



HDB Financial Services Limited
Q4 FY26 Earnings Conference Call Transcript

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

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Moderator: Ladies and gentlemen, good day and welcome to the Q4FY26 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, Rutuja. A very good evening to all of you. I welcome you all to the Q4 earnings call of HDB Financial Services Limited. We have with us Mr. G Ramesh, MD and CEO, along with myself 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 the press release which has been filed with the stock exchange earlier today and also available on our website, www.hdbfs.com.

We will start with management remarks and then open up the call for Q&A. The audio recording for 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 open up the call for Q&A.

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

As we exit Fiscal 2026, I will begin by **highlighting a few key aspects of our performance** that underscore our operational resilience and long-term trajectory. These represent our commitment to execute our mission of serving aspirational India and sets the stage for continued growth in the coming years.

First, our customer franchise expanded to 22.9 million, about 2.5x since 2022.

Second, our expansive distribution network now covers 1,161 towns and cities of India with 1.6 lakh+ retail and dealer touchpoints. This is the physical distribution; we also have extensive digital presence.

Third, disbursements for Q4FY26 was the highest quarterly disbursement by HDB, growing 11% as compared to Q3FY26.

Fourth, book growth came in at 3.4% in the current quarter along with a marked improvement in asset quality, which sets the trajectory for our growth plans. We maintained the granularity of our 100% retail loan book with average exposure per customer of ~1.66 lakhs.

Fifth, robust operational execution with our pre-provisioning operating profit growing by 7.8% and PAT growing by 16.6% sequentially. On annual basis, our pre-provisioning operating profit grew by about 27%.

Sixth, on the credit and collections front, we had a significant improvement in asset quality across our products. Gross NPA, which we also report as Gross Stage 3 – we don't report two different numbers – reduced to 2.44% as at March 31, 2026 vs 2.81% as at December 31, 2025.

Coming to the macros:

Robust rural demand, sustained momentum in domestic economic activity, and supportive policy measures augur well for the economy. Regulator kept policy rates unchanged and maintained a neutral stance.

Real GDP growth showed resilience and inflation stayed benign. While GDP growth projections remain largely steady, the West Asia conflict and probable weather disruptions from El Niño may have an impact on growth and inflation. Quick restoration of supply chains and timely conclusion of the conflict remain a key monitorable.

We continue to track the rapidly evolving global situation and its potential impact on our business.

Coming to the **vertical-wise commentary**, as you may recollect, we run our business along three major business lines.

On Enterprise Lending: Q4 disbursement for the segment grew by about 28% sequentially and 15.4% Y-o-Y.

Our LAP + EBL book, which is our mortgage business, grew by 3.8% sequentially on the back of about 36% disbursement growth.

Our gold loan book doubled in FY26 with 58.7% growth in disbursement Q-o-Q.

We expect positive momentum on our unsecured business loans going forward, where we have seen significant improvement in asset quality.

Collections and portfolio quality for this vertical has continued to improve.

On Asset finance: Commercial Vehicle and Construction Equipment book showed moderate growth in Q4. We saw continued improvement in asset quality in our Commercial Vehicle business with both early buckets and Stage 3 improving.

Our focused approach within CV and CE segments, backed by our extensive OEM partnerships and dealership networks, positions us for strong growth in the coming quarters.

On Consumer finance, book for this segment grew by 5.3% Q-o-Q and 19.4% Y-o-Y. This was led by consumer durables followed by auto loans.

We expect momentum to continue in this segment on the back of sustained demand for consumer durables, auto loans, and 2-wheelers.

Overall, our customised suite of products enables us to provide credit to aspirational India. Our distribution touchpoints and digital sourcing channels ensure our reach across the country. Focus on digital sourcing channel through our DIY platform, which is do-it-yourself platform, helped us multiply our disbursements by ~2.2x in FY26 and we expect this momentum to continue.

We have made significant investments in our technology capabilities, including AI, which have started yielding positive results for our customers across our marketing, customer service, and collections functions.

- One of our initial implementations is in collections through a scalable bot-based intervention for engaging customers who are in the early buckets. In Q4, over 50% of our customers who needed a nudge were assigned a bot, which resulted in improved collection efficiency of about 25 basis points in the early buckets. As I said, this is still an early stage and we see a lot of improvement going forward
- On the customer service front, we implemented in-house SLM powered auto-sorting and saw 20% reduction in response times, ensuring faster resolution of customer queries.

We are currently running 5 large AI-powered business initiatives across the organization. We will continue to invest in technology to drive efficiencies.

With that, looking forward to a healthy FY27 with a strong growth trajectory. I will now hand over to Jaykumar for an update on the financials.

Jaykumar Shah:

Thank you, Ramesh.

