July 28, 2026

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| **The Manager,**<br>**Listing Department,**<br>**BSE Limited,**<br>**Phiroze Jeejeebhoy Towers,**<br>**Dalal Street,**<br>**Mumbai 400 001**<br>**BSE Scrip Code: 532636** | **The Manager,**<br>**Listing Department,**<br>**The National Stock Exchange of India Limited,**<br>**Exchange Plaza, 5th Floor, Plot C/1, G Block,**<br>**Bandra - Kurla Complex, Bandra (E),**<br>**Mumbai 400 051**<br>**NSE Symbol: IIFL** |

**Subject: Earnings conference call transcript**

Dear Sir/Madam,

Pursuant to the Regulation 30 read along with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation dated July 16, 2026 regarding the earnings conference call for the quarter ended June 30, 2026, please find annexed herewith transcript of the said earnings conference call which was held on July 22, 2026.

The same is also made available on the website of the Company i.e. https://www.iifl.com/iifl-finance/financial

Further, we hereby confirm that no unpublished price sensitive information was shared or discussed during the said earnings conference call.

Kindly take the same on record and oblige.

Thanking You,

For **IIFL Finance Limited**

Samrat Sanyal

Digitally signed by Samrat Sanyal
Date: 2026.07.28 16:50:35 +05'30'

**Samrat Sanyal**
**Company Secretary & Compliance Officer**
**ACS – 13863**
**Email ID: csteam@iifl.com**
**Place: Mumbai**

*Encl: as above*

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# "IIFL Finance Limited

# Q1 FY27 Earnings Conference Call"

# July 22, 2026


**MANAGEMENT:** **MR. NIRMAL JAIN –MANAGING DIRECTOR – IIFL FINANCE LIMITED**
**MR. VENKATESH. N – MD – IIFL SAMASTA FINANCE LIMITED**
**MR. GIRISH KOUSGI – MD AND CEO- IIFL HOME FINANCE LIMITED**
**MR. VIKAS JAIN – CHIEF FINANCIAL OFFICER – IIFL FINANCE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the IIFL Finance Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference call over to the management for the opening remarks. Thank you, and over to you.

**Vikas Jain:** Good evening, everyone. I welcome you all in the IIFL Finance Investor Conference presentation call. My name is Vikas Jain, CFO, IIFL Finance. We have today Mr. Nirmal Jain, MD of IIFL Finance; Mr. Girish, who is the CEO of IIFL Home Finance; and Mr. Venkatesh N., who is the CEO of IIFL Samasta Finance.

Now I will hand over to Mr. Nirmal Jain for macro and strategic overview for the quarter.

**Nirmal Jain:** Thank you, Vikas. Good evening, everyone, and thank you for joining us today. So on the macro backdrop, the West Asia situation has reignited over the last 2 weeks after the June ceasefire framework, keeping crude and shipping volatile. RBI held the repo rate at 5.25% in June with a neutral stance, but it trimmed FY27 growth outlook to 6.6% and nudging inflation up to 5.1% on account of geopolitical and external pressures. However, domestic credit demand, particularly in retail and MSME has remained structurally resilient regardless.

Coming to our main core business, gold prices despite corrections have been elevated through this period of uncertainty and while that has supported our growth and which has been credit-led growth as well. But we are equally mindful that a sharp correction is a real tail risk in this environment, and we are, therefore, consciously focused on maintaining loan-to-value discipline and collection.

Turning to performance. So in the quarter, our return on equity annualized is close to 20%, i.e 19.5%. Return on asset is 3.1%. And on a book that is nearly 90% secured, our AUM has crossed INR1.15 lakh crores, is up 38% on a year-on-year basis. Gold loan has remained our primary engine. But as I said, we are managing growth deliberately. Our home finance and microfinance businesses typically have a first quarter comparatively slower, but both these businesses are structurally on track, and we expect the trajectory to strengthen through the rest of the year.

Our co-lending continues to scale a bit slower than our plan in the first quarter, but now with 15 active bank partners, we expect it to gather momentum. Also, our AI-led operating model is moving from pilot to measurable impact across collection, fraud detection, frontline productivity and so on. Also, the Board has approved an enabling resolution for fresh equity, which is subject to shareholders' approval in the day after tomorrow's AGM, which will give us flexibility to raise capital during the year as and when needed.

So in summary, this was a quarter where our profitability and operations are back to their natural levels. And from here on, we expect organic growth to continue and also AI and operating leverage to support the profitability acceleration in the near future. With this, I'll hand over to Vikas for the detailed numbers. Thank you.

**Vikas Jain:** Thank you, sir. To start with the financial numbers for the quarter. For the quarter, IIFL Finance profit after tax before non-controlling interest was INR713 crores and up by 14% on quarter-on-quarter basis. We recorded pre-provision operating profit of INR1,252-odd crores, up by 50% Y-o-Y basis and 7% on a quarter-on-quarter basis. For the quarter, consolidated loan AUM grew by healthy 38% Y-o-Y and was up 7% on quarter-on-quarter basis at INR1,15,523-odd crores driven by gold loans close to around INR58,406 crores.

