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August 05, 2026

BSE Limited
Listing Department, 1st Floor,
P J Towers, Dalal Street, Fort,
Mumbai - 400 001
Scrip Code: 541336

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Symbol: INDOSTAR

Dear Sir / Madam,

Subject: Transcript of analyst(s) / institutional investor(s) call

Please find enclosed herewith transcript of analyst(s) / institutional investor(s) call held on Thursday, July 30, 2026, at 12:00 noon (IST), pertaining to the unaudited Financial Results of the Company for the quarter ended June 30, 2026.

The transcript is also available on the website of the Company at www.indostarcapital.com.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For **IndoStar Capital Finance Limited**

SHIKHA JAIN
Digitally signed by SHIKHA JAIN
Date: 2026.08.05 18:24:07 +05'30'

Shikha Jain
Company Secretary & Compliance Officer
(Membership No. A59686)

Enclosed: a/a

"IndoStar Capital Finance Limited
Q1 FY27 Earnings Conference Call"
July 30, 2026

MANAGEMENT: **MR. RANDHIR SINGH – MANAGING DIRECTOR AND EXECUTIVE VICE CHAIRMAN – INDOSTAR CAPITAL FINANCE LIMITED**
MR. JAYESH JAIN – CHIEF FINANCIAL OFFICER – INDOSTAR CAPITAL FINANCE LIMITED

MODERATOR: **MS. AYUSHI GUPTA – MUFG INTIME PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to IndoStar Capital Finance Limited Q1 FY27 Earnings Conference Call hosted by MUFG InTime. 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 moderator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ayushi Gupta. Thank you, and over to you, ma'am.

Ayushi Gupta: Thank you. Good afternoon, everyone. I welcome you all to the Q1 FY27 Earnings Conference Call for IndoStar Capital Finance Limited. To discuss this quarter's performance, we have from the management, Mr. Randhir Singh, Managing Director and Executive Vice Chairman; and Mr. Jayesh Jain, Chief Financial Officer.

Before we proceed with the call, I would like to mention that some of the statements made in the today's call may be forward-looking and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website.

Without further ado, I would like to hand over the call to the management for their opening remarks, and then we can open the floor for Q&A. Thank you, and over to you, sir.

Randhir Singh: Thanks, Ayushi. Good afternoon, everyone, and thank you for joining us today. This is Randhir Singh, Managing Director of IndoStar Capital Finance Limited. I'm pleased to welcome you to our Q1 FY27 Earnings Conference Call.

We truly appreciate your support as we continue to build long-term value. I hope you had a chance to review our financial results and investor presentation, which are available on our website and on the stock exchanges. I'll begin with a strategic review of our business and operating performance for the quarter, following which Jayesh will take you through the financial performance in detail.

Before I discuss our quarterly performance, let me briefly touch upon the current macroeconomic environment and industry outlook. The operating landscape continues to be influenced by global geopolitical uncertainties, concerns around an uneven monsoon, and the potential impact of El Nino.

Reflecting these challenges, the Reserve Bank of India has revised its FY27 GDP growth forecast to 6.6%. While the domestic economy continues to demonstrate resilience, global conflicts, elevated energy prices and weather-related uncertainties remain key risks that could impact both urban and rural demand.

After the relatively dry June, monsoon rainfall during July is expected to remain below normal due to El Nino conditions, which could impact kharif sowing and reservoir levels in certain regions. At the same time, retail inflation increased to 4.38% in June from 3.93% in May, largely driven by higher food and fuel prices.

Against this backdrop, the Monetary Policy Committee has maintained the repo rate at 5.25%, while retaining a neutral policy stance, reflecting a balanced approach towards supporting growth, while keeping inflation under control.

Turning to the industry outlook. ICRA expects domestic commercial vehicle wholesale volumes to grow by 4% to 6% in FY27, reflecting a normalization after the strong growth witnessed in FY26. While the pace of growth is expected to moderate due to higher base, the underlying demand environment remains healthy, supported by continued government infrastructure spending, replacement demand and better affordability following the reduction in GST rates.

The used commercial vehicle segment continues to present an opportunity driven by replacement demand, rising new vehicle prices and the lower cost of ownership. CRISIL also expects used vehicle financing to remain a key growth driver for NBFCs, which augurs well for our business.

As we highlighted earlier, FY26 was a defining year in our transformation journey, and we are building on that momentum by strengthening our vehicle finance and Micro LAP businesses. Our focus remains on improving collections, enhancing technology-led monitoring and early warning systems, system-integrated underwriting through proprietary and product-specific scorecards and investing in digital tools.

