HDB Financial Services Limited
Q2 FY27 Earnings Conference Call Transcript

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2FY27 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 "*" then "0" 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.

Vishal Patel: Thank you, Yashashri. Good evening. I welcome you all to the Q2FY27 Earnings Call of HDB Financial Services. We have with us Mr. G. Ramesh, MD and CEO; 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 were filed with the stock exchanges earlier today and 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 be available on our website shortly after the call ends.

I 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 before we open up the call for Q&A.

G. Ramesh: Thank you, Vishal, and a very good evening to all of you who have joined in today.

Starting with the macros:

Indian economy remained resilient despite global headwinds. Real GDP growth projections have been revised to 7.1% for FY27, as highlighted by RBI in its Monetary Policy. On the Monetary Policy front, there has been a change in stance to calibrated tightening and increase in repo rate by 25 basis points on October 7, 2026.

While sentiments around global uncertainty and deficient monsoon have had some impact, the outlook for H2 is positive with the upcoming festive season and continuing momentum in domestic economic activity.

However, the impact of uneven spatial distribution of monsoon on food production and inflation remains a key monitorable.

Coming to **vertical-wise commentary**,

Enterprise Lending: which is a business consisting of Unsecured Loans, Loan against Property, and Gold Loans – Q2 disbursements for the segment grew by 25.5% YoY. Disbursements for LAP + EBL, which is our mortgage book, grew by 30% YoY, and we anticipate this upward trajectory to continue.

Our Gold Loan disbursements grew over 60% YoY. Gold loan is positioned for continued traction in the coming quarters.

Our Unsecured Business Loans business returned to sequential growth trajectory this quarter. We expect momentum to continue in unsecured business loans going forward as well.

Portfolio quality and collections were stable for Enterprise Lending.

On Asset Finance: Our Commercial Vehicle book registered a moderate growth of 8% YoY, while our Construction Equipment book grew by 12% in the same period. Festive season demand led by increasing last-mile volume, post-monsoon pickup in construction activity, and stable fleet utilization levels augur well for Asset Finance business as we enter H2 with confidence.

We did notice some seasonality effect in our asset quality in asset finance in line with expectations. We expect this to normalize in the coming months.

Consumer Finance: Disbursements for Consumer Finance vertical grew over 25% YoY, while the book expanded 22% YoY.

Consumer Durables book, which consists of loans for purchase of consumer durables and digital products, that book grew by 49% YoY, and the Auto Loan book grew by 22% YoY.

Our Relationship PL, which is our cross-sell product to our customers, grew by 16% YoY.

Portfolio quality and collections were stable for the Consumer Finance vertical. So, the festive season is expected to be a big fillip for this business.

Overall, in Q2, our disbursements continued on growth trajectory, growing by 18% YoY. Our profit after tax grew 34% YoY. Conversations with our channel and OEM partners indicate strong confidence on the back of festive demand, and we look forward to a strong H2.

On the technology front, we spoke to you all about our AI journey Shikhar. Glad to share some updates in terms of the outcomes we are seeing in some of our focus areas.

- So, we began a project on AI-led customer onboarding, which basically reduces the time it takes to onboard a customer. That has started for our consumer finance business, and we expect benefits to build as we build and roll out that project to the larger ecosystem.

- Collections in early buckets has worked out well. Over 1 in 5 calls of tele-calling that we make on early buckets is now through an AI-powered bot. We will continue to update you on our technology implementation.

With that, wishing everyone a very happy festive season ahead. I will now hand over to Jaykumar, our CFO, for an update on the financials.