Further dissecting the AUM, our core product loan AUM comprising home loan, gold loans, MSME loans and microfinance up by 43% Y-o-Y and was up 8% quarter-on-quarter basis to INR1,11,717-odd crores. This segment now comprises 96.7% of our overall AUM mix. On the asset quality side, our gross NPA stood at 1.6% and net NPA stood at 0.8%, both of which are stable and slightly up by 9 basis points from the quarter-on-quarter basis. The company maintains a cautious stance on unsecured MSME and MFI segments focused on recovery and collections.

Happy to inform that provision coverage ratios on NPA stand at 94%. The assigned loan book stands at INR26,118 crores, up by 73% on Y-o-Y basis and up by 10% on a quarter-on-quarter basis. Besides this, there are co-lending assets of INR14,647 crores, which is up by 27% and 20% on a quarter-on-quarter basis. Quarterly average cost of borrowing has decreased by 3 basis points on a quarter-on-quarter to 9.13% and 33 basis points on a Y-o-Y basis.

A brief update on liquidity. During the quarter, we have raised INR17,183 crores through term loans, bonds, commercial paper and INR5,283 crores was raised through direct assignment on loans. Our cash and cash equivalents and committed credit lines from the banks and institutions is INR7,148 crores are adequate to meet not only the near-term liability, but also to fund our growth momentum. We have a positive ALM, whereby inflows covers or exceeds our expected outflow across all buckets and net gearing is at 4.0x. Our ROE for the quarter stood at 19.5% and while ROA stood at 3.1%.

Basic earnings per share for the quarter is INR15.9 per share. As of June 2026, our capital adequacy ratio for NBFC is 17.1%, HFC 41.7% and for Samasta is 24.9%, which is well above minimum threshold of around 15%, reflective of our successful off-book model, which we have implemented. Also in the quarter, Moody's Rating has assigned a Ba3 Issuer rating and (P)Ba3 GMTN program rating to the IIFL Finance outlook stable.

We have raised USD500 million through social bond issuances proceeds, which are directed through income-generating loans for women, low-income and rural semi-urban borrowers. Crisil ESG Ratings has assigned an ESG rating of Crisil ESG 66 and Core ESG rating of Crisil Core ESG 69 to the company.

With this, I come to an end, and now we are open for Q&A. Thank you very much.

**Moderator:** Thank you very much. Your first question comes from the line of Pavan Kumar with Edelweiss Public Alts. Please go ahead.

**Pavan Kumar:** Congratulations on really good set of numbers. At the current rate of growth, when will you be required to go for equity raise considering CET1 is already at 12.24% in the stand-alone entity?

Because the gold loans, I understand the risk weights are 125%. I know you have alluded to reduction in the gold loan growth rate. But I mean, even then we are very close to the regulatory minimum?

So that's one question. Second question, in the IIFL Home Finance entity, can you give us the disbursement separately for home finance and the LAP? And do you think that from -- the Q1 is the bottom for the disbursements and the AUM growth, going forward the housing finance growth and the LAP growth will pick up. What is the kind of expectation there for FY27?

**Nirmal Jain:** Thanks, Pavan. So gold loan industry growth has slowed down in this quarter, but we are still growing maybe faster than industry. That's what I would -- I won't have the data, but that's why I think so. And then about capital, I think we need to fix the capital adequacy issue in the parent company. And so this is something -- that's why we are taking shareholders' approval on AGM meeting, which is day after tomorrow.

Now we have multiple options. Basically, we can raise QIP or we can sell through a secondary sale of subsidiary companies. We are also looking at a strategic divestment partly or listing of microfinance, so we can raise equity through subsidiary companies. Also, co-lending is gathering momentum now. So that will also ease the pressure this quarter. And we can raise subordinated debt and perpetual debt also, which we have raised in the quarter before. That will also help us.

So we are very conscious of the capital adequacy, which in the parent company is kind of at the edge, and we are like -- we want to fix it. So all these options are open, and we want to keep all the options open so that -- at appropriate time. So once we have shareholders' approval, it's valid for full year. So at appropriate time, we can make sure that the capital adequacy for this business is properly maintained. And about home finance, Girish will give you the disbursement data. I think there's a strong pickup in the disbursement, but I'll let Girish give you the data.

**Pavan Kumar:** Sir, before Girish sir gives this, just one clarification. Because share sale, I mean, stake sale in the subsidiaries takes time, right? The due diligence, everything will take some time. And even if you raise Tier 2 debt, again, AT2 debt, that will be Tier 2, right? It won't be counted towards Tier 1 and the way...

**Nirmal Jain:** No. Perpetual is counted towards Tier 1 subject to certain numbers. So the perpetual debt is counted as Tier 1, up to 50% of the equity. And I think maybe there's some certain restriction on the total quantum, but it is counted as Tier 1 and subordinated is counted as Tier 2. And we have been working on this. I'm not saying it will happen tomorrow, but it can happen very quickly.

**Pavan Kumar:** Got it. So your preference is towards not raising that equity in the immediate term, but...

**Nirmal Jain:** No, we can raise equity also, we are open. It all depends on the valuations in the market. And -- but it's -- we don't want to be in a desperate situation, so we are trying to work on everything, including co-lending, perpetual and subordinate debt in this quarter. But yes, something which is equity, we are open to raising equity also. There's no -- I mean it's not that we don't want to raise, but we want to raise at some reasonable valuations.

