Kapil: I think if you carefully go through the transcripts of what Shriram explained, 2 things in my understanding, which we look fairly confident on. One is we've not done anything which is called accelerated write-offs. We've just had normal flows. There's been no surprise this result per se in terms of the way we move quarter-on-quarter in terms of whatever guidance we gave and whatever confidence so far we've been exuding. I think the worst is behind us in a limited sense, he told you the credit cost technically in the quarter is visibly down.

He said 80%, if I'm not mistaken, is looking zero DPD of a book, which is probably 7.9% or 8% of the total. So that used to be, I think, 24%, 22% or something.

Shriram Iyer: 21%.

Arvind Kapil: 21%, and it's down there, and I'm expecting that to rapidly reduce as we proceed in this quarter. And I think, I heard him say that this is -- we look totally in control. And I think collection efficiency is rapidly improving. And I think the best test is you've seen the credit cost decline itself probably validates that. To answer to your question, I think the worst is behind us. And like I said, the horses on the courses. And I think we're galloping with a clear view ahead is my assessment.

Abhijit Tibrewal: Got it, sir. That's all from my side. And I wish you and your team the very best.

Arvind Kapil: Thank you so much.

Moderator: Ladies and gentlemen, we take that as the last question and conclude the conference of Poonawalla Fincorp Limited. Thank you for joining us, and you may now disconnect your lines.