Let me now move to our operating performance, beginning with disbursements. As discussed in our previous calls, we strengthened our credit underwriting framework starting in Jan 2025 and continue to refine our customer selection, asset selection and risk filters based on portfolio trends and experience. While this led to a conscious moderation in disbursement growth initially, it has helped us build a stronger and a more resilient portfolio.

In parallel to refinement in credit underwriting, we also took several steps to spur growth like launch of Prime segment, alignment of channel payouts, about 30% increase in our field sales force, addition of new branches, conversion of micro branches to full-fledged branches and significant hiring of specialized talent, including for verticalization of vehicle finance business across our 4 key verticals of commercial vehicle, passenger vehicle, construction equipment and farm equipment.

As a result, our retail disbursements stood at INR1,235 crores compared to INR1,306 crores in the previous quarter and INR858 crores in the same period last year, reflecting a healthy 44% year-on-year growth. The improvement in origination is clearly visible in the quality of our customer base.

The share of customers with a CIBIL score above 725 has steadily increased from 63% in FY24 to 79% in FY26 and further to 84% in Q1 FY27. At the same time, our new to credit exposure has reduced from 13% in FY24 to 4% in Q1 FY27. These numbers reflect the disciplined customer selection and stronger underwriting standards that we have consistently implemented over the last 2 years. Our vehicle finance portfolio also has become more diversified.

On a year-on-year basis, the disbursement mix during the quarter continues to diversify further with the share of passenger vehicle disbursement increasing to 30% from 28% and construction equipment improving to 11% from 9%. While it's often easier to drive growth through large ticket financing, we have consciously chosen to build a more balanced granular portfolio across multiple product segments.

The benefits of this disciplined approach of growing our business significantly with focus on portfolio quality are clearly visible in the data. Our early delinquency ratio has reduced from 5.55% in Q1 FY26 to 2.29% in Q1 FY27.

While the non-starter ratio has declined from 3.76% to 1.65% over the same period. Although both metrics have seen a marginal seasonal uptick in Q1 FY27 compared to Q4 FY26, they remain substantially lower than year ago levels, indicating that the quality of new originations continue to improve.

The AUM component of our book post the start of tightening period since January 2025 has now increased to 68% in June from 60% in March '26. This percentage will keep increasing at a good rate since loan tenures of the VF books are relatively short in the range of about 3 to 3.5 years, and the new book percentage should increase to about 85% by Q4 FY27.

As of June '26, almost 80% of our NPAs pertain to the old book before Jan 2025 and fresh addition in NPA in June quarter is almost 70% contributed by the old book. And hence, we expect significant improvement in headline GNPA and NPA numbers and reduction in credit cost as the old book runs off significantly in the next 2 to 3 quarters.

Let me now turn to our Micro LAP business, which continues to scale up in a disciplined and calibrated manner. During Q1 FY27, disbursements stood at INR50 crores, up 85% year-on-year, while AUM increased to INR217 crores, nearly 3x the level a year ago, of course, on a smaller base.

Importantly, this growth has been accompanied by strong asset quality with 99.7% of the portfolio remaining current and 90-plus DPD at just 0.17%, supported by a weighted average LTV below 40% and portfolio yields of over 20%.

The business continues to operate on a fully digital journey with 100% e-application, e-agreement and e-NACH, while leveraging our existing vehicle finance branch network, allowing us to scale without any incremental branch capex. We now operate from 125 co-located branches versus 108 in last quarters across Tamil Nadu, Andhra Pradesh, Telangana and Gujarat.

Our MLAP business after 2 years of launch has GNPAs of only 0.17%. The delinquency will inch up as the book ceases, but we have made a very good start with regard to portfolio quality. We have also consciously started working towards increase in average ticket size.

Our average ticket size on disbursement in Micro LAP business is growing quarter-on-quarter in a gradual way and has gone up from INR5.9 lakhs to about INR8.2 lakhs in the last 1 year. We are still, however, able to manage disbursement yield of about 20% plus besides processing fees and cost to income.

As shared in the previous earnings calls that we will have a calibrated expansion of MLAP business in other states. We are all set to launch MLAP business in UP and Bihar in August and September. We remain on track to double our Micro LAP AUM during FY27.

Coming to our financials. On profitability, our pre-provisioning operating profit stood at INR93 crores this quarter. Our PAT stood at INR11 crores. The operating leverage in this model is coming through exactly as it should once disbursement and AUM scale ahead of our cost base and credit costs stabilize.

