mahindra FINANCE

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28th July 2025

To,
BSE Limited, (Scrip Code: 532720)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd., (Symbol: M&MFIN)
Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra - Kurla Complex,
Bandra (East), Mumbai – 400 051

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the first quarter ended 30th June 2025, held on Tuesday, 22nd July 2025

Further to our letter(s) dated 27th June 2025 and 16th July 2025 and in compliance with Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A (15) and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("SEBI Listing Regulations"), please find enclosed herewith the transcript of Earnings Conference Call for the first quarter ended 30th June 2025, held on Tuesday, 22nd July 2025, which concluded at 7:41 p.m. (IST).

This intimation along with the transcript is also being uploaded on the website of the Company at:
https://www.mahindrafinance.com/investor-relations/financial-information#transcript-of-earnings-call .

Kindly take the same on record.

Thanking you,
For **Mahindra & Mahindra Financial Services Limited**

BRIJBALA MOHANLAL BATWAL
Digitally signed by BRIJBALA MOHANLAL BATWAL
Date: 2025.07.28 12:36:55 +05'30'

Brijbala Batwal
Company Secretary
FCS: 5220
Enclosure: As above

"Mahindra & Mahindra Financial Services Limited
Q1 FY '26 Earnings Conference Call"

July 22, 2025

Management:

Mr. Raul Rebello:	**Managing Director & CEO**
Mr. Pradeep Agrawal:	**Chief Financial Officer**
Mr. Sandeep Mandrekar:	**Chief Business Officer, Wheels**
Moderator:	**Mr. Abhijit Tibrewal** **Motilal Oswal**

Moderator: Good evening, ladies and gentlemen. Please note, this call is not for media representative, investment bankers or commercial bankers, including corporates and commercial FX. All such individuals are instructed to disconnect now. A replay will be available for investment bankers and commercial bankers, including corporates and commercial FX. This replay is not available to the media.

Good day, and welcome to the Mahindra & Mahindra Financial Services Limited Q1 FY '26 Earnings Conference Call. This call will be recorded, and the recording will be made public by the company pursuant to its regulator obligations.

Certain personal information such as your name and organization may be asked during the call. If you do not wish to disclose, please immediately discontinue this call.

As a reminder, all participants' 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 touch tone-phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhijit Tibrewal from Motilal Oswal. Please go ahead, sir.

Abhijit Tibrewal: Yes. Thank you, Muskan. Good evening, everyone. I am Abhijit Tibrewal from Motilal Oswal. And it is our pleasure to welcome you all to this earnings call. Thank you very much for joining us for the Mahindra Finance Call to discuss the Q1 FY '26 Earnings.

To discuss the Company's Earnings, I am pleased to welcome Mr. Raul Rebello – Managing Director and CEO; Mr. Pradeep Agrawal – Chief Financial Officer; and Mr. Sandeep Mandrekar – Chief Business Officer.

On behalf of Motilal Oswal, we thank the Senior Management and the Investor Relations team of Mahindra Finance for giving us this opportunity to host you today. I now invite Mr. Rebello for his opening remarks. With that, over to you, sir.

Raul Rebello: Thank you. Good evening, everyone. And thank you for joining us. Thank you, Abhijit and team, Motilal Oswal, for hosting us.

As usual, as I walk you through the Q1 performance, I would request you to keep the pages of the earnings document handy, I will be referring to some specific pages as we go along.

So, at the outset as a lender who is largely dominant in the Wheels business, the lending environment in Q1 has been a bit of a mixed bag. There has been momentum in some categories, especially the ones which have benefited from strong rural cash flows. And we have witnessed softening in some segments like the entry-level passenger vehicles and some of the CV segments.

Bearing that in mind, if you recollect in the last Earnings Call, we had put out our key priorities, I request you to move to Page #4, and I will give you an update on each of our key priorities for Q1.

#1. On defending the Wheels business:

The key highlight for the quarter was a standout growth in the tractor lending business. We saw a 21% disbursement growth. By virtue of the disbursement growth, we have been able to gain market share, and we plan this as a big theme for the year to increase our market share and increase growth because we think the tailwinds are very favorable. Other segments have largely been subdued. A combination of some inherent sluggishness that we saw in certain categories as well as proactively we have had to take some prudent underwriting calls to be flattish in certain segments.

#2. On Margins:

We have managed to keep our pricing within the yields. It was reducing, and it is an intense competition with the reducing interest environment. But we have managed to keep our yield steady and our margins also have seen some positive movement in the quarter. Too early to comment on the borrowing side on stock, but what I can say is on the incremental we are seeing some, I would say positives on that front.

#3. On Asset Quality:

Our collection performance was quite steady. If you recollect, we have always said that our GS2 plus GS3, we target to be within the 10% range. Q1 came in at 9.7%. You would recollect this is the same number as Q1 last year. On credit cost, there's been a marginal increase, and I have a detailed page on credit cost, where we need the workings and what we have seen as reasons which has led to that uptick.

#4. Coming to Diversification:

Our SME business did see a decline in disbursements. Nevertheless, the book grew at 28%. I will give you a commentary on the SME book a little later. The positive story for us is the fee-based income. We continue to build on our insurance corporate agency license, and we have seen healthy fee income come in.

#4. Update on MRHFL:

Our mortgage subsidiary, which is on a turnaround path. Q1, they did come in at a PAT positive. We continue to make edits to the business model, and we do see an uptick in terms of the momentum of that subsidiary going forward.

Overall, on the operating model, we did say that we want to build in more resiliency in the operating model. One of the key updates that I would like to share is that we have completely migrated from our in-house tech stack, which is the loan management system. We did a complete cutover in the month of June. So, nearly all of June disbursements happened on the new cloud-based LMS stack. The objective was to have a much more stable back end while allowing a great deal of versatility at the front end for our digital applications. We are very happy to have crossed this major milestone.

