



**HDB Financial Services Limited**  
**Q3 FY26 Earnings Conference Call Transcript**

*For the Earnings Call held on January 14, 2026, 18:30hrs IST*

**MANAGEMENT: MR. G RAMESH – MD & CEO**  
**MR. JAYKUMAR SHAH – CFO**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3FY26 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 ‘\*’ and then ‘0’ on your touchtone phone.

I now hand the conference over to Mr. Jaykumar Shah, CFO of HDB Financial Services. Thank you and over to you, Mr. Jaykumar.

**Jaykumar Shah:** Thank you so much, Sagar. Good evening to all of you. I welcome you all to the Q3FY26 earnings call of HDB Financial Services Limited. We have with us our MD and CEO, Mr. G. Ramesh, along with myself and the senior management team of the company.

I hope all of you would have had a chance to produce our financial results, the investor presentation and press release which has been filed with the stock exchange earlier this evening and also available on our website [www.hdbfs.com](http://www.hdbfs.com).

We will start with 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 I will provide a brief on the financial results and then answer Q&A.

**G. Ramesh:** Thank you, Jaykumar and a very good evening to all of you joining in and wish you a Happy New Year 2026 and greetings of the harvest festival.

**Briefly on the macros,** consumption growth remains strong during the festive season and positive for the quarter. Broad-based set of measures in fiscal and monetary policy, supported by expected good winter harvest, bodes well for the domestic demand. Real GDP growth showed resilience amidst global headwinds, even as inflation stayed benign in the festive season. Global uncertainties around geopolitical tensions and trade remain a key monitorable.

Coming to **quarterly business updates**

At an organizational level, our mission is to serve aspirational India and we now have a franchise of over 22 million customers and a pan-India network of 1,744 branches spread across 1,165 towns and cities.

Disbursement for Q3, which is the October to December period, clocked in at an all-time high of ₹17,917 crores. It grew by 15% Q-o-Q, led by the Consumer Finance segment followed by the asset-backed businesses. Book growth came in at 2.8% in the same period.

Our yield improved on the back of our efforts at balancing product mix through focused origination. NIM for the quarter increased to 8.1%.

As you may know, there have been a set of notifications on new labour codes that did impact our provisions in terms of gratuity and other things, CFO will talk in more detail. So, adjusted for that one-time impact which we have taken in Q3, opex continued to be within the expected range.

Our asset quality at stage 1 has improved to 95.22%. Our reported PAT for Q3 grew by 36% Y-o-Y. Excluding the impact of the new labour code, which is a one-time provision that we made in Q3, our PAT grew by 45%, if you look at comparable numbers.

Coming to segment-wise commentary

**On Enterprise lending:** LAP and Enterprise Business Loan which is a variation of our LAP product, grew moderately in Q3. Gold loans book grew by 17.8% Q-o-Q.

Portfolio quality on unsecured business, which we had called out a couple of quarters back, has stabilized. As asset quality pressure eases further, we expect to return to a growth trajectory in the coming quarters.

**On Asset Finance:** CV and CE book showed moderate growth in Q3. Asset quality challenges that we had called out in H1 showed signs of improvement in Q3 in the early buckets.

We anticipate further positive momentum in both the businesses on the back of infrastructure push and improving rural economy.

**On Consumer Finance:** Book for this segment grew by 17.3% Q-o-Q. This was led by Auto, 2-wheeler and Consumer Durables. Festive season surge, pent-up demand and market response to GST cuts fuelled growth. We expect momentum to continue in the segment going forward.

Jaykumar, would you like to update on the financials?

**Jaykumar Shah:**

Thank you, Ramesh.

Moving on to the financial performance for the quarter,

- Customer franchise grew to 22 million, which is an increase of 4.8% sequentially and 19.3% Y-o-Y
- The total gross loan book, as on December 31, 2025, stood at ₹ 1,14,577 crores, growing 2.8% sequentially and 12.2% Y-o-Y. Secured loans of the total amount consisted of 74%
- Disbursements for the quarter ended December 31, 2025, for ₹17,917 crores, up 14.9% sequentially, an all-time high for the franchise
- Branch count stood at 1,744 spread across 1,165 cities and towns
- Net interest income for the quarter was ₹2,285 crores, an increase of 4.2% Q-o-Q and 22.1% Y-o-Y

- Net interest margin, NIM, for Q3FY26 improved to 8.09% vs. 7.95% for Q2FY26 and 7.46% in Q3FY25