On the liability side, we continue to strengthen and diversify our borrowing profile. During the quarter, our weighted average cost of funds declined by nearly 80 basis points year-on-year. We also continue to maintain a strong liquidity position and a comfortable ALM profile with positive cumulative mismatches across all buckets.

Moving on to our progress towards FY29 guidance of 35% CAGR growth in disbursements and a target PAT of INR450 crores to INR500 crores. Number one, with significant improvement in portfolio quality, we had taken significant steps of growing our business. In the last 6 months, we have increased our front-end sales team count by 30% already, and our target is to increase it further so that we have about 50% higher sales headcount by March '27 over March '26.

On the distribution front, we added 14 branches during the quarter, taking our network to 468 branches across 24 states and union territories. We target to cross 500 branches this year. We continue to invest in capacity, ensuring that our distribution network and operating infrastructure are well positioned to support high sustainable growth.

Second, our disbursements last quarter grew by 44% year-on-year, which is higher than our 35% CAGR 3-year plan. Our July disbursement trend gives us comfort that we should be able to meet and potentially exceed 35% Y-o-Y disbursement growth target this quarter as well.

Along with our investment in resources, we continue to digitize, improve our processes and loan journeys towards improving productivity. Our login to disbursement TAT in VF has shrunk by 44% over last 1 year due to all these digitization and loan simplification processes improvement.

With our continuous refinement in credit parameters since January 2025, including the last refinement done as late as in April 2026, we are on track to reduce our credit costs and improvement in PAT significantly as old book runs off. We built a good momentum on PPOP growth and PAT growth will follow in the next 2, 3 quarters.

Going forward, while we remain mindful of the evolving global macroeconomic environment, our strategy remains unchanged. We will continue to focus on disciplined execution, prudent risk management and sustainable growth.

Over the last few quarters, we have built a stronger foundation through enhanced underwriting, a higher share of prime customers, a more diversified product mix, investment technology and a calibrated expansion of our branch network. These initiatives have strengthened the quality and resilience of our portfolio and position us well to capitalize on the growth opportunities ahead while maintaining our focus on long-term value creation.

Let me now hand over the call to Mr. Jayesh Jain for the overview of our financial performance.

Jayesh Jain: Thank you, Randhir. Good afternoon, everyone. Let me now take you through our performance for Q1 FY27. First and foremost, our AUM stood at INR8,244 crores, up 2% sequentially and 6% year-on-year. Disbursements for the quarter were INR1,235 crores, up 44% year-on-year. They were slightly lower sequentially, but our disbursement yield improved to 17.6% from 17.4% in Q4 FY26. This reflects our continued focus on profitable growth and a better product mix.

In vehicle finance, disbursements were INR1,185 crores, up 43% year-on-year from INR831 crores. Disbursement yield improved sequentially to 17.4% from 17.2% in Q4 FY26. Vehicle finance AUM stood at INR7,724 crores. Our product mix shift continues to be there as it has over the last 15 to 18 months.

Cars now make up to 21% of AUM, up from 17% a year ago. Construction equipment is at 10%, up from 8%. On the other side, M&HCV came down to 35% from 42% and small light and intermediate commercial vehicle to 21% from 25%. Farm equipment held broadly steady at 6% against 5% last year. This is our diversification strategy playing out.

On Micro LAP, we had a good quarter. Disbursement was INR50 crores against INR27 crores in Q1 FY26, up 85%. Yield was 21.4%, marginally lower than the last quarter. AUM grew to INR217 crores, up 24% sequentially. On liability side, during the quarter, we raised INR1,220 crores through term loans, NCDs and CPs at a cost of 9.11%, taking our total debt outstanding to around INR5,681 crores.

We closed the quarter with a total liquidity of INR586 crores, which is INR235 crores higher than our policy minimum, and we maintained an average excess liquidity of INR529 crores through the quarter. This excess was held as a contingency against the West Asia situation and any likely tightness in the system liquidity.

While cost of funds raised this quarter was marginally higher, we expect our overall cost of borrowing to come down over the next couple of quarters as the higher cost debt is repaid. On asset quality, collection efficiency stayed healthy at around 95%.

Provision coverage ratio was 50%. Asset quality remained broadly stable with Gross Stage 3 at 4.84% and Net Stage 3 at 2.48%. We continue to watch the profitability of our portfolio closely with our focus on disciplined underwriting and improving book quality.