We also have a significant amount of investments being made on the data side. And while our AI use cases are in the initial stages, we will, at a later stage when the business and control functions use cases of data and specifically AI start becoming material, we will provide detailed commentary. Overall, our post-tax ROA for the quarter was at 1.6.

Moving to Page #5 quickly, which is titled as Highlights:

Disbursement AUM, all these numbers, what you see on the screen is what we have achieved. Our disbursement of 1% growth, a little flattish for the quarter, book at 15 and income at 18.

PAT growth was at 3%. I just want to make out some callouts on the PAT at Rs. 530 crores. There is a point out that I want to include here. This PAT includes the Rs.46 crores dividend payout from MIBL. This is not a one-off. We plan to have this as a recurring item going forward. Given the current future cash flows of MIBL.

Just as a quick background, you would know MIBL is 100% sub. It has a very consistent income generation, a distinctive business model from the corporate agency license. Considering it's a capital-light business and there will be a regular cash flow in that entity, we see this dividend as a regular flow into MFSL on a regular basis. There is a 540 crores cash surplus sitting in MIBL even after this Rs. 46 crores dividend payout.

Moving on to asset quality:

As I mentioned, GS3 plus GS2 is at 9.7. We had a rights issue by which our debt equity ratios have come down significantly. The Rs. 3,000 crores means that our Tier 1 is at 17.9%, and we are very well capitalized for growth.

Moving to Page #7 on disbursements, various segments:

I did highlight tractor was a standout at 21%. Most of the other categories, whether it's passenger vehicles and used passenger vehicles, our disbursements have mimicked the underlying commerce. You would have seen other vehicle finances where their results pretty much the growth are in line because the underlying commence is trending in that line.

The CV business did have a degrowth. We are calibrating some of the CV businesses, specifically keeping in mind the margins that we get in that business. And participating in segments, which we think from an NBFC standpoint, are attractive and where our cost of funds can help us get a reasonable amount of a margin.

The SME business, you have seen kind of a degrowth. I did mention that in the SME business, in Q1 we did look at some of the choices on the distribution. We have rehashed our geography strategy. We have created four divisions. We were doing org rejig with two NSMs and some on of recalibratiation. We look at this as a temporary disbursement kind of degrowth. We look forward the SME business being a very, very solid contributor going forward.

Let's move to Slide #8. Okay, if you look at our pricing, which has come in between Q4 and Q1, clearly the fee investment income has seen some further improvements from even sequentially and Y-o-Y also, sequentially 1.3% to 1.4% and Y-o-Y to 1% to 1.4%. I did mention the MIBL dividend added 14 bps. But even though we have seen a good increase in the fee-based income. The loan income also has moved up by 10 bps.

Overall, from a NIM standpoint, I did comment last time that we do believe our NIMs have bottomed out at 6.5%. We do look at abilities to lever up on whether they are pricing capabilities or their cost of funds on stock of cost of fund is not right now playing out, it will play out eventually, but we see positive trends there.

Let's move to Slide #9. So, this is GS2 and GS3:

Well, if you look at compared to last year, I think I would request you to look at the bottom part of the slide. You would see typically in Q1, there are very large challenges in terms of slippages from the GS2, GS3 proportion increases with somewhat of disruption of monsoons, etc.

On a combined basis, GS2 plus GS3 had kind of hiked by 123 bps last year between Q4 and Q1, that equivalent hike was 57 bps. Largely, the GS2 number has seen a moderation. We do look at having, going forward also, less intra-quarter volatility. However, you would understand our businesses have a decent amount of rural, semi-urban, agriculture customers who have volatile cash flows. Within that, we are still trying to build a less inter-quarter volatility. I think part of that has been addressed in Q1. The underlying GS3 numbers haven't spiked as much. We think it's been reasonably stable with GS3, and GS2 has been an improvement over last year.

Moving to Slide #10. So, I would like to spend some time on this slide on credit costs:

If you recollect, in Q3 last year we did see a kind of PCR coverage coming down. We would explained details of that basis the COVID period. But this year, if you look at one of the controllable variables on credit cost as a GS3 stock, that has not moved up. What has really moved between last Q1 and this Q1 is the coverage ratio. Between Q4 and Q1 last year, we had close to 340 bps reduction in PCR cover, which would have given a release in provision.

I mean, this year between Q4 of 25% in Q1 this year, we have seen a 20-bps kind of coverage increase. Of course, I have kind of given you a guidance of where we see the PCR settling at. I would say the underlying credit cost variables, whether it is end losses, which we have not seen a big hike there as a percentage of portfolio. It is largely the PCR cover which has led to some amount of hike in credit cost. We do understand Q2 also has some rainfall disruptions, etc. We will optimize between the quarters also to kind of, from a management standpoint, try to reduce the volatility between quarters.

Moving to the next slide. Well, the rest kind of routine slides, I will conclude here and quickly go into question-answers. If I were to kind of reflect on the quarter gone by.

In conclusion:

I would characterize this quarter performance as a reasonably stable one. We have had some key metrics, which we have managed to keep in a stable level. Clearly, there have been concerns on growth, which is not typical to only us, but you know underlying businesses.

I would still say that we, for the remainder of the year, will be watching out for opportunities for growth. We do think there are some very profound tailwinds that are attractive as of now. Number one being the rural businesses, specifically because of the distributed monsoons, the good sowing, all of you know the Karif sowing has been at a record level, and MSP is also quite encouraging. So, we think overall rural cash flows will hold up well for some of the businesses that we are deeply invested in.

We do see positive sentiments, the rising positive sentiment because of favorable policy. And finally, there is a low inflation environment. All of this should hopefully, coupled with the upcoming festival season this year, we see the festival seasons are all in one month, and that's a big part of our business.

So, while the 1st Quarter has been a little bit of a lull. It's too early in the year for us to kind of call the rest of the year, but we do think that there will be opportunities for growth, and we are primed to catch those opportunities for growth.