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

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

- Customer franchise grew to **24.8** million, with an increase of 18.4% YoY
- Disbursements for the quarter ended September 30, 2026, was **₹18,522 crores**, up 18.7% YoY.
- Gross loan book, as at September 30, 2026, stood at **₹1,24,469 crores**, growing 11.7% year-on-year and 2.2% sequentially. Secured loans comprised of **73.9%** of the gross loan book.
- Profit after tax for the quarter ended September 30, 2026, was **₹780 crores**, an increase of 34% YoY.
- Gross Stage 3, which is the same as GNPA for us, as at September 30, 2026, stood at **2.43%** as against 2.81% as at September 30, 2025, and 2.34% as at June 30, 2026, while the PCR was at **55%**.
- Net interest income for the quarter was **₹2,534 crores**, an increase of 15.6% YoY.
- Net interest margin for Q2FY27 was at **8.23%** versus 7.95% in Q2FY26 and 8.35% for Q1FY27.
- Cost-to-income ratio for our lending business was **39.3%** in Q2 FY27 as compared to 40.7% in Q2FY26 and 39.9% in Q1FY27.
- PPOP for the quarter, which is pre-provisioning operating profit, was at **₹1,756 crores**, an increase of 16.9% YoY and 1.7% QoQ.
- Credit cost for the quarter was **2.37%** as against 2.32% for the prior quarter.
- ROA annualized for the quarter ended September 30, 2026, stood at **2.42%**.
- ROE for the quarter ended September 30, 2026, stood at **14.4%**.
- Earnings per share for the quarter was **₹9.4**, and book value per share stood at **₹266.7**.
- Our borrowing mix remains well diversified and a positive cumulative mismatch across all buckets up to five years.
- We remain well capitalized with the total capital adequacy of **21.37%** as at September 30, 2026.
- The Board of Directors have declared an interim dividend of **₹2 per equity share** with a record date of October 23, 2026.

We can now open for Q&A.

Moderator: Thank you very much.

Vishal Patel: You can open the line.

Moderator: We will now begin the Q&A session. We will take our first question from the line of Renish from ICICI Securities. Please go ahead.

Renish: Yeah, hi. Am I audible?

Jaykumar Shah: Yes, Renish.

Renish: Yeah, hi. Congrats on a good set of numbers, sir. Just two things. One on this, the NIM outlook, right? So, when we look at the asset yield movement on sequential basis, so despite being higher growth in Consumer Finance business, the asset yield moderated a bit. So, just wanted to understand what is happening on the asset yield side.

And similarly on cost of fund, when we look at on half-yearly basis, it is already up 15 basis points. So, it is due to this spike in money market rates recently. And now since we have already entered a rising rate cycle, how do you see cost of fund trending over the next three to four quarters? And ultimately, where do you see NIM trending from current level of 8.23%? If one has to assume, maybe, a 75 basis point, 100 basis point of cumulative repo rate hike over next 1 year?

Jaykumar Shah: Renish, thanks for the question. I think from a NIM point of view, I think we spoke a little bit about even in the last call. Q1 is generally higher by around 10 to 12 bps. And what we've arrived at from an 8.34% to an 8.23% approximately, pretty much in line with expectations. In fact, we have able to manage it better, we are up by around 1 or 2 basis points, if you ask me.

Now, the key thing there is we have also been able to hold while rates had started to peak. In Q2 itself, we managed to hold on to our rates well. The number that you see today, if you were to look at it excluding the impact of one extra day in Q2, which a lot of treasury guys call out, we are pretty much similar to where we wanted to be in terms of Q1 and Q2.

So, going into Q2, with a 25 basis point increase on the repo, at this point in time, the real aim in the long term we obviously want to be at 8%+ . We would want to hold on to where we are as at Q2, and really come up to an 8.2%+ at least in the near term. Long-term, if you ask me, when rates go up, if they do, by a 50/75 bps, we will have to watch that space closely and see how the market really absorbs it. Because there are certain consumer products, which may be elastic, may not be as elastic to a 75/100 bps increase. But at least from a current standpoint, I think going into Q3, there will be a minor impact. We don't expect anything major in terms of an impact on our NIM.

Renish: Okay. And would you like to share, let us say, the fixed-rate percentage on asset and liability side?

Jaykumar Shah: So, I'll tell you about NCDs because NCDs is pretty much in the public domain. So, NCDs today go in at around 8.25%, 8.2%. That said, availability of various other instruments also helps us balance it. With our current borrowing cost of 7.04%, we'll see how much in a small range does it move around.

Renish: Okay.

Jaykumar Shah: So, Renish, if I were to sum up in terms of for you and for all the investors and everybody who is here. I think fundamentally, NIM is something which we will work heavily towards holding it in a very, very narrow range from where we are today, at least for the near term, over the next couple of quarters.

Renish: Okay.

Jaykumar Shah: If the rates again get increased in Q4, if the RBI takes a decision in December, we will deal with it at that point in time. But on an as-is basis is what I'm telling you.

Renish: Got it. So, I mean, it is fair to assume that, in a sense, when you say we will be able to manage NIM in a narrow range, so basically, we are managing ALM in a way which will help us absorbing or maybe navigating this, rising rate cycle better. Is that the fair assumption?