In Q4, we had created a management overlay of INR49 crores against our vehicle finance portfolio, specifically for West Asia situation. We continue to carry this overlay. Any release will depend on sustained portfolio performance, macro developments and our ECL framework.

On security receipts, net carrying value came down from INR589 crores to INR578 crores during the quarter because of collections of around INR11 crores during the quarter. The provision remains unchanged, so coverage has improved from 63% to 64%.

Redemptions continue gradually coming through retail pools in SME and vehicle finance. The large construction-linked accounts will take longer with a meaningful redemption expected over 18 to 36 months. Based on what we understand on this, we remain confident on the net carrying value, and we will keep assessing this on a quarterly basis.

Coming to financials. Net interest income for the quarter was around INR219 crores, up 39% year-on-year and 2% sequentially. This came mainly from NIM expansion to 8.8% from 6.2% a year ago. Overall loan yield was 16.5%.

Finance cost for the quarter was INR144 crores against INR132 crores in Q4 FY26. This increase was largely because we raised the liquidity vouchers of around INR529 crores as mentioned earlier. And this extra buffer actually added a negative carry of about INR8 crores during the quarter. We continue to keep costs under control. Operating expenses were INR129 crores against INR139 crores in Q1 FY26, a reduction of about 7% even as we kept investing in the branches and people.

Sequentially, this is up from INR122 crores in Q4 FY26, mainly on employee benefit expenses, which moved from INR83 crores to INR88 crores on account of annual increment this quarter and the headcount we added to support branch expansion and frontline hiring in sales, collection and credit. Depreciation and other expenses stayed largely stable.

As a result, the pre-provision operating profit for the quarter stood at INR92.9 crores, largely stable compared to INR93.3 crores in Q4 FY26. Impairments credit cost for the quarter was INR81.4 crores against INR517.3 crores in Q4 FY26.

That quarter had included onetime provisioning on security receipts and the management overlay we have spoken about. This quarter's charge was largely technical write-off of INR62 crores and normal provision on ECL on NPA and standard asset of INR32.2 crores.

As a result, profit after tax for the quarter stood at INR11 crores against a loss of INR424 crores in Q4 FY26. As mentioned earlier, Q4 FY26 has been impacted by onetime provisioning on the security receipts and the management overlay we discussed. With those behind us, we are back to a normalized profitable quarter.

Our balance sheet remains strong. Capital adequacy ratio stood at 34.8%, giving us adequate headroom for growth. Debt to equity was at 1.54x, and we continue to maintain a positive ALM position across all maturity buckets.

Looking ahead, our priorities stay the same, quality, productivity and sustainable profitable growth. We'll keep strengthening our presence in the Tier 3, Tier 4 and Tier 5 markets, expanding our branch network and using technology to improve customer experience and efficiency. We will continue to diversify the product portfolio and scale up Micro LAP and keep improving our customer centricity by focusing on prime borrowers.

Thank you. We can now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rehan Saiyyed from Trinetra Asset Management.

Rehan Saiyyed: I have only 2 questions. First on the vehicle finance side. So vehicle finance accounts for approximately 97% of the loan book, while Micro LAP has scaled to INR217 crores of AUM. So looking 3 to 5 years ahead, what is the optimal portfolio mix that management is targeting and which business do you expect to generate superior risk adjusted returns?

Randhir Singh: This is Randhir. I think what we're targeting broadly on our AUM mix is about 15% to 20% over next 3 to 5 years for Micro LAP. Of course, 3 to 5 is a long time, and we will obviously continuously refine. But as I mentioned in our opening remarks, we have started quite well on Micro LAP with regard to portfolio quality. And that obviously has given us the confidence to launch in a few other states.

We are adding 2 states in August and September and potentially more states in FY27 and the last quarter. So I think broadly in the same ballpark as you guess, 15% to 20%. But of course, we'll refine and accelerate if we continue to see the good early trend that we've seen so far.

Rehan Saiyyed: Okay. Okay. Fair enough. And sir, my second and last question is around just wanted your understanding on the industry level, what is going on in the industry. So sir, across the used commercial vehicle financing market, are you seeing any signs of competitors using underwriting standards or becoming more aggressive on pricing?

And so if the industry enters a more competitive phase, will management prioritize protecting margins or defending market share? This is my last question.

Randhir Singh: Okay. So I think in our experience, what we've seen is that, of course, different peers have different business models, different cost of funds, different yield expectations. I think what we have been focused on that we've been focused on slightly tighter underwriting. And in our experience, in spite of significantly tightening our underwriting, we still continue to grow.