I will pause for now, and I will come back during Q&A. Thank you. Abhijit over to you, you can open up for question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Good evening. Thanks for the opportunity. A few questions. On your venture into housing, rather universal housing approach, so what are the updates? I mean, of course, we heard you kind of explain the turnaround in your rural housing subsidiary, but the kind of universal housing business that you were kind of you announced last year that you were doing in that parent entity, so what sort of an update there? That's one.

Second, if we were to look, I mean, in terms of the distribution approach followed by your peers and all. I mean, your branch, of course, I mean you are Wheels driven kind of NBFC, yet you have been trying to diversify. But if you look at your branch count, I mean, nearly five years it is kind of stagnant. So, now if you plan to diversify away more from Wheels, what sort of your strategy going ahead in terms of the distribution? Is it going to be also branch-led or you are kind of happy with the branch where it is and you kind of focus on digital or

Raul Rebello: Yes. Thank you. So, on the MRHFL and the overall housing aspirations, we find the housing segment, especially the affordable housing, extremely attractive. As I mentioned earlier, we need to have conviction that when we unlock the playbook, whatever is the existing housing playbook needs to be put in order. There's no point running one shop, which is not yet set in order and start something else. I am very pleased with the way in which MRHFL is moving right now.

The business model over there, as we got in a professional, the CEO, he has been seconded as the CEO of that entity, and I am seeing some encouraging first early signs of that turnaround. The ticket size of that business has moved in the right corridor. The pricing has moved well. We have been able to create the right amount of provisions and now rightsizing of the organization from 9,000 people to close to 5,500 people.

We are just on the corner of once we have full conviction that we have got a good handle on the mortgage playbook is when we will turn on the amplification on that. I will share with you later what's done there versus what's done in Mahindra Finance. Objective was to get the playbook in order and get the operating model us convinced that we have set that in the right direction.

Coming to your second question on the branches being stagnant. See, when we look at the auto lending business, as you would recognize, the underlying commerce for the vehicle lending business is largely the action points at the dealer, right? While you would see that our branch number has been a little bit -- we have in fact closed some branches which were not profitable, our branch count about 1,370-odd.

But maybe if you see the number of dealers that we operate in, I mean, we have shared that number, we have now crossed 6,000 dealers that we work with. The objective is being a dominant Wheels player, we need to cover the underlying action points of the commerce, whether they are new vehicle dealers, used vehicle dealers. We have ensured that our coverage at that point where rubber hits the road is where the customers finally select the vehicle and then we can quickly finance it.

So, we are increasing our points of connect at the dealerships. We are also working with, as we say, some of the rural partnership points where we are able to find customers. Branch, we will continue. We have branches now across the country. We are one of the most well distributed across North, South, East, West; we have a pretty much 20% coverage across, unlike some NBFCs who are skewed towards a certain geography. We think our branch count today is adequate, but now as we plan to be multiproduct many of our SME businesses are done through some of our vehicle branches, we have created infrastructure for that. And our branches also have been reorganized with a brand share and a cross-sell desk branches to make sure that the branches are active service and service and sales point also.

Avinash Singh: Yes. And a quick sort of one more, if I may allowed. On CV side, I mean, of course there's a sharp decline in disbursal, I mean, of course the market is tough. But can you share, I mean, your assessment, I mean, how kind of quality or quantitative assessment, in the new CV financing, how the market has grown or shrunk? And if at all, I mean, you have applied certain strategy in certain geography where you have kind of seeded market share for whatever you underlying concerns. So, if you can just provide some more color on the CV financing market?

Raul Rebello: Sorry, just to get it right, you are talking about CV or PV?

Avinash Singh: CV.

Raul Rebello: Okay. See, we were never a very large player in the used CV business. Our CV business is largely in the SCV, LCV category, and some amount of business that we were doing for the fleet operators. Where we have seeded ground is where we think, as you know, and I am sure you would have heard bank commentary, many banks are chasing the fleet operators and the pricing for that is really not attractive from an NBFC's balance sheet standpoint. So, we have actively stayed out some of the fleet operators in the M&HCV segment.

What we continue to grow is in the SCV, LCV and some of the ICV in the buses segment, where the pricing capability is decent as well as we have been able to wrap our heads around the margin and risk participation choices that we have. I do not think the underlying of tailwinds have been too exciting for the CV business. You would have seen it struggle for quite some time now. There are certain challenges maybe in the mining segment, in the overall price discovery for new fleet addition or new purchases that are happening.

But if I were to be encouraged by some segments, wherever we feel that the LCVs or these SCVs are being used for, let's say, agri commodity trade or rural movement, goods movement, etc., that uptick, we will be in a good advantageous situation to capture some of that momentum.

Yes, on the earlier question on a branch, I just want to be last minute, one of our biggest branches is the mobile app now. We are able to do a lot of acquisitions and transactions on the app itself, and we see that also going forward as a good acquisition tool. Yes, thanks.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe: Hi. Thanks for taking my question. I was just wondering, looking at the momentum in 1st Quarter, what kind of growth do we really pin down for the year? And maybe over the medium term as well? And in that backdrop, post the recent rights issue, how do we sort of expect to scale up to a mid-teen kind of an ROE?

Raul Rebello: Thanks, Nischint. So, I think it's a little early in the year to give a full year guidance on growth. Fair to say that the 1st Quarter was quite muted for us, and you would have seen it for other folks also. Do we think that Q1 is the same texture color for the rest of the year? Definitely not. As I said, there are good enough tailwinds to believe that we can turn around. And we remain optimistic with some of the inherent attractiveness of the sector.

I am not talking about FY '26, you would have heard us say earlier and that's why the rights issue because we do believe we need to equip the organization with the gunpowder for growth. It is important for us to at least target a mid-teen growth, whether it's a disbursement growth, which will then lead to a book growth, which will lead into earnings growth, etc., etc. I think we are very keen that the organization could participate in underlying segments that can mimic that kind of growth.

