HDB Financial Services Limited
Q1 FY27 Earnings Conference Call Transcript

For the Earnings Call held on July 15, 2026, 18:30hrs IST

MANAGEMENT: MR. G RAMESH – MD & CEO
MR. JAYKUMAR SHAH – CFO
MR. VISHAL PATEL – HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Q1FY27 Earnings Conference Call hosted by HDB Financial Services. Please note, this conference call is only for analysts and investors and not for media. 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 star and then zero on your touchtone phone.

I now hand the conference over to Mr. Vishal Patel, Head Investor Relations of HDB Financial Services. Thank you and over to you, Mr. Vishal.

Vishal Patel: Thank you, Sagar. I welcome you all to the Q1FY27 Earnings Call of HDB Financial Services Limited. We have with us Mr. G Ramesh, MD and CEO, along with Mr. Jaykumar Shah, CFO, and the senior management team of the company.

I hope all of you would have had a chance to peruse our financial results, investor presentation, and press release, which have been filed with the stock exchanges earlier today and is also available on our website www.hdbfs.com.

We will start with the management remarks and then open up the call for Q&A. The audio recording of this call will also be available on our website shortly after the call ends.

I would now request our MD and CEO, Mr. G Ramesh, for his opening remarks, following which our CFO, Mr. Jaykumar Shah, will provide a brief on the financial results and then we open up the call for Q&A.

G Ramesh: Thank you, Vishal, and a very good evening to all of you joining in.

Starting with the macros:

Domestic economic activity continues to show resilience despite some of the concerns we had arising out of the West Asia conflict. While the momentum remained healthy, Real GDP growth expectations have moderated down to 6.6% for FY27 as highlighted by RBI in its monetary policy. Inflation projections have increased to 5.1% driven by supply-side pressures. On the policy front, regulator maintained its neutral stance, keeping the repo rate unchanged.

Supply chain challenges that might arise from the ongoing West Asia conflict and El Nino-related risks remain a key monitorable.

Coming to **vertical-wise commentary**,

On Enterprise Lending: Q1 disbursements for the segment grew by 14% YoY. Our LAP+ EBL, which is our mortgage book, expanded by 13.2% YoY and we anticipate this upward trajectory to continue.

Our gold loan disbursements as well as book has doubled over last year. Gold loans is positioned for continued traction supported by the enablement of close to 500 branches of our existing branches through which we deliver gold loans.

In Unsecured Business Loans, disbursements started to accelerate in the latter part of the quarter, positioning it for improvement going forward.

Portfolio quality and collections were healthy for this vertical.

We expect positive momentum to continue in Enterprise Lending.

On Asset Finance: Commercial Vehicles book registered a modest growth of 10% YoY, while Construction Equipment book grew by 8% in the same period. Improving sentiments, led by demand around last-mile mobility bode well for our Asset Finance business, while monsoon remains a key monitorable.

We saw continued improvement in asset quality in this segment with Stage 3 improving sequentially.

With a focused approach in this market across our Asset Finance businesses, we will continue to drive growth in our desired product portfolios over the coming quarters.

On Consumer Finance: This segment delivered a strong quarter, with the book growing by 7.5% QoQ and 21% YoY.

Consumer durables book expanded by over 50% YoY led by deeper penetration across our extensive distribution network, further supported by seasonal demand for compressor products.

Auto loan book grew by 21% YoY, both value and volume growth were healthy. We expect momentum to continue in Consumer Finance segment on the back of sustained demand for our products.

Overall, Q1 was a quarter marked by disciplined operational execution. Our customer franchise expanded by 19% YoY to 23.9 million. Disbursements grew by 16% YoY, Profit after Tax (PAT) grew by 38% YoY, while Stage 3, which seasonally is a weak quarter in Q1, improved to 2.34% of book as compared to 2.44% as of March 31, 2026, and 2.56% as of June 30, 2025. CRISIL assigned us a “Strong” ESG rating with a score of 68 in our very first evaluation, underscoring our commitment towards sustainable business practices.

On the **technology front**, we are using artificial intelligence to transform the experience of our customers from a "Transaction Journey" into a "Life Cycle Journey".

Over the years, we have strategically built a strong product suite designed to fulfil every financial need a borrower might encounter through their life. With an AI-first design, we are actively shifting the paradigm – ensuring that a specific loan is not viewed as an isolated transaction, but as a critical component of a long-term financial relationship where we support the customer at every milestone.