So if you see, we've been tightening since Jan 2025, and we tightened throughout the year, including as late as in Jan 2026 as well as in April 2026, right? So we had many rounds of tightening, yet we are still able to grow almost 40% year-on-year, which basically means that the market is fairly large and there is sort of space to grow. And of course, there is competition, which will always be, but we have not seen so far any impact in spite of tightening, we have continued to grow.

Moderator: The next question is from the line of Shalin Kapadia from IIFL.

Shalin Kapadia: So I had a few questions. Firstly, on collection efficiency. So can you give us some color on why collection efficiency for the quarter has dipped. So what we hear from other peers is that it has held up quite well, at least in the month of May and June.

So just wanted to know or if you can give us some color on which segment or geography is affecting this? And when do you expect this to revert back to normal? Also, how is it trending so far in July, if you can shed some light, sir?

Randhir Singh: Sure. So - I mean, obviously, the broader market commentary from everyone is that Q1, Q2 are slightly softer compared to obviously in the March quarter. But I think in general, things are holding up quite well. As I've also mentioned in my opening remarks, we obviously continue to see improvement largely because our old book is running off. And as that is the book which was contributing to a very high GNPA percentage, right, very high roll forward rates.

Just to repeat, as of now at the end of June quarter, almost 80% of NPAs pertain to our old book. And as that book runs off, we are actually seeing month-on-month improvement over the last 12 months. So I think in our case, you would see continuous improvement as the new book becomes a higher and higher percentage of our overall cost. And we do expect it to touch almost 80% to 85% by Q4 FY27.

Shalin Kapadia: Got it. Thank you. And secondly, on Micro LAP. So we have been increasing our average ticket size every quarter. Can you just tell us about your thought process here? And where do you look to stabilize this over, let's say, FY27 or FY28?

Randhir Singh: Sure. So it's been a conscious strategy of 2 things. I think in general, right, the experience from many of our other peers affordable, obviously, while a smaller ticket size has a slightly higher yield. We were given our own large size AUM. We felt slightly higher ticket size will lead to higher AUM growth, and that's one.

Second is what we've also seen that we are able to increase ticket size without much drop of yield. So if you see, we have increased the ticket size yet still maintaining yields of about 20%. It would still go up slightly higher because from the time we launched when we launched in Tamil Nadu, obviously, we are minimum ticket size used to be INR3 lakhs. While in all the new states we're launching our business, we have kept minimum ticket size to be at about INR8 lakhs.

So yes, as we grow in new states as well as existing states, we're taking the ticket size higher. And I think you should see us stabilizing around INR10 lakhs, thereabouts. So I think that is really our plan. We do want to maintain a high-yield book to have sort of enough NIM.

And that's where our thinking is that slightly higher than what we have today. So it's probably roughly about INR8.5 lakhs thereabouts is what the number today. Over a period of time, you would see that number stabilizing to about INR10 lakhs.

Shalin Kapadia: Got it. Sir, can you comment on the competitive intensity in this segment of INR8 lakhs to INR10 lakhs ticket size? Because incrementally, a lot of large players are also entering into this segment between this INR5 lakhs to INR10 lakhs ATS.

So have you seen heightened competition here from any of the larger peers? Or how do you look at growth from here on? I understand that in the smaller book both will be healthy. But overall, generally, how do you look at industry, sir?

Randhir Singh: Okay. So I mean, there are quite a few very good peers, some of them listed as well, who have obviously continue to grow and in fact, maintain a very high yield of even higher than 20% to 24%. So I think it has really got to do with the segment that we operate in. We are primarily focused on Tier 3, Tier 4, Tier 5, Tier 6 towns and especially even within those towns in semiurban and rural areas surrounding right, our branches, where historically, for many years in the past and even today, the competitive intensity is much less.

Of course, if you operate in the main city in the urban, there is enough and more competition. But the segment that we operate in, there's not been that much of a competition in the last 5 years or so. And I do not expect any near-term disruption there. We still originate at 20%, at a low LTV of below 40% and with a 95% plus cases, self-occupied residential properties.

So we are getting good yields at a low LTV against the security where my borrower actually stays. All these 3 tell us that the competitive intensity is not that high. And it's been like this for many years in the past, and I think it will continue at least in the near foreseeable future that I can see.

