

3rd November 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 second quarter and half year ended 30th September 2025, held on Tuesday, 28th October 2025

Further to our letter dated 23rd October 2025 and in compliance with Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A (15)(b) 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 second quarter and half year ended 30th September 2025, held on Tuesday, 28th October 2025, which concluded at 18:55 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 Batwal
Company Secretary
FCS: 5220
Enclosure: As above



“Mahindra Finance Limited Q2 FY'26 Investors Conference Call”

October 28, 2025



MANAGEMENT: **MR. RAUL REBELLO - MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER, MAHINDRA FINANCE LIMITED**
**MR. PRADEEP AGRAWAL - CHIEF FINANCIAL
OFFICER, MAHINDRA FINANCE LIMITED**
**MR. SANDEEP MANDREKAR - CHIEF BUSINESS
OFFICER, MAHINDRA FINANCE LIMITED**
MODERATOR: **MR. PRAVEEN AGARWAL - AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Mahindra Finance Limited Q2 FY'26 Investors Conference Call Hosted by Axis Capital Limited.

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 '*' and '0' on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital. Thank you and over to you.

Praveen Agarwal: Thank you. Good evening everyone and welcome to this Earnings Call of Mahindra Finance. Today with us, we have the Management Team led by Mr. Raul Rebello – MD & CEO.

Along with him, we have Mr. Pradeep Agrawal – CFO and Mr. Sandeep Mandrekar – Chief Business Officer.

I would request Mr. Rebello to share his initial remarks post which will open the floor for Q&A. Over to you, Mr. Rebello.

Raul Rebello: Thank you, Praveen and good evening, everyone. Thank you for joining us on the Quarterly Earnings Call.

I will keep it brief and have maximum amount of time for Q&A. I request you as always to keep the document handy because we will be referring to specific numbers and commentary which we have shared earlier in the evening.

So, diving straight in, if I were to guide you to Page #4, titled Key Priorities, you would see this slide. It's a similar slide, we put it up every quarter.

So, number one on the progress on defending and growing our Wheels leadership:

As you know, this is our crown jewel business and while we participate predominantly in the passenger vehicle, tractor, CV and used vehicle business, I think fair to note that though Q1 was muted, later half of Q2 after the GST announcements has definitely seen a positive movement even beyond Q2 because we are well into October. With this positive development and the whole festive demand which I think has been well covered, we do see as a beneficiary of all the increased momentum, we are going to witness and expecting this to continue into Q3 and some part of Q4. So, our play in the Wheels business, we do believe we are well positioned to ride the tailwinds of that momentum.

The second part on the key priorities which is on margins:

Growth and margins, you would have seen in our Q2 Results, we did share with all of you our aspiration to climb up from the 6.5. We had started moving up, but this quarter has seen a very

positive momentum to 7, aided by both cost of funds and some kind of income level enhancements, but I will spend more time on NIMs to just set the right expectations as we go deeper in the document.

The third agenda on risk and asset quality:

I would say the environment in Q2 always is historically a challenging quarter and usually we see from Q1 a steeper climb up, but I think our teams have done a good job this year. If you look at the overall GS3 plus GS2, it has remained even lower than last year Q2 at 9.7. In fact, it remains same as Q1 levels, the GS2 plus GS3.

Moving to diversification:

Our SME business, which is largely the part of diversification that we do right now has grown both quarter-on-quarter and year-on-year, and our fee-based income which we had called out as part of the diversification strategy is now up and it is 1.4% of our average assets. Along with the main NBFC, we did call out one of the other asset-focused subsidiaries which is the rural housing finance company as a key turnaround agenda for us, and I am happy to note that in the quarter gone by, we have concluded an ARC transaction which means that the HFC today from a GS3 is below 3% and even from a net Stage-3 is closer to 1% while also posting a profit for the quarter.

I request you to move to now Page #5 which evidences what has been growing in terms of disbursement within our overall asset categories. What you would see clearly is what is driving growth is the tractor business. You are aware that the rural economy is doing much better and aided with a lot of tailwinds of stable rains and I mean, there is now of course the problem of unseasonal rains in some places, but overall price discovery in rural still is positive and that is a positive for us both in collections as well as demand in tractor. Our own tractor business has grown Q2 this year over last year by 41%. The rest of the vehicle categories have been reasonably flat, so 4% for the used vehicle business, PV at 1%. Fair to say that because the whole festive demand this year is different than last year, I think last year we were looking at festive period mostly October-November, this year is September-October and parts of November too. Q2 wouldn't have seen the real uplift of the festive season because essentially Navratri started on 22nd. We did get some latter half of September action, but you all know from August onwards with the GST announcement, there was largely a lull before the 22nd demand has started picking up.