Our transformation plan maps out how we are using AI to manage this entire life cycle journey – from onboarding, faster processing, intelligent customer servicing, collection automation, to predictive hyper-personalized offerings. We plan to make every interaction a meaningful long-term engagement, helping us to fulfil not just an immediate need, but to build a lasting financial partnership with our customers.

As a part of this journey, we are happy to announce that we will be bringing all our AI transformation journeys into a single umbrella, "Shikhar."

On that note, I hand over to Jaykumar for an update on the financials.

Jaykumar Shah: Thank you, Ramesh, and thank you everybody for tuning in.

Moving on to the **financial performance** for the quarter.

- Customer franchise grew to **23.9** million with an increase of 18.6% YoY and 4.1% sequentially.
- Disbursements for the quarter ended June 30, 2026, was **₹17,629 crores**, up 16.2% YoY.
- Gross loan book as on June 30, 2026, stood at **₹1,21,846 crores**, growing 11.3% YoY and 2.8% sequentially. Secured loans comprised **73.9%** of the gross loan book.
- Profit after tax for the quarter ended June 30, 2026, was **₹785 crores**, our highest ever quarterly profit to date, an increase of 38.3% YoY and 4.6% QoQ.
- Gross Stage 3 as at June 30, 2026, improved to **2.34%** as against 2.56% as at June 30, 2025, and 2.44% as at March 31, 2026, with a provision coverage of **55.73%**.
- Net interest income for the quarter was **₹2,509 crores**, an increase of 19.9% YoY and 4.6% QoQ.
- Net interest margin for Q1FY27 was **8.35%** vs 7.74% in Q1FY26 and 8.23% in Q4FY26.
- Cost to income ratio for our lending business was **39.9%** in Q1FY27 as compared to 42.7% in Q1FY26 and 39.5% in Q4FY26.
- Pre-Provisioning Operating Profit, PPOP, for the quarter was **₹1,726 crores**, an increase of 24.3% YoY and 3% QoQ.
- Credit cost for the quarter was **2.32%** as against 2.35% for the previous quarter.
- ROA (annualized) for the quarter ended June 30, 2026, stood at **2.5%**, which is very similar to what we achieved in Q4FY26.
- ROE (annualized) for the quarter ended June 30, 2026, stood at **15%**.

- Earnings per share for the quarter ended June 30, 2026, was **₹9.5** and book value per share stood at **₹256.7**.
- Our borrowing mix remains well-diversified with a positive cumulative mismatch across all buckets up to five years.
- We remain well-capitalized with total CRAR of **21.29%** as at June 30, 2026.

We now open for Q&A and would request Sagar to open the queue for questions.

Moderator: Thank you very much. We will now begin the Q&A session. Your first question comes from the line of Renish with ICICI. Please go ahead.

Renish: Yes, hi Sir. Congrats on a good set of numbers. Sir, just two-three things. One on this Asset Finance piece, right? So just wanted to know your outlook on Asset Finance. I mean, when we look at the vertical-wise disbursement, Asset Finance is the only piece where disbursement is yet to pick up. So, what's your sense, you know, why this segment is taking longer to recover? And is this because of some market-related issue or it is just our cautious stance that we are going slow in this business?

Jaykumar: Thanks, Renish. On the Asset Finance side, as we spoke during, you know, the previous quarter, there's something which we built up as a moat in terms of building the Used CV side and working carefully in terms of which products we focus on New CV. So, a large part of that work has been done. We are now at a juncture where you should start to see growth coming through. And let's wait for the next few quarters for the numbers to show up. That's all that I would say.

Renish: Okay. Okay. So, is it fair to assume that maybe July onwards the run rate at least on a monthly basis has started improving?

Jaykumar: We should see that happening, Renish.

Renish: Okay. Okay. And just related to that, you know, on the asset quality side, right? So again, when we look at the segment-wise asset quality, and sir also mentioned in their opening remarks that – the stage 3 in Asset Finance saw improving things in the last two-three quarters. So, you know, the early indicators also suggest that the kind of stress in that segment which used to be there earlier is subsiding and hence one should expect a better run rate in Asset Finance piece going ahead?

Jaykumar: So, it should surely improve is the way I would look at it. If you see overall, you know, generally speaking, Q1 is lighter as compared to Q4 from an asset finance and from an overall book point of view. And very happy today, that not only have we stabilized our stage 3, we have actually slightly improved it, right?