Shalin Kapadia: Got it. Got it. And just last one question on margins. So our yield on loan assets have almost declined by 40 bps in this quarter, while NIMs have expanded by 10 bps. So can you just tell us how do we think about this? And how do you view your margins yields and cost of funds in FY27?

Randhir Singh: Actually, our disbursal yields are holding up. So can you specifically mention, so if you see our investor presentation, our disbursement yields are sort of quite stable in fact it has gone up from 17.2% to 17.4%. Maybe you could recheck that and come back to us.

Shalin Kapadia: So actually, I'm referring to the 16.5% number on your Slide 11. Q4 FY26, say 16.9% and in this quarter, it says 16.5%.

Jayesh Jain: So you are referring to the P&L yield, right? So P&L yield, in general, as Randhir was mentioning, this is Jayesh. As Randhir was mentioning and even in my commentary I mentioned, our overall disbursement yield incrementally has been higher.

16.5% is more of a mathematical thing because of adjustments on the loan book and the total assets, right? As I mentioned that we had an extra liquidity of around INR600-odd crores during the quarter. So you would have some bit of a denominator effect also playing out.

In terms of your second question, how do we see in terms of yield, yield would hold around origination at around 17.25%, 17%. That would be the range generally that we would have a quarter-on-quarter coming in. And our cost of borrowing, as I mentioned, we raised money at around 9%, 9.11% last quarter. This would remain in a similar trajectory.

And on book cost of borrowing would actually come down. We have a tranche of large amount, which is coming or falling due for repayment in next quarter, which was at 12% plus. So effectively, going forward, our cost of borrowing on the books would come down.

Randhir Singh: Thanks, Jayesh. So I hope you got the answer. Sorry, please go ahead.

Shalin Kapadia: No, no, sir. Please go ahead.

Randhir Singh: Yes. So like I was saying that on the disbursement yield, we've been holding up quite nicely, while, of course, we do have an opportunity to reduce a little bit and get much higher disbursement percentage as our cost comes down. But I think it's fair to say that you would see us maintaining this over many quarters, 17% plus is our plan.

Moderator: The next question is from the line of Varun Gajaria from Boring AMC.

Varun Gajaria: Sir, just wanted to understand in this macro scenario, how are the disbursements shaping up? And how are you looking at disbursements in the coming quarters? Also, do we think that once the effect of this liquidity buffer tapers off, on a stand-alone basis, we'll be able to do 17.1% in that we are doing right now. And when does that start shaping up over the coming quarters?

Randhir Singh: So Varun, last quarter, of course, was 44% year-on-year growth in disbursement. And the July trend is also, as we see it, while, of course, the Q2 typically obviously is generally sluggish because of monsoon and other things. But I think given many steps that we've taken, I think the early trends for July look quite good.

So I think it's fair to say that we should again have in Q2 a 35% plus kind of disbursement growth. We have started well in July. So do not see any growth issue in Q2 either. Our overall cost on the borrowing continues to decrease because we are today borrowing at a much lower rate than on than the cost on the book, which basically means that we do have an opportunity to reduce our borrowing rate.

But like I said in the previous question, we do not plan to make any significant changes. We basically historically maintained over the last many quarters, 17% plus, a few percentage basis here and there. And I think that exactly is our plan for the next few quarters as well. You will not see any significant changes in our approach. So it will be in the range of 17% thereabouts.

Moderator: The next question is from the line of Sohani Singh from ROS Capital.

Sohani Singh: So I have 2 questions. The vehicle finance asset under management grew only 3% sequentially despite a significantly larger branch network. So what are the structural constraints preventing faster AUM compounding?

Randhir Singh: So there are no structural constraints really, you would see that the mathematical answer to this is that we had tightened our policy if you have been following us. We tightened our policy significantly from Jan onwards, and there was obviously a dip of significant dip in our disbursements.

As we have started rebuilding our business and started seeing growth, you would see our vehicle finance AUM grow at a much faster clip than what you see. In the past, we also had a few direct assignment transactions, few asset sale, and that is why the growth has been slightly muted. But you would see as our disbursements continue to increase, you will start seeing the growth in the AUM also pick up.

In the Micro LAP, of course, it's on a smaller base. So the percentage growth is much higher, both in terms of disbursement as well as AUM. This Micro LAP business also additionally benefits from longer tenure, higher customer lifetime value because the loan runoff is much shorter.

So both business obviously have a difference in tenor. Our vehicle finance tenors are about typically average is about 3.5 years. So thereabouts, while Micro LAP, it is more in the range of 6 to 7 years. So the runoff is lower in MLAP.