Again, referring to Page #6, 7 and 8 now, AUM growth is at 13%, income growth at 14%. Now getting into NIM expansion and you can look at Page #8 for this, the overall NIM expansion has moved from 6.5 to 7 YOY. Now what are the levers over there? So overall income has gone up by 10 bps to the total income by average assets by 10 bps from 12.9 last year to 13 and lifts over here have come from fee-based income, which we talked about, as well as now a steady state every quarter ever since we have got our wholly-owned subsidiary MIBL. It was still majority-owned, but now it's a wholly-owned subsidiary. A very capital light entity, doesn't require more,

it's throwing up cash for us. So we are taking regular dividend into the NBFC from that entity and we will continue to do this. So both the dividend income as well as the fee-based income is creating an expansion into our overall income by average assets. The other big lift in terms of NIM has come from clearly COF, which has moved both quarter-on-quarter and year-on-year by 30 bps. Now you would be aware that the rate environment has been favorable. We have shared in the past, we have a significant amount of our borrowings, which is floating and we have majority of our lending, which is fixed. That does give us an advantage. Also, considering we just had the rights issue, it is a positive for us because the leverage is lower at the moment and hence, I would say right now the NIM has benefited from both these two. Overall, when you look at OPEX to average assets, etc., that's been largely flat, so no major commentary on that part.

Moving to Page #9, which is a half-yearly number versus last year, I think these numbers more or less are going in tandem with the Q2 numbers, but since Q1, we did not have the same level of high PAT growth. So overall, for half-year, we are looking at a 25% PAT growth from last year of Rs. 1,100 crores.

Request to move now as I move my commentary to asset quality and credit cost to move to Page #10:

Here, I would say we are reasonably happy with the way in which our asset quality has fanned out for Q2. And why I say that is if you look at the past Q2s over Q1, you would see that historically, we have climbed up because the operating environment gets tough with the monsoons that come in with the kind of cash flow crunch that happens with the semi-urban-rural customer segment. Just for reference point, last year between Q1 and Q2, the GS3, the volume GS3 movement, as you see in slide number 10, moved up by 27 bps. That number has moved up only 9 bps this year. Also very encouraging is Stage-2, which had a 32 bps expansion last year between the two quarters has actually fallen by 7 bps. So overall, our GS2 plus GS3, which we mentioned at 10.26, this year is 9.72, which is, in fact, a reduction from last year Q2. But also importantly, was the 60 bps increase last year between GS2 and GS3 is just a 2 bps increase. So our collection teams have done a reasonably good job. And we are also having been onboarding a book, which we think is commensurate to our risk appetite, which is showcasing both the GS3 as well as the GS2 improved outing for us.

The last slide I have spent time on is Page #11, which gives you the breakup of credit cost. On credit cost, again, looking at the last two years' trend, Q2 because of GS3 movement, etc., we have always historically had a higher credit cost in Q2 over Q1. And credit cost is influenced, as you all know, by provision and end losses. Provisions, I spent time talking about what goes into provisions is the stock, which is the volume, not seen any change there. But what also plays a role is the PCR cover. And the PCR cover, as you know, we benefited last year, there was a climb down from our elevated levels. But it also guided saying that we do not see a PCR cover going more than 54-55. We have climbed up in our PCR cover between Q1 to Q2 from 51.4 to 53. And that has driven some of the provision for the quarter. But overall, the controllable variables, which is GS2, GS3 has been range bound. So, that is largely the overall commentary

on growth, margins and risk. On balance, I would believe it is a decent quarter, positive recovery on margins, asset quality kept range bound and a hopeful view that we have of how H2 is going to play out. All that I can say is watching the volumes that we have seen in the recent past, and some of the encouragement from the GS2 2.0, we do see some demand coming back specifically for a vehicle player like us, specifically abetting growth in passenger vehicle, seeing very strong tailwinds for tractor and CV not so much, but clearly a departure from H1, we do expect to see continued momentum, which will augur well for us in H2 of this year.

I will pause here and open it up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take a first question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Hello, good evening. So, my question was just on the ECL working. So, would it be fair to assume that the base would be somewhere on September 2020 that would be the referral base? Is that why the credit cost looks very high, though your asset quality seasonally has actually seen improvement? And then, if the base is adverse, does it continue into the next year as well as we roll forward? So, that was my question on ECL.

Raul Rebello: Hi, Mahrukh. Thanks for the question. I didn't hear the second part, but let me first answer your first question. As you know, we take a for the LGD computation as well as ECL, we take a 42-month period. So, the stock that would have been isolated to watch a 42-month would have been the March 22 stock, which would have performed over a period of 42 months. And that's the number the PCR cover based on the LGD movement over there. But having said that, we are every year we do an ECL model refresh in Q3, where we look at basically the ECL being the pure reflection of what should be the coverage that we maintain, which clearly should be mimicking the LGD that the portfolio should be more reflective of the LGD of the portfolio. What was your second question? I didn't hear that.