And even on the overall piece when you look at how stage 1 – stage 2 moves, generally it's a much larger move. Today with a small movement, which, you know, would have largely caused, you know, the beginning of April rather than June, quite pleased to say that we're moving in the right direction in terms of asset quality across the board.

Renish: Got it. So, sir, just a last thing on the credit cost side. As you rightly mentioned that, you know, generally sequentially from Q4 to Q1 the stage 2 increases roughly 60, 70 basis points. Now this quarter that has been restricted to only 40 basis points. And also, in Q1 despite several industry-level headwinds because of this war and all – you've been able to keep credit cost flat sequentially. So now keeping these things in mind, lower stage 2 accretion in first quarter and also the early bucket, I'm sure, is behaving well despite these headwinds, what should be the full-year credit cost guidance in FY27? I mean, logically it should be lower than FY26. So just wanted to get your sense on this.

Jaykumar: So, Renish, we don't go with guidance. I think we've stated it earlier that we look at credit cost overall to be in the range of 2.3%. Nothing's changed from there at this point in time. If economic circumstances are better, then obviously it will come through. As we have said earlier, ours is a very simplistic model. It's a multiplication from what book we have.

So, it will come through. At this point in time, our biggest focus really is making sure the growth comes in in a big way. And that is what we are really focused on. Metrics across the board – comfortable in terms of where we have reached in Q1.

Renish: Got it. Any color you want to give, like you said, in terms of check bounce rate for June-July? I mean, whatever data trend you can just share to have some comfort on asset quality...

Jaykumar: So we have started off fine. Nothing to worry is the way I would put it as of now. But you don't know what happens overnight, right? Nowadays things change overnight also.

Renish: Sure, right. Yes, okay. That's it from my side and best of luck.

Moderator: Thank you. Your next question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, good evening everyone and thank you for taking my questions. Congratulations…

Moderator: Sorry to interrupt, Abhijit sir, you are sounding slightly muffled.

Abhijit Tibrewal: Is it better now?

Moderator: Yes sir.

Jaykumar: Yes, better now. Please go on.

Abhijit Tibrewal: Yes, thank you for taking my question. So my question to the management team is that while we have seen disbursements beginning to pick up now if I look at the momentum in the last 3 quarters, disbursements have clearly started picking up. However, we also covered in the first participant's question is this Asset Finance business momentum has remained weak and large part of the growth is still being driven by consumer finance.

So there sir, you said that there's lot of work that has gone into Asset Finance and we should start seeing business momentum improve. So if you could just help us understand, delve a little deeper into what all work has gone at least in that segment, the Vehicle Financing segment?

And also related question here is that I think in opening remarks Ramesh sir said that we are continuing to see a lot of strength in the Consumer Durable business. So what is it that is leading to this strength? Are there any particular product segments or is it more broad-based?

G Ramesh: So, I'll have Jay add on to the response to your question. Abhijit. So, when we look at our business and we have stated that we want to be a company that works through a customer through their lifecycle. So our whole thought process is – what's it that a customer wants through their lifecycle and how can credit help that customer achieve a better quality of life and meet their goals and aspirations and help with the economic growth of the country.

So that's been our thought process and that's how we've introduced products. Our product development strategy has centered on aspirational India as a segment. So, I think consumer finance is a business we started last, that was sometime in 2016-17, and that business has much more opportunities to sell with far greater frequency than the other two businesses which we started earlier.

So, the idea of a multi-product company was also that we will be able to handle seasonality better and also seize the opportunities around seasonality much better than what a single product company can do.

Typically Q1 as a period bodes well for the Consumer Finance business. We have extensive distribution presence. We have presence in about 1.6 Lac + retail distribution touchpoints across the country. We have presence in about 1,200 cities in India and I'm sure you can imagine what that 1,200th city looks like. And these are places where we have a boot on the ground, which means that we know what's happening on the ground and we can make sure that we are tailoring our acquisition and our credit strategies around which product is selling, what's not selling, how's the market behaving, how are our customers behaving. So we can really fine-tune our strategy right down to the last pin code that we work with. So that's the scale of distribution that we have and presence that we have. We work with 150+ manufacturers in the consumer finance space and we help them sell more of their product. We work with them on seasonal schemes, we work with them on schemes through the year. And so a lot of investment has gone into that business and which is what reflecting in the Q1 numbers of consumer business.

As regards Asset Finance, we've been very focused on making sure that our product mix reflects a certain risk-return equation that the market expects. And so to that extent, we have pretty much rejigged our customer acquisition strategy to focus on businesses and products that help us deliver the RoA that we as a company aspire to deliver. So that's the way we think about these businesses.