But big picture, Micro LAP will continue to grow at a much higher pace as we add branches. But even vehicle finance business, you will start seeing much higher growth because we are now growing our disbursement at about 35% plus.

Sohani Singh: Okay. That helps. So without compromising the underwriting standard, what growth rate do you believe is sustainable over the next 2, 3 years?

Randhir Singh: So, Sohani, what we had guided was that we are targeting 35% CAGR disbursement growth over the next 3 years. That was our guidance in the last quarter, and we are taking all the steps to meet those numbers. This guidance was given the last quarter. We have started well.

In the first quarter, we had a much higher number than our target. We are at 44% versus 35% CAGR growth that we had guided. Second quarter also looks good. So we do have created some buffer for ourselves. So I think we are in a good place.

Moderator: The next question is from the line Saumya Rahuvanshi from Nirva Securities.

Saumya Rahuvanshi: Sir, I only had one question. Could you elaborate on the growth drivers across the vehicle finance portfolio, which product segments are currently witnessing the strongest demand? And how do you expect the mix to evolve over the next few quarters?

Randhir Singh: Okay. So Saumya, our growth drivers in vehicle finances are a few. One is we are increasing our on-the-ground presence significantly in terms of our field sales force. We have already seen a 30% increase since December. So in the last 6 months itself, we have grown by about 30%. And like I mentioned in my opening remarks, by March, we will grow that number to about 50%.

So March '27 headcount in the field sales side, which is the people in our salespeople in our branches, that number will be 50%. So that will be one strong driver of growth because this business actually at the ground level is very, very physical, while the back end and the loans digital. So that is one large growth driver.

Second is incremental, but yet increase in number of branches. So we are adding to our network of branches. We are also adding to our sales team. Third is a lot of this gets driven by productivity as well once we become more productive.

And like I mentioned, we have all the digitization, score card, loan improvement has already reduced our turnaround time in last 1 year by more than 40%. So a combination of infrastructure investment, a conversation of manpower, significant improvement in the loan journey and then productivity improvement. I think these 3 will remain our key drivers.

What we are witnessing in the near term is that the product which is very, very doing well for us is actually passenger car. In fact, passenger car has become one of our largest segments in the last few quarters. We are almost crossed even M&HCV disburse. So passenger car disbursements in volumes have become higher than M&HCV disburse. So I think that is the trend we are seeing.

In the last 1 or 2 quarters, M&HCV has been somewhat muted because we have seen some of our customers delaying the purchases in both the used as well as new, I think, primarily in response to their concern of prices, availability of fuel, etcetera. But I think that should come back.

Broadly, what we are aiming for as a management to have a much more diversified portfolio than what we had in the past so that we are much less susceptible to any macro shock. For example, there was a time where about 6% to 7% of our disbursements were in M&HCV and our car disbursement is about 8%, 9%.

So we have come a long way since then. We've have diversified significantly and that will continue to be our approach that be well diversified across 5 product lines that we operate, which is Micro LAP, which is commercial vehicle, construction equipment, passenger vehicle and farm equipment. Does that answer your question?

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Fund.

Rahul Kumar: Just one data keeping question. You mentioned the write-off figure of INR62 crores for this quarter. Can you mention the same figure for last quarter as well?

Randhir Singh: Yes, we will just give a minute.

Jayesh Jain: We wrote off around INR7.5 crores last quarter.

Rahul Kumar: Okay, okay. Yeah. Got it, got it. And second question, I think you mentioned also that there is a big borrowing, which is set to mature in this. So what would be that as a proportion of overall borrowings as of now? What would be that amount?

Jayesh Jain: That's around INR250-odd crores, which is at you can take around 13% interest rate.

Rahul Kumar: Okay. Okay. And during this fiscal, how much old borrowings are supposed to be maturing?

Jayesh Jain: This will be repaid in this quarter, Q2.

Rahul Kumar: Got it. No, I'm asking for FY27, how much is the old borrowing mature?

Jayesh Jain: I think this is the last tranche. Thereafter, our incremental cost of borrowing as well as our cost of borrowing on the book should converge and should kind of become aligned. By March, it would happen.

Randhir Singh: Yes. This is really one of the last tranche of our high-cost borrowing. So it should be behind us, high cost borrowing of the old book. By March, we should be converging towards 9%.

Rahul Kumar: Okay. Okay. Understood. And last question, just on GNPA or slippages. You mentioned that 70% of the GNPA is actually from the old book, right? So going forward, let's say, for this fiscal, what kind of slippages which you expect for the business as a whole?