Mahrukh Adajania: My second question was about the base next year, like when you do that. But now it will be this year itself, right? Because you will refresh the ECL in March. So what is...

Raul Rebello: So, we will refresh the ECL in Q3, which is...

Mahrukh Adajania: Sorry, in December. So, basically, the base is adverse is what I am asking.

Raul Rebello: We can't call it the base is adverse, because our earlier businesses, the stock of GS3 would move between quarters, that becomes a new base to calculate the 42 months. So, it's the recovery over that period of 42 months from when that now the March base will move to the June base of 22.

Mahrukh Adajania: Got it. Okay. Thank you.

Moderator: Thank you. We'll take our next question from the line of Raghav Garg from Ambit Capital. Please go ahead.

- Raghav Garg:** Hi, good evening. I just have a couple of questions. One is, I just wanted to understand what is the dealer funding book for the quarter? I suppose that Q2 is where you do a lot of dealer funding, because that's generally the trend. So, I just wanted to know what is the outstanding on that front? And is that why that there has been some impact on the yields? If you adjust for that, maybe the yield will be a little bit higher than what has been reported during the quarter?
- Raul Rebello:** Raghav, your observation is right. Q2 does see us helping dealers get to their inventory stock up. So, as you know, the season was up in September and many of them were stocking up before that. So, trade advance does play an important role for greasing our retail business. In the ballpark of about 6,800 would be the trade advance limit. And hence, yes, that could have a slight drag because that comes in at, the yield on that is not there, so that does have a drag to some extent on the Q2 numbers.
- Raghav Garg:** Understood. Another related question is, so I did some calculations based on disbursement data and the outstanding figures for the passenger vehicle loan. It appears that the repayment rates have come down. Is that also because of this dealer's funding book, the trade advances of 6,800 crores?
- Raul Rebello:** Sorry, can you repeat that?
- Raghav Garg:** Yes, passenger vehicle. So, given your data on disbursement and also the amount outstanding in passenger vehicle segment, the repayment rates look lower versus what the trend has been. Is that because of the trade advances?
- Raul Rebello:** Yes, that's the right observation.
- Raghav Garg:** Okay. And then to that extent, has there been some reclassification? Because I've not seen that happening in the past quarters in 2Q, where the repayment rates have come down as much or as significantly as they have in 2Q this time.
- Raul Rebello:** No, I don't think we have changed any classification.
- Raghav Garg:** Sure, understood. What was the trade advances number in the same quarter last year?
- Raul Rebello:** I'll have to pull that out. Can I get back to you on that?
- Raghav Garg:** No problem. Just one last question from my side. I think last quarter you had mentioned some pain in the M&HCV segment and you were trying to work your way around it. How is the situation now? I think you also mentioned that there is some departure from what you saw in the CV segment in 1H. It may not be a material improvement, but it appears that you sounded a bit more optimistic than what you were saying in 1Q. Any thoughts on whether things are improving for fleet operators?

- Moderator:** Sorry to interrupt. We have the management team back on the line. Raghav, can you repeat your question, please?
- Raghav Garg:** Yes, sure. So, actually my last question was if you can give your thoughts on what is your asset quality outlook on the CV segment. I heard you say on the call that, or in your opening remarks that 1H, there could be a departure in 2H from what you saw in 1H. It appeared that, you sounded a bit more optimistic on the CV segment. So, I just wanted to understand what are you seeing on the ground with respect to that? That's all.
- Raul Rebello:** No, thanks, Raghav. And everyone else who's on the call, apologies from our side, our landlines not going through this. So, I am taking the call on my mobile. So, Raghav, I'll just rephrase what I mentioned was, H1 has not baked in the entire season effect because you only had volumes coming in from September 22nd onwards, whereas there was a big lull before that because ever since the GST new rates were announced from August 15th, we saw a little bit of a completely muted environment. I said H2, just going by how end of September and October, you know, well into October has played out, we do see a huge, huge is a little bit of an overstatement, but we do see a good amount of H2 volumes that could come in, which will benefit us both from a PV standpoint and a tractor standpoint. On the CV, I said, I don't share the same enthusiasm because we haven't seen the same clip of growth that we have seen now in the festive season for tractor and PV, rub off on the CV segment. There is definitely a benefit from Q1 levels, but I don't think that that level of momentum can be ascribed to the CV segment, at least for the segments we participate in.
- Raghav Garg:** Okay, thanks. That's very clear. Thanks for your answers.
- Moderator:** Thank you. We'll take our next question from the line of Renish Bhuva from ICICI Securities. Please go ahead.
- Renish Bhuva:** Hi, sir. Congrats on a good set of numbers. Just two things. One, again sort of coming back to the credit cost part. So obviously, sequentially, we did see little higher credit cost. But if you look at this quarter, in particular, credit cost being at 2.2%, with similar write-off and marginal higher PCR, which essentially means that roll forward from GS2 to GS3 will be higher. And if that is the case, then how confident you are that in second half we'll be able to contain credit cost within guidance range of 1.7?
- Raul Rebello:** Thanks, Renish for your question. See, we have mentioned that it is our business model objectives to keep credit cost within 1.7. I mean, for the full year, and if you go back to our past also, Quarter 1 and Quarter 2 always is a slightly higher level and we are able to demonstrate and execute a reasonably better Q3 and Q4.
- Renish Bhuva:** Right, sir.
- Raul Rebello:** Standing right now at the end of Q2, I do believe that what we executed on Q2 was reasonably good considering the overall environment. Am I changing my posture from the 1.7 guidance?