Jaykumar Shah: So, I think there are two parts to it. One is we do have a LAP book, which is on the floating side. So, when rates increase and rates come through, we have the ability to pass on. Second is, like we have had a Q1 product mix impact, I think Q3 also helps us with a little bit on the product mix.

So, a combination of those will help us. It is not that, when we came into the quarter and we were not expecting a rate movement. So, I think a lot of actions have been done because there is no surprise in what has come through.

Renish: Got it. Okay. And sir, second question, obviously, on the growth side, right? So, though there has been a, you know, I would say sequential uptick in the disbursement and it is exactly in line with what you have been guiding in past. But somehow, because of the high repayment rate, it is hurting the growth.

So, I mean, what is our internal discussion around, how you guys can accelerate growth, assuming this will be a new loan mix in near term, and your repayment rate will continue to remain high?

Jaykumar Shah: So, the way I would look at it, Renish, is that focus on disbursement growth. And we have spoken to a number of people, if you look at Slide 22, left-hand side. I think the key focus for us is to try and get that trajectory, you know, with a reasonable CAGR up, right? So, we have come to 18%. Q3 is generally better for us as compared to Q2, and Q4 is better than Q3. So, I genuinely expect that trajectory to start moving in the right direction, upwards from here on, is what I would put out. And I think repayments will happen. I mean, that's just a matter of, you know, last year having a lower disbursement growth. But with this year turning out to be healthy, I think there's a reasonable runway.

Renish: Got it. And just a final—

Moderator: Renish, I request you to join back the queue, please, as we have participants waiting. Yeah.

Renish: Sure, sure, sure.

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

Abhijit Tibrewal: Yeah. Good evening, sir. Thank you for taking my question. Sir, just this Asset Finance for the last couple of quarters, I mean, disbursement growth is weak, loan growth is weak. So, just trying to understand where is the problem. Is it in New? Is it in Used? What is plaguing the growth in the vehicle finance, Asset Finance business?

Jaykumar Shah: Sure. So, Abhijit, again, let's divide into two parts. In case of Asset Finance on the New side, we are hitting our budgeted numbers, not really stressed with that. We are doing the segment that we want to do. On the Used piece, we have had certain challenges, and that's where we have taken certain actions internally, and we expect to see a turnaround as we go through over the coming months. And you will see an uptick from here on.

Abhijit Tibrewal: Got it. Got it. And with that end, I mean, you are saying that it is just the growth which is a problem in Used, and there is no problem on the Asset Quality front in the used? It is just that maybe the replacement demand is weak, that is the reason Used is not picking up, or is there some other reason for Used not picking up?

Jaykumar Shah: From a pick up point of view, you're exactly right. It's just about that, you know, some things we need to do internally, some things there is a market challenge, and the latter one is a slightly larger one the way we see it. And hopefully, you know, as we go into festive, the expectation on the field and how we see it, we are seeing more positivity. And I am hopeful that that starts to show up.

Within that, there has been certain challenges on the longer-dated, delinquent book, which is what we had discussed before as well. So, I think that challenge, we haven't really come off. And I am very hopeful that in Q3, when we speak, we start to turn around the corner on the Asset Finance quality as well.

So, it's a little bit of New and a little bit of Used, a combination of both. But that said, Abhijit, if I look at the last six years, or, in fact, post-COVID, every single time, Q2 has been a lot more challenging for us. Honestly, with a 6 basis point movement or a 7 basis point movement on Stage 3 overall between Q1 and Q2, that would be the least amount of movement that we would have had in the last six years on a Q1 to Q2 basis.

So, we have held up quite well. Obviously, our aspiration is to do better, and that should start to reflect from Q3 onwards with more positivity on that front.

Abhijit Tibrewal: Got it, sir. And…

Moderator: Thank you. Abhijit, I request you to join back the queue, please, as we have participants waiting. Yeah. Participants are requested to restrict to two questions at a time, please. Next question is from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani: Yeah. Thank you for the opportunity and congratulations on a good momentum. I have two questions. My first question is on the droughts that several states have faced and we have been

hearing about in media. So, any concerns that you have in any geographies with your Asset Finance book and because of that, could the recovery in growth get delayed because of that? Any color on that would be useful.

My second question is on the opex ratio. I think the trajectory in first two quarters has been quite healthy, particularly if I see on YoY basis. So, if you can. And you've spoken about your journey on the AI bit, and you are probably still making investments over there. So, if you can give a bit of guidance on the opex ratio for FY27 and for the next two years also. Thank you.