Yes, the Wheels business will continue. Some of the segments in the Wheels business are seeing prolonged stress like the entry-level car segment is seeing some stress for quite some period of time because of the buying of the, let's say, the middle-income households are seriously not, either the prices of the vehicles are too high or there is an earning pressure. So, there are challenges there. I do not want to discount that pressure. But we at least have identified certain segments, which we think will give us the capability to participate in growth so that we get back to that mid-teen disbursement growth and hopefully a book growth, which will also keep up with this.

Nischint Chawathe: But would you look at the inorganic route in terms of gold or housing or any of these entities?

Raul Rebello: Gold, not for now. It's a heavy operational business and takes time, small ticket. Now gold seems very attractive, but yes, there is an operational intensity to it. As I said, our participation continues our asset categories, just to remind everyone, while we are dominant in Wheels, we have created some attractive positioning in the SME lab business, supply chain finance, bill discounting, machinery loans we are increasing our personal loans in the existing 11 million customers, we have service to date as well as the M&M customer segment.

We are participating in the leasing business. We are really, really looking at over indexing on fee-based income through distribution. And mortgages, I did mention earlier, the playbook will get refined. These are the categories which we think have inherent capabilities to give us that mid-teen growth in the mid to long term.

Nischint Chawathe: And I know you mentioned in the opening comments the reason for slowdown in this segment, but I am not sure if I really kind of got it; on the SME side, I am referring to.

Raul Rebello: Yes, SME, I would just ask you to read it, as of Q1, we had a rejig in the org structure. We went into a four zone structure, two NSM structure, some of the choices to make over-index on LAP and it takes time in these geographies. So, we had to move some of the geographies. So, it's like choices on the breadth and depth, look at it as a temporary org rejig, which has led to this not a posturing on our growth ambitions.

Nischint Chawathe: Sure. And just two tiny questions. One is, do we see the fee run rate sustaining? And any specific reason why you are kind of ramping up on fixed deposits at this point of time?

Raul Rebello: Fee and fixed deposits, I will discriminate between the two. Fee-based income, we think we are over-indexed even now and there's headroom enough for us to get more deeper on fee-based income. On FD, I do not think you will see us muscling ahead in terms of a liability mix FDs, there are more attractive instruments. We just wanted to kind of diversify the liability mix. I think we have reached a decent point.

And we will only look at FDs going forward, if we do believe that there's a cross-sell upsell on the FD book also. Let's say, in Q1, of course, the rates were going down, we passed down the rates. But we managed to get some momentum in the early parts of Q1. Otherwise, the FDA as a composition will be looked at also as a cost of fund instrument and a diversification of liability instruments.

Nischint Chawathe: Got it. Perfect. Thank you very much. Those were all my questions. All the best.

Raul Rebello: Thanks, Nischint.

Moderator: Thank you. The next question is from the line of Mahrukh from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Hi, good evening. So, in terms of Nischint's question on disbursal growth, so 15% is a medium-term target. But by the end of the year, what is the visibility? Because it's slow down for the entire sector as such, right? It's not necessarily an MMS specific thing.

Raul Rebello: Yes. Thanks. I would be more keen to not give very immediate guidance. So, the midterm guidance, yes, the aspiration is to be at a mid-teen growth. We do take into stride temporary hiccups and of course, the Wheels business is going through a certain amount of challenges on the entry-level PV, CV for a) I would say, a prolonged period. But frankly, we do have in our arsenal the used business as well as tractor, which is seeing some uptick. So, we will have to navigate within these constraints. We still are a dominant reels player. I would say early in the year to give a full year guidance, and I would refrain from doing that. But our company definitely from a medium term, and that's why the rights issue also to make sure that we are able to catch any kind of opportunities for growth, we would like to quickly have the opportunity to attach our sales where those wins are going.

Mahrukh Adajania: Got it. And in terms of cost of funds, you did comment about it. But it appears that the on-book cost of funds seems to be rising, right? As in, the marginal may have come down, at least from the balance sheet numbers, that's how it looks marginally. And your yield also is increasing; you have grown tractors. But when other segments start growing and the yield comes off a bit, how will margins behave in the next four, five quarters? When will we start seeing a correction in actual average cost of funds?

Raul Rebello: Yes, a couple of variables that we can kind of influence overall NIMs. I did mention that I do not think being in the skin of an NBFC and especially us, we can go below 6.5%, It will be extremely challenging on our ROA aspirations. So, quarter 1 is a good, I think, at least we think that we have moved in the right direction. The variables that we are influencing right now is on the participation, I did mention we did a lot of the prime segment, which I think we have reached at optimum level.

I do not think an incremental sourcing will create any stress on our pricing IRR for the future. We have managed to have very strong underwriting now playbooks to make sure that even in the near prime customers, we are able to onboard that with the right risk-based pricing to protect our overall pricing, we are seeing some early good trends on the incremental cost on a quarter-on-quarter basis.

Our treasury teams have managed to leverage the priority sector book very well. Because of our increased tractor business, we will still have a lot of good PSL assets to offload either through on lending or through sectorization to keep the cost of funds at a decent level. And fee-based income, I did mention there is headroom for improvement. So, there are variables in the overall NIM to move it to a higher corridor. As we get back on growth, yes, you are right, what is going to play out is the competition intensity. Banks are being extremely competitive, vehicle as a category is getting intimated by mainstream banks.

But we do have our moats in terms of, I did not mention we participated 6,000 dealerships. We are very relevant to that community. We have a very strong engagement built in the micro markets we operate at. So, I do think we have reasonable capabilities to protect NIMs from where they are, and in fact, aspire to grow from here.