**Girish Kousgi:** Under home loans, we had a very good quarter 1. So if you look at last few quarters, I think we registered high disbursement growth. So sequentially, we have grown disbursement by 39% and this is high compared to last few quarters. And even we could see good growth on the AUM, which is 4% sequential and book growth is 7%.

So this trend will continue. Generally, in housing loan industry, quarter 1 is soft. And from quarter 2, it picks up. So we expect that this momentum to continue and we will be able to further improve upon it. And not just this, we have also improved our onboarding yield. So in last 2 quarters, we have increased about 68 to 70 bps on the overall book. This is on incremental book.

**Pavan Kumar:** So the 39% growth is between home loan and LAP together, right, in IIFL Home Finance?

**Girish Kousgi:** Yes. This is overall sequential growth disbursement 39% overall.

**Vikas Jain:** Yes, both put together.

**Girish Kousgi:** Both put together. Home loan is about 80% of the portfolio and LAP is about 18% or 19% kind of thing.

**Pavan Kumar:** Sir, can we say that like this quarter, like going forward, the growth will be much faster, particularly home loans, which has grown only 3% quarter-on-quarter?

**Girish Kousgi:** So this is sequential. So if you look at the overall year, we are looking at growth of about 17% to 18% on book and AUM. Disbursement growth will be over 30%.

**Pavan Kumar:** Got it, sir. Is that the kind of growth estimate for the full year also 17% to 18% for the...

**Girish Kousgi:** It's for the full year.

**Vikas Jain:** This is for the full year.

**Girish Kousgi:** Full year, the book growth...

**Pavan Kumar:** No, I mean -- FY27, I mean, for the full year FY27, yes.

**Girish Kousgi:** For FY27, yes.

**Moderator:** The next question comes from the line of Chirag Singhal with First Water Fund.

**Chirag Singhal:** Congrats on good set of numbers. So my first question is on the targets that you have given in Slide 20. So in FY27, the credit cost is expected to be 1.5% to 1.7%, which is sharply dropping in the next 2 years. So which segment do you see will be contributing to this higher credit cost in the current year?

Because microfinance, as I can see in Q1, a lot of -- I mean it's turned in favor of the industry. And even the gold loans and all are not witnessing any higher provisioning. So just trying to understand the higher credit cost for this year and what will lead to a steep decline in the next 2 years?

**Nirmal Jain:** So this year in our housing finance because there's a small portfolio of micro LAP that is there. So if you really look at our housing finance GNPA, they are much higher than the peers, and that is what will be fixed in the next 2 years.

**Chirag Singhal:** So what is the outstanding micro LAP book as of Q1 end?

**Girish Kousgi:** So the outstanding of micro LAP is about INR440 crores.

**Chirag Singhal:** INR440 crores.

**Girish Kousgi:** INR440 crores.

**Chirag Singhal:** Are there any other GNPAs?

**Girish Kousgi:** BLC book is about INR260 crores. So this is a problem book. It's not significant, but it is just a residual so it will have cleanup in this year.

**Chirag Singhal:** Second question is on the -- just continuing the previous participant's point on the fundraise? So you are looking at taking in microfinance subsidiary. So like what is the multiple that you would be looking at bare minimum if you want to exit Samasta? And would it be like a partial stake sale or you are planning to exit microfinance completely?

**Nirmal Jain:** No, we can do partial stake sale also. Now the business has recovered this year. But it's very difficult to give any guidance on this because these are all -- it depends on the negotiation deals and this. So the environment has improved now and therefore, it may be a time to raise capital there. Also, in our parent company, the subsidiaries are valued at cost. So that basically is a disadvantage when we compute the capital adequacy for the parent.

So even if we demerge, then also the capital adequacy gets released. So we are looking at various options. But as I said in the previous question that we are very conscious of this, and we want to make sure that this is addressed properly.

**Chirag Singhal:** Yes, because diluting at the current valuation would be your last option that you would be looking at, right? Because at -- why would you dilute…

**Nirmal Jain:** Yes, I think we can still take up with the marginal -- we can still continue for a quarter or 2 more with the co-lending picking up and perpetual subordinated debt, our capital adequacy will be better as we go along. And also we are not -- as I said that what we are saying is right, but we need to look at the multiple options and take one.

**Chirag Singhal:** Understood. One more question on this project PACE. So you have given some data points on Slide number 19. So the ranges are very wide. So loss prevention, you are saying 10% to 40%, operating cost 8% to 20%. So any specific reason why such a wide range? And also on the opex to AUM, if you can give a guidance how we should look at it going forward?

**Nirmal Jain:** So okay, first, -- AI is a new animal. And I think we are also a human organization because I'm going to do it slowly. And this is something which will be achieved over a period of time. So if you say the cost reduction over 3 years, then I'm very optimistic that it might be on the higher side. But in the first year, it will be on the lower side.

And as I said that this is completely -- everybody is sort of talking about it, doing it. In my opinion, more or less everybody will get the AI right. I mean, just like mobile or any other technology. A few months here and there, everybody will adopt it. But I think we are also looking at it as a completely new thing, and that is why the range is wide. This is not a tested technology. This is not something that you have precedents or a model and you can, this is what I'll achieve.