So in Asset Finance, our focus has been – again on Asset Finance, we have extensive distribution, we work with all the top manufacturers, we help them sell more of their products, virtually every large manufacturer in India we have a tie-up with them. We do loan programs with them, promotional events, so that we can help sell more of their products.

I think the whole focus has been on making sure that the mix that we deliver is both useful for the manufacturer and relevant to the consumer and makes sure that we deliver a certain risk-adjusted return. Jay, anything else you want to add?

Jaykumar Shah: Yes. So just one or two more things to add. One of the things carrying on from what Ramesh said, we've actually reduced some of the very high-value low-return kind of products. So if you look at tractor trailers or high-end HCVs etc., on account of that, some amount of value may be reduced, but our volumes have actually gone up.

So if you ask me are we doing more volumes, answer is yes. Are we really focused on the product that we want to expand in, the answer is yes. And today the numbers we've achieved and rejigged, actually in a running train kind of a thing, we've changed the bogies and we're at the same pace, right? Having done that, our ability now to accelerate from here in the products that we wish to is much better. On the ground presence in terms of our dealers, our manufacturers whom we're working with to expand from here for the next three to four quarters, not just one quarter, is also a lot more poised. So that gives us relative confidence that we should be able to pick up from here. And as I said to the previous speaker, I think let us deliver on our numbers and we'll discuss in a few months of how we're getting along. But we should be able to grow from here on with reasonable confidence.

Abhijit Tibrewal: Got it. Thank you so much for that. The second question I had was around the asset quality discussed with the first participant as well. I mean, at least we the analyst community have been positively surprised with the asset quality, I mean, that most of the NBFCs are talking about. So two parts to this question here. One is, were you also positively surprised with the kind of asset quality strength that we saw in this quarter?

Because despite the weak seasonality and this U.S.-Iran war raging for most of Q1, I think I mean things have held up really well. So do you think and like you mentioned, do you see this trend continuing or is Q2 going to be a little bit tricky because we might still see some after-impact? I think earlier in the opening remarks we acknowledged that monsoon, because of El Nino are expected to be weaker and below normal and that remains a monitorable. So how are you thinking about the next 3-6 months?

Jaykumar Shah So, thanks for that, Abhijit. The way I would put it is, you know, a lot of work which we do is very granular and a lot of actions we take provide us with desired results only in a few months after those actions are taken. So a lot of actions specifically taken on the ground in Asset Finance and we've been speaking about it for almost 3 to 4 quarters, we've been speaking about Unsecured Business Loans for almost a year, and we've been speaking about the rest of the business as well. There we took specific initiatives towards January to make sure that when we enter April, at that point in time we absolutely had no inclination or understanding that a West Asia crisis could even occur – was to make sure that our collections which happen in the first cycle, second cycle go down well, how we collect, how we go back in. And we spoke about a bit about the AI initiatives that were taken in collections in the last quarter. A lot of those small-small initiatives on the ground cumulatively have actually helped us in making sure how the bounce really improves and how we go back to the customer in a much shorter span of time and are able to collect. So that's one.

Second, West Asia crisis while it impacts global and impacts a lot of factors, it did not stop people from moving on the ground and that is a very important factor for us. The reason why Ramesh also called out potential monitorable as monsoon/El Nino is because that affects the man on the ground if they cannot move, if they cannot ply, if they cannot run their business, if they cannot get customers, if they can't collect. And that hasn't really happened and we didn't really expect it to happen in a big way.

So I would say there is obviously a lot of design that went in and I'm sure fate has it that, things improve. So it is a combination of two that we are where we are in terms of the asset quality is the way I would put it.

Abhijit Tibrewal: Got it. Thank you so much. And then the last question that I had...

Moderator: Sorry to interrupt, Abhijit sir, we request you to rejoin the queue.

Abhijit Tibrewal: Yes, I can come back. No problem.

Moderator: Thank you so much, sir. Your next question comes from the line of Viral Shah with IIFL Capital. Please go ahead.

Viral Shah: Hi, thank you for the opportunity and congrats on good set of numbers, especially on the profitability front, Jay. I had basically two questions. Again, first is on the growth front. I understand you have explained a lot on the Asset Finance side, but just wanted to check some of the specific sub-segments when I look at say the Business Loans, even the MFI, two-wheeler on a sequential front, the book is actually marginally shrinking even on a sequential basis. So, is there anything more to read over there? Would you be able to just throw some light on that?