G. Ramesh: Shreya, thank you for that question. So, drought, as of now, has been declared in some districts in Maharashtra. I think the first product that gets impacted in terms of announcement of drought is potentially agricultural loans, right. And given that we are an NBFC, we really do not do crop loans and other such product categories at this point of time. Our exposure to some of the states where there's a drought declared in terms of our tractor portfolio is quite small, but we are still monitoring that, and we have taken some plans in terms of how do we look at that business going forward.

I think the key monitorable out of the drought situation could be potential impact on inflation because of food prices. As we speak, we do not think there's a major concern around it in terms of food production at this point of time across the country, but it's still something that we will continue to monitor.

On productivity, you are right, our cost-to-income has declined from about 40.7% to 39.3%. We have also had a much significant improvement in our Opex ratio, compared to last quarter, it's down about 10 bps.

A number of initiatives that we are taking basically focuses on improving productivity of our field teams – So, the focus, and one of the projects that I spoke to you about in Shikhar is about, how do I use AI to enable faster onboarding of customers. So, can I read documents faster that come in? Can I analyze them faster? Which means I can, my sales person spends a lesser amount of time with each customer, and so, in any given day, he's able to spend more time with with more customers. So, if you take, for example, our Consumer Finance business, bulk of the business happens between 5:00 PM and 8:00 PM on weekends. That's a large part of our business. So, those three hours are critical in terms of how many customers the sales person is able to turn around. So, that's showing up in our cost-to-income.

Jay, you want to add any specific in terms of outlook?

Jaykumar Shah: Yeah. So, Shreya, the way I would put it is that we would focus on making sure we consistently are able to deliver at a 2.5% on an annual basis in terms of RoA that we have spoken about in the short to medium term. And for that, there are levers which will move around.

All I can tell you is that we are making sure, as we make investments in AI, we won't let cost balloon where it hurts us, because we are making sure that also helps us on the productivity front. That's the way I would put it. So, you will see this improve a little bit. The key focus is really how do we push better growth and consistently be able to deliver on annualized basis a 2.5% – 2.5%+ in terms of RoA.

Shreya Shivani: Got it. That's very useful. Thank you.

Moderator: Thank you. Next question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: Hi. Good evening. Thanks for the opportunity. I just have one question. So, I hear you out on the asset quality improvement bit, and I think that's also reflecting in the net slippages declining this quarter. But when I look at Stage 2 ratio, there seems to be some build up QoQ, which is higher than the buildup that we saw in Q2FY26 and Q2FY25. So, the question is, why is that accretion higher in Stage 2 ratios? If you can point out which portfolios are contributing to this? That's my only question. Thank you.

Jaykumar Shah: Thanks, Raghav. So, Raghav, as I mentioned, there has been some stretch in terms of the CV and CE portfolio, CV primarily. It is seasonal. We expect it to revert back to, I would say, previous quarter levels in the near future or in the coming quarter.

Raghav Garg: Sir, you said the asset finance portfolio?

Jaykumar Shah: Yes. CV especially, little bit of CE.

Raghav Garg: Understood. Thank you. That's all.

Moderator: Thank you. We take our next question from the line of Viral Shah from IIFL Capital. Please go ahead.

Viral Shah: Yeah, hi. Good evening. I have two questions. One is, Jay, now this will be the second year wherein our growth will so, even this year, most likely we will not be reaching, say, 17% – 18% kind of growth. With the kind of pickup that we are seeing now in disbursements, are we confident that, say, at least FY28 will be a year where we will see a 17% – 18% kind of a growth? That would be my first question.

Jaykumar Shah: So, Viral, I can only tell you one thing. I am very hopeful that we should be moving pretty much in that direction and hopeful that Q4 starts to show that in terms of direction.

Viral Shah: Got it. And, Jay, the second point is, I know you spoke about cost of funds and NIMs, etc., but just wanted to get your sense on basically what is the conversation that you currently have with, say, banks given that the 25 bps rate hike has come through? And especially, of course, in this previous very truncated rate cut cycle, the pass-through was inadequate and banks were reluctant to kind of, say, ensure an adequate transmission, be it in terms of either MCLR or even EBLR wherein they were renegotiating the spreads. Do you see in that context the movements on bank borrowings to fully reflect the repo movements, or is there some cushion there?