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

- Customer franchise grew to **22.9** million with an increase of 4.3% sequentially and 19.7% Y-o-Y
- Gross loan book as on March 31, 2026, stood at **₹1,18,493 crores**, growing 3.4% sequentially and 10.9% Y-o-Y. Secured loans comprised **74%** of the gross loan book.
- Disbursements for the quarter ended March 31, 2026, was **₹19,922 crores**, up 11.2% sequentially – an all-time high, as Ramesh mentioned, for HDB
- Branch count stood at **1,730**, spread across **1,161** cities and towns.
- Net interest income for the quarter was **₹2,399 crores**, an increase of 5% Q-o-Q and 21.6% Y-o-Y; Net interest income for the year ended March 31, 2026, was **₹8,968 crores**, an increase of 20.4% Y-o-Y

- Net interest margin for Q4FY26 was **8.23%** vs 8.09% in Q3FY26 and 7.55% in Q4FY25. Net interest margin for the year ended March 31, 2026 was **7.96%** vs 7.56% for the year ended March 31, 2025
- Cost-to-income ratio for our lending business was **39.5%** in Q4FY26 as compared to 41.6% in Q3FY26 (if we were to compare it with after labour cost, that was 39.5% in Q3FY26, so it's largely remained flat), and 42.9% in Q4FY25. The ratio for the year ended March 31, 2026, was at **41.1%** vs 42.8% in the prior year. Cost to assets for the year was at 3.8%
- PPOP, which is Pre-Provisioning Operating Profit, for the quarter was at **₹1,675 crores** as against ₹1,555 crores for the prior quarter, a growth of 7.8%.
- Credit cost for the quarter stood at **2.35%** as against 2.52% for the prior quarter.
- Profit after tax for the quarter ended March 31, 2026, was **₹751 crores** as against ₹644 crores for the prior quarter, a growth of 16.6%.
- Gross Stage 3 as at March 31, 2026, was **2.44%** as against 2.81% as at March 31, 2025.
- Provision coverage on Stage 3 stood at 55.53%.
- ROA (annualized) for the quarter ended March 31, 2026, stood at **2.48%** and for FY26 stood at **2.19%**
- ROE (annualized) for the quarter ended March 31, 2026, stood at **14.83%** and for FY26 stood at **13.94%**
- Earnings per share for the quarter was **₹9.0** and the Book value stood at **₹248.9**
- Our borrowing mix remains well diversified with a positive cumulative mismatch across all buckets up to five years.
- We remain well capitalized with the total capital adequacy at **21.40%** as at March 31, 2026.

We can now open up for Q&A and Rutuja, we will hand it over to you, to open up the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Yes, good evening. Thank you for taking my question. And first of all, congratulations on a good quarter. That's exactly where my question is. That, while most of us know that...

Moderator: I'm so sorry to interrupt you, Mr. Tibrewal, but can you please check your audio quality? It is sounding a little muffled, sir.

Abhijit Tibrewal: Is it better now?

Moderator: Yes, please go ahead.

Abhijit Tibrewal: So, sir, I mean, I said, I mean, congratulations on a good quarter. And that's, I think, where my question is. We kind of, almost all of us know that we did not see any impact of the war in the month of March. But if you could just help us understand, what is it that you started seeing maybe in the last week, 10 days of March? What is it that we've seen in the first 15 days of April? Because I think, I remember, I think, sir mentioned that quick resolution of the conflict

and restoration of supply chains remains a key monitorable. So, I mean, are we seeing supply chain disruptions? Are we seeing some impact on CV operators, particularly in the vehicle financing business? That is the first question that I wanted to understand.

Jaykumar Shah:

Thanks, Abhijit. Let me cover it as a whole. I think it's important to look at it holistically. I think CV is a portion of our business. So, overall, March, while there have been talk in the market, I think March for us went well, and that's clearly reflected in our results. There has been clearly a concern and, you know, we called it out in our opening address, Ramesh mentioned it, that the West Asia conflict remains a key monitorable. I believe the government is doing a reasonable amount of work to make sure that while there are pressures all across, they're trying to keep things as normal as possible. I think at this point in time, the way we would call it is that I think it remains a key monitorable. There are certain challenges, but we remain focused on our growth from here on, and over the next 15-20 days as the situation develops, we will keep monitoring it closely.

Abhijit Tibrewal:

Got it, sir. And then, sir, the second question I have is, while you spoke a little bit about the CV ecosystem, on the same side, we also have this MSME and the SME ecosystem, which we all believe and keep hearing and keep reading, could be one segment which could be vulnerable, if there are kind of supply chain disruptions, if the means of these MSME and SME customers get impacted because of the ongoing conflict. So, I mean, there, any thoughts and the related question is that, if at all you are seeing anything already in the month of April, was there any deliberation around building some contingency provisions or some buffer provision?

Jaykumar Shah:

So, Abhijit, the way I would look at it is, the results are obviously as at March. And, we do continuously discuss as a business, because our business is pure retail. Right? So, at this point in time, we haven't seen any specific level two/level three impact coming through, is the way I would put it. Again, I will, at the cost of repetition, the situation remains a key monitorable for us. As and when things develop, I think we will do the needful.

The one good thing is that, you know, across the years, I think we remain very strong in terms of making sure we have touchpoints on the ground. Across our LAP business, across MSME business, we have called it out in the past that we had challenges, we're over it, right? We called it out last quarter. We are completely over it as at the March quarter. And the whole focus now, on the ground, across enterprise lending business, across CV and across consumer finance is growth.

So that's the way I would put it and that's the way we would like, you know, our stakeholders, our people, our investors to work with us on the growth agenda. Obviously, if things change globally and things change on the ground and there's level two/level three impact, we're well positioned to deal with it.

Abhijit Tibrewal:

Just a follow up on what you just answered. I mean, if I look at this year, I think we've reported around an 11% kind of a Y-o-Y growth in our loan book and we've seen momentum build in the second half of this fiscal year. And like you mentioned, right, the focus is on growth. So, I mean, how are we going to approach FY27? Let's keep this conflict aside for a bit, but if things were

to become much more peaceful than what it is today, what is it, how is it we are going to approach growth in the coming fiscal? That's all from my side. Thank you so much.