Mahrukh Adajania: I have two other questions. One is that now this is it on capital, right? There are no plans to raise anything more, right? That's one. And the next is that people have been talking about a slowdown in deterioration since 4th Quarter and I know that 1st Quarter is seasonal. But in terms of the structural variables that you would be monitoring, you think that slowdown has accelerated or it's stable?

Raul Rebello: No, I think I see us only moving up from now. You would also see I think the high-frequency data points which come in our mind, and we get a very good pulse check from, in fact the senior management was on the road for the last month covered about 450 dealers. We do see a shift in the momentum. I think if you have seen the underlying tractor growth has been 8%-plus in Q1 this year. I do see us at the bottom of the kind of levels that we have reached. There should be positives from year on, at least we do see those trends, and we would hope to capitalize from an uptick from here on.

Mahrukh Adajania: And capital raise?

Raul Rebello: We are, I think, very, very well capitalized. It would not be prudent for us, especially now. And we are 95%-plus secured businesses, right? So, we did want to equip ourselves well enough to equip ourselves for high growth. I think we are very well capitalized at a debt equity of 4.75:1, it's a very, very decent level.

Mahrukh Adajania: Perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citi Group. Please go ahead.

Kunal Shah: Yes. Thanks for taking the questions. So, firstly, maybe sorry, coming back on the margin part and yields, in particular. Can understand that incremental disbursements towards sector is leading to increase in yields. But if you can indicate in terms of the rate actions, which you would have taken across the product categories, with this 100 basis points of repo rate cut, just to gauge in terms of whether there could be pressure on yields because I think cost of borrowing benefit is flowing in only gradually for us, yes?

Raul Rebello: So, see, Kunal, at least some of the segments that we operate in are not extremely price-sensitive, the near-to-prime customer segments, etc. I think as an NBFC, you do not win on rates, you win on time to credit being quick to decisions and being at the heart of where the action is. So, NBFCs usually have to ace that game, thankfully, with our very high distribution in these markets. And some of the toolkits that we have employed, we have moved to a Salesforce LOS and a LMS. The ability for us to use the BREs, etc., get quick decisions out, we started some risk-based pricing, etc. So, I do not see there should be a hazard to our pricing going forward. Yes, the intensity in competition will be there. The PV business, I did mention some of the very, very super prime customers we have taken an evaluation of how much we do we swap that in.

The last two, three years has seen a phenomenal growth in the premiumization of SUVs, we did want to participate there that has had some amount of downsides in the NIMs and the pricing. But we have reached at a level where we calibrate how much of that comes in right now to protect for overall NIM. So, yes, that's the kind of guidance on how we plan to paste and not let pricing any inefficiencies creep in, we do believe we will be able to largely hold pricing in a range which is favorable for our NIMs and ROEs.

Kunal Shah: Okay. And secondly, with respect to credit cost, so I think that sector has done relatively well with respect to the volatility in 1Q and given the tough operating conditions still managed well. But generally, let's say, 2Q also last year, we saw sharp rise in GS2, GS3 and despite maintaining the coverage, we saw a much higher credit cost in Q2 compared to that of 1st Quarter.

Any early indicators with respect to delinquency trends given the tough macro? Are you expecting that maybe there could be further catch up on GS2, GS3 in Q2 or maybe we are confident of still managing it at less than 10-odd percent? And any credit cost guidance that you would want to give given where we are in the 1st Quarter?

Raul Rebello: So, Kunal, little early in Q2. Yes, Q2, if you look at it traditionally, last three years also, we have spiked heavily. We are looking at over managing it this quarter, but there are some inherent challenges which sometimes pop up. It's finally the collection teams have to be on the job day in and day out, and that's what we are on the job for that.

I do not want to give a Q2 guidance exactly on credit cost. I think what we have provided is from a full year basis, we would like to operate in the 1.3% to 1.7%. Last year, more than 1.3% to 1.5%. But think of it like we would want the credit cost not to go more than 1.7%. And yes, GS3 plus GS2, one of the at least management action is to keep that below 10 bps. There could be some quarters where this goes marginally above. Like in Q2, we saw reaching a bit more than 10%. From a management standpoint, we have reorchestrated our collection offices, we have a much sharper vertical-wise collection teams because Q2 used to see tractor go out crazily.

Now we have segment-wise collection team, so we have a tractor collection team, etc., etc. We are trying to optimize within the constraints that are there. It's not an extremely benign cycle. There are challenges. There are sectors and pockets which have disruptions. And we know the levers that we can implement and the collections. Finally, an NBFC has to over-index on collection rigor, and that's what capabilities we have been building for some time, which should start bearing some fruit now.

Kunal Shah: Okay. Got it. And lastly, if I may ask, maybe with respect to the decline in the number of employees, but still we are seeing a higher employee cost both on a sequential as well as on a quarter-on-quarter basis. So, if you can explain maybe what led to almost like 1,700 employees decline during the quarter? And anything on the cost side, yes?

Raul Rebello: I think if you look at on a Y-o-Y basis, it's 11%. Yes, there will always be some, I mean, Q-on-Q, I think there's a reduction. On a Y-o-Y, it's 11% employee cost. Finally, if you be extremely cute on employee costs, etc., it might have a bearing on finally collections need to be maintained. Count has been largely stable. There has been, in fact, reductions over the last couple of years. There is an interplay between off-roll and on-roll. I will invite Pradeep here to kind of offer some commentary. Pradeep, any overall commentary?

Pradeep Agrawal: Yes. So, in Q1, we have kind of moved a certain kind of count of people from the on-roll to off-roll, and that's why I think employee count is looking lower in Q1. Otherwise, our overall employee count is flat quarter-on-quarter basis.

Raul Rebello: Now Sandeep is adding some comments here.

Sandeep Mandrekar: Kunal, just to add to your first couple of questions. One, in terms of how do we look at the pricing, given the fact that there are some changes which are happening? I think product mix is something which is also going to help to this. If you look at the push that we are working on currently is going to be also on our refinance book where we are looking at increasing the contribution of the refinance book in our total scheme of disbursements, which will add to the NIMs and the margins that we look at on the fresh disbursement.