Moving on to expenses, I'll just elaborate little bit on the labour code. Effective November 21, 2025, the Government of India notified the four labour codes – the Code of Wages 2019, Industrial Relations Code 2020, the Code of Social Security 2020, and the Occupational Safety, Health and Working Conditions Code 2020, collectively referred to as the 'New Labour Codes', consolidating 29 existing labour laws. The Ministry of Labour and Employment has published draft Central Rules and FAQ on December 30, 2025, to facilitate assessment of the financial impact arising from these regulatory changes. Under IND-AS 19, which is our accounting standards that we follow, changes to Employee Benefit Plans arising from the new labour codes constitute plan amendments and they are required to be treated as past service costs and recognized as an expense in the Statement of Profit and Loss. Accordingly, the new labour codes have resulted in an estimated increase in provision for Employee Benefit Expenses of ₹60.52 crores and the same has been recognized under the head Employee Benefit Expenses in the quarter and the nine months ended December 31, 2025. The company continues to monitor the finalization of Central/State Rules and clarifications from the Government on other aspects of the labour code and would provide appropriate accounting treatment on the basis of such developments as needed in the coming quarters.

Of the overall impact of ₹61 crores – ₹56 crores pertains to the lending business. The P&L ratios that we call out for the lending business, I will be calling them out after excluding this one-time impact of ₹56 crores to make sure they are comparable.

- Cost-to-income ratio for our lending business reduced to 39.5% in Q3FY26 as compared to 40.7% in Q2FY26 and 42.5% in Q3FY25. The ratio was 40.9% for the nine months ended December 31, 2025 as compared to 42.8% for the nine months ended December 31, 2024. Cost-to-asset excluding the one-time impact was flat at 3.7%
- Pre-Provisioning Operating Profit for the quarter was ₹1,611 crores as against ₹1,502 crores for the prior quarter
- Credit cost for the quarter was ₹712 crores as compared to ₹748 crores for the prior quarter
- Reported profit after tax for the quarter ended December 31, 2025 was ₹644 crores as compared to ₹581 crores for the prior quarter. Excluding the one-time impact on account of the new labour codes, profit after tax for the quarter ended December 31, 2025 was ₹686 crores, a growth of 18% Q-o-Q
- Gross Stage 3 as at December 31, 2025 was 2.81%, similar to the number that we had as at September 30, 2025
- Provision for coverage as on December 31, 2025 for Stage 3 stood at 55.59%
- RoA (annualized) for the quarter ended December 31, 2025 stood at 2.35% and for the nine months was at 2.15%
- RoE (annualized) for the quarter ended December 31, 2025 stood at 13.99%
- Earnings per share for the quarter was ₹7.8 and book value per share stood at ₹239.0

- Our borrowing mix remains well diversified with a positive cumulative mismatch across all buckets up to five years
- We remain well capitalized with a total capital adequacy of 21.81% as at December 31, 2025.

This ends my detailed update on the financials. We now request Sagar to open up the queue for questions. Thank you.

**Moderator:** Our first question comes from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

**Abhijit Tibrewal:** Good evening, sir. Thank you for taking my questions. So just two things. First thing is during your opening remarks, you spoke about weakness in CV and CE that we have been seeing for the last few quarters getting better in the second half. So if you could just elaborate on that and also the fact that MSME was showing us some pain, the unsecured MSME in particular. So where is it trending now? Because I see that the enterprise segment is still kind of trending a little weak.

And then the second question I had was on Vehicle Finance. I see that Asset Finance disbursements have grown by about 4% Y-o-Y. So if you could just split this up into what was the volume and the value growth?

And lastly, now that the festive season and the GST cuts are behind, if you could just help us understand which segments have seen the demand momentum continue in December and January? And which all segments are you seeing that the demand has already started tapering off? Basically, whatever pent-up demand or bump in the demand that we saw after the GST rate cut. Those were the few questions I had. Thank you.

**Jaykumar Shah:** I'll try and address them, Abhijit. So first one being weakness in CV and CE. So this was something that Ramesh mentioned at the beginning. That is something we called out in Q1 and Q2. And we had mentioned that we expect it to stabilize in the current quarter, which is Q3 and we have actually seen that. So it's a part of two stages, kind of two stories. One is on the 90+, where we have seen it stabilize. There is some more work to be done, where we bring that down further. And that's one of the reasons why you see the Gross Stage 3 at 2.8%. What has been very positive in the current quarter is that we have managed to pull back from the delinquent book into Stage 1, and our 0 DPDs across all products actually inching up in a good way. So that's been the positive side for us.

With the unsecured SME pain that was there for the last five to six quarters, if I can put it that way, that has clearly started easing off. The book, as you would have seen in the investor deck, has actually reduced slightly by almost 1%. But there, the health of the book has actually improved. So we're seeing it very positively. We need to start pushing hard into that space and growing from here on. It will take some time as we've taken five – six quarters to really make sure a lot of things fall in place. In a couple of quarters, we should see growth come back on that.

In terms of vehicle financing value vs average ticket size, as you put it, there has been a slight reduction in the ticket size of approximately 5%, if I can put it that way. And the balance has

really been growth on the business front. And October especially, if I could call out in specific as the festive season, really covered up for a lot of September gaps and then it has been positive since. So we expect that to range in the positive territory and grow from here on.