Randhir Singh: So I think directionally, what we're seeing is that obviously, with every passing quarter, right, the old book continues to run off. And to that extent, the contribution towards NPA as well as credit cost continues to reduce.

And that reduction is generally at a good pace because if you see the numbers that we mentioned of the old book, or the new book was about 60%, it has already in to about 68% and it should cross about 80% to 85% by March.

What we are seeing is that the delinquency, especially on the 90-plus side of the more recent cohort is almost by 60% to 65% less, which basically means you should see a fairly meaningful improvement in our headline GNPA and NPA as well as the credit cost in the next 2 to 3 quarters.

What we're seeing is the book after Jan 2025 onwards is performing very, very well because of continuous refining, which is essentially tightening. And all that tightening is obviously showing up in the data, giving us the confidence that in the next 2 to 3 quarters, we will have a very different sort of trajectory on credit cost as well as GNPAs.

Moderator: The next question is from the line of Raj Patel from RK Investments.

Raj Patel: Just a quick question from my side. I wanted to know more about the regional asset quality trend. So can you just give us more color or more clarity with the regional asset quality, sir.

Randhir Singh: Sure, sure, Raj. So historically, what we've seen is that our asset quality has been strongest in the South region. We had much weaker portfolio performance in North and in a few states in East as well as a few states in West. However, this is before Jan 2025.

But post that, we've been tightening not just our underwriting policy, but essentially region-specific actions. So for example, I mean, I'll use example, there was a time when Madhya Pradesh, Uttar Pradesh did not have very good quality and a very high level of starters as well as delinquency, including some places in Punjab and Haryana.

However, over a period of time, all the assets, they are performing as good as Southern region. So it's been a mixed bag historically on the book, if you look at it, as of Jan 2025, once we started tightening, our South zone was performing had the best portfolio quality.

But over a period of time, it targeted tightening around assets that did not work for a few locations probably towards sand mining, coal mining, all of very specific 14 vehicles, 16 vehicle, very targeted tightening around assets, we have now managed to have a much more uniform portfolio quality. There is still more work to be done.

But today, in general, with the scorecard implemented which obviously takes into account the type of asset, we are seeing much more uniformity coming on to our book than what we've seen in the past. Sorry, slightly longer answer, but I want to give you a full picture of where we are.

Raj Patel: Got it, sir. That was really helpful. My next question was with regards to the credit spreads. So just wanted to understand by geography wise, which we are currently witnessing relatively higher credit spreads? And what are the key factors behind this?

Randhir Singh: So you mean credit cost or you mean the when you say credit spread, what do you exactly mean?

Raj Patel: Sorry. Yes, yes.

Randhir Singh: Sorry, I didn't get your question. What do you mean by credit? So you mean the delinquency or the NIM?

Raj Patel: Sir, I mean the higher delinquency or the credit stress.

Randhir Singh: Okay, got it. Okay. Please go ahead with your question.

Raj Patel: Yes, sir. So just wanted to understand with the geography-wise. So which geography are we currently witnessing higher credit stress? And what are the key factor behind this?

Randhir Singh: Yes. So I think like I said, that most of the stress is related to what we had in the past; post underwriting, right, post tightening and post implementation of scorecard as well as asset-specific underwriting filter refinement.

Generally on the new books, we are largely okay, except for a few pockets, let's say, Bihar, some places in Bihar, a few places in Jharkhand, a little bit in Maharashtra, and I'm talking is relatively speaking, a little bit in a few pockets in Rajasthan. Otherwise, we're getting to a much more uniform portfolio quality than what we had in the past.

Just to expand on this, we continuously refine this. We track it very closely. We have an early warning framework. So if we see early warning trends on bouncing or roll forward rates increasing, we do tighten specifically for those regions. So even today, any regions which is not able to maintain a good portfolio quality, the policy filter or the scorecard requirement is much higher than for the regions where the portfolio is performing well.

So we have put in place a mechanism about 1 year back to ensure that in case there is any weakness being shown in numbers, we will refine our underwriting parameters for those specific regions.

Moderator: The last question is from the line of Deeya Jain from Sapphire Capital.

Deeya Jain: Sir, how much...

Jayesh Jain: I request to the operator if we can get Deeya again. Is she there?

Moderator: The current participant has got disconnected.

Jayesh Jain: Is there anyone else?

Moderator: No, sir. Ladies and gentlemen, that was the last question. On behalf of IndoStar Capital Finance Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.