Jaykumar Shah: So, Viral, I fully understand your question. Let me reply a bit differently. We are working hard towards making sure that we manage our borrowings in a manner that the interest cost increase or the borrowing rate increase is as low as possible. It could be with a variety of factors of managing how we borrow on which instrument, we borrow on which benchmark; and then work with banks where we are able to get the right rate.

So, combination of these, obviously there will be a stretch and a stress in terms of, you know, rates that the bank needs to charge or the investors expect. And it's our job as a company and, you know, within our treasury – as a treasury function, to make sure we are able to come as close to the 7.04% that we have done in the current quarter and support the business in terms of being able to hold on to our NIM. So, it's a number of pieces in play, and we're very hopeful that the delta is the least.

Viral Shah: No, Jay, I understand that entire overall cost of fund piece. I was just more curious on the bank part, but maybe I'll take this offline.

Jaykumar Shah: Okay. Thank you.

Viral Shah: Thank you.

Moderator: Thank you. We'll take our next question from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Good evening and thank you for giving me the opportunity. My question was on Asset Finance front. So, this quarter also we have seen GS2 + GS3 increasing on a sequential basis. So, just wanted to understand, is there any increase in bounce rate or forward flow rates in Asset Finance segment in the latter half of September month or in early October? This is in sync with earlier participant's question on the impact of drought-like situation in some of the key states.

Jaykumar Shah: So, Shreepal, thanks a lot for the question. And please don't get me wrong, it's not a disregard to, you know, a 10 basis point or a 9 basis point increase. I think that's the seasonality which we go through on our book. It is something which is far starker than 9 basis points generally. I completely expect it to flow back in the coming quarter. And that shouldn't really adversely impact our credit cost either.

So, while it has moved by 9 basis points and that is, in mathematical terms, higher than previous quarter, it is pretty much in line with how we would have expected things to be. Obviously, there's a denominator impact. Had my book grown faster, you know, it would have looked 2 basis points rather than, you know, 8-9 basis points. So, as I said, while it is higher, not completely stressed about it. Something we should be able to pull back pretty much in the coming quarter.

Shreepal Doshi: So, we are saying that there is no impact of the macros also or the drought-like situation, and therefore, we are holding up our credit cost of 2.3% for the full year, a target of 2.3% for the full year?

Jaykumar Shah: So, of course, there is impact of macros. We live in the Indian heartland only, not outside. That said, in the medium term, what we have said is we would want to manage the credit cost in the range of 2.3% +/- and which is why it's 5 bps up this quarter. You know, next quarter could be 5 bps down. I mean, it's a range which works through. Today, our business is pretty granular, not something I can determine, you know, on a given day that will somebody turn up or not. It happens. But we are able to move fast into it and make sure we take corrective actions whereby,

on an annualized basis, there should be a lot more consistent as an answer in terms of the numbers we desire.

Shreepal Doshi: Got it, sir. Okay. Thank you, that is the only question that I had.

Moderator: Thank you. Next question is from Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani: Yes. Thank you for taking my questions. So, you've enumerated that you expect Q4 to start showing some kind of AUM growth. So, what AUM growth would you count as success and how much of it will depend on fixing this used CV, including this older delinquent book? That's question number one.

The second question I had was, the one reason why I think the cost ratios have fallen off is because of this headcount and branch reduction during this quarter. So, just wanted to know, is this more of productivity-related gains or are there other reasons, say, you're reducing capacity in certain regions and so on. Just wanted some additional details on the headcount and branch count.

Jaykumar Shah: Sure. So, let me take one by one. On the CV side, from a growth point of view, the way I would put it is we have always called out that each one of our businesses is a complete focus area.

If you look at today Enterprise Lending – LAP has started to grow at 3% – 3.5% QoQ. The moment that starts growing at 4%+, that's very positive. It builds long-term book. If you look at Unsecured and that's a call out I would like to make, after six quarters, today, on a QoQ basis, it is 0.2% positive and it started turning around the corner. We spoke about it last quarter as well that it will start to turn around this time and it has. And that growth, the moment it goes to a 3%-4%+ QoQ, it will pick up, it will start to give the book and give the growth that we want to see. Gold, which is growing at a 7% – 10% QoQ, as we do more of it, that'll grow. So, Enterprise Lending as a whole will start to deliver more.

On the Asset Finance side, we spoke about CV New, which is already kicking in the way we want to. CV Used, Ramesh also spoke about it, there are actions that we have in place which we want to do more of. We are calibrated but that calibration also will start to see results between Q3 and Q4 on the disbursement growth side. That will start to build up book.