**Moderator:** Thank you. Our next question comes from the line of Viral Shah from IIFL Capital. Please go ahead.

**Viral Shah:** Yeah, hi. Thanks for the opportunity. I have two questions. One is on the growth front, if you can help us understand, while I think disbursement growth has started showing signs of pickup, of course, festive season, some bit of offset on the ticket size front, but book growth is still, I would say, a bit softer. So what could be the horizon over which we intend to kind of reach, say, an 18% to 20% kind of book growth or medium term target, which is there?

And the second question is with regards to the opex. What is the, I would say, the BAU impact of the labour code? I understand there is a one-time impact of the historical provisioning. But on a BAU basis, what would be the kind of impact of it? Is it material at all? Those are my two questions.

**Jaykumar Shah:** So on the disbursement to book, the way I would look at it, Viral, is that look at it in the context of how we've grown, right? So we've actually grown 15% Q-o-Q on disbursements, and that's the most positive thing. On the book, the way it ranges is as you've seen, we've held on to our yields. And as we've held on to our yields in certain businesses, prepayments also happen. Plus, the whole pullback that we've done in terms of recoveries, which has been very positive on the stage 2 book, right, or the stage 1+ book, that has also gone into this calculation. So the way I look at it is we're fairly confident in terms of how we'd grow from here on.

In terms of 18% to 20%, the way we've always looked at it, Viral, is the nominal GDP plus 6 to 7. And overall, the thought process does not change. We believe growth will start kicking in from here on, and it should be in more positive range from where we stand today. Second one...

**Viral Shah:** Just on this follow up on the growth piece that you mentioned on the nominal front, do you think with the competitive intensity likely to increase with many players receiving growth, a significant growth funding in the form of equity, does that change any of this, the competitive scenario on the growth front as well? From a medium term perspective?

**Jaykumar Shah:** I don't think so. At this point in time, we believe the market is there for us to grow for the next coming 3 to 5 years for sure, if not the next 10 to 15 years. On your second question on opex and BAU impact of the labour code, the way I would see is that, as I mentioned, it's a developing area. From what we were aware of based on the draft rules, what information we've had, we've taken a provision as of now. Let this space develop over the coming months. And let us get finality. Then it would be better for us to comment on this.

**Viral Shah:** Got it, sir. Thank you.

**Jaykumar Shah:** Thank you.

**Moderator:** Thank you. Your next question comes from the line of Nischint Chawathe from Kotak. Please go ahead.

**Nischint Chawathe:** I was just looking at your cost of borrowings, and that's almost flat on a sequential basis. So if you could give some colour in terms of where are we placed in terms of repricing or do we expect this kind of ratio to remain at these levels going forward? And in that backdrop, how do we really think about margins? I know you commented on the competition part, but maybe if you could give some colour in terms of how do you expect the near-term product mix to sort of change your yields and trajectory on cost of borrowings?

**Jaykumar Shah:** Yeah. So let me address the cost of borrowings first, Nischint. On the cost of borrowings side, as I had mentioned, I think in the last call, we were largely done with maximum of the repricing. What we have looked at is I think the cost of borrowing is reduced by 2 to 3 bps approximately on the whole. And what we've been continuously doing is making sure we look at the right products within the basket, whether it is NCDs, whether it is term loans, to make sure we borrow on a product that we are able to sustain the current borrowing cost. The way we look at it is we believe that the current borrowing cost should sustain at least for the coming few quarters. Obviously, there's a lot more at play outside of HDB, which affects the overall bond yields and the market. So we'll have to watch that space closely. But for the coming at least couple of quarters, we expect to be in that range. And if opportunities lend or opportunities come our way, then we should be able to improve it by a few bps as well.

On the yield side, as I had mentioned in the last call, we expect the NIM to range generally in the 7.9 to 8. It is 8.09 currently. As we go into Q4 and the overall markets are there, there is pressure obviously on yields across products. We've done well as a business to hold on to our yields. We expect again that to be range bound at least for the coming few quarters in the range of 5 to 10 bps, not a lot more variance from there. So we should be able to hold on to our NIMs in the region of 8 as we had mentioned.

**Nischint Chawathe:** Got it. And anything to read in the decline in gross stage 2 loans?

**Jaykumar Shah:** As I said, it was positive. It's been good recovery, be it Enterprise Lending, be it Asset Finance, be it Consumer Finance. I think across the board, the strategies that the teams put in have started to show. I wouldn't say hope would be the wrong word. I think it's the confidence that the teams are driving into the market of going and doing positive recoveries and making sure the flow forward is reduced. The key for our business really in retail is to make sure flow forward is reduced. And that's been the key focus of how we are going about things. So that's a big positive for how we look at the business and plan for the future.

