



"Piramal Finance Limited Q2 FY26 Earnings Conference Call"

October 17, 2025



MANAGEMENT:

MR. ANAND PIRAMAL – EXECUTIVE CHAIRMAN

MR. JAIRAM SRIDHARAN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

MR. RUPEN JHAVERI – GROUP PRESIDENT

MR. JAGDEEP MALLAREDDY – CHIEF EXECUTIVE OFFICER, RETAIL LENDING

MR. YESH NADKARNI – CHIEF EXECUTIVE OFFICER, WHOLESALE LENDING

MR. VIKASH SINGHLA – CHIEF FINANCIAL OFFICER

MR. RAVI SINGH – HEAD, INVESTOR RELATIONS & STRATEGY

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 & H1 FY 2026 Earnings Conference Call of Piramal Finance Ltd.

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.

The results materials are available on exchanges and the company's website and you may refer to them during the discussion.

Please note that today's discussion may include certain forward-looking statements which must be viewed in conjunction with the risks and uncertainties that the company faces. These statements are based on management's current expectations and are subject to uncertainty and changes.

On the call today, we have with us Mr. Anand Piramal – Executive Chairman, Mr. Jairam Sridharan – M.D. and CEO, Mr. Rupen Jhaveri – Group President, Mr. Jagdeep Mallareddy – CEO, Retail Lending, Mr. Yesh Nadkarni – CEO, Wholesale Lending, Mr. Vikash Singhla – CFO and Mr. Ravi Singh – Head, Investor Relations & Strategy.

I now hand the conference over to Mr. Anand Piramal for his comments. Thank you and over to you, sir.

Anand Piramal: Good afternoon, everyone and thank you for joining us today. This is a significant moment for us, our first Earnings Call as Piramal Finance Limited following the merger of Piramal Enterprises with Piramal Finance in September.

With this transition, my father, Mr. Ajay Piramal, has moved on from his role as the Chairman of this Company and continues to guide us as the Chairman of the Piramal Group. I want to take a moment to acknowledge his remarkable journey from his beginnings in textiles in the mid-80s to founding, scaling and transforming the pharmaceutical and financial services businesses over the last 40 years. Under his stewardship, the combined market cap of our finance and pharma businesses has grown nearly 210x since 1992 versus 22x for NIFTY50, delivering a 17% CAGR for our investors. More than the numbers, he has deeply shaped our values, culture and purpose. I want to thank him for his leadership and look forward to his continued wisdom and guidance in the future.

Today, I feel privileged to lead Piramal Finance at what I believe is a pivotal moment. We are amongst India's fastest growing upper layer NBFCs with a total growth book of Rs.86,000 crores. We are privileged to have served over 5 million customers, more than the population of that of New

Zealand, Singapore and Norway, and disbursed over 2.5 million life-changing loans or high-impact loans across the underserved segments in areas such as affordable housing and business loans and microfinance.

With the structured reduction of the legacy real estate book to less than 6% of our total AUM and our high-tech plus high-touch model and a strong team, we have, I believe, the foundation to deliver a balanced outcome in growth, profitability and risk over the next 3-5 years and beyond.

We continue to invest strategically, expanding branches and embedding AI and analytics across operations with an ambition to double our AUM to more than 1.5 lakh crores in three years by FY28.

Our priority in the next few years is to grow profits steadily while achieving a sustainable ROAUM north of 3% in steady state.

With that, I will hand over to our new CEO and M.D. – Jairam and his team to share the detailed financials and outlook.

Jairam Sridharan:

Thank you, Anand. Hello, everyone.

As Anand highlighted, as a company, we are introducing today a framework for value creation and long-term alignment with our shareholders. If you look at Slide #3 in our presentation, you can see the framework clearly laid out, the framework of:

- Growth
- Profitability
- Predictability

These are the three drivers of value creation for Piramal Finance in our view:

- Superior AUM growth
- Improving profitability towards our steady state targets
- Improving predictability of our risk and earnings trajectories.

To support these value drivers, we are building a future-proof AI-native company through a set of initiatives that we call Piramal.ai. You should expect to be updated on this blueprint regularly in the quarters ahead.

Growth driver:

On the growth driver, which is the first value driver, we are targeting doubling of our AUM in three years to more than Rs.1.5 lakh crores by FY28.

If you look at Page #4, you can see that we are progressing steadily on this dimension of growth with strong tailwinds on both disbursements and AUM growth.

Profitability:

On profitability, I would point you to Slide #5. Our aspiration is to eventually deliver a return on AUM of more than 3% as Anand mentioned with a target AUM to equity of 4.5x to 5x. As you can see here, our trajectories on OPEX, PPOP, ROAUM and AUM-to-equity are all strong and are aligned well towards these long-term goals that we have laid out.