**Chirag Singhal:** Okay. And on the opex to AUM, like what is your evaluation?

**Nirmal Jain:** Yes, opex to AUM, I think we are down to 3.4%. So I mean, from here, there can be a marginal decline because we are also setting up new branches. Last year, we did not set up any new branch. So I mean, I think 3.4%, 3.3% or this is the range that you should look at. And AI benefits, which is again, black box. We'll see over the next 2, 3 years that probably we can contain it further.

**Chirag Singhal:** So this 3.3%, 3.4%, are you considering any benefits from this, whatever you have mentioned about Project PACE. Are you factoring any benefits?

**Nirmal Jain:** So AI benefit, if you really look at our fixed cost in this quarter and last quarter, despite growth in the business has grown by 2% or something like this. So obviously, you see that the AI benefit has already started to kick in. But it's very difficult to estimate. But what I can tell you is that the operating cost over the next 2 to 3 years, we'll see a downward trajectory, which is combined impact of AI and also as our scale goes up.

So we are -- our branch-led model with 4,500 to 5,000 branches. We are a very heavy fixed cost model because the branches costs are fixed, the employees have fixed salaries. So if the scale goes up, the operating leverage benefits us a lot. I'm also trying to factor in the expansion that we are going to do because as I said, this year, we want to set up 500 new branches. So that will, to some extent, mitigate the benefit of operating leverage.

**Moderator:** The next question comes from the line of Gaurav Khandelwal with JP Morgan.

**Gaurav Khandelwal:** I've got a couple of those. First, on asset quality, can I understand what's driving the higher gross NPAs, both in home and gold loan segments quarter-on-quarter? Is there anything systemic that we need to worry about?

**Nirmal Jain :** So I think in gold, one should not worry about because these are customers that generally don't default and their jewelry has emotional value, so you have to be a little careful and give them some more time. In housing also, as I said, that we are mending it structurally. So you may -- as we go along, you will see that coming down significantly. But compared to, say, last year, we are significantly down. And now that we are pivoting towards a secured portfolio, then you see our credit cost and losses will become minimal.

**Gaurav Khandelwal:** Got it. And if I can just follow up. So in case of your housing loans on an average, whenever we see a default and an actual loss, what's the LGD on a blended basis for the housing book?

**Girish Kousgi:** If you take on the entire book, LGD will be anywhere between 33% to 34%. And our coverage will stay accordingly below that.

**Gaurav Khandelwal:** Got it. Okay. And my second question on your longer-term strategy, and I'm sorry if you've already answered this, but your guidance of effectively increasing ROA by 50-odd basis points, a lot of that appears to be coming from credit costs. But outside of credit costs, are there any areas you think which can also help in terms of getting to the higher ROA in operating leverage or margins or otherwise?

And also, I just wanted to understand what's the outlook for margins over the next 2, 3 quarters? Have your cost of funding worries come down, especially after the spike in yields in initial part of the quarter. So those are my 2 questions.

**Nirmal Jain:** So ROA, I think 40, 50 basis points post tax something like 60, 70 basis points pre-tax, which is coming 40, 50 basis from credit cost, 20, 30 basis points from maybe rest of the things, which can be operating cost as well as the NIM improvement. Now in terms of credit, the cost of borrowing, cost of funds, I think the general industry is of the view that with FCNR liquidity will ease in the system, and we should be able to borrow at a lower rate.

In the last couple of quarters, we have seen slightly higher rate and also our dollar bond has been at a higher cost. Margins are stable in the gold loan despite competition, we focus on a very small segment, which is the customers which are -- the ticket size is small. So there -- I personally don't think any pressure on margin because the rate at which we lend, given our scale, we afford.

But otherwise, for small ticket loan, it's a very fair rate. So we expect margin to be stable. So margins will remain in this range and benefit will come from operating cost and also credit cost. Other income cross-sell with AI, we are just trying to -- we should achieve some benefit there also.

**Gaurav Khandelwal:** Got it. And in fact, in this quarter, the gold loan yields are up slightly. Have you increased pricing for any particular gold product or what is driving this almost 40, 50 basis points increase?

**Nirmal Jain:** So it's a portfolio yield. And when we started after embargo, so initially, the yield was lower, but as we have been talking about in earlier analyst call also. So we have picked up. And as quarter after quarter, you see the advantage coming in. So -- and as I said, because we are focusing on small ticket loan, we are able to maintain our yield. The portfolio typically sees the loans are for 6 to 12 -- 24 months actually. So as the new loans are at a higher rate, you see yield improving.

**Moderator:** The next question comes from the line of Abhijit Tibrewal with Motilal Oswal.

**Abhijit Tibrewal:** Congratulations on a good quarter. Nirmal sir, first on gold loans. Just trying to understand so many other larger bigger NBFCs now entering into gold loans in the last 1 or 2 quarters. Have you heard anything from the ground in terms of being aggressive or higher competitive intensity or this is still just a narrative right now?

Basically, what I'm trying to understand is why in housing finance, Girish said earlier that we have been -- we have managed to take yield hike about 60, 70 basis points on the incremental loans that we are doing. Is that something similar we are able to do on gold loans as well?