**Nischint Chawathe:** Thank you. Those were my questions, and all the best.

**Jaykumar Shah:** Thank you so much.

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

**Piran Engineer:** Yes, sorry. I had logged out of the queue. My questions have been answered. Thank you.

**Moderator:** Thank you. Your next question comes from the line of Shreya Shivani from Nomura. Please go ahead.

**Shreya Shivani:** Yeah, hi. Thank you for the opportunity. I have two questions. First is a follow up on the reduction in ticket size in the vehicle book that you spoke about of about 5%. So I just want to understand some reduction would be there because the GST cut and the price of the vehicle is lesser, so the loan size is lesser, etc. But have you seen de-premiumisation of cars? So in a sense that after GST cut, have you seen more sales of the entry level cars versus what was happening earlier? Or any other colour around what has happened in the sales of the car segment?

And my second is on the net slippages. So the trend, past two quarters were elevated. The trend is quite a significant improvement in this quarter. But whatever is still slipping, I think, would it be majority CV/CE/MSME? Is there some colour you give around what book continues to slip at a slightly elevated rate versus the company average?

**G. Ramesh:** Right. Shreya, so when you look at the entire GST and look at our business, there are primarily two areas where the GST cut has had a significant impact. One is the auto loans business and second is the 2-wheeler loans business. Construction equipment is always at 18% GST, mobile phones and entry level consumer durables are always at 18% GST. High-end televisions, which were at a higher GST rate, have come down to 18%.

So the bulk of our business really has had no impact on because GST rate cut, other than the fact that it's driven positive sentiment in the market. So within 2-wheelers and auto loans, we have seen about a 5% reduction in our average ticket size because the vehicle prices itself have come down. Also, I think a couple of manufacturers have cut prices of some of the entry level vehicles that they're selling as a festive offer. So that's also driven sales in the entry level segments. So I won't call it de-premiumisation, which would suggest that a customer could afford to buy something more and has actually bought something cheaper. In fact, we are running a campaign called "Do Se Bhale Chaar" – basically to say that, why buy a 2-wheeler when you can buy a car? In fact, some of the cars are priced at the same level as seven years ago in some of the entry level segments. So I think it's a lot more customers who have now found that the product is affordable. There's no de-premiumisation in our view. In fact, in consumer durable segment, where other than high-end televisions, there's no impact of GST, we're not seeing a reduction in ticket size.

**Jaykumar Shah:** On the net slippages, Shreya, you're right. A large part of it has just been in the CV/CE segment. Outside of that, slippages have come down. And that's very positive, as I mentioned. We should hopefully see slippages in these two products also start to become lower.

**Shreya Shivani:** So just to follow up on the CV/CE, there was some cyclones down south. Do these events have some lagging/ have some problems or do they create some issues for you all?

**G. Ramesh:** So typically, Q2 as a season is slow because of monsoon. So deployment of assets comes down. So let's say a vehicle runs 200 kilometres a day for 20 days. During monsoon, that number might come down about 150, 160, because vehicles run slower when it's raining a lot. But specific



events, specifically, I don't think there's been any impact of cyclone in the south that we can attribute to our portfolio.

**Shreya Shivani:** Sure. Thank you. This is very useful. All the best. Thank you.

**G. Ramesh:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Prithviraj Patil from Investec. Please go ahead.

**Prithviraj Patil:** So I had two questions. So the first one was on the strong fee income growth that we've seen on the book. So if you could just throw some clarity on why that has happened. And then the second is that the branch count has reduced Q-o-Q. So will this impact growth going forward or how are we looking at that? Thanks.

**G. Ramesh:** Yeah. So fee income is primarily driven by the product mix and with the 15% disbursement growth and the product mix, there's been an increase in fee income. So in terms of branch count, there are branches that we will sort of review at the end of some time to see whether they are viable, whether they met their milestones that we set out for them. So there'll be branches that we relocate. So given that, given the nature of our business and given our processes, it's quite, we can take these decisions quite quickly. So if a branch is not doing well, we can shut it and move on, or we relocate the branch. There are also cases where we increase the branch sizes, right, based on the business volume, which really don't come in the numbers count.

What I think essentially on making sure that we are servicing a large part of the country. So in terms of the pin code coverage, how many pin codes are we covering effectively? Can we cover the branches or a larger geography around the branch effectively without, you know, without compromising our credit policies. So, you know, don't read too much into the number of branches per se, it will always be here 5 or 10. There'll be some small branches that we started off a year ago, hasn't met the milestone, either we're not comfortable with the credit quality of the market, or we overestimated the potential of the market, or, you know, factors are not exactly supporting growth. We would just relocate the branch and, you know, focus our efforts on branches that are doing well.

**Prithviraj Patil:** Thank you. Just a follow up question, if you could give clarity on the ARC transaction as well, if you can tell what book have we sold off to the ARCs? And do we see any incremental sell off happening to ARCs in the coming quarters?