Jaykumar Shah: Thank you. So, the way I would look at it, Abhijit, is that we've always called out that in the medium term, over the three-year agenda that we have, we look at a Nominal GDP + 6% to 7% growth and we're very focused on making sure we deliver to that.

Abhijit Tibrewal: Yes, yes. That answers my question. Thank you so much and I wish you all the very best.

Jaykumar Shah: Thank you.

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

Renish: Yes. Hi, sir. Congrats on a good set of numbers. Sir, just couple of things, Jay, maybe slightly repetitive but please bear with me. So on the growth front, right, I mean, if we look at FY26 as a whole, you know, barring last maybe 45 days or two months, we are still on the lower side, which is sub-10%. Obviously, our growth aspiration has always been nominal plus 6%-7%. And now as you mentioned in your opening remarks as well that the stress in CV or maybe unsecured PL is largely over. So how confident we are of achieving those aspirational growth numbers in FY27 - FY28?

Jaykumar Shah: Okay. So I'll just put numbers into perspective, Renish. Our Q2 disbursements were ₹15,599 crores and it's on Slide 22 in case if anybody wants to refer. Q3 was ₹17,917 crores. Q4, we exited at ₹19,922, right? And the clear aspiration from here on and the goal and the plan is to start delivering on this base and forward, right?

To be able to achieve our numbers, and we have plans in place, we've started April with the same level of vigor, the same level of conviction within our teams to be able to deliver on the growth agenda that we have.

The first step obviously in there is disbursements. Some amount of math will play in, in terms of how much disbursement relates into how much book. What I would like the investor community to read into to begin with is the disbursements because as that starts growing and that starts resulting in the positive book, you will automatically see the movement towards what we want to deliver.

Renish: Okay. So you're trying to, let us say highlight that from Q1 onwards, the improving trajectory which we are witnessing in second half of FY26 ideally will continue and that will obviously lead to the kind of growth we are looking for. I mean, is that the fair assumption?

Jaykumar Shah: Yes. And just to make sure we are on the same page, Q1 generally is slower, so I would compare Q1 to Q1 obviously, not Q1 to Q4 and say there is a 10% jump on Q4 to Q1. But obviously, there will be good amount of positivity that you will see or we expect to see from ourselves as well.

Renish: Got it. And secondly sir, I was just looking at the repayment rates and as per my calculation in enterprise lending, my repayment rate has jumped to 11%, which used to be average 9% on

quarterly basis. So just wanted to check, I mean, is that due to higher BT-out in LAP or is there a product mix change within enterprise lending, which is leading to higher repayment rate?

Jaykumar Shah: So maybe more a product mix thing. Today, we haven't seen anything odd in the month of March than what we see generally in March for LAP and EBL. The other thing as we have said and in the past and we continue to focus on is the risk-adjusted portfolio that we look at, right? And if you look at growth, right, the enterprise lending business genuinely grew at 20%+, right? Ramesh called it out in terms of the enterprise lending business growth and that's a very positive thing, so Q4 disbursements grew 27.9% sequentially. And that's a very powerful statement for us in terms of our ability now to pump things in and move forward from here.

Moderator: I'm sorry to interrupt. May we request Mr. Renish to please rejoin the queue?

Renish: Okay. Yes. Sure. Thank you, Jay.

Jaykumar Shah: Thank you.

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

Viral Shah: Yes. Hi Jay. First of all, congratulations on good set of numbers. First is with regards to the, I would say, the cost of funds and the margins. So in Jan, Jay, you had mentioned that now incrementally there is not meaningful scope and room for cost of fund reduction. So just first wanted to understand what has resulted in this 35 bps improvement on a sequential basis? And more importantly, how should we look at it I would say going ahead, especially given the way the bond yields are? And even if say the war resolves, some of that impact is going to be more lasting at an economy level. So how should we now look at it incrementally? So that's my first question. I'll come for the second question again after this.

Jaykumar Shah: Okay. So the way to look at NIMs and let me start holistically first, Viral. So if you look at NIMs – one of the biggest things, we have priced ourselves over the last three quarters that we've been speaking, is on holding to our rates, right? And that has continued in this quarter as well where across every single product that you look at in our portfolio, we have made sure as a business, as a team, we have held on to our rates. So very clear on making sure the risk-adjusted return that we make, we do well.

So there has been a slight reduction of maybe 7 bps-8 bps, you know, on the yield side, but that's purely on account of product mix. So you could see that disbursements on the unsecured book hasn't grown as much. And that's something, as I mentioned earlier, we're very focused on making sure that grows. Once that growth comes back, the yield should come back and make sure we stay within that 14 plus range. So that is step number one.

The second big item, on the borrowing side that you mentioned, as we've been speaking, we said that, you know, we were confident of our borrowing costs and we continue to be confident. What we have done is we've made sure on the borrowing side, we have used certain strategies on borrowing which help us reduce cost. We have made sure we've worked with our partners to keep costs at a bare minimum. And there has been some advantage that we had called out earlier that we don't have any more low-cost borrowings which are to reset. We finished all of that. The

last tranche almost finished in October – November 2025. What that has allowed us to do is that if there were borrowings, you know, at 8%+ or even a 7.5%, we've managed to further work on that and make sure we tighten the ability on our side to make sure that the funds we get into the company are at the best rates to enable business to go out and lend, and lend to the right quality customers to ensure we get a good risk-adjusted return.