Predictability:

On predictability, I would refer you to Slide #6. As you can see on the right-hand side, our consol PAT has now been steadily growing for the last seven quarters after a prior period of intense volatility. We expect this journey of steady growth and ROAUM expansion to be predictable and to deliver steady earnings and stable risk.

In September this year, we unveiled Piramal.ai, our enterprise AI strategy. You should refer to Slide #7 for progress on this strategy.

As we disclosed a month ago, we currently have about 45 scaled and live AI use cases at this moment. As shown on the slide, we see five key impact areas -- Underwriting outcomes getting better, productivity getting better, growth staying very strong, customer experience improving and software development getting bigger, better and quicker to help us build more. In Q2 FY26, we have made strong progress on all the drivers of our value-creation framework.

Piramal Finance delivered a profit after tax of Rs.327 crores in the quarter, up 101% YOY. The negative drag of our legacy business continues to soften every quarter, resulting in our Growth business PBT of Rs.344 crores being almost the same as our consol PBT of Rs.330 crores.

In our retail business, disbursements grew very strongly by 36% year-on-year. This drove retail AUM growth, also by 36% year-on-year coincidentally. With wholesale 2.0 AUM up 43%, our Growth AUM was overall up 37% year-on-year and consol AUM was up 22% year-on-year. So, on the whole, this has been a quarter of 22% AUM growth and a 100% PAT growth.

Cost of borrowing was an important story during the quarter and it dipped by 19 basis points on a QoQ basis and fell below 9% after a five-quarter period where it was elevated above that level.

Growth business NIM was up 10 bps QoQ.

Asset quality was stable across retail and wholesale businesses, both in terms of delinquency as well as in terms of credit costs.

Led by the continued improvement in retail OPEX to AUM and Jagdeep will speak about this in a minute, growth business ROAUM continues to improve steadily. ROAUM was 1.7% in Q2 versus 1.5% in Q1 and 1.4% in FY25.

As shown on Slide #13, at the end of FY25, we shared our five targets for the year on AUM, AUM mix and total consol PAT. With the first half of FY26 numbers in the bag, we are well on track to meet all these targets.

As you are aware, PFL stock is currently in blackout period after the merger of PEL with PFL and allotment of PFL shares to PEL shareholders. We expect listing of PFL stock in early November, subject to the final regulatory approvals that we are awaiting. It typically takes 40-45 days since the record date of the transaction. Our record date was 23rd September.

With this, I hand over the call to our CEO of Retail Business, Jagdeep Mallareddy to talk through our performance there.

He will be followed by Vikash who will discuss our wholesale business and financial performance respectively. Jagdeep?

Jagdeep Mallareddy:

Thank you, Jairam.

The strong start for our retail lending business in Q1 further gained pace in Q2. We had our lifetime high disbursements in Q2 FY26. At Rs.10,954 crores, disbursements were up 36% YoY.

Our flagship mortgage business comprising affordable housing loans and LAP grew by 37% YoY and crossed the Rs.50,000 crores mark in AUM. Mortgages account for 56% of the total AUM of the company and 68% of retail AUM.

On a QOQ basis, the disbursement momentum accelerated in UBL and digital loan businesses, while salaried PL maintained the earlier strong momentum. AUM across our unsecured retail products were thus up by 31% YoY.

Moving on to our credit risk performance:

As you can see on slide number #23, 90-plus DPD in retail at 0.8% is within the narrow range we have maintained consistently over the last three and a half years.

Secured lending products had a stable quarter on most risk metrics.

The improvement seen for the overall unsecured businesses in Q4 FY25 has continued into Q1 and Q2 of FY26.

Trends for digital loans and microfinance improved significantly in Q2 FY26.

Unsecured business loans and used cars are the two pockets of the portfolio that need closer monitoring. Unsecured business loans risk was stable in Q2, even as it is at a slightly elevated level, similar to that seen in FY25. Used cars risk was stable quarter-on-quarter after an unusual uptick seen in Q1.

We had some favorable impact of ECL rebalancing in Q1 FY26. Adjusted for that, the credit costs were stable in Q2 versus Q1. Vikash will share more details on this in his commentary.

As shown on Slide #20, our customer franchise grew by 23% YoY to 5.2 million customers. We captured a significant portion of our customer originations for future cross-sale opportunities. In Q2, as unsecured disbursements picked up, we were able to keep our sourcing from cross-sell in the 25% to 30% range. We expect this number to further materially improve over the coming years.

As shown on Slide #22, over the last 10 quarters, we have consistently reduced our retail OPEX-to-AUM ratio from 6.5% in Q4 FY23 to 3.9% in Q2 FY26. We thus met our medium-term guidance of 3.5% to 4% ahead of our expectation. We have now refreshed the retail OPEX-to-AUM target downward by 25 basis points to 3.25% to 3.75%.