No, I think we'll be able to with the variables at play, whether it is the stock of GS2-GS3, as well as the PCR cover with whatever we have visibility on, as well as the end losses that we are currently tracking. I am not changing my guidance of going above 1.7 as our stated credit cost.

Renish Bhuv:

Got it. This is very helpful, sir. Secondly, on the growth side, so used vehicle has been one of the key growth driver in recent past and disbursement is also up by 14%. So just wanted to get some sense, what is driving this growth? And also, what percentage of business comes from the Mahindra First Choice?

Raul Rebello:

Yes, so see, used vehicle, just to put in context, I think it used to be about 16%-17% of our incremental disbursements. Because of the ROA accretiveness of this business, it's now closer to 18%. For us, the used vehicle business is a combination of our own customers, we have a good base of, we have funded, our live customer is about 22 lakh, but we have funded I think close to 10 million or 11 million odd customers. So we harvest that base for top up loans and used on those vehicles, right? So we have a good base of our existing customers, as well as we do it from the open market, which is through First Choice through multiple other, you could say, aggregators, both online and offline. We are clearly cognizant of the fact that with the price cut which has happened on the new vehicle, there will be impact on the used vehicle, there are also associated risks. So we will have to calibrate all of that in our going forward business plan, which we have already done some early steps. But is it a segment that we will continue to be invested in? The answer is yes. I can't give you a specific how much we do through First Choice and other aggregators.

Renish Bhuv:

Got it.

Raul Rebello:

No, they are in the top 2-3 aggregators that we work with.

Renish Bhuv:

Got it. And just to follow up on that, so as you rightly pointed out, the GST cut has led to the new vehicle price cut and eventually your used vehicle prices will also come down. So now, considering both these things, do you foresee any risk to vehicle finance growth for FY'26 or do you feel volume will by and large offset the price cut?

Raul Rebello:

So far, what we are seeing is, of course, festive season exuberance. But at least from the various channels that we work in, we think there will be a good, the volume growth will maybe offset some of the value of the price reduction which has happened. Also, what we are seeing is there is a premiumization play which is happening, many of the customers who are buying vehicles are moving towards higher variants, etc. So both are playing out. And customers who are sitting on the fence and not buying vehicles, they're entering the small car segment and the entry level. And customers who were earlier in the mid segment are now driving the premiumization and buying. So we do think that there is a good impact of overall impact of the GST 2.0 in the fortunes for overall FY'26.

Renish Bhuv:

Got it. And this is true for used and new both or this is more for new?