So pretty much sustained that, Viral, and some of these pieces, you know, it's not one particular strategy. It's a combination of various things that we've been working on for the last few years falling in place, working through it, strategic pieces coming in and making sure it helps us, you know, come to a cost of borrowing which we're good at.

So that's been the key focus. In the market, has borrowing cost gone up over the last one month? Answer is yes. The one thing you will see in our borrowing mix is that we still have very low CPs and that's dry powder that we have kept with ourselves. We still have a very healthy mix in terms of bank loans. So it has not even crossed 50% today. So we are making sure that we are very careful with how we borrow, don't let our mix go off and make sure that this is sustainable.

Viral Shah: Got it. So you expect this cost of funds to broadly sustain even if where we are the broad market rates are?

Jaykumar Shah: I would like to think at least for the current quarter we're good, right? Beyond that obviously nobody knows what can happen tomorrow morning. But everything remaining equal, I think we will be able to sustain it in the near future for sure.

Viral Shah: Got it. And my second question Jay was with regards to, I would say on growth, and I know a couple of questions you addressed that and of course fully understand that it is first going to reflect on disbursement and then gradually on book. But within that when I look at the mix, right? So first of all on a Y-o-Y basis the disbursement growth is 13%. Of course there is a seasonality just as from 4Q to 1Q, similarly from 3Q to 4Q also there is a seasonality, right? So on a Y-o-Y basis the disbursement growth is still 13%.

A, first of all, do you see this picking up to say at least say in the corridor of 18% to 20%? The reason why I say this is that the mix of it, the share of or at least the growth of asset finance which is typically a longer tenor book is actually reducing and whereas the enterprise and consumer finance is actually driving this disbursement growth.

So for our AUM growth to kind of say materially pick up and eventually at least show up say over a period of time, we would need this disbursement growth to be at least 18% to 20%. Do you see visibility of that?

Jaykumar Shah: So let me cover a few aspects. Today when you look at our enterprise lending and asset finance and, the consumer finance side. So in enterprise lending we have LAP which is a longer tenor product. In consumer we have two-wheeler and auto loans which are relatively longer period compared to a consumer product. Plus in the asset finance space as well, we have discussed, you know, on multiple occasions over the last quarter that we are very focused on making sure we grow our used business. And we have a lot of plans in place, we've done a lot of homework there

and we are relatively confident that that business also we will grow well. So across the board in areas that we wish to grow, that level of confidence is there today.

To your second question, I'm very hopeful on a Y-o-Y basis the number that you mentioned is something which we will work towards and if everything remains equal, hopefully we'll do well on that number as well.

Viral Shah: Right. And can I just squeeze in last question?

Jaykumar Shah: Okay.

Viral Shah: So basically, on the asset quality front, agreed there has been I would say very marked improvement in 4Q. Just wanted to cross-check on one piece. There has been a sharp 30 bps increase on Stage 1 PCR. So is this just an annual refresh or there is something else over here which has fed in?

Jaykumar Shah: No, so we've discussed in our previous interactions Viral that, given that we are a very retail lender with a highly granular book, our provisioning is determined, you know, or driven largely by our product mix. Right? So it's very granular, it's refreshed every quarter, right? There's nothing called one time. We identify homogeneous asset pools for calculation of ECL which is driven by PD-LGD of those pools and the segment/sub-segment as applicable. One of the things our provisioning methodology takes into account is, you know, the company's historical credit loss experience, current economic conditions, forward-looking information and scenario analysis. That's built into it in terms of the methodology and that more or less comes out. So there's nothing specific that I would want to highlight, but we are well positioned in the medium term in terms of, the base at which we wish to operate on the credit cost side.

Viral Shah: Got it. So basically, this partially does take into account the current scenario that we are in.

Jaykumar Shah: Yes. The methodology makes sure that, you know, if there is any adverse thing, to an extent it would, you know, take care of those things.

Moderator: Sorry to interrupt. May we request Mr. Viral to please rejoin the queue? Thank you. The next question is from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani: Yes, thank you for the opportunity. I had a question around the vertical-wise asset quality that you have shared. Just wanted to highlight – we only have data for three quarters, but just wanted to understand first is on the asset finance bit. It seems to have moved from, the gross Stage 3 moved from about 3.1% in fourth quarter of FY25 to 4.3% last quarter and now reversed back to 3.8% So this is quite dramatic an improvement while even the deterioration was quite rapid. Can you help us understand what exactly is driving this much faster recovery trends that we are seeing over here? Is it simply a function of market environment improving or anything that we were talking about our technology-led collection team, AI-led collection bots, making it easier for us? Or anything that you can highlight on that front that will be useful?

Similarly, on the enterprise lending in the gross stage 3 and the PCR, while we called out the stress in this book in the last couple of quarters, the PCR here used to be much higher at about

57%, 58% or so last year. We've brought this down, so it seems a little contrary. We thought that, I mean, there would be a little bit more provisioning required over here for this book to clean up. So, just some understanding around the provisioning for the enterprise lending book? Thank you.

Jaykumar Shah:

Yes. So, Shreya, let me take the opportunity to make it a little more holistic and give you both your answers as well.

So, if you look at how our stage 3 has operated, an important piece is enterprise lending moved from 1.82% to 1.58%. It was 1.79% last year, right? So, there's been a marked improvement there.