And secondly, in terms of the collections, surely with a good monsoon, which is well distributed, the expectation of a cash flow seems to be on the higher side, and we would like to over-index and see how we can capitalize on what comes out of it on the positivity of the market.

Kunal Shah: Sure. Okay. Thanks.

Moderator: Thank you. The next question is from the line of Pranuj from JPMorgan. Please go ahead.

Pranuj Shah: Hi. Thanks for taking my question. First one coming again back to your market share loss in the CV. You have seen a 12% decline in disbursements and LCV registrations have been flat year-over-year for the industry. So, what is leading to you calibrating that growth over here? Are you seeing any risks buildup in this segment, which is driving that caution? So, that's the first question.

And second is your write-off levels have risen 40% year-over-year. So, how do you see this number moving for rest of FY '26 versus the Rs. 1,500 crores number you had for FY '25?

Raul Rebello: Yes. So, on the CV business, see, as I mentioned, that if I look at the market share in the SCV/LCV business, largely, we are holding our market share there, especially considering we do have some synergy with the M&M dominance that they have in the SCV business there. So, we are not seeing any loss of market share there. As I mentioned, in the business, the construction equipment business, which is largely moving now to fleet operators, there are some margin pressures over there. It doesn't make sense for us to compete with mainstream banks with the pricing competitiveness that we have against them.

Also, some of the M&HCV and CV segments, which are typically the single operators, etc., there is a risk. There are, of course, ability for us to do that business, but the risk is possibly now not in our appetite. So, we have consciously stayed away from some of that. So, in a market where the CV business is anyway flattish, considering we are making certain participation choices, there will be de-growth, right? It is to kind of make sure that we finally have an segment-wise ROA aspiration in each of the segments that we operate in. That's on the CV business. Your second question --

Pranuj Shah: Sorry, just one thing on that. So, is it more of a margin call than a risk call?

Raul Rebello: Yes, I would say more of a margin than a risk. On the write-off --

Pranuj Shah: Second was on the write-offs, yes.

Raul Rebello: On the write-offs, I would request you to look, I mean, if you look at absolute values, they kind of get misleading because we are a growing portfolio, Rs. 1 lakh AUM versus a Rs. 1.20 lakh. If you look at the write-off as a percentage of opening assets or the average assets, you will see that is largely in the stable zone, right? Of course, we are not do not want that to keep that pace. We would look at the write-off numbers being lower. But right now, I would just urge maybe a little misleading compared to the slippage numbers which are a little more reflective.

Pranuj Shah: Okay. Understood. No, sir, the reason for the question is, I think you had seen a steady decline in write-offs for the last three years. I understand the base was quite high. So, that's why I want to get a sense for FY '26.

Raul Rebello: Yes. I think since all this forms part of the credit cost, one should look at the aspiration of being within that 1.7% headroom, we will optimize within that.

Pranuj Shah: Perfect. Thanks a lot.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi, Raul. Good evening. Two or three questions. The first one is, how do we get deeper into the wallet share of existing customers that we have through our own products or through co-lending or through noncredit products like insurance, mutual funds or any other distribution income products? What is the road map for that in the next two to three years?

The second is that you did allude to volatility due to agri customers. How do we understand this volatility? And how do we attack this in terms of catering more non-agri? And even if we cater to agri, how do we help get our credit costs more predictable from the same pool of customers?

Raul Rebello: Yes, thanks, Shubhranshu. If I heard your question, one was on existing customers higher cross-sell and volatility, right, because your voice was --

Shubhranshu Mishra: Yes.

Raul Rebello: Let me take the first question on existing customers. We have a very targeted, what we call, a number called as a product per customer, which we track. And thankfully, we are well endowed as an NBFC, we have a fixed deposit license, we have a corporate agency license, we have a mutual fund company, and of course, we would like to kind of do some distribution there. So, there is capability for us to be more relatable to our existing customers because of the products that we have.

I have not put this out and at some time we will put it out. Our product per customer, what we track is progressing in a very healthy trend. And now that we have a branch structure with a branch head and a cross-sell desk at every branch, the product per customer numbers are only seeing an increased fill in. You are right, from an NBFC standpoint, once you acquire a customer, we need to clearly monetize better and that is a key metric that we all track.

Secondly, on volatility, and you alluded to agri customers volatility. Being a semi-urban rural player, I think what the company has done well is the immerse itself in the micro markets. We operate out of more than 12,500 PIN Codes in the country. Thankfully, now we have been able to use some of the toolkits to ingest a lot of the micro market data into our underwriting scorecards to take calls. So, there is an inherent volatility because customers have not like you and me salaried incomes, there are a bunch of our customers, most of them are self-employed, agriculturist.

And for a player like us, it's important one to understand the cash flows and schedule loans, let's say, for a tractor customer, when there is underlying cash flows to pay those EMIs, so whether it's a EMI or it's a quarterly installment or a half yearly installment. I would not say we have optimized on that, but we are moving in the right direction. And I think what you can gain engage from that is the inter-quarter volatility that we have started to reduce and there is scope further to reduce that. But managing volatility from a collection standpoint, from a scheduling of EMI standpoint, from a deep immersion into the rural micro markets to understand the customers and make sure that our loan sizes are mimicking the EMI capability, repayment, etc., etc. That's all something which we have improved vastly with the underwriting team coming in with the risk team doing the risk score carding, etc., etc.

Shubhranshu Mishra: Right. Can I squeeze in 1 last question? Are we looking at any co-lending arrangements in products where we do not have capability like now with large PSU banks or private banks or in-housing finance companies and NBFCs?