As shown on the same slide, AUM yield in retail has been broadly stable at around 13.3%. The reported fee, which was impacted by the processing fee amortization in FY25, is gradually normalizing, led by stable underlying fee collection.

Overall, we remain confident about the continued steady scale-up of our multi-product retail lending business with consistent improvement in operating leverage and stable asset quality through the cycle.

With this, I hand over the call to Vikash.

Vikash Singhla:

Thank you, Jagdeep.

Since the inception of Wholesale 2.0 about three years ago, we have gradually built the book to Rs.11,295 crores today across our real estate and CMML strategies. During this period, we have disbursed Rs.20,000 crores across 330 loans. As you know, in our real estate strategy, we fund real estate projects where we have a total of 150 loans with a total AUM of Rs.8,608 crores.

CMML focuses on providing credit to mid-market companies across key sectors, and in this strategy, we have 60 loans with AUM of Rs.2,687 crores. The second quarter of FY26 was quite active for us. In Q2 FY26, our Wholesale 2.0 AUM grew by 43% year-on-year to Rs.11,295 crores. We disbursed Rs.2,043 crores across RE and CMML segments. This was an increase of 11% YoY in the origination. Origination per loan was Rs.59 crores during Q2 while disbursement amount was Rs.25 crores per loan.

The portfolio has an average ticker size of Rs.71 crores and a stable effective interest rate of 14.5% featuring a well-balanced asset duration and diversification. We continue to see tailwind across RE and CMML segments and will grow this book in a calibrated manner through FY26. Repayments were almost 57% of disbursement during Q2 signifying better-than-expected performance of the book which continues to benefit from strong sector performance and quality partners and asset selection.

The legacy AUM are down by Rs.1,472 crores in H1 and this now stands at Rs.5,448 crores which is less than 6% of total AUM. We are on track to bring this book to below Rs.3,500 crores by the end of year as we guided initially.

Moving to our financial performance in Q2 FY26:

We reported our consolidated net profit of Rs.327 crores with a growth of 101% YoY over Q2 FY25 with net profit of Rs.163 crores.

Pro forma PBT for Growth business stood at Rs.344 crores, growth of 98% YoY over PBT of Rs.173 crores in Q2 FY25. With Growth business, OPEX growth of 14% YoY versus income growth of 36% YoY, Operating profit grew by 73% YoY to Rs.687 crores.

In Q2 FY26, we reported growth business credit cost of 1.7% versus 1.4% in Q1 FY26 and 1.6% in FY25.

Net positive impact of ECL rebalancing in Q1 FY26 over Q2 FY26, which is 36 basis points explain this quarter-on-quarter movement in Growth business credit cost.

With completion of PEL merger with PFL in Q2 FY26, carry forward losses are now available at PFL at combined level. We were thus able to write back taxes which we booked over FY25 and Q1 FY26 for erstwhile PEL. In Q2 FY26, we reported a tax write-back of Rs.78 crores which includes DTA of Rs.35 crores. There were some exceptional expenses of Rs.81 crores during the quarter. This largely includes merger-related expenses of Rs.60 crores and one-off tax expense of Rs.21 crores.

Our total GNPA and NNPA ratio stands at 2.6% and 1.8% respectively. Our networth stands at Rs.27,447 crores with capital adequacy at 20.7%. In Q2 FY26, our cost of borrowing reduced 19 basis point quarter-on-quarter to 8.9%. We continue to actively diversify our borrowing mix.

Securitization and international borrowing shares stand at 18% while share of borrowing from mutual funds has increased, which is 13% versus 6% in March 2024.

With these remarks, I would now like to open the floor for questions. Thank you.

Moderator: We will now begin the question-and-answer session. We will take a first question from the line of Prithviraj Patil from Investec. Please go ahead.

Prithviraj Patil: Hi, so my first question is on the EIR on the portfolio wholesale 2.0. If you can just give the split between the fee and interest portion there and are we doing structured transactions like tier two developers here, because the IRR seems extremely high here.

Jairam Sridharan: No, we are not doing any structured transactions. These are pure operating loans. And so some of the old kind of structures which are back-ended or which are at Holdco level or M/s. level, etc., none of those transactions are actually being done, these are plain vanilla loans. You can see that we are only doing Rs.2,000 crores of disbursement a quarter. So, it is not a massive number. And this level of business is available at 14%. So, it is not a problem. You do not have to chase structured transactions. Given our cost of funds, we will need to get a 14%-ish IRR for the business to work. And hence, we are limiting our appetite to whatever we can get at that price point. And we are getting just enough to satisfy our appetite.

Prithviraj Patil: Okay. Yes. Thank you.

Moderator: Thank you. We will take our next question from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Jairam Sridharan: Hey, Avinash.