And across the Board, as I mentioned, a lot of our calculation happens through PD – LGD, and what the underlying book mix is. So, there's not much that we go in and check as to what account falls under A or B, and we do some manual adjustments – We don't do that. It comes in a very automated format. In fact, I would like to give credit to our IT team and our finance team that they have actually fully automated ECL this quarter. So, it actually comes out from the system. Now, in doing that, obviously, there will be certain loans at a particular stage with different kinds of PD – LGD in different sub-products. So, it's purely an outcome. We don't believe there is anything more that we need to do. I hope I never have to bite my tongue on this one, but there's a lot of work which has gone in to make sure that we're comfortable with the book in enterprise lending and be able to grow from here on with good quality. So, that's the first one.

On asset finance, as you rightly mentioned, it has moved from 3.14% to 4.3% to a 3.79%. Now, as you would remember, when we called it out in Q2 and Q3, there was a challenge which the business got hit by, and the recovery has been slightly K-shaped. And what do I mean by that? The accounts that went and got challenged at the end of Q1, their recovery hasn't been very great. So, what we have done, and if I can just share some insights, what we have done is we've made sure we push hard on that recovery to reduce stage 3. And that's where the business and collections team together have done well. But at the same time, they've worked very hard to make sure flow forwards reduce. And that is a key thing from a future standpoint, which gives us the confidence, as Ramesh was mentioning, from a growth standpoint, to be able to grow from here on, because what we are on-boarding now is good. So, you will see that stage 3 come down. At the same time, you'll see the health of the overall book sustain as well.

And finally, on consumer finance, there also you see good improvement from Q3, while from last March, there has been a slight uptick – so, that 2.26% is now 2.44%, but there are lots of strategies in there that we have today to be able to work around this number and hopefully pull it down, or maybe stabilize it over the coming quarters. Yes?

Shreya Shivani:

Right. Just to follow up on that, in the asset finance, you mentioned there's a K-shaped recovery. So, the accounts which were challenged in one – first quarter, there it has not been great, but the accounts which probably slipped in the last quarter and all, they are recovering at a much faster pace. Is that the way to think about it?

Jaykumar Shah:

Yes, in one word.

Moderator: The next question is from the line of Sonal from Asian Market Securities.

Sonal: I just have a few questions on the disbursement side. So, if I look at enterprise lending, there has been about 27%-28% growth on Q3 basis. So, what really changed in between the two quarters? What is it that the company did which led to such high growth on a Q3 basis?

Second is on the asset finance. So, if I look at the full year number, there has been a decline of 3% disbursement. So, I just wanted to understand, I mean, was this a conscious call just to focus on the credit quality that you've allowed to grow or probably declined this book a bit in terms of disbursement?

Also, I mean, we've been talking about 50-50 used and new kind of mix within asset finance. So, going ahead, I mean, how should we look at the growth, especially in the asset finance segment? And maybe you could call out in the next one or two years, how should your AUM be?

Jaykumar Shah: So Sonal, two parts. I'll go through EL first. On the enterprise lending segment, we had called it out in Q1 that we had strategically or tactically looked at focusing on making sure the asset quality comes back, especially within the business loan side. By Q2, we were relatively confident. From Q3 onwards, we have really started pushing on the growth front, that's come about on the secured business within enterprise lending in a good way. On the unsecured business, we have the house in order in terms of the backend, in terms of the credit engine, in terms of the criteria that we look at. Now, the whole focus is just one, making sure our guys get onto the ground with the confidence that the risk-adjusted pricing that we are talking about, go to the right customer for the needs that they have, support them in their growth, and ensure HDB grows as well. So, that's the focus really on enterprise lending.

On the asset finance side, you're right. We've spoken about reaching towards a 50-50 over a four-year period, and that is something which I called out earlier as well, that we want to really grow our used business. So, on the new side, we will grow at industry rates. On the used side, we are going to push more. We are much smaller today than a lot of established players in the market, and with the kind of network that we have, with the kind of teams that we have, I think the focus is really going to help us push that hard. It is a key deliverable for us. We will be watching it closely. And I'm sure in three months' time when we speak again, this is something that I'm very hopeful I am able to deliver a good amount of positivity on that front.

Sonal: And so, on the AUM mix?

Jaykumar Shah: So, the AUM mix today is 38-38-24. I think over a period of time, it could be 38-37-25 or so in the short term. So, every single business that we have remains a key focus area for us. There is nothing that we're deprioritizing. We are just making sure that as we grow from here and we double in size over the coming years, the risk-adjusted portfolio is a conscious decision and not something that we have to worry about at some point in time.

Moderator: The next question is from the line of Shubhranshu Mishra from PhillipCapital.

Shubhranshu Mishra: Sorry, I joined this call a bit late. If you can just reiterate the growth guidance, both for disbursement and AUM, the credit cost guidance, and the NIM guidance for FY27. Just one data point which I wanted to understand. What is the total quantum of write-offs for entire year FY26 and in fourth quarter FY26? Thanks.

Jaykumar Shah: So, Shubhranshu, first thing, we don't provide guidance on specific numbers. But I'll cover it in a manner of what I have been speaking with all investors over the last few quarters.

So, on the growth side, we are looking towards the medium-term trajectory, CAGR-wise, Nominal GDP + 6% to 7%. And at this point in time, you will see that first coming through disbursements. And then obviously, on the book front, it will reflect as such.

On the credit cost side, we've discussed over the last couple of quarters that we wished for it to moderate in the range of 2.3% plus/minus. And at this point in time, we believe that going forward, we should be able to work with that number for the medium-term.