**Nirmal Jain:** So okay, there are 2 different products. In housing, what is happening is that there's a mix. And earlier, we had this micro LAP, which had a higher yield of almost 18% to 24%. So that portfolio is declining. So if you see that although Girish talked about boarding yield going up, the portfolio yield has come down in housing finance because the high yield portfolio is running off.

In gold, I mean, there's one product. And here, while the competition is there, I mean, I'm not denying that there's competition -- competition can be aggressive in 2 ways. One is they can drop the yield and two is they can increase the LTV. And we are seeing some of the new players getting aggressive in both ways.

But it's a huge market and we have a customer franchise. So we really aren't chasing cutthroat competition or our growth because we have our customers, our branches, and we are maintaining that relationship as well as our business.

And also, there's a learning curve. So many competitors have set up new branches. You need to get the system, security people, training, everything right. And that's a process. And it's a massive market. So it's a very large market. Still part of the market is unorganized sector. Banks have a very large market.

Many 2, 3 large public sector banks have more than INR3 lakh crores of portfolio. So I think the market is there now that unsecured lending has become difficult, more and more customers are veering towards lending or borrowing against gold.

**Abhijit Tibrewal:** Got it, sir. Sir, the second question I had was about a lot of these management changes that we've seen in the last 1 year. I think we are changing our CFO. I think today, we have said that our business head, unsecured lending is moving to another role within the company. Girish sir himself has come on Board for us? So…

**Nirmal Jain:** Unsecured lending, let me explain.. Unsecured lending we discontinued. So obviously, that role has to be redefined somewhere. Previous CFO is still there in handling strategy, but personal health issues. So that is a different question.

But other than that, many of -- if you really look at our Tier 2 management or even Tier 1, many of them have been there for 15, 20 and 30 years. So if you look at our gold loan head, he has been here in the company now almost maybe 25, 30 years. So there are many old people, and they are the strength of the company. But some changes will happen in a company as large as this.

**Abhijit Tibrewal:** And sir, are we looking to introduce any new products in the standalone entity now while gold will remain the core product? Any new products that you're looking to introduce or any other or similar leadership...

**Nirmal Jain:** I think the LAP or secured MSME is another product which will be there in our listed company. A very small product loan against shares continue. But other than that, we don't have any plans to introduce any new products.

**Abhijit Tibrewal:** Got it. And lastly, sir, one clarification. When we said that we have discontinued unsecured lending, we'll stop doing unsecured business loans as well?

**Nirmal Jain:** Yes, that is what -- you're absolutely right. Unsecured business loan and personal loan, both we have discontinued.

**Abhijit Tibrewal:** Got it. And lastly, Girish sir, I'm just trying to understand while you laid out that you're looking at about a 30% disbursement growth, 17% to 18% loan growth this year and the fact that what Nirmal sir has explained that disbursement yields are higher, but given that micro LAP used to be a higher-yielding product and that is running off and you're not doing that product anymore. How are you thinking about kind of improving the ROE trajectory over the next couple of years?

**Girish Kousgi:** So, yes, actually if you talk about -- I spoke about what is going to be the plan for this year in terms of book growth, AUM growth and disbursement. I think that trend will continue for next few years because we see a lot of potential. In spite of quarter 1 being soft, we have done pretty well on all the three fronts. Yes, to a certain extent, probably last year was soft. But even if I compare quarter 4 sequentially we have a good lift on disbursement book and AUM.

So if I continue with this, maybe in next 3 years' time, so we are looking at ROE of about mid-teens. So I think that's the plan. We are focused on that. Now we are pivoting more towards affordable. And the balance, we are also into emerging. We have completely cut down on prime, which means a low margin business.

So every year if you take, if you look at any company's portfolio, I think the year's disbursement will account to 18% to 20% of the entire book, right? So in next 2 to 3 years' time, which means 50% to 60% of the entire book color will change, and that should lead to profitable growth, and it will also give us good return ratio.

**Nirmal Jain:** So, like in terms of trajectory, probably what we are trying to understand is that how the acceleration will happen. But based on, I think, our plans, I mean, quarter after quarter, we should see profitability improving faster than the loan growth.

**Moderator:** The next question comes from the line of Prithviraj Patil with Investec.

**Prithviraj Patil:** So I just had the first question on the income tax note. The footnote that's there in the financial statement, if you could just elaborate on the INR470 crores impact that's there?

**Nirmal Jain:** So there's nothing which is not discussed last time. So there's no new development on that. So there's a demand of INR475 crores, which -- against which we have filed an appeal with CIT.

And the process of income tax is that first you file appear with CIT, then you can go to Tribunal and then you can go to High Court and Supreme Court. So there's no new development there.

**Prithviraj Patil:** Okay. And also for the SRs, I see that the stand-alone entity, the SRs are the same quarter-on-quarter. And if you could just elaborate on the SR position for the subsidiaries as well. That could be helpful.

**Nirmal Jain:** So SR, basically, the redemptions will happen in a lumpy way. But as we had guided last time that in 12 to 18 months, probably more or less, all the SRs will be fully redeemed. And as I said last time also that we believe that we'll realize more than what the book value is. And actually, last quarter, there was not much movement. But in the rest of the year and -- so I think by September '27, more or less this book will be completely wound up.