The Consumer Finance side, which is genuinely doing very well and has a reasonable growth, we're hoping that that sets off a bit in terms of where some of the other books may not be delivering to the same growth level as, say, a consumer durable or auto loan today has kicked in. So, there will be balancing factors which will help us build that growth trajectory. And as I was answering to one of your other colleagues – I am very hopeful that Q4 starts to show that strength in the diversified franchise that we have. So, that's the first one.

G. Ramesh: Yes. Just to add, if you look at our customer franchise growth, Vinod, that's gone up from 22.9 million customers to about 24.8 million customers. And that's a 1.6 times growth as compared to where our Customer Franchise in March'24. And if you look at the last six months, our customer franchise has grown by almost 2 million. So, that clearly shows that, that's at a healthy

trend. You're right about reduction in headcount, but that's also driven by, primarily, our focus on improving productivity at employee level.

So, many of the projects that we have undertaken, whether it's automation or simplifying workload workflows, simply means that we need lesser headcount on the field to service customers. And if you look at slide 19, where we talked about our distribution, we have not reduced the number of towns that we service. In fact, our retailers and dealer touch points has grown by about 10% to 1.65 Lac+

So, clearly focusing on making sure that the boots on the ground are able to deliver more and technology really helps them, enables them to do more business. So, we need lesser number of people to that extent to deliver the numbers that we are required. So, we've not reduced our footprint. We have not reduced our coverage, in fact, our coverage has gone up by about 10%. And that's how business customer franchise has grown. So, that what our focus is, how do we make sure that every employee in the company becomes more and more effective and efficient through the technology initiatives that we're taking up.

Vinod Rajamani: Right. Thank you. That was most helpful. Thanks.

Jaykumar Shah: Thank you.

Moderator: Thank you. We'll take our next question from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Yes, hi. Good evening. Congrats on steady numbers. So, my first question is on the LAP business. So, LAP momentum is improving in recent quarters. So, what is the strategy at play here from a sourcing, pricing and ticket size point of view? And how is the BT trending in this business? And if this book is floating, and it is indeed floating, but what would trigger your decision of raising the rate? Would it just be the cost of fund increase? So, I mean, from a timing point of view, would it be a back-to-back increase to pass on immediately, or could there be some lag in passing on higher rates to the customers in LAP?

G. Ramesh: Okay. So, our Loan against Property book is primarily a floating rate book, and we have a floating reference rate that we publish on our website. That FRR, as we call it, floating reference rate, is updated on the 16th of every month, then that's updated. So, there's a monthly cycle on which the rates are reset. And that's how it works. And every quarter every month, our ALCO reviews, what is our effective borrowing cost, and how does it impact our, liabilities, and to that extent, we can reprice our assets. And, of course, we won't do it if the increases about 2-3 basis points, but if it's if it's substantial, we will do a repricing. Specifically on LAP book there will be an element of prepayment both on account of customers that you let go because credit quality performance is not good or because customer wants more money that you are unwilling to give, or, for that matter, that somebody's offering a pricing that we as a company cannot match. But that's behaviorally, that's something that we plan in when we do a loan. Typically, contractually, our loans run anywhere from 7 years to maximum of 15 years. But we know that, behaviorally, there's a certain prepayment that happens on these loans, and that's how these loans – that's how

the business model is built. So, the prepayments are part of the business, and that's something that we behaviorally plan into our growth.

If you look at our LAP business in the last quarter, it's been pretty much consistent in terms of the geographies that we get business from. We don't do certain categories of loans, like what market popularly calls as micro LAP. We don't do that business. Our business and our ticket sizes are given in our page number?

Jaykumar Shah: 17.

G. Ramesh: Page number 17. You know, if you see, our ticket size is about ₹4.6 million for our Loan against Property and ₹1.4 million for our Enterprise Business Loans. And that business is something that where we primarily generate the business from our extensive distribution network. We offer Enterprise Business Loans in more than 800 cities. Practically every city that we are present in, depending on the nature of the property collateral and the re-saleability of the collateral and economic activity of that of that catchment area, we would have a specific product or a credit strategy out for that market. And that's how the business works, Rajiv. thank you.