- Raul Rebello:** Used is a little too early to say. I mean, the season is usually November-December onwards. We will watch it as it goes forward.
- Renish Bhuv:** Got it. No, this is very helpful. Thank you and best of luck. Thank you.
- Moderator:** Thank you. We'll take our next question from the line of Shweta Daptardar from Elara. Please go ahead.
- Shweta Daptardar:** Thank you, sir, for the opportunity. Two questions. The first one, sorry for harping on the credit cost again. Because you mentioned that the reset will happen now in Q3. So where do we see the credit cost in the near term and do we still see 1.7% in Q3?
- Raul Rebello:** Yes, Shweta, to answer your question on credit costs and the ECL reset, the ECL reset is an annual exercise where the objective of the ECL reset is to kind of make the model reflect the underlying nature of the portfolio. That's always why we do a reset to ensure that the ECL is reflective of LGDs and the overall provision cover that we need to maintain. I don't want to sit in Q2 and create a hypothesis of what will come out in Q3. It's a very detailed exercise we do every year. But still observing what goes into play, because that clearly has an impact on LGD PD. But even with LGD PD and the PCR cover, the other variables are the GS3, GS2 stock, as well as the kind of write offs and the settlement losses. I reiterate that I don't see a hazard to the 1.7 cap in credit costs right now sitting here. Annual, talking about annual.
- Shweta Daptardar:** Annual, yes, perfect. That's helpful. Second is, because you made a fleeting mention of diversification, so where do we see the non-wheeled share as the overall as a share of overall AUMs going forward? And besides SME or including SME, which will be which portfolios will be the key levers? Thank you.
- Raul Rebello:** Right now, SME has grown from maybe a share of it's been at 5%. But it's growing at a YOY clip of, let's say 12%. We have also did some kind of edits in our SME geography strategy last quarter. SME is a new segment. But overall, I think from an asset category, we continue in the wheels business to look at all opportunities of growth over indexed, clearly on PV, tractor used vehicle, and some segments of the CV segment. These are our mainstay businesses. SME is a new business. And as I mentioned earlier, a very big category of on the lending business is the mortgage business, which we currently participate through MRHFL, which is our HFC. We have plans to accelerate our participation in housing finance. But we didn't want to do that without first setting the house in order. And that's why getting that organization and the mortgage to be in a respectable asset quality zone was the prime objective. And now that we have the mortgage business also under 3% GS3, we did share with you, we have got some good talent, and we have equipped the teams now to look at mortgage as an important swap in category for driving growth in the near future.
- Shweta Daptardar:** Fair point, sir. Thank you so much for the explanation.
- Moderator:** Thank you. Next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Hi, team. Congrats on the good set of numbers. Actually, I have one clarificatory question to ask. On the trade advances, did you say Rs. 600 crores to Rs. 800 crores?

Raul Rebello: No, 6,800 crores.

Piran Engineer: 6,800?

Raul Rebello: Trade advance, yes, for the festive season.

Piran Engineer: Okay. Would the corresponding number be last quarter closer to 4,400?

Raul Rebello: The previous quarter? Yes. I'll have to pull that about maybe...

Piran Engineer: I just want to get the sense of the jump?

Raul Rebello: Yes, closer to a 4,000, yes.

Piran Engineer: Okay. Then that clarifies it. And you also, to that question, alluded that this will be part of the passenger vehicle book.

Raul Rebello: No, this is a separate book.

Piran Engineer: Because it should be in others. I think Raghav asked you about that calculation of repayment rate and I think the conclusion we got was that it's part of the passenger vehicle book. When he said the book has grown stronger than the disbursements, and therefore it means the repayment rate is lower. I just wanted to check that.

Raul Rebello: No, I am not able to get what was the confusion.

Piran Engineer: The trade advance book of Rs. 6,800 crores is part of others and not part of passenger vehicles.

Raul Rebello: Absolutely. If you are referring to Page #14, Piran, it is part of the others with an asterisks.

Piran Engineer: Okay. Fair enough. So just getting back to my questions. Firstly, you've done a good job on Stage-2 and Stage-3 in this first half. How do we think about this trajectory in the second half simply because in the past, Mahindra Finance has been that the first half is bad, and then the second half recovers because the first half was bad. Now, given that the first half is not so bad, is it fair to say that the recovery also will not be so sharp? If you get what I am trying to say?

Raul Rebello: See, I think, Piran, we are trying to keep stability in mind. You are right, because anytime if the base gets higher, then the recovery is from that higher base.

Piran Engineer: Exactly.

- Raul Rebello:** This time our objective was to reduce the inter-quarter volatility. I think many things go into that. One is the onboarding strategy, two is the collection strategy. But end of the day, we are not lending to super prime customers. We do lend to a lot of self-employed customers who have cash flow mismatches. So we will have to be on the ball in terms of our collection for the remainder part of the year. We can't let or lose sight of that. Having said that, no one can say that the environment is super rosy. There are still challenges. You are seeing unseasonal rains in different parts of the country. So within all these challenges, our job is to make sure that we execute well and keep the GS3-GS2 range bound. As you said, for us, that number is more reflective of being below 10% GS2 plus GS3. That's the objective to keep it at least across quarters. Some quarters do end up being more challenging, especially Quarter 2. We at least feel reasonably happy with what the teams have achieved in Quarter 2, keeping it range bound. That will be the objective to see Q3 and Q4 also follow that trajectory, keeping it range bound and possibly go down in Q4. Q3, I don't think we'll be able to reduce very drastically, but Q4 definitely has more upsides than Q3.
- Piran Engineer:** Understood. And just second your cost of funds now, we have seen some improvement in the last quarter. Assuming no further rate cuts, how much further decline is possible?
- Raul Rebello:** See, I think, fair to say Q2 was a good quarter because as I mentioned, we have got certain benefits from the rates which are flowing down to us in our borrowing cost. But as we start consuming more capital now, the Rs. 3,000 crores all came in in Q2. So that leverage also was lower. So as the disbursements grew up, so I think it won't be a big, cost of funds will not really be a big beneficiary going forward.
- Piran Engineer:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Prithviraj Patil from Investec. Please go ahead.
- Prithviraj Patil:** Thanks for the opportunity. So my question is on the subsidiary. I just wanted to have a sense of whether the employee rationalization is complete at the housing subsidiary and if also you could throw some light on the ARC transaction there?
- Raul Rebello:** Yes, so we continue to find more efficiency gains as we go ahead. As you would notice, it's already climbed down pretty steeply from exit of, I mean, let's say H1 of last year we were 6,300. We are down to 4,700. As we get into more growth in affordable housing, we have stopped doing, of course, as you know, the very small ticket rural housing finance or the rural home improvement loans. So we don't see this number increasing for sure. We will try to get more and more efficiency. Can it go down a little further, maybe marginally lower? And the objective is to run a very efficient housing finance franchise. On the transaction, I won't go into the minute details, but yes, this was a portfolio that we which was mostly a GS3 and written off portfolio, which we got off our books at a price, which there are certain confidential about it. We can't disclose the exact price, but we did provide for it fully and hence, as you see, the net NPA number has not moved so much, but the GS3 has come down reasonably well.