**Moderator:** Your next question comes from the line of Love Sharma with Point72.

**Love Sharma:** If you could just highlight what was the credit cost for FY26 in this quarter? That will be very useful. And secondly, on the credit ratings on the international market, given that you have been very active, any indication of what your engagement has been with the agencies given you are on positive outlook from two of them? And I know you recently got a higher rating from Moody's, but just on the other two, where do we stand in terms of your communication and your discussion?

**Nirmal Jain:** Thanks. So Moody's has upgraded our rating with 1 notch above Fitch and S&P. Fitch has been actively engaged and immediately after the results, they will take it to the committee. We are very optimistic that even Fitch ratings would get upgraded. So -- and also we'll engage in other agencies, other international agencies as well as local. Our credit cost for the first quarter is around 1.6%.

**Love Sharma:** Okay. And for the entire FY26...

**Nirmal Jain:** Okay. When we say credit cost, it's based on the average loan book. And I think we have guided similar number around 1.5% to 1.7%. Going forward, gold loan reported GNPAs can be slightly higher as the book grows and the prices are volatile. But we always have enough cushion. So if the gold prices have fallen, then we don't press the button trigger and just auction everything depending on the margin that we have. So in terms of reported number can vary. But the loss given default in gold in the last 15, 16 years has almost been 0.

**Love Sharma:** Okay. Understood. And just on your borrowing cost, I mean, I know there's a slight uptick in the cost of funds for this quarter, given I think probably you have raised more in the international market. But just generally, where do you see the trend for the next quarter?

**Nirmal Jain:** So we raised $500 million by dollar bond, which is fully hedged. Our cost is slightly higher. But this is international market which we should diversify and we should tap. Companies like Shriram has done a wonderful job by being consistent in this market, and over a period of time, the cost comes down.

So that has basically been one of the reasons for increase in our weighted average cost. But as I said that the expectation is that after the FCNR, liquidity will improve domestically, and we should see the cost coming down.

**Moderator:** Your next question comes from the line of Rajiv Pathak with GeeCee Holdings.

**Rajiv Pathak:** Congratulations on a very good set of numbers. A few questions. First, on our gold loan business. So we have done a fantastic 21% Q-o-Q growth there. If you can just touch upon how much of this growth would be tonnage-led and how much would be value-led. So if you can share that number?

Secondly, if you look at the LTV, I think from March, we were at 63%. Right now, we are going to an LTV of 70%. Is there a headroom for us to now increase the LTV or now it will -- the growth will primarily be volume-driven growth going forward for the next couple of quarters? That is on the gold loan part. On the asset quality, maybe we'll take it up later.

**Nirmal Jain:** So Rajiv, I think our gold loan growth has not been 21%, but 11% quarter-over-quarter. Hello?

**Rajiv Pathak:** Hello?

**Nirmal Jain:** Yes, 11% quarter-on-quarter.

**Rajiv Pathak:** Sorry, 11% quarter-on-quarter, yes.

**Nirmal Jain:** And 5%, 6% has been the tonnage growth. The gold prices had corrected in February and not in this quarter. So I think we are maintaining a healthy cushion there.

**Rajiv Pathak:** Okay. Okay. So -- and on the asset quality in the gold loans. So if you were to look at the 1 to 30 DPD and the breakup that you generally give, we have seen an increase as compared to Q4. So basically, the gold loan portfolio and the MSME, both secured and unsecured, have seen an increase in the 1 to 30 and the 30 to 90 DPD buckets. What would be the reason...

**Nirmal Jain:** Okay. So gold loan, I think this question I had answered earlier also. The customers basically because we don't have any penalty or any penal charges in case customers paid before 90 days. And normally, these are the small amounts that customers -- our branches collect on a monthly basis. So typically, they know that just before 90 days, they have to collect it fully. In some small stake cases, there can be some delay.

And therefore, 0 to 30 and 30 to 60 can be higher. But mostly, these are small traders, shopkeepers, businessmen, mom-and-pop shops. So you generally collect before 90 days. So I won't be worried about a slight increase in our DPD in the gold loan. But -- and which is also not very significant if you compare number quarter-on-quarter, it's very marginal.

**Rajiv Pathak:** Yes. In terms of absolute amount, it will not be. But so basically, if you were to take a point, that means you are saying that while the gold prices may be volatile, maybe even longer going over the next 2 quarters, for example, your buckets may move in between 30, 60, but your 90 DPD, you don't think that will go up, right?

**Nirmal Jain:** Yes.. And even if that goes up a little bit a few basis points, the losses will not be there. Ultimately, it comes back.

**Rajiv Pathak:** Okay. Sure. And sir, on the MSME part, both secured and unsecured?

**Nirmal Jain:** So MSME unsecured is a discontinued business. So there, I think we are recovering whatever the balance portfolio. So the denominator keeps shrinking, so you might see some increase. In case of MSME secured again, I think there's a very marginal movement. There's hardly any 2 basis point movement.