Jaykumar Shah: So, thanks for that, Viral. On MFI, as I had mentioned, you know, it's more of a small pilot kind of a thing which we run. I wouldn't read too much into it. That's how I would put it on MFI.

Business loans obviously is a very critical deliverable for us and we have to grow that business. We have taken a lot of initiatives towards the end of March. Those initiatives as we spread across our entire network sometimes takes time in terms of picking up and going with the flow. We today believe that a lot of actions that we've taken are all embedded into our network and very hopeful that that book starts to turn positive from Q2 onwards and then shows growth.

So, if you remember when we spoke in April, on April 15th, I think, we said that we should start to see growth coming into that book from Q3 onwards and at this point in time we're holding on to a similar thought process in terms of where we see it. So, disbursements should start to see growth and book growth coming in Q3 onwards.

Viral Shah: Got it. But Jay, just more so from say the structural point of view, Jay, when should we start expecting the growth to move closer to the trajectory that we have been guiding and indicating of closer to say at least an 18% kind of a growth? Would that be plausible by say the end of this year or say first half of next year?

Jaykumar Shah: I'm very hopeful, Viral. And that hope has underlying numbers to it, but let me come back to you more closer to dates rather than pre-empting. At this point in time, I am relatively confident that Q2 should be, you know, positive in the right direction leading towards what we've discussed.

Viral Shah: Got it. And Jay, the second question was with regards to, if I look at on the profitability front, yields have actually shown a marked improvement. Of course, there is a mix change plus within the existing product and segments as you highlighted you are making some of those changes. How should we think about say the margins and the trajectory from here on given the fact that you are also accreting capital and that will also have a positive benefit?

Jaykumar Shah: So Viral, overall, two numbers, you know, which we've been discussing is 8%+ we hold on to it. The focus clearly is to be at 2.5% ROA. There will be some amount of mix change quarter on quarter that will might affect gross yield, but there will be other places where we have advantages even come through things like other income etc., which will net-set it off. So, at this point in time, we would like to make sure that we're able to deliver on the ROA front on a fairly consistent basis.

Viral Shah: Got it. And can I ask a last question?

Jaykumar Shah: Okay, quick one, yes. Otherwise, you come back if that's okay.

Viral Shah: Sure. Just a quick one on the some of the product segments that you mentioned within the Asset Finance you have been consciously vacating some of that. Would you be able to throw light on like who's taking up that part of the business in terms of competition?

Jaykumar Shah: Don't think it's my space to comment honestly.

Viral Shah: Yes, got it.

Moderator: Thank you. Your next question comes from Shreya Shivani with Nomura. Please go ahead.

Shreya Shivani: Yes, hi. Thank you for the opportunity. I have two questions. First is on the cost of fund trajectory and how do we look at, what is the current scenario in terms of our dealings with the banks? What kind of other liability lines can we dip into for the next rest of the three quarters and on full-year basis, will there be any change in strategy on what kind of liquidity levels you'll maintain etcetera.?

Second is on Asset Finance. So, your gross stage 3 over here has come down to about 3.6% or so. 3.6%, right? So, in some of your peers in good times have seen this come down to all the way down to 3%. We only have limited historical data for you all, so is that a range that we have historically achieved? Will that be something which will be targeting towards? Thank you so much.

Jaykumar Shah: Thanks a lot, Shreya. On cost of funds, as we'd said last quarter we were fine with Q1. We'd be very well within a range-bound number. Even for Q2 today, we should be fairly range-bound. Obviously, there is a number of days impact, and all of you all are far bigger experts in terms of calculation than I am. So, we will be very, very range-bound within a narrow range for Q2 at least. Q3 while I have obviously my numbers and estimates etc., if it's okay, I'd rather wait for a little bit of the quarter to go by because, while I would have been very, very confident on Thursday evening last week or Friday morning, things seem to change faster than I can think sometimes. So, we're fairly fine at this point in time.

In terms of availability and options for us, they're fairly broad. So, one number being very old school that I like to follow, is keeping a positive current ratio. Today, I have an almost 1.3 current ratio where I have a lot of flexibility to do short-term. If there is any need, we're able to intra-month, intra-quarter, or even across quarter go in and make sure we make changes. And when I say make changes today with a CP book of less than 2%, hardly any short-term loans, ability to go in and out when required is fairly high. And that gives us the ability to make sure that cost of funds is within a tight range.