- Prithviraj Patil:** Got it. And a follow up on the other subsidiary, the ideal finance subsidiary. So I just wanted to know what was the long term strategic vision of entering into Sri Lanka and what's the split there between gold loan and vehicle finance?
- Raul Rebello:** See, when we look at overseas markets, we generally follow where there is a stated capability for us to ride on the auto business, like we do in US with the tractor business. In Sri Lanka, we went in because we had a strong CV business with the M&M Group over there. While because of certain import restrictions etc., we had to diversify into gold, just to make sure that we have a franchise which is able to leverage its participation there. It's about a 50-50 participation right now in gold and vehicle business. And as you would see from the financials, it is in an improving trend.
- Prithviraj Patil:** Thank you.
- Moderator:** Thank you. We'll take our next question from the line of Kunal Shah from Citigroup. Please go ahead.
- Kunal Shah:** Yes, a couple of questions. So firstly, with respect to write-off, if we still see the write-off quantum continues to be upwards of Rs. 400 odd crores, I think this is a number which you mentioned like you would want to contain it. So how should we see this trend going forward, particularly in the second half and getting into FY'27?
- Raul Rebello:** Yes, so Kunal, as the book grows, also the number will be a percentage of the assets, as you know. While yes, it is higher than we possibly want it to be, but overall, within the credit cost of 1.7, this number should be between 1% to 1.2%. That's the number I think is a reasonable number for the business model that we run. In some quarters, we will try to dispose more assets, which will flow through the end losses, right? Because end loss is a combination of what we write-off as well as settlement losses that we take in after selling the assets.
- Kunal Shah:** Sure. And secondly, on the growth guidance, so you also indicated that there should be the positive effect of maybe the gained momentum, plus maybe we might accelerate SME mortgages. So now looking at the traction in the second quarter, which was more towards the maybe the last month or maybe the last week, how should we look at the overall growth setting for FY'26 now? Is it like the rural buoyancy plus GST giving us more confidence to grow better?
- Raul Rebello:** Yes. So again, drawing from what the OEMs commentary are also, and maybe I'll not go into specific Mahindra finance. But if you see before the GST 2.0 came into being, the guidance from the community, let's say from a passenger vehicle was more closer to a kind of a 5-ish kind of a year-on-year growth. I think that number, because of the momentum we are seeing in H2, passenger vehicles is pretty much now expected to, I would think across OEMs, be a more 12% growth in half-year 2 versus a 4% growth in half-year 1, which means at a blended rate, there's a 8% growth in passenger vehicles, I would think, versus what was 5% earlier before GS2 came into being. And 40% of our book is in passenger vehicles. So we will ride that growth, which is happening because we participate across OEMs. And we also have a decent participation in the

small car segment. Similarly, in the tractor, half-year 1 was, and I am not saying Mahindra Finance, half-year 1 as I just look at the data and all was more 10%. I think what volumes we are seeing here is half-year 2, my estimation is we could see more than 18% to 20% growth, which would mean a full year-on-year growth of 15%. And we are a major player there. And the tractor growth by OEMs were earlier more in the 8% to 10%. So there's a clear uptick there too. CV, I wouldn't comment so much because I don't think CV shares the same enthusiasm. So with the volume growth, of course, there'll be a value deflator. But overall, GS2 should kind of bring in more momentum to us to a player like us to see and give us more confidence on disbursement growth, which will flow into book growth eventually.

Kunal Shah: Yes. So maybe while this quarter would still have the trade advances benefit, as you indicated, Rs. 2,800 odd crores was the delta on a quarter-on-quarter basis. But otherwise, ex of that, should we still see like 4%-5% sequential momentum coming through would we be very confident getting into Q3 and Q4 at those levels?