Avinash Singh:

Yes. Hi, Jairam. Good evening. My question is more on the capital side and growth plan. I mean, of course, on one hand, we are very, very, I would say less-levered for different issues and, of course, growing fast. So, if we see like, your Rs.1.5 lakh crores kind of ambition by FY28, if again, if we see the networth of Rs.27,500-odd crores, that looks kind of even for Rs.1.5 lakh crores kind of AUM, it looks all right. But the current, of course, capital adequacy, that will have a lot of adjustments. Of course, that is putting at 21%-odd. So, now if you were to consider that, okay, some of the capital release from legacy going away, some of the investment, you will be kind of able to monetize, so if you kind of explain how the sort of capital deployment, and of course, there will be organic profit generation, how is the journey of capital going to be in this your journey towards Rs.1.5 lakh crores eventually from which all sources will be organic profit, you say capital will get released, some more color on capital?

Jairam Sridharan:

Yes. Thank you, Avinash. So, your question contains all the right answers. That is exactly the way we are thinking about it. Your point is right. At Rs.27,500 crores as a starting point, getting to Rs.1.5 lakh crores without additional raise of capital should be possible in theory. But it does have some of the important caveats that you mentioned, which is that we have a large investment book, larger than most NBFCs. So, we need to exit those investment books, that will release a lot of capital for lending. That is an important one for us to do. And of course, as the legacy book goes down, that can also get redeployed into our core Growth book. So, those will continue to be the important components. And as you can see now, our core profit generation engine has started firing more and more every quarter and you are seeing a steady improvement in ROAUM over the last four quarters, you will continue to see it in the future as well and all that will contribute to our capital as well. So, if we are able to get all of these things lined up, then we are probably not looking at a capital raise. Of course, certainly not this year, but likely not next year as well. But let us see. Never say never in these things. We are open to all possibilities, but it is unlikely that we will require any new capital infusion. As I have mentioned in the past, our internal threshold for evaluating the capital position more deeply is 18%. If capital adequacy falls below that, we will internally start talking about it. I am not saying that we will immediately raise capital, but we will certainly get into the conversation on capital at 18%. We do not want to get too close to the regulatory line. But given where we are and given all the levels that we just spoke about, including organic profit growth, I think we should be able to manage all through FY26 and FY27. But we will keep you posted on this on a regular basis. We also have some of the extraordinary gains coming up, etc., which is baked into our profit guidance for the year. So, you know, on a full year basis, we have guided for Rs.1,300 to Rs.1,500 crores of profits, of which we have delivered Rs.600 so far in the first half. So, you should expect anywhere from Rs.700 crores to Rs.900 crores in the second half because we are reiterating that guidance. So, all that will contribute towards capital position as well. So, we feel fairly comfortable with where we are on this front.

- Avinash Singh:** Okay, thanks. And one more, I mean, when I see your operating cost guidance, positively being a downward revised to 3.25% to 3.75% for retail, so broadly, again, I am drawing that, okay, your 80-20 or 75-25 ambition of retail-wholesale, at the aggregate level, a 3-3.5 kind of OPEX-to-AUM is a fair assumption?
- Jairam Sridharan:** Yes, 3 to 3.25 I would say.
- Avinash Singh:** Okay, perfect. And lastly, on your Shriram investment, particularly in the general insurance side, so there are so much of media report also coming in. So, I mean, what options are open? I mean, is it a kind of a transaction with some strategic investor or even taking the company public among the options? Thanks.
- Jairam Sridharan:** I do not want to comment on this right now. You know all the chatter that is going on in this, all options are on the table. But we do not want to compromise our position by talking a lot about it publicly. Let it play out as it plays out.
- Avinash Singh:** Got it. Thanks.
- Moderator:** Next question is from the line of Kushagra Goel from CLSA. Please go ahead.
- Jairam Sridharan:** Hi, Kushagra.
- Kushagra Goel:** Hi. Thank you for taking my question. Majorly on the cost of funds side you have said that it is now below 9%. Would you give sort of some guidance about the medium term, where do you think this can go down to, and are you having some conversations with rating agencies, etc., to sort of bring this down?
- Jairam Sridharan:** Yes. So, firstly, let us talk a little bit about the decline that has happened this quarter. You have seen a 19 basis points decline in cost of borrowing this quarter. There is a little bit of optics there. I think 14 to 15 basis points is probably kind of the more realistic way of thinking about the decline because my Q1 cost of borrowing was overstated a little bit because we did a prepayment of a few loans in Q1 and prepayment penalties got applied. So, Q1 numbers are overstated. So, that is a three or four basis points is actually explained by that. So, I would say about 15 basis points have been the actual decline, right, in this quarter. But we have not seen a lot of action from banks yet. You can see that about 42% of our borrowing is from banks and bank MCLR's have not really come down that much. I expect that play to come only in Q4. My expectation is Q3, not much will change, Q3, we should remain roughly flat to Q2 on cost of borrowing, but Q4, you should see a decline, mostly led by the bank side with bank MCLR's starting to get cut by that time hopefully and it is starting to flow through