**Jaykumar Shah:** Yeah, so what we do generally is we only look at, you know, very dated write off portfolios, right? Where, say, let's take an example where you have very small, smaller ticket, relatively smaller ticket LAP book or CD book, where our ability or the cost that we would potentially incur to recover that money over a long period of time is X, and we believe today, you know, what we would recover is what we can get back in cash from the ARC transaction, we look at that as a value transaction, and we go and complete that. And that's exactly what we've done, you know, for a small piece of the NPA portfolio that you've seen in the disclosure. You know, that is what we've done. So it's a small piece, we always look at, you know, cost benefit analysis and everything that we do, to make sure we free up resources for better deployment in future.

**Prithviraj Patil:** Sure, thanks. Thank you.

**Moderator:** Thank you. Your next question comes from the line of Bhaskar Basu from Jefferies. Please go ahead.

**Bhaskar Basu:** Yes, good evening. I had a couple of questions. Firstly, on the vehicle side. So this 4% disbursement growth, if you can kind of give some colour around how much was the drag from a price deflation there. And secondly, when I look at the book, CV new seems to have grown sequentially by about 4%, while used CVs actually shrunk on a sequential basis. So is there anything playing out there? These are the two questions on the CV side.

And my last question is basically on the Business Loan front, where so far you've tightened filters, and how far are you when you think you can start pushing growth again? That's all from my side.

**Jaykumar Shah:** So, Bhaskar, I'll cover it and if I missed something, I think there's a little bit of crack in the beginning. So I'll cover the questions. And if I miss something, please jump in. So, on the CV side, as you would have, you know, observed the whole market-wide, I think the reason why new is higher this quarter is primarily on account of the whole festive season, right? Festive sales were absolutely bumper. And I think that just took off completely on CV new. Obviously, in the festive CV used was a less sought after product, if I can put it that way. And plus, even the pricing clarity wasn't there for almost, you know, a couple of weeks or a month in the beginning. So I think that's the primary reason. Our overall objective over a period of time that we've quoted in the public domain that we would like to be more, you know, pushing towards 'used' to get to a 50-50 over the next 3 to 4 years does not change. In a particular quarter like this, or you know, when you look at March and generally, there's more of new sales push that comes. So, that's how I look at it. If you look at it on a 9-month level, it's more balanced. On a quarter wise, of course, as you rightly put, CV new has grown and CV used is slightly lower, but nothing more to read beyond the festive and the GST and you know, clarity on pricing, etc. That's on CV.

On the Business Loan front, I think if you ask me on the credit side of it, quality, i.e. book health, I think they're good. The way we read into this is now we've got to push hard on the current parameters and grow our book. And that's something we're very focused on. But as we push in the same way across the country, it will take a couple of quarters in terms of moving that into positive territory and getting into growth. Obviously, there's a runoff that happens on the current book. As we push the new book in, the trend to reverse might take some time. But, you know, in terms of wanting to push and intent and credit being there available for us, all of those are there.

**Bhaskar Basu:** Okay. Just two follow ups there. One was a question which I'd asked actually, on the disbursement side in CVs. How much was the drag from price deflation? Like you reported about 4% disbursement growth. Had it not been for the price, what would this be? Just a ballpark kind of sense. And secondly, just on the Business Loan, at this point of time, at a broader industry level, are you seeing unsecured business loan stress starting to kind of abate or stabilize, which will give you comfort to push the growth again?

- Jaykumar Shah:** I'll answer the second one first. Let me wait for the next 1 month to see how/what everybody says. I think it won't be fair on my part to comment on the whole industry. I haven't seen everybody's numbers.
- Bhaskar Basu:** Okay, okay.
- Jaykumar Shah:** On the price deflation side, I think it'd be fair to say it has been, you know, fairly small at this point in time for the quarter. We'll see how that goes. Yeah.
- Bhaskar Basu:** Okay. Thanks a lot. That's all from my side.
- Jaykumar Shah:** Thank you.
- Moderator:** Thank you. Your next question comes from the line of Raghav from Ambit Capital. Please go ahead.
- Raghav:** Sir, hi. Good evening and thanks for the opportunity. I have two questions. One, on your cost of borrowings. So given the INR depreciation that has happened, and I think your exposure to ECBs is about 11%. Did you see your cost of foreign borrowing go up during this quarter? Because despite the rate cuts coming through even in 3Q, the calculated cost of funds hasn't moved really. So that's my first question.
- Jaykumar Shah:** So on cost of borrowing, our entire ECB book is fully hedged. So there is zero impact. We treat it as a fixed product kind of a thing. As I mentioned earlier, there has been a slight reduction of a few bps. There are certain borrowings that obviously come in at current pricing or slightly higher as well. I'm sure all of you are very clued on to the market where rates have also hardened. While there was a rate cut which happened in December, that hasn't really translated much into lower cost of borrowing in most instances. In fact, the bond yields have only hardened at this point in time. That said, we continuously look at our entire borrowing book and work closely with all our partners to make sure it is the right base and the right pricing on a monthly basis.
- Raghav:** Okay. So, you know, even at the margin, the foreign borrowing – the cost of foreign borrowing remains attractive versus say the domestic borrowing. Is that a fair assumption or not?
- Jaykumar Shah:** So, if you ask me as at yesterday, there's a large newspaper article that got printed. Whoever has got money in 7.28, obviously it's attractive. But outside of that window that the RBI gave, it's a little pricey from at least the way we look at it at this point in time.
- Raghav:** Thank you. My second question is on the CV Finance business. I see that your disbursement growth in this business is about 4%. I'm assuming that's after the 5% decline in average value of the Vehicle Finance. But when I look at the volume growth for the industry, right, commercial vehicle retail sales have been up 17% during the quarter. If I adjust that number by the same factor, say 5%-6% decline in value, I am assuming that the disbursement growth for the CV industry would have been, for all financiers collectively, would have been higher than the 4% for you? So is that the correct way to look at your disbursement number and is that comparison correct? I'm just trying to understand the comparative intensity in the Commercial Vehicle finance segment. So your thoughts will be useful here.