With regard to Asset Finance and stage 3, as Ramesh mentioned, and I also mentioned earlier, we have worked very hard to make sure we put a lot of boxes in place with regard to our base number – in terms of growth, in terms of focus, in terms of what we would do. Now what you're seeing as a number reduction is actually on a flat book. Now, if you just take it slightly differently and the book starts growing, this number will actually start moving down. And that's the first focus that we have to make sure the risk-adjusted return that the book gives are a lot healthier. And if things improve in the economy, pretty much hope that this number of stage 3 also starts moving downwards.

Shreya Shivani: Right. And just a follow-up on the asset finance book in for your customer base, all the fuel supply shock, all the – the fuel price hike etc., is there any particular segment where you are still concerned or you feel they are fairly – the fleet operators are in a decent position at current levels?

Jaykumar Shah: As at last week, we were good. I think let's wait and watch, again as I said, events happen, yes.

Shreya Shivani: All right, okay. That's useful. Thank you so much and all the best.

Jaykumar Shah: Thank you.

Moderator: Thank you. Your next question comes from the line of Shreepal Doshi with Equirus. Please go ahead.

Shreepal Doshi: Hi sir, congrats on a good number. I just had one question which is pertaining to the segments that we have vacated or where we have where we're focusing less. So, is it because – is it purely because of because these segments are low yielding or is it also that you're seeing there is heightened competition there or there is emerging stress there?

Jaykumar Shah: So, Shreepal, it's a combination. As Ramesh mentioned the focus is really risk-adjusted return. So, it's not looking at just the yield or just the competition. At the end of the day if we believe that we can make our RoA from a particular product, we will double down on it. If we believe at some points in time that these products won't fetch us the desired RoA over a period of time, then no point trying to put our energies more into it, right? And that's the reorg. that Ramesh also mentioned that we've largely gone through. And it's now time to double down on what we're good at and where the risk-adjusted return is healthier.

Shreepal Doshi: Got it. So in that case, like at one – at some point would we look to shut down microfinance? Because, I mean, that we've been doing for quite some time and we've not really scaled up. Be it – maybe it is positioned that way or maybe it is strategized that way. But then would we look to shut it down or something like that?

Jaykumar Shah: So I don't think at this point in time we'd want to even comment on it. Today it gives us a great moat in terms of understanding the rural market, right? And without really stressing out on P&L if somebody allows me through a couple of hundred branches to go into rural, understand the local markets, see how we can serve our customers better, I think it's a great thing and it also makes me positive P&L, then why worry too much, right? It's not something which stresses out on P&L or credit cost beyond a point.

Shreepal Doshi: Got it sir. Thank you. Most of my other questions have been answered. Good luck sir for the next quarter.

Jaykumar Shah: Thank you so much.

Moderator: Thank you. Your next question comes from the line of Piran Engineer with CLSA. Please go ahead.

Piran Engineer: Yes, hi team. Thanks for taking my question and congrats on the quarter. Just wanted to understand how freight rates have moved in the last two months for CV operators, especially your segment of CV operators?

Jaykumar Shah: So Piran, it's been fairly stable is our understanding for our customer base. But in case if you're seeing something different on the ground, then happy to hear and we can have a conversation later as well to understand better. But for us it's been fairly stable over the last couple of months.

Piran Engineer: So I'm just trying to think then, what is the tipping point, because you've seen fuel go up 8% - 9% and while freight demand has been okay. At what point would they need to raise freight rates to sort of maintain the same profitability level?

G Ramesh: So Piran, we as a company don't have a large exposure to fleets. Their financial requirements are much larger on an annual basis. And if you have seen our commentary, our Top 20 customers account for just about 0.3% of our assets under management. So we are a retail company as retail as it can be. And our focus is really on customers who are the small fleet operators and individual buyers and captive users.

In lot of these segments, transport is not linked to distance traveled, it's more a per day rate for hiring a vehicle. Think of your – the last time you or somebody in your family rented a truck to move from place A to place B within Mumbai. The contract was not the distance from place A to place B is 20 kilometers, but it's a per day rate. So, when you look at constructs like that, the fuel cost is a relatively small proportion of the total bill that you end up paying to the transporter.

I think what really worked well was that the fuel price hikes were done in small doses, which meant that people found ways of absorbing that cost.