On the NIM side, we have guided or we have spoken, and depending on how the market goes, of making sure that we maintain an 8%+, today it is 8.2%. The businesses have been very focused in making sure at no point in time we drop yields. So, that's really helping in making sure it stays up. On the borrowing side, again, the teams have done extremely well in making sure our strategies work. So, we're at 8.2% (NIM) today. But an 8%+ is something which we would want to be at every point in time over the coming period. So, that's something which when we compare it to last year, we had dipped at a point in time. Going forward, we will make sure that we're consistent in an 8%+ NIM.

Shubhranshu Mishra: The quantum of write-off in this quarter and for year FY26?

Jaykumar Shah: So, we'll pick it up. It will be there in the financials. I think we just pick it up offline in terms of the number as such. Yes.

Shubhranshu Mishra: Okay. If I can just squeeze in one last question, the growth in opex, how much are we expecting in FY27?

Jaykumar Shah: So, my opex today is at, whether you count it as a 39.5% (Cost-to-income) or a 3.7% - 3.8% (Opex to gross loan book). I think we will range around 3.7%. Ramesh mentioned about a few AI initiatives that we're running. And we're very keen that we continue to invest in the business from a growth standpoint. At the same time, our Chief Credit Officer is very keen to make sure that on the collection side, some of these initiatives also help us, you know, reach out to customers better in making sure we nudge them in the right way for money to flow back in faster. So in similar range. Thank you.

Shubhranshu Mishra: Thank you so much. Best of luck.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Hi, sir. Thank you for giving me the opportunity and congrats on a good set of numbers. My question was on margin front. So, we have been trying to, let's say, increase the used segment

within CV/CE as well as our share of consumer loans is also marginally increasing and we are aiming at further increasing it, whereas on the cost of fund side, you highlighted that we would be able to maintain it at current levels for at least medium term.

If that happens, then what is the kind of, let's say, margin that we can reach to? Because if these levels play out, then truly, is it possible to do maybe on a sustainable basis at an 8.2% margins?

Jaykumar Shah:

So, first of all, thank you, Shreepal. And I'm very hopeful that what you have asked is what I can deliver. Just to clarify, what I said is at least for the current quarter, right, we should relatively be good on our cost of borrowing. And there is a lot of volatility today, Shreepal. So, what we were borrowing at probably 3 months ago and today has been slightly different.

I'm hopeful that going forward, we will keep it (NIM) at higher levels, but an 8%+ is a non-negotiable the way we treat it internally today, right. And that is something when we make our 2-year, 3-year, 5-year plans, that is, as I said, a complete non-negotiable. At every point in time, like any good business, we will maximize how we look at our assets in the form of risk-adjusted return.

As I said, the business has been great in terms of making sure that yield stays. The product mix, we have been comfortable all throughout at a 72%-28% mix, 72% being secured. We are at 74% secured today. So, as we grow some of those businesses and that comes in, hopefully, that helps us on the top line. And with borrowing costs, if all stays well, let's hope that we're able to talk about the number in the medium term that you mentioned.

Shreepal Doshi:

Got it, sir. Just one last question was on the branch network side. So, that number has come off. I understand we must be rationalizing some of the branches or maybe consolidating some of the branches. But should we plan to add branches, let's say, overall in FY27 or let's say in FY28 time period?

Jaykumar Shah:

Absolutely, but I'll turn it around a bit. We have not reduced a single square footage of usage in the last three quarters that we have been in existence (as a listed company), right.

So, the most important thing, Shreepal, that we are looking at now is looking at branches, and just so that all of you are on the same page. Today, when we set up a branch, we set up a branch even in 600 square foot and 800 square foot, right. As a branch grows, we might have two branches in the same vicinity that we have done over a period of time. We are looking to see how do we double, combine that branch potentially, and maybe multiply it in terms of size. So, there are a lot of branches today that we've moved from a 600, 800 square foot to a 4,000 square foot, right. And that helps us deliver better to the customer. You need one branch manager, you need one security guard, a very trivial thing, which is very important in the working space, and you'll properly have toilets. The employee well-being is better, the feel is better, helps us deliver better to our customers. So, a lot of those factors have gone in, in making sure that the space that we have now is properly suited for the next 10 years.

So, that's something we've been working very hard on. So, you might see 20-30 branches go up and down. The focus also is how we deliver better to our customers. So, DIY that Ramesh spoke about, going 2x to maybe 5x, etcetera, growth-wise, right. That does not need a branch – that

needs technology. And as I mentioned, that's something we'll continue to invest in to make sure we deliver on the overall growth targets that we have.

Shreepal Doshi: Got it, sir. Thank you, sir. Thank you so much for answering my questions.

Jaykumar Shah: Thank you.

Moderator: Thank you. The next question is from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil: Good evening to the team. I have two questions. The first question to Mr. Ramesh is, how do you see HDB Financial Services expanding its lending and customer financing business in the coming quarters, especially in terms of reaching new customers, improving service quality, and using digital platforms to make borrowing simpler? That's my first question. I'll ask my second question after this. Thank you.

G Ramesh: Okay. So, if you look at our customer franchise, that's grown from about 5 million in 2020 to about 22 million in 2026, right? So, it was 12 million in March 2023. It was about 5 million in 2020.

So, a key to our growth, we believe is the customer that we service in India, which is aspirational India. This segment is expected to grow as India grows, as India gets larger economically. This segment is likely to have the most outsized growth in terms of just sheer number of people who will come into our addressable base. So, that's the first point.