to our numbers. So, my expectation is flat in Q3, down another, let us say, 10 basis points in Q4. That is kind of my medium-term expectation. All of this will give us a lot more benefit in the next year. If, let us say, RBI reduces on the whole by about 120 basis points, I would guess that the impact to us will be about 70 basis points on cost of borrowing, of which we will probably pass on about 25 to 30 basis points to our customers based on the mix of variable and the rest could accrue.

Kushagra Goel:

Okay. Got it. That is all.

Moderator:

We will take our next question from the line of Pradyumna Ladda, an individual investor. Please go ahead.

Pradyumna Ladda:

Thank you for taking my question. Jairam, hi. Just starting on the previous question, just to follow up. Any conversations going on with the rating agencies?

Jairam Sridharan:

Oh, yes. I forgot about that. Sorry, sorry. I forgot to respond to that part of the question. Yes, yes. We are discussing with rating agencies kind of very regularly. Every quarter we are presenting our information to them. I have a call scheduled next week as well with our key rating partners. Let us see. See, the key question from rating agencies' perspective so far has been, yes, the business mix shift has checked all the boxes. Risk stability has come in. That is a check. Legacy book coming down and that is a check. And capital position being strong. That is a check. Liquidity position being really strong and improving. That is a check. But the one area where we have not got a check so far is profitability and whether we can actually deliver profitability on a sustained basis. But with every passing quarter that is coming and at some point of time, I am sure the rating agencies will take a little bit of a forward-looking view and get constructive on our paper. Of course, I cannot speak on their behalf. But I think with every passing quarter, our case is getting stronger. But we will continue to have discussions with the rating agencies in the hope of being able to convince them over the next few quarters.

Pradyumna Ladda:

Understood. And the number of the 70 bps reduction in cost of borrowing you mentioned, that is all exclusive of any rating agency?

Jairam Sridharan:

Of course, of course. That is outside of rating action. That is cyclical rather than structural. And by the way, that 70, I do not mean for that as a guidance, I'm just saying that that is my estimate, that if RBI cuts by 120 basis points, roughly 70 will come to us, that is an estimate based on historical data. But it depends on the banks what they do. It is not for me to say.

Pradyumna Ladda:

Understood.

Jairam Sridharan: Thank you.

Moderator: Thank you. Next question is from the line of Kamal from Jefferies. Please go ahead.

Jairam Sridharan: Hi Kamal.

Kamal: Hi sir. Thank you for taking my question. Sir, if you could just highlight firstly on the comments which were passed that there is still some caution in terms of unsecured business loans and used car loans. And also I was seeing that the 90-plus has increased marginally for LAP as well. So, if you could just highlight some comments on the asset quality overall?

Jairam Sridharan: Yes. Good question. See, I think and it is a good catch on LAP. Yes, there is something there to watch. See, the quarter has been very good for unsecured in general. So, unsecured risk has generally either stayed stable or taken a dip. So, you can see that in our PL numbers, our digital lending numbers, our microfinance numbers of course have fallen very steeply. But also unsecured business loans, which has been the flavor of the last couple of quarters. Even in unsecured business loans, you saw our delinquency fall. So, the quarter has actually been good on asset quality for most of the unsecured lending side. Things have been stable to improving. On the secured product side, it has been mostly stable. Used car, which gave us a little bit of a shock last quarter, has slightly marginally improved I would say. LAP, you are right, the delinquencies have gone up a tad during the quarter. But you should also recognize that LAP in absolute terms has been at super-duper low risk. If you look at the last three years' data here, LAP risk has been at the same levels or slightly lower than housing, whereas in LAP, we are getting almost 200 basis points higher yield. It does not make sense for LAP to remain that low risk for the higher yield that it is getting us. So, you are seeing a little bit of normalization there. And I do expect LAP's delinquency to be higher than HL. So, it is kind of reverting a little bit to that mean. Whether it is indicative of something underlying and whether there is a risk issue, it is too early to tell. But we are certainly seeing a reversion to a more average risk performance in the LAP business compared to the abnormally good environment that we have had for the last two and a half years.

Kamal: Okay. Thank you so much for that. And if I can ask one more question, in terms of our AUM expansion over the next few years, which are the products that we would be more focused on going forward? And if any new product which we are planning to add on?