Rajiv Mehta: Yes. And just one thing on this new CV growth. So, it's we've had some challenges here. Also, in terms of New CV growth, I think we were wanting to kind of reignite growth here. So, what will be the strategy? I mean, I think in the last call, you spoke about kind of avoiding low-yield business and high-value business and rather focusing on largely on the retail transporters. So, how do we think that we can build back the momentum here in the new CV?

Jaykumar Shah: Yes. So, Rajiv, on, as I mentioned earlier on the call, we're good on New CV. We are doing the products that we wish to do. We are meeting the budgets that we've set for ourselves. I mean, genuinely on new CV, there isn't a challenge from an HDB point of view in terms of almost all the parameters we're speaking about. Yes, there was a slight bit of delinquency which went from Stage 1 to Stage 2, which we should be able to pull back in the near term. But apart from a growth standpoint, we're hitting the numbers that we want to.

Rajiv Mehta: Got it. Thank you and best of luck.

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

Nischint: Thanks for taking my question. We discussed a lot on margins, but I'm not sure if I fully understood your asset-side strategy. Have you started to raise lending rates on incremental basis, or are you still kind of awaiting some more signals?

Jaykumar Shah: So, Nischint I think on the LAP front, it will show an increase in the near term. On the other products, we will do a calibrated increase depending on how our cost of borrowing moves. So, it may/may not be 25 bps depending on how things are. So, to give you an example, some of the pricing on T-Bills, wherever it matters, has already happened. And we may have some amount of repricing to be done where we still may have some higher-cost assets, it may go off. So, if our cost of borrowing remains in a similar region, we may not need to reprice some of our fixed-term assets, whereas on the floating rate, it will move a lot faster on the ground.

Nischint: Sorry, you mentioned that your cost of borrowing is around 7%, and incrementally, bond yields are 8%+ or thereabouts. So, I would believe that it's a matter of time that the cost goes up. And given the fact that some of your products have a fixed rate, would you not want to kind of reprice steep incremental loans upwards at this point of time? Or is it something that nobody in the industry is doing? Maybe just some color from you.

Jaykumar Shah: So, as I said, Nischint, it'll happen in a calibrated manner. So, while say, for example, you're looking at NCD rates to be 8.2%, some of the shorter-term products also come in at sub-7% or 7% as well. So, really puts it to perspective how we manage our borrowing costs. So, today, my borrowing cost is 7.04%. And how do I expect that to span out over the next 3, 6, 9, 12 months, and similarly each of the asset portfolios. How do we plan to expand on that at what yields and the product mix, really.

So, as a combination, the focus is not to lose NIM, and we're using that very carefully to say which products to be priced at what range. So, if you remember last time, we discussed a little bit about making sure risk pricing is correct. And that remains core to how we go in the market now and make sure that our RaRoC, or the risk-adjusted return, on each product makes sense. So, we won't lose focus over it in the near or short, medium term, as such is what I can tell you.

Nischint: And just one last one. Of the 43% odd borrowings from banks, what proportion is linked to repo, and versus MCLR, and if between MCLRs whether it's one-month or one-year?

Jaykumar Shah: So, we hardly have anything on MCLR. We have around 55%-60% on repo.

Nischint: Okay. And that gets priced up immediately?

Jaykumar Shah: Yeah, some are same month, some are quarterly, so that'll flow through. And as I mentioned, we have the ability to pass that on through the LAP book that we have, which is on floating as well. So, that's what gives me the confidence that, on the NIM front we will manage it carefully.

Nischint: Got it. Thank you very much, and all the best.

Jaykumar Shah: Thank you.

Moderator: Thank you. Next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Yeah, hi. Good evening. Thanks for the opportunity. Sir, just again, a bit of a repetition of a question both on the growth and profitability side. So, on profitability, I just look, I mean, NII + fee put together. Now, on your liability side, probably, I mean, the best is kind of not just for you, for industry is kind of behind. On asset side also, your growth in the recent quarters have been driven a lot into consumer lending. That's a typically higher-yielding segment, so if the balance shift more towards asset and all, slightly on the asset side because of asset composition changes, the yields could see a downward sort of a move.

And so, I mean, liability and asset, both are probably moving in opposite direction, at least even to some extent. And on top of that, now this insurance commission piece.

Now, in this backdrop, do you see your NIM + fee holding up on to these levels, say, in FY28, move past FY27, because each share will become applicable in FY28. So, that's one.