**Rajiv Pathak:** Yes. Okay. Okay. And sir, on the microfinance portfolio, so we have seen a growth coming this quarter also. So would you see same quarter-on-quarter AUM growth trend now going forward and even for the profitability and ROE in this business improving quarter by quarter going forward?

**Nirmal Jain:** Yes. Microfinance industry has picked up. So there's about 3% - 4% growth quarter-over-quarter. Within that also, the microfinance also diversifying more into retail and the secured other loans, which is dedicated and other products that we do. But microfinance industry, okay, it will not grow at 30%, 40%, what it grew in '24. But steady 3% - 4% growth per quarter will happen.

**Rajiv Pathak:** Okay. And what is the ROA, ROE targets that you would have here?

**Nirmal Jain:** ROA target for?

**Rajiv Pathak:** Microfinance Samasta?

**Nirmal Jain:** I think it will be around 2.5% to 3%. Is Venkatesh there on the call right?

**Venkatesh N.:** Yes, Nirmal. We'll hit around 2.5% to 3%.

**Rajiv Pathak:** 2.5% to 3%. So 2.4% will go to 2.5% to 3% kind of a range by the end of the year.

**Venkatesh N:** Yes, closer to 3%.

**Moderator:** Your next question comes from the line of Shreepal Doshi with Equirus.

**Shreepal Doshi:** My question is pertaining to the gold finance book. So, this quarter, we have seen the new RBI framework being implemented for the lenders. So, what sort of challenges or developments that we've done -- that we've seen during the quarter while doing the business as well as have we made any changes in terms of tenure, in terms of, let's say, product launches within the gold loan portfolio? Or we are still continuing with the vanilla gold loan portfolio -- product that we had?

**Nirmal Jain:** So income assessment has become mandatory. So okay, you can define the loan as consumption or income-generating loan. In consumption loan, you cannot go beyond 75% LTV. And in income-generating loan, you can go beyond 75% LTV, but you have to make sure that you do the assessment of cash flows and income. So we are working with this. We have a good technology-driven system to do that for small businesses that borrow from us. So in a way, I think, these developments are healthy from a long-term point of view. And our sectors are fully tuned to that.

**Shreepal Doshi:** So to just follow up on that. So we have launched an income-generating gold loan product as well, do you mean to say?

**Nirmal Jain:** We have income-generating gold loan product also and we take Udyam Certificate and business proof for that also, yes.

**Shreepal Doshi:** Got it. Got it. And sir, with respect to the new framework, like as you also put up like you have launched this product as well. But at ground level, did we change anything on the tenure side? Because implementing in the consumption loan product, implementing the newer LTV norms could actually lead to lower disbursements for the customers. So have we tweaked anything on the tenure side during the quarter?

**Nirmal Jain:** Not very much. So we always have a tenure of 2 years available for customers. So that continues.

**Moderator:** The next question comes from the line of Varun Gajaria with Omkara Capital.

**Varun Gajaria:** Yes. Congratulations on a good set. I just wanted to understand on the previous question that one of the participants asked. If you could just walk us through the 30-plus slippages? And if there's any part that you're concerned about? I'm sorry if you've already answered this.

**Nirmal Jain:** So, 30-plus slippages in which product you are saying?

**Varun Gajaria:** Overall, in the asset quality metrics that you've mentioned, right? 1 to 30 and 30-plus?

**Nirmal Jain:** If you look at our Slide 12, that gives you the numbers for every product on 30-plus, 60-plus and beyond.

**Varun Gajaria:** Yes. No, I'm aware of the metrics. What I'm trying to get at is, there is a sharp increase in those metrics, especially in gold. So if there's anything concerning about it?

**Nirmal Jain:** No, gold loan, I think the 30 plus number now -- is 3.8%. As I said, it's a very marginal increase, first. And secondly, in gold loan, I mean, sometimes, some customers don't pay on time, and we -- based on our margins, we hold back. We just don't auction or don't -- but this is not something which is not manageable. This is more or less, if you see historically, the numbers have been in this range.

**Varun Gajaria:** So, this is sort of seasonal and nothing that you're worried about, right?

**Nirmal Jain:** Yes, yes.

**Moderator:** The next question -- sorry, your next follow-up question comes from Pavan Kumar with Edelweiss Public Alternatives.

**Pavan Kumar:** In continuation of Shreepal's question from earlier, right? A couple of gold loan companies mentioned they're looking to structure gold loans as interest paying in sort of bullet loans. Have you made any such change on the interest side? That's one.

And the second thing, on the stand-alone entity, right, the assignment quantum actually increased year-on-year from INR4,200 crores to INR4,800 crores, just the Q1 number. But the assignment income has come down from INR173 crores to INR43 crores. Any reason for that? And lastly, earlier you used to give data book. Have you stopped it? It used to be quite useful.

**Nirmal Jain:** No data book will be there. Data book is there. It is uploaded already on our website. I think there's a link in the presentation that we should add..

**Management:** Data book is already there on our website.

**Pavan Kumar:** Okay. So I missed it.

**Nirmal Jain:** I think the link which was there in the last slide is not there, but I will just make sure that's there. So that is about the data book. And your other question was...