I think the tipping point might happen if there's a sudden steep 3% to 5% increase in a single overnight because that means that there's a certain amount of lag the transporters will have before they reprice and they're able to renegotiate long-term contracts that they have. This is primarily for fleets and people who work with large goods movers. But it's really an inexact science, but I hope you get the drift of what I'm saying in terms of how small the doses are and what kind of contracts do you have and what kind of repricing frequency that you have in the contracts. There are, for example, construction equipment, there are contracts where the person has to, let's say ply an equipment in a mine, but the fuel is supplied by the principal. So in such contracts the contractor is fuel price agnostic.

Piran Engineer: Understood. So I take it that most of our customer segment is – I mean, does not deal in long-haul operation.

G Ramesh: That's right. Large fleets which have fixed price contracts which probably can get negotiated only once in three months or once in six months, we don't have large exposure to that segment.

Piran Engineer: Got it. Okay. Secondly, wanted to get a sense of the ECLGS requests or sanctions by you all so far.

G Ramesh: So it's work in progress, Piran. You know, don't have a large number yet. So the real challenge is that the ECLGS is specifically around working capital. So we have to establish end use. So somebody can't use ECLGS just to, let's say buy a new commercial vehicle or to buy a new asset. It has to be – so that we have to be able to demonstrate that there is a working capital gap that needs to be filled in because of specific challenges that the borrower is facing around, let's say collections, because of his exports getting delayed and things like that. So that process is little more involved than what the previous ECLGS frameworks were. So we're making sure that we're working through that. It is coming through, but not in great numbers.

Piran Engineer: Understood. And just to be clear, while the gap in the cash flow of the borrower could be working capital related, if your loan is a term loan, it still qualifies for ECLGS, right?

G Ramesh: Yes, provided the end use is for working capital.

Piran Engineer: Got it, got it. Okay. Yes, that clears it. Yes, that's it from my end. Thanks and thanks for answering the questions and wish you all the best.

G Ramesh: Thank you so much.

Moderator: Your next question comes from the line of Rajiv Mehta with YES Securities. Please go ahead.

Rajiv Mehta: Yes, hi, good evening. Congrats on strong asset quality and profitability performance. So, I've got two questions. First is on credit cost. I think somewhere in the opening commentary you said about 2.3% credit cost for the whole year. But when I look at your Q1 run rate, it's already 2.3% and when I look at the flow rates, the flow rates are nearly half of the last year. And even the write-offs have stabilized. So, are there any risks or trends that you are building when you speak about 2.3% credit cost for the whole year and not declining from where we are?

Jaykumar Shah: Rajiv, thanks for that question. I think what we said was 2.3% is what we look at as a steady-state credit cost. We don't really guide for the year. And I think there was another question which said could we expect it to be lower. As the markets develop, right, in terms of the broader economy, if the economy is better, then the number will be lower, right? So, it's something which we're closely monitoring.

One of the key things that has impacted us in the past has been El-Nino kind of an impact because of monsoons. So, we're watching it very closely, we're monitoring it daily, weekly basis, to make sure if there are any signs that we need to pick up, we need to go in and have different approaches, apply plan A, plan B, plan C etc. So, all of that's in place. At this point in time, from where we stand, we believe, we should be able to work on things and improve. But let's see how we get along. On an overall basis, I think the way we've looked at it, a trajectory over a three-year CAGR etc., we believe a 2.3% is a fair number. If things change over the next few quarters, then we will look at it.

Rajiv Mehta: Yes, but as we speak the risk matrices across products are moving fine, right?

Jaykumar Shah: Yes.

Rajiv Mehta: Okay. And then the second on growth. We completely appreciate the strong intent of growth, but wanted to understand some specific actions that we have taken in some of the key products like LAP, CV, maybe Unsecured Business Loans to augment growth, sourcing, productivity. If you can just kind of give us some – give us some clarity about how the growth will play out in these products. Because right now the growth there is sub-optimal at this point in time, yes.

Jaykumar Shah: So let me pick it up at a higher level and then we can have conversations in a different forum, but I'll try and do a quick two-three minutes on it.

So, if you look at Enterprise Lending as a whole –

On the LAP front, if you see the trajectory, we have been improving over the last three quarters, right? And the growth has steadied around a 3% to 4% kind of a number. We're pushing hard on it. We've done a few more actions in terms of geographies, in terms of markets, where it should help us take it a little up from there and then it comes into a reasonable state where it delivers to the overall objective.