And second, on growth similarly, I mean, yes, I mean, you remain kind of, or you see the signs that, okay, growth will pick up. But if I were to look at the broader industry dynamics, particularly, this on the CV side, and, of course, tractor will be small for you, but I mean overall for the NBFC lending side, and in the vehicle side particularly, the growth momentum has been very strong, at least in new, over the last 2-years. And that is where your growth has lagged. Now, there is kind of, I know that, okay, it's pretty mature, but there is some bit of a worry tractor is seeing a slowdown, how long the CV goes last. But then you are expecting growth to pick up. So, I mean, you I mean, what gives you this confidence that, okay, when the overall environment goes, if at all, this were to kind of moderate from where it was, why will your growth accelerate? Thanks.

Jaykumar Shah: Thanks. Thanks a lot for that question, Avinash. I'm sure many would have asked some of these as well. So, let me pick up the second part first on growth. And I think it's a very relative term, right? Others are expecting a slowdown. I'm expecting an increase. Somebody wants to grow at 25% and says my slowdown is 20%. And I am at 12% – 13%, and I am saying I will grow to 17-18. So, it's two sides which you are different on. We are both arriving at the same number. In my side, it's an uptick. For somebody else, it's a downtick. So, I think that's the starting point that I would say to that.

On the CV front in specific, as I mentioned earlier, on the New, we're going in the right direction that we want to. On Used, we have done less than what we would have wanted to. That's something we are calling out genuinely. But we have plans in place. We have, you know, done a few things which should start to see increase. And if you just put the math together, FY26 was a 3% disbursement growth. With a far healthier disbursement growth in FY27, it puts a lot stronger trajectory for HDB book growth as a whole.

Now, you referred to consumer. If you also look at Enterprise Lending, that has also started to see healthier growth. And with, as I mentioned, Gold growing, LAP growing, the Unsecured Business Loans growing, that percentage growth there will also look a lot healthier. So, as a combination of these things, we believe, in terms of where we are today to where we want to be, which is pretty much the industry median, if I can put it as that way, I think we will move in the right direction towards Q4. And it is not that we are trying to do something so aggressive that it hampers us from, any other aspect.

Plus, to another point that Ramesh was mentioning a question that had come up, we're pretty much capacitated to do that. So, it is not that we have got to find the people, we've got to find the systems, or we have got to find the network. All of that is in place. We have got to start doing more of it. So, I think that's what gives me the confidence that, between now and the next 12 months or the next 18 months, we have the capacity and there is a reasonable market to deliver what we are planning to. So, that's on the growth front.

On the NIM plus fees, on the NIMs, I think we have spoken about it in a few questions. So, as I said, we're working pretty much in the zone to make sure how do we maintain an, you know,

8%+ for sure, and in the short run, how do you maintain an 8.2%+ kind of a thing. So, that's the key focus. Can we sway by another 5 – 6 basis points +/-? Of course, we could. Don't know which direction comes in and which announcement comes in on which date which can impact either the lenders or the market as a whole. But that one, we have reasonable ability to work on.

In terms of the fee side, there are representations being made, let us go through, Avinash, in terms of what goes to the IRDAI. We are working with the FIDC. I wouldn't want to jump the gun. I think on that one, there is a lot of work to be done. Plus, there's a huge strength that we have in the market within the country and how we reach customers. The whole focus around insurance primarily has been to make sure how we protect our customers. And I think that's the message going back to the regulator, saying we want to support the country, and let's work together on doing that.

Avinash Singh: Okay. Thanks. Thanks.

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

Prithviraj Patil: Yeah. Thanks for the opportunity. So, my question was on the fee income front. I just wanted to know, based on the consultant consultation paper, what's the like let's say this comes true, then what's the likely impact for our fee income? And like how do we look to mitigate this?

Jaykumar Shah: Prithviraj, the way I would look at it is last year, and I think it's published information, it's not some secretive thing that I'm saying out on the call today, you know, it's around ₹455 crores, that's around 0.3% on the RoA tree. We are working through things, and I think as and when rules or regulations crystallize, we'll see how that pans out. Yeah? So, we have certain plans in place, which, as and when they crystallize, we'll come and talk to talk about it.

Prithviraj Patil: Got it. Thank you. Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Jaykumar Shah for closing comments. Over to you, sir.

Jaykumar Shah: Thank you so much, Yashashri, and thank you so much, everybody. I think it's been a very good interaction, and I thank all the participants for their questions. Wishing all of you a very happy Diwali in advance and good health to all of you and your families. Thank you.

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

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