- Jaykumar Shah:** Yeah. So again, just making sure we're both on the same page. You're seeing the book number grow. Book obviously has a much larger base to it, right, Raghav? Our disbursements grew at a much faster pace, right, Q-o-Q. In fact, it's one of the higher ends of growth in terms of double-digit percentage. That effect coming onto the book is obviously comes over a period of time, because to give you an example, if you were to disburse a number of 3,000, right, on a book of 30,000, that impact is 10% of that, right. So I don't think both the statements that you made are directly correlated. Obviously, there is a piece that comes through with disbursement growth, book will grow. In terms of the industry, I believe we're pretty much in there. There are certain segments that we may not have operated in more because we don't feel it drives value for us from a yield perspective. But outside of that, I think we're fairly in the zone with the larger industry.
- Raghav:** No, so I think my question was on the disbursement growth itself, which is, I think, 4% Y-o-Y. And then even when I look at it on a Q-o-Q basis, that's I think 15%, but let me take this question from you offline.
- Jaykumar Shah:** Sure.
- Raghav:** And can I ask one more question?
- Jaykumar Shah:** Sure.
- Raghav:** So just your thoughts, some qualitative commentary on the asset quality in CV Finance segment. What are you seeing in terms of customers' ability to repay, fleet utilization, maybe if you can share some numbers around collection efficiencies on the CV portfolio, that'll be very helpful? That's all from my side. Thank you.
- Jaykumar Shah:** Thanks, Raghav. So I'll give you a broader statement. We don't put out specific product-wise numbers. But on the broader side, as I mentioned at the beginning there are two sides to it for us. One is the 90+/120+ book, which has remained in that similar zone and needs to be brought down. Second is the 90 minus if I can put it or the 1-90 book, where the efforts that were taken during the quarter, we were able to recover well. And second we've improved our 0 DPD by making sure delinquencies also reduce in the first instance. So the X bucket has helped. Overall, if I were to look at collection efficiencies or slippages, slippages have reduced a little bit from Q2 to Q3. They stay at slightly elevated levels, which is where we want to really curb it down. So recoveries have improved. We believe as we go through the coming quarter and the next two quarters, we should be in a position to bring the book even more healthier from where it stands today, more towards a Q1 or a Q4 past, in terms of that line. That's at least the aim that we're working towards.
- Raghav:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.
- Avinash Singh:** Hi, thanks. So a couple of questions. The first one on your comment around margins, that it's around 8.1% towards the higher end of your sort of guidance and you are preferring margin.

Does that mean over the coming quarters, I mean this sort of margin will lead to a subpar or relatively lower growth than what you would have otherwise kind of thought like 18% - 20% range. Will this focus on margin leading to sort of a – margin-growth conundrum, you being on the lower side in growth? That's one.

And second, if sort of we were to look maybe for next financial year, given where the sort of your margins are probably topping already of the guided range, what sort of the improvement in credit cost depending upon the current rates you're seeing, that will help the RoA. I mean, because on the margin side, there's very little lever left. So what kind of a credit cost improvement do you expect in the next year? Thanks.

**Jaykumar Shah:**

Thanks, Avinash. So two things. I don't think the margin piece impacts growth directly. Sorry, it does impact, but it doesn't in the sense that we believe we're in the right zone as far as our product mix goes. Plus, if you observe an important factor and thank you for the question, our secured book has actually gone up 50 bps from last quarter itself and almost 90 bps plus in the last two quarters. As the unsecured comes back, which is what we're focusing on, which is two segments for us, which is Relationship Personal Loans and the unsecured Business Loans. We believe that will also help us on the top line. That's one. Now, if that consistently comes through and rates remain as they are and they don't harden, we should be able to operate at a healthier margin. That's one.