Raul Rebello: So there will be some adjustments from the trade advance into adjusting for retail volumes. But even now seeing the momentum, even after Diwali into October and the activity at many dealers, I do believe that Q3 will sustain disbursement growth.

Kunal Shah: Sure. Okay. Thanks and all the best.

Raul Rebello: Thank you.

Moderator: Thank you. Next question is from the line of Jay Betai from Nirmal Bang Institutional Equities. Please go ahead.

Jay Betai: Hi, sir. Just again, wanted some highlights. Can you just give us a split between your used CV vehicles versus your new CV vehicle disbursement?

Raul Rebello: See, Jay. Just to be fair to the disclosures that we do, we can do it. We are doing investor day kind of on November. We can take your requisition. Urmi, can you just take that? So I just want to be fair that we give these disclosures not in a selective manner. So I am sorry I am not able to kind of give you that level of detailing right now.

Jay Betai: No worries, sir. And secondly sir, one of your peers, they had highlighted there were few stress pockets across the Eastern and the Northern regions. Were you facing a similar kind of delinquencies there?

Raul Rebello: See the disruption was very high in North and East with the unseasonal rains and part of East was closed because of agitations in some states in Q2, specifically Assam. I would not dispute the fact that there was disruptions in North and East. And yes it would have kind of led to some amount of stress in the GS2-GS3 build up but again collection teams have to manage within all these constraints.

- Jay Betai:** Okay, sure sir. That's it from my side. Thank you and all the best.
- Raul Rebello:** Thank you.
- Moderator:** Thank you. Next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.
- Harshit Toshniwal:** Sir, two questions actually. One is on the disbursement growth and if I for example specifically look at the PV segment itself. So when you said that 12% is probably the volume growth which we'll see for most of the OEMs, but if I offset it with 5%-6% of the price decline or basically the ticket size decline because of the GST, then would it be right to say that for us and since we are already a large part of the market, that disbursement growth in passenger vehicles specifically crossing that 8%-9% hurdle on a value basis is not going to be a realistic assumption. And in that case which is why I just wanted to get your sense that even if the volume growth remains, will the disbursement be, on a YOY basis will we see that high disbursement growth getting converted? That was the first question and the second question was that when I look at the 1.7% credit cost guidance. Now in FY'25, we saw some bit of ECL model showing lower coverage that helped us reach that 1.7. But if I looked at practically for a 10% GS2 plus 3 book, our credit cost on a more steady state basis should be around 2%. Is it that for a 55% we want to fix up a 55% PCR and then move around what is a sustainable credit cost? Then is 1.7 a more in the lower end of the guidance?
- Raul Rebello:** No, so first I just want to correct one of your observation. I'll go to the disbursement first. And I hope my collection teams are not hearing you on the 2% target for credit cost. So last year actually was 1.3, not 1.7. And you are right, last year the credit cost was lower because of the PCR release which we got. And hence I said for a business model like ours, 1.7 is better, is a more reasonable number to mimic our business model, considering last year was an aberration with the provision release that we got.
- Harshit Toshniwal:** Right.
- Raul Rebello:** Coming to your first question on disbursements, I don't dispute the fact that there will be a deflator because of the price decrease. And an overall PV growth in H2 will come with that price deflator. I am not commenting on whether that same 8% will flow through our disbursement growth. It's very early to give a full H2 guidance. I just wanted to give you a sense of where we think the H2 volume growth could be because of the GST benefit. At least what we have seen playing out and Sandeep you can comment is, from the festive season we have seen both play out. We are seeing new people coming in for the entry level vehicles and we are seeing a premiumization play also for the passenger vehicle community in the segment. So, little early to comment on the full year, but Sandeep if you want to add please.
- Harshit Toshniwal:** More on the price deflator point itself, what has been the average price deflator which you are seeing? If I even look at the 2Q FY'26, if our disbursement growth is 1% on a YOY basis, how much would be the negative impact of price deflator?