Jairam Sridharan: So, you are going to continue to see mortgages, which is HL plus LAP, continue to be the anchor part of our portfolio. But the share of mortgages is going to either remain stable or slightly go down. Right? So, that is what you should expect. We would like our unsecured lending business to go up. We have unsecured at about 17% of our overall book. We would like for that to be about 25% of

overall book or about 30% of retail. The last year and a half, two years have not been conducive to increasing the share of unsecured given the risk environment. So, we have not actually increased it. It has remained stable. But in the medium term, we would like to see 25% of our overall book as unsecured compared to the 17% today. So, that is something that you should expect to see. So, all our unsecured businesses, we will keep kind of finding ways to accelerate when the opportunity is right. In terms of new businesses, we have said this publicly before. So, we will restate the businesses that we want. Newly launched businesses that we want to scale is microfinance. And a new business that we do not yet have, but we are in the process of launching is gold. We will launch it, but we will be very slow. We are doing it organically. So, we will take it very slowly. So, as investors, you might not notice it for a while for a couple of years, because the scale is going to be really small. But as a management team, we have started work on it and we have put the team together and we got our strategy down and you will start seeing some execution in the second half of this year.

Kamal:

Okay. Thank you so much for that. Just a follow up, if I could ask, what is your view on the overall gold loan portfolio? We are seeing a lot of aggression amongst all the NBFCs. Everyone has some aggressive plans to add branches over the next one to two years. So, what is your view on that portfolio as well?

Jairam Sridharan:

See, gold is a little bit of a last bastion left in the lending space right now. It is a large product. Underlying product has not been monetized yet. So, the market size is still small compared to the overall potential. And the yields are still relatively attractive. And of course, cyclically, the gold is going through probably the best period in the cycle. So, it is natural that you are seeing a lot of interest. If the cycle goes down, you will probably see a lot of this interest fade away. That is okay like these things happen. But remember that for a product, we all know the size of holdings of Indian households, etc., all that data is known to everyone. The potential size of the market, the time is extremely large. And not enough people are in that market. The number of players in that market compared to, let us say, a microfinance market, where there are like 100 players chasing a 4 lakh crore opportunity, the number of players in gold is still very, very low. It is natural that you will see more competition. And it is also natural that as more competition comes in, the economics of the business will deteriorate a little bit. All those things you have to assume. And you should also take into account the fact that the business is at a cyclical high right now. And it can only get worse from here. It cannot get any better. So, whoever is getting into this business today should absolutely keep in mind that the economics next year are going to be worse than the economics this year in this business. So, we are fully aware of all these dynamics. We will conservatively and very slowly build it. And if it does not work out, it does not work out. We are not wedded to the idea. But it is an important product for our customer segment. So, it is something that we want to own.

Kamal:

Okay. Thank you so much for all the answers.

Jairam Sridharan: Thank you.

Moderator: Next question is from the line of Prithviraj Patil from Investec. Please go ahead.

Jairam Sridharan: Hi, Prithviraj.

Prithviraj Patil: Thanks for the opportunity. So, my first question is on the \$140 million contingent income that is supposed to be coming in this year from Piramal Imaging. I just wanted to know if there is any update on that or are we expecting that to come for the next year?

Jairam Sridharan: Yes, It will come this year. There is no update. The transaction is completed. But the way the transaction works is the consideration is due to us only in Q4. The actual exact amount calculation will happen based on calendar year '25 numbers. So, once calendar year '25 gets over, they will calculate the numbers and the exact consideration will get finalized. So, we continue to expect the consideration to come to us in Q4 of our fiscal. So, nothing has changed on that front. There is nothing new to report on that situation. The transaction completed in July of this year. So, not much has happened since then.

Prithviraj Patil: Okay. And another question on page 22 of the slide we have mentioned something that the amortization fee dropped in FY25 and FY26 compared to FY24, because there was an amortization processing fee. Just wanted clarification why we were not amortizing it earlier?

Jairam Sridharan: Yes, we were not amortizing it earlier. There are some historical reasons for that. The fee income line was so small in the earlier years that it did not seem to matter. And the auditors also did not insist on it because the amounts were too small. And for some historical reasons, it was not getting amortized. But in FY25, starting April 1, 2024, we started amortizing it. So, you saw a big dip in our fee income earning in FY25. And since then, because the back book has slowly gotten created, you have seen that fee income line slowly move up. So, that means there is no particular reason for why that date was chosen. It is just that the book had become large enough at that time and the fee income line had become large enough that it made sense to do a more standardized kind of accounting approach there.

Prithviraj Patil: Yes. A last question on the one-time expense that we have taken it mentions that there is a one-off tax expense of some Rs.60 crores of expense related to the merger. So, if you could just throw some light on the expense?

Jairam Sridharan: Vikash, you want to talk about that?