Secondly, in terms of helping on the RoA, you're right. With a stable book, our cost to income also we have managed it in a manner, sorry managed would be the wrong word, we've actually made sure we've taken efforts for it to come into the right zone of less than 40%. As the book grows, we should be able to pull back from a 3.7% to a slightly lower. Second important factor is the credit cost. Today, it is at around 2.5% and the endeavour is to move it towards what we had in the prior quarters and shave off some of a few bps from there. We'll see as we go along.

The one thing I would want to leave with everybody that we're very committed to bringing that down and rather than give a number in specific, the focus is really to see how much can we do over the next coming quarters, which can stay in a consistent manner.

**Avinash Singh:**

Yes. Thank you.

**Moderator:**

Thank you. Your next question comes from the line of Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:**

Yes. Hi, thanks for taking the question. So, a couple of ones. So, in terms of the average ticket size, when we look at it, in fact it's still going up compared to where we were in 2Q, particularly on Autos as well as 2-wheelers. So, maybe from 433, it's going up by a percent and 2-wheelers is going up by almost like 3%, 4% compared to where we were in 2Q. So, this is despite maybe the price cuts, which would have been there because of GST. So, how should we look at it? Maybe is it like a premiumisation or focus on a higher ticket vehicle, which is leading to a higher ATS?

**Jaykumar Shah:**

The way I would look at it, Kunal, is I mean, it's a small number just now. The GST cuts have come through, there has been fairly very good volumes that have happened during the festive on

the two wheeler side. I think that's an important one. And you've got to look at it in that perspective. Second is, if you look at our new business, as I mentioned earlier because of the festive actually grew more and whenever the new grows more, naturally you will have a higher ATS.

**Kunal Shah:** ATS is on account of new.

**Jaykumar Shah:** Yes.

**Kunal Shah:** Got it. And fair to assume that on the commercial vehicle side, there wouldn't have been an impact of GST even on the disbursement side in terms of the – maybe the price cuts or maybe the overall, it's purely the volume linked which would be there on the commercial side?

**G. Ramesh:** Yes, that's right.

**Kunal Shah:** Okay. Got it. And just on overall credit costs. So maybe just in the prior question you indicate that you would want to shave it off, say a few basis points. But ideally, when we look at it this kind of a trend both on the Commercial Vehicle as well as on the MSME stabilizing, when should we ideally see it coming off and getting to maybe a steady state level? Would it be like another two, three quarters from here on or would it take slightly longer? How should we look at it? Obviously, there has been an improvement during the quarter. But in terms of the trajectory, should we see something similar for another two/three quarters or it stabilizes over here now?

**Jaykumar Shah:** The way we would want to look at it Kunal is that it stabilizes and improves quarter-on-quarter. Let's see, depending on the overall macro and the markets, how much can we improve on a quarter-on-quarter basis.

See, the longer term, we'd like to operate, at least 10 to 15 bps or at least 20 bps lower than where we are today. Overall, that is where we would want to operate in the longer term. And in the medium term, try and get there faster than slower.

**Kunal Shah:** Okay, got it. Perfect. That helps. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Jay from NBIE. Please go ahead.

**Jay:** Hi, sir. Good evening. Congrats on a good set of numbers. Sir, I have a question on term loans. Could you specify the split between EBLR and MCLR borrowing?

**Jaykumar Shah:** So we have a very small book on MCLR. Most of our bank borrowing on term loans is all EBLR based.

**Jay:** Okay. And what would be the share of HDFC Bank on term loans? Are we getting any support from the HDFC Bank on this side?

**Jaykumar Shah:** We borrow from HDFC Bank like any other large bank. We borrow 100% on, deeply scrutinized related party terms. There is absolutely no preference on either sides. That's the way I would put it. So it's very commercial terms. And it's not that, HDFC Bank puts in a lot more or a lot less. It's very, very transparent in the market that we operate.