The second point is that we spoke about our distribution. We are present today in 1,161 towns and cities. I can assure you that the 1,161 town that we're talking about is probably as small as what a cluster can get. But I think what we've been able to do is to deliver service standards, which are uniform across the country. So, in our consumer finance business, where we work with more than 100,000 retailers, whether the retailer is in a metro like Mumbai, Delhi, or whether he's in a small town like Jorhat, the service standards are same in terms of the time it takes us to do a credit appraisal and do a delivery. And by the way, this is true for all products, but I'm taking consumer finance because that's a product where we deliver a credit decision in a matter of few seconds or minutes. So, that's the second point in terms of how do we engage with our customers in a very, very transparent and non-discretionary manner.

So, the third thing is that our extensive distribution means that when we work with our manufacturer partners, whether it's in our commercial vehicles, construction equipment, consumer durables, digital products or tractors, we have a very strong proposition for them in that we can cover practically the entire country – and give them a value proposition, not just restricted to 100 or 200 cities, but 1,000+ cities in India. That's a very strong proposition. It's a strong moat. It's not easily replicable. Building this kind of distribution takes time and building consistency in service delivery takes even more time.

The fourth is on our digital initiatives. Today, you can go to an e-commerce platform and get a loan through HDB, even if you are new to HDB. Most of our – the downloads of our app today stands at 1.41 crores downloads. We have 4.76 lakh daily users on our app. What this enables

us to do is to engage with our customers who are our existing customers to make sure that we're able to tell them about what's happening, what are the offers we have for them, and what else we can do for them so that we have an extensive engagement with our customer base.

So, what it enables us to do is to engage with the customer through their lifecycle and that's really the proposition of our company, that how do we engage with the customers through their lifecycle. So, whether it's a consumer loan that they want to enhance their lifestyle or whether it's a vehicle loan to augment income or whether it's a loan against property for a capital investment or for a business expansion that they have. So, irrespective of the use-case or the need-case, we have a suitable product and that product is the hero for that customer at that point of time. So, that's the fourth point.

The other point is on use of technology. Some of this is for the three key use cases for technology. One is to reduce time to deliver credit or time to collect or time to service a customer. So, I think that enables us to deliver a consistent proposition to customers. The second is to reduce cost. There are certain activities, if I can put them on a digital workflow, I reduce the cost as compared to what I would do otherwise. The third is to improve quality and given that we originate almost a million customers a month or thereabouts, which means that we have to deliver very high quality service. So, if I'm going to do 100,000 consumer loans, I have to make sure there are 100,000 pay outs, payments go to the dealers without any delay, so that we have consistent business coming through.

So, whether it's cost, quality or time, we put out metrics when we put out a technology project and make sure that we deliver on those numbers and we monitor to make sure that those technology interventions deliver the results that we are looking at.

Sucrit Patil:

Thank you. My second question to Mr. Shah is, how do you plan to manage risk in the lending business, such as credit defaults or any compliance changes and market volatility, while keeping the profit steady and ensuring a sustainable growth for the company...? Thank you.

Jaykumar Shah:

So, the way we look at it, first and foremost you need to think about us, that we are an HDFC bank subsidiary. Today, every single regulation that comes in, pulls it more towards like a bank. The benefit we've had, if I can put it that way, is that every single bank regulation that comes in, we are actually operating on that any which ways. And within those realms of possibility or boundaries that we have, we have a moat in terms of how we deliver to our customers and make sure that the customers that we look at, clearly have a need for what we do and we partner with them on their growth. So, at this point in time from where we are in the overall credit cycle, where we are with our customers, as we mentioned we're very focused on the risk adjusted portfolio, risk adjusted customer that we looked at. And over the last quarter, it's a testament in terms of us holding on to our top line. We will continue to do that. We have a wide variety of products, each product, each sub segment in that has a focus in terms of which kind of customers they should look at. The credit teams put out details in a very, very granular manner and that will absolutely continue going forward.

Sucrit Patil:

Thank you, and best wishes.

- Jaykumar Shah:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.
- Manish Ostwal:** Yes, sir. Thank you for the opportunity. In terms of sir, customer segment like we are – are you seeing in this particular financial year, have you seen any major market share gain in some of the product categories or customer segment compared to our competitors in this particular year – can you call out some products or segments?
- Jaykumar Shah:** Sorry, Manish, we're not clear about the question. Could you help me understand a little more, rephrase it or help me understand it better?
- Manish Ostwal:** My question is, sir, I want to know HDB Financial gain..... in particular customer segment?
- Moderator:** I'm sorry to interrupt you, Mr. Manish. We are unable to hear you, sir. Your voice is breaking.
- Manish Ostwal:** Am I audible, sir? Now it is better?
- Moderator:** Please go ahead.
- Manish Ostwal:** Yes, my question is this particular....
- Moderator:** I'm sorry to interrupt you, Mr. Manish, but it is not audible. We are unable to hear you, sir. It is breaking while you are speaking.
- Jaykumar Shah:** We will go to the next speaker and we'll come back to you, Manish, because we really can't hear you. And if there is something that we missed, then you can obviously get in touch with Gaurav and then we'll come back to you as well.
- Moderator:** Thank you. We'll move to the next question, which is from the line of Renish from ICICI Securities. Please go ahead.
- Renish:** Thanks for the follow-up. See, just again touching upon this distribution thing. I mean, for retail business obviously the distribution is a key pillar. Now, when we look at whether it is, town and cities addition or physical branch addition over the last one year or so, it is actually either flat or there is a decline, right? So, how are we seeing this internally and what gives you comfort that we will be able to achieve our aspirational growth targets with this physical network and also distribution in terms of town and cities?
- G Ramesh:** So, Renish so what I think one of the things that's changed over the last few years is the amount of digitization of processes. So, no more does a sales officer carry a file to the branch anymore. The credit is delivered to where the customer is in most of our product categories, right? In most of our customer categories, credit is delivered in the field, it is not decisioned in the office. So think of a consumer loan or a vehicle loan, the credit is delivered at the point of sale, it's not delivered and decided in the office anymore. So which means that, I don't have to have a physical office in the vicinity of where my sales person operates, for the person to carry a file every day to the office.