Raul Rebello: See, on the vehicle lending business, largely, we are a junior partner. We have a co-lending partnership with a bank. We are streamlining that. There's no paranoia to grow rapidly. We have to put it the systems processes in place before we get growth up. We do a little bit of senior balance sheet partner play for some of the MSME business, very small right now, but nothing material to talk about.

Shubhranshu Mishra: Right. Sure. Thanks. Best of luck.

Raul Rebello: Thank you.

Moderator: Thank you. The next question is from the line of Shweta from Elara Capital. Please go ahead.

Shweta Daptardar: Thank you, sir, for the opportunity. Sir, my question is on how do we perceive the growth levers now that the Wheels business continues to remain slightly under persistent stress? So, if I look at SME, which is 5% of your mix and pretty sizable enough to make sort of a different So, what do you consider as your business moat in SME business, I mean, what is your niche customer profile like?

Or do you have a moat on price discovery or ticket size? I understand you mentioned that you have been recalibrating the orgs there. But could you just throw light on the overall contours of SME business? Plus, earlier in the commentary, you mentioned that refinance business could be probably a good growth driver, but then I understand that even the underlying commercials there have not been supportive enough, right? So, yes, I mean, how do you perceive this?

Raul Rebello: Thanks, Shweta. See, the MSME business, there is a bank playbook and there's an NBFC playbook. We are we are in the M of the MSME, that's the micro enterprises. We started largely in that segment, the micro and the small in the corridors of the, let's say, the auto ancillary business. So, more of manufacturing playbook, which is a concentrated playbook of participating wherever there is a concentration of these enterprises.

As we increased our participation in the MSME, we did go into the service and the trading participants in the MSME and our hero product there was LAP, right? And for us, the benefit or the early mover, or the kind of ability to move faster was the branch presence that we had, and we populated a lot of our branches with the MSME skill set staff had the underwriting teams in place, etc., etc.

Happy to say that the LAP business from a very a two-year standpoint is now 50% nearly of our MSME business, of our SME business. We came off from participating in, let's say, bulky businesses long back. So, we do not have any bulky SME sitting in our portfolio. But we do have machinery loans, we do have supply chain finance, which is including bill discounting, etc., machinery loans sitting there.

And our ability to grow forward, I do think that this is a segment where there is still headroom for participation. One might think that there is too much of participation from existing banks and NBFCs, etc. Though we have come late to the game, we do believe we have a relevance in the segments that we operate to start growing in a more meaningful manner. So, there is no, I would say, a challenge in the ability for us to kind of intermediate from our shop and buy incremental business versus where the competitors are. That's on the SME side.

You had any other question? On refinance, okay, Sandeep you want to -- I will invite Sandeep to comment on the used car and the refinance business.

Sandeep Mandrekar: Yes. On the used car on the refinance business, yes, that is an area of growth, which we have factored for ourselves. If you really look at the current year with the new vehicle business being down, the used vehicle market has not grown, and we have kind of posted a marginal growth of around 3%. Going forward, there the rates are quite considerable enough for us to continue to participating into that segment. We are looking at growing in both that is existing customer refinance plus buying and selling. What we have stayed away from consciously is not going overboard in terms of the BT product as far as the used is concerned. And we believe that's the right way for us to approach it. Going forward, between Q2, Q3, with the festival season coming in, I think we should be able to capitalize more on this.

Shweta Daptardar: Okay, sure. Thank you.

Moderator: Thank you. The next question is from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Hi. Thanks for the opportunity. Raul, two fundamental questions. You mentioned about that we have now much more products in our arsenal kind of, say, drive the diversification piece. So, where do you see this now happening? Of course, in the past, we had set certain targets. But for various reasons, we could not accomplish that. So, where do you see this, number one?

Number two is, how does this, say, then flow into your profitability? And I think Nischint did ask you about, say, the guidance about when do we see mid-teen kind of an ROE? Just if you can help us walk through the ROE tree from a medium-term perspective?

And lastly, just some bit of clarificatory question. You mentioned that 50% of the SME is LAP. Can you mention like what are the yields and the ticket sizes over here?

Raul Rebello: Thanks, Viral. There are some details which are not out publicly, so I would not be able to give you the granular details. Whenever we put it out there, I will spell it out.

So, your question on the underlying asset categories, I mean, there's nothing new I can offer in commentary in the Wheels business, of course, we have dominance in some segments. I mean tractor is one of that, which is at least attractive for now. You would have heard my colleague, Sandeep, talk about the used vehicle business, which can see some turnaround potential in this fiscal itself.

But overall, it's an attractive space from us, from our NBFC playbook. PV business, we do have very, very strong synergies with various OEMs, including the leading OEM in the country. We have run into some kind of challenges with the entry-level passenger vehicles. And if there are some tailwinds which can augment that growth, we will be able to ride that wave. But overall, the Wheels business is fortune. They are over-indexed on that, and there's no downplaying that. So, if there is a bit of lullness we will be impacted. The other segments anyway spent time on the call talking about I would not repeat myself.

On the ROA and ROE, I mean, on the ROE getting into mid-teens --

Viral Shah: Just Raul, before you get on to the second question. My question was more about how do we see this mix on the non-Wheels business progressing? We are currently still in between 5% to 10%, depending on some pieces of the other businesses that we classify, some of them were legacy businesses. But just more from a directional perspective, say, two years out, can this be more like 15% or 20%?

Raul Rebello: Yes, see, I will just be consistent with what I said earlier, it's a little long way out by FY '30, we look to non-Wheels business to be 25% of the mix, right, by FY '30. So, it's going to be a gradual climb up there's no point in buying a diversification inorganically and not doing it in a profitable manner. So, yes, that's what I would stay with non-vehicle book by then. Can I move to the next question?

Viral Shah: Sure, sure, Raul.