- Vikash Singha:** On merger cost, we have to pay Rs.50 crores as a stamp duty on various assets which are moving and Rs.10 crores are like professional fees. Regarding this Rs.20 crores, this pertains to that Imaging gain which we sold way back in 2018. The tax assessment has been concluded in this quarter leading a demand of Rs.21 crores.
- Jairam Sridharan:** I hope that explains the total Rs.81 crores.
- Prithviraj Patil:** Okay. Yes. Thank you.
- Jairam Sridharan:** Thank you.
- Moderator:** Thank you. Next question is from the line of Mayank Mistry from JM Financial. Please go ahead.
- Jairam Sridharan:** Hi, Mayank.
- Mayank Mistry:** Yes. Hi, sir. Thanks for the opportunity. Sir, I had a question on the wholesale book. Mainly, in the CMML AUM by ratings that we have given on slide number 29, we see that less than 70% of the book you have is below A- rated in the CMML book. And over the last few years, we have seen that a lot of NBFCs have actually moved out of this segment completely or they are doing it very conservatively to only the A and better rated companies. So, what gives you confidence to do fresh disbursements in this book?
- Jairam Sridharan:** So, Mayank, the point you are making about A and below or BBB plus and below, let us say, or the entire BBB family, that is the play for a non-AAA-rated NBFC today. If you are a AAA-rated NBFC, then you can go lend to a AA-rated company or an A-company or an A-plus company. But if I am a AA-rated NBFC, which is what we are, I cannot lend to an A or A plus company. There just is not enough, like the difference in cost of fund for us and for them is not large enough for us to actually lend to them. So, our game is always going to be two notches below where we are. And we are AA, so our two notches below is going to be BBB plus. So, BBB is generally going to be the area for an NBFC like us. Of course, if I am a Tata Capital or an Aditya Birla Capital or a Bajaj Housing, I might have a different play. I can actually target A-rated entities and lend to them as Piramal Finance, that is not our game. Our game is very much in BBB. We are priced for it because we are charging 14%, right? So, we are priced for it. We are doing operating loans. We are keeping ticket sizes really small. In this business, we are keeping ticket sizes at Rs.50 crores. So, ticket sizes are small. Tenors are short. It is unstructured. The deals are plain vanilla, right? And yield is strong enough. So, that is why the businesses turned out to be quite profitable in the last two to three years. Let us see how this plays out. The size might not be very big of this opportunity. So, even in the long-term future, you

might never see us get beyond let us say Rs.10,000 crores. We might not be able to grow the business beyond that. But till that size, opportunity is available for this type of business.

Mayank Mistry: Okay, sir. Got it. But what would be the similar mix for the real estate book then?

Jairam Sridharan: For rating? In real estate, SPV will be made. So, there is no question of rating there. Those SPVs will not be externally rated.

Mayank Mistry: As per risk, I mean

Jairam Sridharan: See, you put the same funda that where 14% business is possible, that is the business that we will do. And if the business is doable only at 11% or 12% at our current cost of funds, that might not work. God willing, if we are able to get a rating upgrade, etc., we might be able to actually target slightly better risk profiles as well. But today, pure operating projects where all approvals are there, where no structuring is required and lending at the project level, not to hold co-entities, etc., in an unstructured fashion for a relatively short duration, that's where we want to enter. And the ticket sizes need to be on average less than Rs.200 crores. Those are our constraints. Within those constraints, we still believe, let us say Rs.20,000-25,000 crores opportunity can get created, AUM of that size can get created. We are still far away from there, but we can see in the Rs.4 lakh crores AUM market that real estate is. We think this opportunity without something like a Rs.20,000-25,000 crores we can create. So, we will keep working towards that outcome. In the interim, if we are able to get a rating upgrade, etc., and we are able to go to even better rated clients, even better, but for now, we believe our current strategy can get us to that size.

Mayank Mistry: Okay. So, nearly you want to make a spread of 5-6% at least in this book, right?

Jairam Sridharan: Yes, exactly. Without that the math will not work out. Having said that, I also want to hasten to add that we are not also kind of going out there yield chasing. It is not like we are chasing an 18% business, which kind of let us say distressed funds or some other special funds might be tackling with highly structured transactions. We are not in that market. We are in a very narrow band of interest rate where we want operating asset loan, we do not want structured loan. So, we are not in the structured market. So, you will not see in the let us say 17-18% range where you see a lot of funds.

Mayank Mistry: Okay, sir.

Moderator: Thank you. Next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Jairam Sridharan: Hey, Abhijit.

Abhijit Tibrewal: Thank you. Hi, sir. Good evening. So, again just some on asset quality we have already spoken about it, but just double checking with you. Today, none of the retail segments where we are present we are seeing any risks so as to say, right, I mean, risks which were there may be a quarter, two quarters back, right, they kind of continue at the same levels, but in this quarter, we have not seen any of the other retail products segment exhibit a higher risk, is that a fair understanding?