- Raul Rebello:** September is too early right? Because Q2 we just had 7 days of September. So, I don't think you can read anything into Q2 with the festive and the GST impact. Very early to even attribute a number.
- Sandeep Mandrekar:** In fact, we'll have to give it a good 2 quarters' time to really understand the impact coming out of it. Because 2-3 playbooks are playing out. One, like Raul said, customers are also upgrading to the higher version of the vehicle depending on their budget. That is also adding, while it's not adding to overall cost, but it does reduce the deflator effect that is there. Second, I think we are yet to see all the fence-sitters coming in and starting to buy vehicles, which we will see over a period of the next 2 quarters. Third, depending on the way the business is happening, you may see further reduction or reduction of discounts etc. in the market, which means that the net price to the customer also is retained and it doesn't go down the way it went down in the last 2 quarters of last year. So, I think a bit too early to give a total understanding of where it may go. We should have to watch it. But the bigger and the overall impact, we should not look at this GST benefit as what's happening in Q3 or Q4, but look at it scattered over the next 1.5 years' time to see if it's overall going to improve the automobile and passenger vehicle market. And my vote there would go to say, yes, it would. And that's what should help us and help everyone in terms of the lending.
- Harshit Toshniwal:** Fair point. One last thing. If I read it correctly, that last 1.5 years, we have put a lot of efforts in building credit score models and basically improving our data analytics pattern. Now, if I want to see that it's conversion into either of 2 forms, one SME growing much faster because of the base and probably last quarter we did some realignment, which held back the growth. But this quarter, I was expecting the SME to be doing much better. And the second is that I agree that few years we have stayed away from unsecured. But do you think that if the credit score models are now defined enough, then is it the right time for us to also explore that as a segment to give us that growth lever beyond just the traditional vehicle business which we are having? Just trying to understand that for us levers to improve the growth lies either in doing SME LAP or trying to explore the unsecured with our new credit models. Am I thinking on the right lines or is it the right way to think?
- Raul Rebello:** I won't get into specific choices of business. All I can say is that for a franchise like ours, we do believe that if we don't find ways to get to a 15% at least minimum CAGR disbursement growth, we won't be doing justice. I mean, at least to our, to being in the NBFC leading community, right? So we will find ways to right now the disbursement growth with the choices are slightly lower. But there is a stated aspiration to find a way to get to at least on a steady state CAGR of 15%. We are much lower right now. But with the plans that we have and the segments that we operate, there is an intent to get to that medium term CAGR number.
- Harshit Toshniwal:** Okay. Fair point. No, sir. Perfect. And thanks a lot and all the best.
- Raul Rebello:** Thank you.

- Moderator:** Thank you. We'll take our next question from the line of Prithviraj Patil from Investec. Please go ahead.
- Prithviraj Patil:** So my question is on the 44% floating borrowings that we have. I just wanted to know if we have witnessed all the repo rate cut benefits on this borrowing or like going forward will be, is there any rate cut expected here on these borrowings which will reduce the cost?
- Raul Rebello:** I'll hand it over to my CFO. But I just want to say we don't want to get into anybody's shoes and predict rate cuts, etc. But I mean, my CFO is very close to the market. So he'll be able to give you a better reply.
- Pradeep Agrawal:** So if you look at the, as Raul said that we don't want to speculate about the rate cut, but as of now, whatever borrowings which we have done in the, like if you look at the slide number 29, you can see that our largest share of the borrowing has come from the CP ICD TREPS as well as securitization pool has gone up. And these two modes have given us a lot of competitive edge towards the lowering our cost of borrowing. And I think these are the instruments where we have not utilized to the fullest extent. So going forward, also, these two instruments will be the focus for us to raise funds. And that will give us continued advantage towards lowering our cost of funds. Thank you.
- Prithviraj Patil:** Yes, sorry. So what I wanted to ask is, since we have 44% floating rate borrowing, so I just wanted to know whether 100% of the repo benefit is factored into that in our COF right now? Or can we expect the COF to go lower? That is what I am saying.
- Pradeep Agrawal:** So if you look at it, 41% of floating rate borrowing consists of MCLR borrowings as well as repo and the T-bills borrowing. So if you look at the MCLR borrowings, that rate might not have been fully transmitted by the banks here. But so far as T-bills and the repo is concerned, those borrowings are completely captured the repo cut benefit as of now.
- Prithviraj Patil:** Okay, thank you.
- Pradeep Agrawal:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference back to management for closing comments. Over to you, sir.
- Raul Rebello:** Thank you, Axis team. Thank you, Praveen for hosting us. And thank you everyone for joining the call. I know it's late. Hopefully we were able to provide you with the details. And of course, you would have seen the results in details earlier. I think overall, if I were to say in reflection of the quarter gone by and of course looking at the future with aided and more optimism considering specific benefits that a majority vehicle financier like us stands to benefit, we do look at the first half year gone by reasonably well. And what's encouraging for us is that the investments that we have made, whether it is to make sure that the stability of the asset quality holds, and also make sure that we find ways to augment higher margins through both fee based income as well as

continued efficiency in pricing and cost of funds, many of these are playing out. We also look forward to executing well in Quarter 3 and Quarter 4 with riding the initial momentum that we have gained in the latter half of Q2. And yes, we remain focused on the input metrics, which will finally deliver financial metrics. Thank you, everyone and thank you again and wishing all of you. We didn't start by wishing you, but yes, the festive season just got over. But belated festive wishes to everybody. Thank you.

Moderator:

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