- Jay:** Okay. Thank you. And so as we, as highlighted by the participants previously, could you just throw some light on how are the collections going on the CV side? Are you, are you seeing any green shoots there or is the pain still continues?
- Jaykumar Shah:** So I think Jay, I covered that already, happy to catch up later. Thanks.
- Jay:** Yeah. Thank you.
- Moderator:** Thank you. Your next question comes from the line of Sucrit D. Patil from Eyesight Fintrade Pvt Ltd. Please go ahead.
- Sucrit D. Patil:** Yeah. I have two questions. My first question is to Mr. Ramesh. As India's NBFC sector evolves with rising retail credit demand, Fintech partnerships and regulatory oversight, what structural shifts do you see shaping the company's competition over the next 2 to 3 years? Specifically, how are you preparing to differentiate beyond balance sheet growth, whether through digital first lending or customer lifecycle management or any risk analytics? Yes, I would like to hear a view on this? This is my first question. I'll ask my second question after this.
- G. Ramesh:** Okay. So, glad you asked me that question. I've been in the consumer lending industry for about 30 years now, which is pretty much the age of the consumer lending industry in India. I've worked in the consumer lending industry when there were no credit bureaus. So, in this industry, technology change is a given. It is not a one-off event. So that's something that we invest for continuously. So there's no end game as far as technology is concerned because technology itself is a moving train, right? And that's something that we need to adapt to on a continuous basis. We need to adapt to customer requirements on a continuous basis. And we need to adapt to our own business model on a continuous basis.
- I think our business philosophy has been to address aspirational India, which is a very clear segment that we identified as a growth driver for India and for our business. And our company has been focused on understanding what is it that this customer needs through his or her lifecycle? And how do we address those needs effectively? So, which is why, over the last 15 years, we have, you know, developed a large product suite which addresses any need that the customer may have. And that's our whole product development philosophy is that how do we deliver customer needs profitably? So we don't have a hero product in the company which says that, oh, this will acquire the customer and then try to sell another product. For us, a customer irrespective of the product he or she comes through is a hero.
- We try and understand what is it that we can do effectively through their lifecycle in terms of their own aspirations as individuals and as businesses, and how can we service that requirement effectively.
- So whether it's investment in our processes, people, training, technology, or our mindset, it's an ongoing and continuous investment is how we think of our business. Your second question?
- Sucrit D. Patil:** Yeah, my second question is to Mr. Shah. Given the pressure from rising funding costs and the needs to invest in more tech-related platforms, how are you balancing near-term margin protection with longer-term investment that could structurally expand the profit ceiling? Are

there specific levers like liability-mix optimization or operating efficiency or any particular fee-based kind of service that you see as margins expand beyond FY26? Thank you.

**Jaykumar Shah:**

So let me give you my thoughts on this. I think the most important question that you asked me that one, which is on the investment front, investing in technology. So the thought process that Ramesh has had right from day one is that is a necessity. Over the years, that is one area where while we obviously look at pricing everything that we acquire and spend very reasonably, if I can use that word reasonably, there has never been a question mark if our CTO comes along and says, this is what we need to invest for future growth. I think we have not even stopped during COVID. So that is one area we will absolutely continue to invest in. Whatever it takes, we will make sure we will carve out for the business to grow. It is our lifeline and we will continue to do that.

That said, across the company, the culture is extremely strong in how cost-conscious we are. The concept of an IRR on an investment is almost fed into every single person who comes along with and ask for an investment. So we're very blessed in that fashion that the thought process right from bottom up is very positive on that front, that's how I would look at it.

**Sucrit D. Patil:**

I think that's good guidance from your part and I wish the entire team best of luck for next quarter.

**Moderator:**

Thank you. Your next question comes from the line of Chintan Shah from ICICI Securities. Please go ahead.

**Chintan Shah:**

Yes. Hi. Thank you for the opportunity. So just one question on this new labour code. So I understand that the 61 impact is largely due to the retrospective impact. But going ahead, we see any recurring costs, employee costs, or will that...

**Moderator:**

Sorry to interrupt. Chintan sir, your audio is modulated and it's not coming properly. If you can just use a handset if you're using a speaker mode.

**Chintan Shah:**

So is it better now?

**Jaykumar Shah:**

Yes, Chintan, I think I got your question. Let me try and address it and you can jump in again in case if I missed something. So the question was, do we expect something more to come out on the labour code? Right, honestly, as I mentioned, I think that was a question that Viral asked at the beginning, if I'm not mistaken. It is a developing space today, within the finance community. The understanding that we've had along with the guidance we've received, we've taken that ahead. Let's see how it develops over the next coming months. And then we can talk about it more at the end of the year in terms of what the numbers are.

**Chintan Shah:**

Got it, got it. Yeah, that's it from my side. Thank you.

**G. Ramesh:**

I think just having said that, to the extent that we have clarifications, it's been fully provided for. To the extent that we have clarification on the labour codes. So we've not done a partial provision. To the extent that we have actuarial valuations and whatever, it's been fully provided for – it is ₹61 crores at this point of time, yeah



**Chintan Shah:** Sure. Thank you.

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

**Jaykumar Shah:** Sorry, Abhijit, we can't hear you. Sorry, Sagar, I don't think we can hear Abhijit.

**Moderator:** Due to the end of the allotted time, we would take that as a last question. I now hand the conference over to Mr. Jaykumar Shah for closing comments.

**Jaykumar Shah:** Thank you, Sagar. Thank you very much, everybody, for your time and patience. It's been a pleasure talking to all of you. Wishing you all a very happy festive season as Ramesh wished in the beginning. Have a good evening. Thank you very much.

**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.

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