When we started our business in 2008, practically every customer application, there would be an application with supporting documents which would be received in the office at the end of the day. Credit officer would look at that file and the process would start then.

Today the process starts when the customer is met, expresses interest and shares some basic documents. Those are all scanned in real time through an app that the sales person carries. I'm talking about assisted journey. In a digital journey the customer does all this by himself or herself. So the need to have a physical office in the proximity of our distribution network is lower today. I mean, I could simply ask the sales person to visit the office once a week if it's 50 kilometres away.

So what we've been able to do is to set up more distribution points through our feet-on-street and through our digital channels than what we could have afforded to do a few years ago. I think the decline you see is really because some of the smaller locations where we had offices, we decided that it's not worth keeping a physical office anymore because that location can be serviced from a second location.

The other thing that I spoke about is that our Do-it-Yourself (DIY journey) has gone up by 2.2 times in one year. Now a lot of existing customers, right, because they have had good repayment relationship with us – we encourage our customers to come through our app where the offers are available and complete the journey digitally itself because that can be done whenever the customer is free whether it's 11:00 a.m. in the morning or whether it's 7:00 p.m. in the evening, does not require a personal intervention. And if the customer at any point of the journey wishes to engage with the company, there's an option to convert that digital journey to an assisted journey.

The third thing that you also have is that today we have an option for customers to even use our – take our loans through e-commerce sites which again is a fully digital journey. So distribution expansion is a function of, you know, the physical presence, distribution presence which is unassisted journeys, and digital presence, which is again unassisted journeys.

So today a dealer can login a file on our behalf because we've given him an engagement layer and then the customer journey can start from there, does not require our person to be there. So, we will use all available methods to expand our distribution and continue to expand that. I think physical offices, unless there's a certain size that we reach, we take a call on whether we need a physical office or not.

As I said, I can have a sales person working remotely and visiting our branch only once a month because there's nothing that he really needs to do. He doesn't pick up payments, he doesn't, carry files anymore because it's all digitally transmitted.

Renish: Got it.

G Ramesh: Anything else you want to add Jay?

Jaykumar Shah: No, I think that's great. Thank you, Ramesh.

- Renish:** Sir, just follow up on that maybe Jay if we have time I don't know or I can...
- Jaykumar Shah:** So I think we're running out of time, Renish. We can pick up things offline. Is that okay?
- Renish:** Okay. Sure sir. Sure. Thank you so much sir.
- Jaykumar Shah:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, this our last question for today, which is from the line of Jay Betai from Nirmal Bang Institutional Equities. Please go ahead.
- Jay Betai:** Hello sir. Thank you and congratulations on the good set of numbers. My question is currently on repayment, since the start of the war, how has been the repayment been in the MSME clusters?
- Jaykumar Shah:** So we haven't seen any major disruption is the way I would put it. So something Jay we covered earlier also that March has been fine for us. And at this point in time, I think too early to call out second, third, fourth order impact. We seem to obviously get some positive messages as well.
- Let's hope the positive messages translate into positive outcomes. And we at this point in time based on what we are seeing on the ground would really want to focus on growth and movement forward from here on. And obviously that growth complements with the fact that collections remain good.
- Jay Betai:** Okay sir. Also and just one more question if I can squeeze in, on your AI initiatives, it is just for reducing TAT and bringing in new customer or is it for reducing opex and reducing expected credit loss as well?
- G Ramesh:** Look, technology initiatives cover all three outcomes, right? One is to reduce time it takes to deliver credit or time to process a loan or time to make a payment to our partners. Second is improving quality and third is reducing cost. So all three initiatives, there'll be projects that work on all three, there'll be projects that work on making sure that things work well. For example, we use AI extensively in our cybersecurity. Now that's really something that can't be done by human beings anymore, right? So you need technology to help us do that. So for example, we have branches which are monitored on a real-time basis. So there could be thousands of CCTV cameras that we have in our branches. They need to be monitored, can't be done by human beings so you enable AI to monitor so that you a human being only looks at exceptions.
- So as I said, we – aone of our core principles is to deliver credit across the country in a uniform manner, so whether the customer is in a Tier 4 town, a village or a metro. Now that gets delivered through technology, right? That consistency in service. So depending on the use case, it could be any of the three or a combination of all three or all three at the same time. Yes. Thank you.
- Jay Betai:** Okay sir. Thank you sir. Sir one more question from Mr. Manish...
- Jaykumar Shah:** Jay, we'll sorry, we we're running out of time. So that's okay, we can speak offline.
- Jay Betai:** Thank you sir. Thank you.

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

Jaykumar Shah: Thank you, Rutuja. Thank you very much everybody for your time. We are quite excited for the quarters ahead and the performance for Q4 has laid the right foundation on growth and profitability to be achieved over our medium-term goals. Thank you very much and have a great evening. Thank you.

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

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