In terms of Gold loan, the question is not a percentage, it is how many multiples and how fast can we do. Today we have 500 plus branches enabled on gold with the portfolio size that we have. Even in our current branch network, we have the capacity and the network and the systems to probably double it over a period of time. And the only question is really the period of time which we're working on very closely internally.

Then when you look at the Unsecured Business Loan side of it, as we mentioned, a lot of focus has gone in in terms of on the ground within branches, a few hundred branches really focused on it where we believe we can double down and now start growing, but asset quality has become fairly standard over the last four to five quarters. The confidence is there to be able to grow that book and that's something we believe as we go through the current quarter and the next quarter, you should see that as an outcome, rather than me speak as to what we would do. I'd rather have the outcome speak and then we have a conversation. So that's on the Enterprise Lending side.

On the Asset Finance side,

We've over the last half an hour plus we've stressed upon the fact that how we've gone into and zeroed in all the products that we want to do. I can tell you today on all the products that we wish to focus on across CV and CE, our volumes are actually higher than what we were doing before. May was our highest ever volume for a large number of products that we want to do more of. So that gives me a lot more confidence of our ability, of our strength on the ground to be able to double down and do more of. As far as tractor goes, it's a small book. We're making sure we focus on it and grow. So that we'll talk about more as things crystallize.

On the Consumer side,

You've seen the numbers. The only place we need to do more of is Auto. Again there, very similar to how we've focused on the other asset products, we have a plan, we have a focus – that is something that we're going to work through and make sure a few percentages go up there.

On the Consumer Durables side and our Relationship PL, we're doing well and we want to do a lot more of. In that business, if you see in our pack, we've put down an entire focus around 'Shikhar,' that Ramesh spoke about and how do we really use the intelligence that we have, how do we really use AI to get in, become a lot more nimble in terms of the TAT that we deliver at, in terms of the quality that we deliver at, in terms of the customers that we choose. There's a huge amount of focus going there. Obviously, everything takes a little more than hours in terms of putting these practices into place. So, it will take a few days, a few weeks, a few months in terms of the initiatives that we've taken and as we start to deliver them, you will see that growth actually becoming a part of the bloodstream and becoming a lot more consistent as well.

So that's a roundup on all of our businesses and why we have the confidence that from where we stand today, we believe it's more of a constant journey and as we've said towards the Shikhar in terms of where we're lending towards.

Rajiv Mehta: Yes, thank you. Thank you, that's clear.

Moderator: Thank you. Your next follow-up question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, thank you for allowing a follow-up. Just wanted to understand, is there some seasonality around the yields and the repayments that we report in Q1? Because if I look at last year as well, from Q4 to Q1 the yields had moved up, same thing happened this year as well.

Moderator: Sorry to interrupt, Abhijit sir, your line is not very clear if you can repeat the whole question once again, please.

Abhijit Tibrewal: Is it better now?

Jaykumar Shah: No, no Abhijit, can't hear you. Can you try once more?

Abhijit Tibrewal: Yes, Yes, sure. So, all I was just trying to understand is there some seasonality to the yields and the repayment, the book run down in Q1 because yields tend to expand in Q1, and then the repayments also the run down in the book tends to be lower in the first quarter and then picks up in the remaining three quarters. So, is there any way to explain that or that is something which cannot be explained?

Jaykumar Shah: No, so it's purely product mix. So, on an individual product-wise there is no real difference there. So, our yields have been fairly constant and the business has done a really great job in terms of holding on to the yields in terms of challenging market and competition and pushing hard on stuff. So, I think there they've done well.

But obviously if you see our Consumer Durables book has grown higher in the current quarter, which is the season that we have in terms of the compressor products, and the next big season comes really Dussehra-Diwali, right? So, there is some amount of seasonality because of which yields go up a little bit, they moderate and then they again go up. So, there is – that amount of seasonality purely on account of product mix, nothing more than that.

Abhijit Tibrewal: Got it. That answers my question. Thank you and I wish you all the very best.

Jaykumar Shah: Thank you so much.

Moderator: Thank you. As we are at the end of allotted time, I now hand the conference call over to Mr. Jaykumar Shah for closing comments.

Jaykumar Shah: Thank you, Sagar. Thank you very much everybody for joining in. I'm aware it was a very busy afternoon and evening for most of you. If you have any further questions, please feel free to contact our Investor Relations team, and we'll be very happy to engage with you and answer all your questions. Thank you so much, have a great evening.

Moderator: Thank you. On behalf of HDB Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Note: This transcript has been lightly edited for clarity and accuracy