**Pavan Kumar:** On the interest, instead of being bullet loans, are you looking at...

**Nirmal Jain:** Yes. So we always had that product. So -- see, in gold loan, when a customer walks in, you can have a monthly interest payment, quarterly interest payment, 6 monthly or a bullet and the interest rate differs. So if you say choose monthly interest, then your interest rate is lower because we also know that the customer has -- is regularly income generating and is a good customer. So we always had these products. So there's nothing new we need to introduce.

**Pavan Kumar:** Is there any traction for that particular product, particularly like monitoring income-generating loans is quite difficult compared, right, at a brand -- please?

**Nirmal Jain:** Maybe I think too early because the entire income generating and these things have started in this quarter. So we'll see the trend now. But I mean, as of now, I don't have much variance or something which is significant.

**Pavan Kumar:** Got it, sir. And the assignment income going down from INR170 crores to...

**Nirmal Jain:** So assignment income of housing finance has gone down because the assignments are smaller, but standalone has gone up. The assignment income in the home loan because a 15-year product or even 7-, 8-year behavioral will be much more, significantly more.

**Pavan Kumar:** No, sir. I'm referring to stand-alone entity, the INR173 crores to INR43 crores net gain on derecognition?

**Nirmal Jain:** Yes, I think you're talking about the stand-alone this thing?

**Pavan Kumar:** Yes, correct. And also, you have given the...

**Nirmal Jain:** Now that co-lending has picked up, but our assignment was also higher.

Yes. I think -- so what has happened, the incremental deals quarter over quarter are lesser now because co-lending has picked up, although the portfolio might have gone up, but this happens based on the transactions done during the quarter. So that is why you see lower assignment income in stand-alone.

**Pavan Kumar:** But sir, you disclosed that like the assignment amount of loans assigned are INR4,800 crores this quarter.

**Nirmal Jain:** So the upfront income is based on the transactions done during the quarter.

**Pavan Kumar:** Correct, correct. during the quarter.

**Nirmal Jain:** So the transactions during the quarter are fewer as compared to the previous quarter.

**Pavan Kumar:** The quantum -- INR4,200 crores...

**Nirmal Jain:** Sorry.

**Pavan Kumar:** Please, go ahead sir. Please go ahead.

**Nirmal Jain:** Yes, you are saying INR4,200 crores. These are the portfolio. No, last year, I think INR4,600 crores what you're referring to. Is it the transactions done during the quarter? No, that is the portfolio.

**Pavan Kumar:** INR4,200 crores was the last year amount, assignment done. This year, you have done INR4,800 crores. So there is a INR600 crores higher assignment done this year versus last year. But the assignment...

**Nirmal Jain:** In the first quarter itself, you are saying?

**Pavan Kumar:** Correct, sir.

**Nirmal Jain:** Maybe I'll have a look and get back to you.

**Pavan Kumar:** Okay. Sure, sir.

**Nirmal Jain:** We will just find out. Analyze this and get back to you, Pavan.

**Pavan Kumar:** Congratulations...

**Nirmal Jain:** But going forward, at least a stand-alone, we will see that this income comes down as the co-lending picks up. And this entire upfronting will become almost negligible in the next few quarters.

**Moderator:** The next follow-up question comes from Abhijit Tibrewal with Motilal Oswal.

**Abhijit Tibrewal:** So, this thing, the new gold loan guidelines that got implemented from April and what you mentioned, consumption loan and income generation loans. So only the co-lending arrangements that we have with banks, are banks ready with their assessment or the way they want to underwrite these income generation gold loans?

**Nirmal Jain:** So all banks have different policies. Some banks are more conservative and they have a lower threshold than RBI's maximum allowed. And every bank has a different requirement. But I answered earlier -- so we are fully aligned with the new framework, which is income generating, assessing the income and tracking them. I mean that has not impacted our business much.

And in a way, we think there's a positive development because see there's a discipline in the type of loan that we are doing for consumption of our business. And for consumption, we will be more conservative. For business, you can be a little more liberal based on the income and the prospects of the cash flows of the business.

**Abhijit Tibrewal:** Got it. And for this, banks need to be ready, right, in terms of how they want to assess these income generation loans? Is that the right understanding?

**Nirmal Jain:** No,. The banks basically work along with us. -- it's like a joint lending. So we work with bank in terms of what kind of income proof is needed. And actually, most of the banks that we work with, they are very happy with our process. We do a CIBIL pull and then we also look at the digital data and then based on what we talk to customers, we estimate the income.

-- when you do co-lending, banks have to accept your process, and that process should meet their standards also. And then only you can start off. So we talk to them, we engage with them and we work out a joint process. So some bank in our process, if they need some more things then we add it. So for every bank, we have to work separately.

**Moderator:** As there are no further questions from the participants, this concludes our question-and-answer session. I would now like to hand the conference back to the management for closing remarks. As there are no further questions, I would like to hand the conference back to the management for closing comments.

**Nirmal Jain:** Thank you. And if you have any more queries or any questions, you can reach out to our Investor Relations or our CFS department. Thank you so much. Have a good evening ahead. Thank you.

**Vikas Jain:** Thank you.

**Moderator:** Thank you, members of the management. On behalf of IIFL Finance Limited, that concludes this conference call. Thank you, everyone, for joining us, and you may now disconnect your lines.