Raul Rebello: Yes. So, on the ROE front, clearly, I think we have hit close to 12%, 12.5% last year, this year of course they have come down because of the Tier 1 going up. Our first of to get to 15%. To get to 15%, we need to 2.2% at least ROA to lever up at least lever of 6x. So, there is a plan to get to that 2%, 2.2%. ROA, I am not giving you like it will be next quarter. But yes, there is an aspiration to get there and then ultimately go up from 2.2% to 2.5%. But first stop is clearly 2.2%. There are variables on pricing, there are variables on COGS, there are variables on OpEx for us to do that. And I think we have given at points of time what is the split there in to hit that 2.2% ROA, then use the light levering up to get to that 15% ROE.

Viral Shah: Got it. Thanks, Raul. All the very best.

Moderator: Thank you. The last question is from the line of Piran Engineer CLSA. Please go ahead.

Piran Engineer: Yes. Hi team. Thanks for taking my question. Just firstly, going back to this pre-owned vehicles disbursements, so it's been at 15%, 20% of our total disbursement for a while and it's not really grown a lot in the last two years. Just wanted to ask, firstly, are we mainly caring to just purchase of used vehicles or is it also more of refinance of existing customers? And secondly, even when it's purchase of used vehicles, how much is, say, to new-to-Mahindra customers versus existing franchise customers?

Raul Rebello: Piran, thanks for the question. So, this 17% of our disbursement for preowned vehicles, you are right, it's been FY '25 was 16 and it's come to 17 in Q1 of '26. There are two specific mixes, and I will hand over to Sandeep soon. So, one is we do hunt at various used vehicle dealerships to get to finance this business, so used PV usually, and there's some kind of very little of used CV, but mostly used PV sitting out there.

The second segment is from our internal customer base, once they cross a certain period of time, if they want to take a top-up loan on their existing passenger vehicles, we do have that as a second segment. But it's a mix of both. For the buy-sell which happens in the open market because it's not an existing customer where we have track record, we do need to look at through a larger microscope on the underlying risk.

And of late, we had to take some calibrated calls, right? So, there are used vehicle dealers, etc. There are aggregators also. You would know the kind of aggregators which operate today, the Spinys, Car Dekhos, we also have an in-house car and bike. So, we participate in the aggregators as well as the retail used vehicle dealers. And it's always a calibration of how much of incremental business to buy with the right amount of risk that we have drills that we have for ourselves. I will just hand it over to Sandeep for a --

Sandeep Mandrekar: Piran, yes, there are three parts to this entire used vehicle business that we work with. The first one is existing customers where after a period, we give that forms a large portion of what we do. Second, in terms of the buy and sell, there are three types of channels that we predominantly work with One is the OEM organized channel, where we have a decent market share working with them. Second is with the dealers and the brokers who operate in the market. And the third is the aggregators that we work with. We work with all three of them.

And of course, the broker and the dealer channel is the one where we do the retail business and with the other two is where we do it through their dealerships and showrooms. What we have consciously refrained ourselves from doing is going overboard when it comes to the external PP business. which also a lot of the market counts into the used vehicle because I think that's an area where we have said that we will be extremely cautious and not go with those overboard scale-up in terms of LTV so that we are able to manage our delinquencies in the right order.

And that's why our PCL business has been reportedly growing, and we do believe that we should be able to grow that further.

Piran Engineer: Got it. Just a follow-up on this. With existing customers, it's always just a top-up. Like in the rural market, will you see that the guy has bought, I do not know, tractor once and then maybe he's paid well on time, two years later, he goes to buy a used car or something like that? Or it's always very different customers and you cannot really cross-sell?

Sandeep Mandrekar: No, it is two different types of requirements that come in. If he has an existing asset, which is financed from us and he's coming to the maturity of the asset, and he requires to top it up for a particular end use of the loan that's where we give him the money. And that's an existing customer being topped up. Less, but it does happen that somebody who's purchased a tractor with us wants to go in and buy a car for himself. That's where we do have a program where we look at a preapproved and prequalified offer for that customer and give them that offer so that gets the loan with lesser documentation and probably some more commercial benefits on the loan.

Piran Engineer: Got it. Got it. And just secondly, on the funding side. Firstly, if I may answer is, what's the incremental cost of fixed rate debt like NCB? And on the floating rate debt, with how much of a lag will we see the repricing benefit play out?

Raul Rebello: I will invite Pradeep, to offer commentary

Pradeep Agrawal: Yes. So, we have all witnessed a reduction in repo. And I think whatever loans are linked to the MCLR, I think there is always a lag between the passing on the benefits of reduction increased by the banks. So, I think we are looking at a quarter-on-quarter basis incremental benefits flowing in. We will not be able to quantify that benefit which we will accrue. But yes, every quarter by quarter we will see the incremental benefit coming in the cost side.

Piran Engineer: Okay. And the cost of LCD debt now after the repo rate cut?

Pradeep Agrawal: So, if you look at, we kind of have, it should be in the range of a 7.10% to 7.20% kind of range, three years LCDs.

Piran Engineer: Okay, got it. That's useful. Okay, thank you. Wish you all the best.

Moderator: Thank you. Ladies and gentlemen, in interest of time, we will take this as a last question. I now hand the conference over to the management for closing comments. Over to you, sir.

Raul Rebello: Thank you, everybody, for being patient and coming on the call. Just a quick reflection of Q1. As I mentioned earlier, I think it was a steady quarter. Just to remind everyone, considering Q1 collection efficiencies of the FY '24 and '25, we are about 100 bps up in Q1 of this year. So, the collection engines have worked reasonably well in this environment. We do think that there are challenges, which we had to navigate in Q1 from a growth standpoint. But we remain optimistic, and we see the remainder of the year as the possible tailwinds will be positive. And we are timed to capture all avenues of growth as they play out to make sure that the rest of the year is positive, and we continuously look at the year as being as an optimistic future.

Thank you very much, and thank you for hosting us the Motilal Oswal team, Abhijit. Thank you.

Abhijit Tibrewal: Thank you, sir.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.