Jairam Sridharan: Correct. Yes, that is fair. So, yes, I mean, the big increase in retail product all happened in Q2 and Q3 last year. You saw a slight reduction in Q4 and things since then have been stable at that level. So, Q4, Q1, Q2 have been relatively at the same level, nothing much has happened. And that is true in delinquency, that is true in credit costs kind of across all risk metrics that has been true. I will also say that businesses like unsecured business loans or kind of MSME unsecured where risk reached a certain peak in Q3 last year, they have not come down from that peak. So, things have not gotten significantly better in MSME unsecured. It is stable, but it has not gotten better. So, I do not want us to start celebrating too quickly on this front. But yes, nothing has gotten worse this quarter. This quarter has by and large has been neutral to positive on all product categories.

Abhijit Tibrewal: Okay. And lastly, I mean, mortgages which is home loans and LAP, right, LAP in itself at an industry level probably we are seeing the kind of growth that we have never seen earlier. So, one of the other things that keeps getting discussed is, are we seeing some consolidation of unsecured loans into a secured loans which is LAP product today? And at the same time even home loans for us you will acknowledge has been very strong and while we are not seeing that at an industry level mortgages going. So, if we talk about we are not really doing prime, the means that we have in home loans, right, I will not really call them very small ticket home loans either, but they are somewhere in between, right, between prime and what we call as small ticket affordable loans, so, is this a segment which is doing particularly well and which is where we are seeing such strong growth in home loans or how would we want to explain that -

Jairam Sridharan: That is a good observation.

Abhijit Tibrewal: It is still struggling.

Jairam Sridharan: Yes, it is a very good observation. Honestly, we are also kind of trying to understand this deeper like how are we getting this kind of growth in a market when everybody else is struggling or many others are struggling. But I think the point you mentioned in your question, Abhijit, is the core part of the answer. This segment that we are in which is kind of that in-between segment, not the larger ticket prime stuff but not the very small ticket affordable housing stuff either that in-between segment that semi-urban India is doing well. If you see kind of data from CIBIL etc., as well semi-urban is where most of the growth is happening. The overall business is growing at 8% or 9% for the industry, but

if you split it by semi-urban, urban and rural you see that semi-urban is where most of the growth is. As it happens Piramal is totally focused on semi-urban. That is our game. And so we are actually getting that tailwind because of the segment choice and geography choice that we have. And on top of that some of the work that we have done in using technology and AI has created what we internally think of as like super highways where kind of sales managers and kind of sales staff productivity can be really, really high because applications that come into the system are on a super highway where there are no bottlenecks kind of things flow a lot more quickly, etc., So, conversions are better for us overall. So, certainly our investments in technology and AI are helping in converting a lot more of the leads and potential interest into final business.

Abhijit Tibrewal:

Got it. So, just one last follow-up. When you spoke about LAP, this sub-segment, right which is micro-LAP and we have seen what is happening at the industry level especially small-ticket LAP loans may be less than 1 million, so I mean would you like to comment on what is really happening, is the risk getting better or are we in that part of a cycle where maybe it will take a few more quarters for things to start getting better? Why I ask is we spoke about UBL, we spoke about MFI risk, right, and looking stable to getting better at some point in time. Likewise I mean micro-LAP I mean are we seeing something?

Jairam Sridharan:

Micro-LAP I think will get worse, it will not get better in the short term, it will get worse. See, we have a small micro-LAP business, we just have a couple of hundred crores, so we do not have much of a micro-LAP business, we just started it a year ago but I can see the signs there the situation is tough. So, I would expect that business to be under some stress for a couple quarters at least and I do not see it in the same space as where UBL is or where micro finance is which I think microfinance 100% the worst is behind, UBL you could argue that it is still at the peak not on the other side of the hill, but micro-LAP I do not think has reached the top of the hill yet, I think it will get worse before it gets better

Abhijit Tibrewal:

Got it. Very useful sir. Thank you very much and I wish you and the team the very best. Festive greetings.

Jairam Sridharan:

Thank you, Abhijit.

Moderator:

Thank you. Ladies and gentlemen we will take that as the last question for today I would now like to hand the conference to Mr. Jairam Sridharan for closing comments. Over to you, sir

Jairam Sridharan:

Thank you very much everyone for participating in the call. I know it has been a very busy day and there are a lot of FS companies that are declaring results. We appreciate and are grateful for the time that you have taken to understand Piramal's numbers Thank you for participating, and on behalf of



*Piramal Finance Limited
October 17, 2025*

the Piramal family we would like to wish all of you a very Happy Diwali and Festive Season. Thank you very much and have a good evening.

Moderator:

Thank you members of the management team. On behalf of Piramal Finance Limited that concludes this conference Thank you for joining us and you may now disconnect your lines.