# "CreditAccess Grameen Limited Q1 FY'26 Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to the CreditAccess Grameen Limited Q1 FY'26 Conference Call hosted by Equirus Securities.

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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainty that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi for Equirus Securities. Thank you and over to you, sir.

**Shreepal Doshi:** Good evening, everyone. I welcome you all to Q1 FY'26 Earnings Call of CreditAccess Grameen. Today, we have the top Management of CreditAccess Grameen represented by Mr. Ganesh Narayanan – CEO and MD Designate; Mr. Gururaj Rao – Chief Operating Officer; Mr. Nilesh Dalvi – Chief Financial Officer; and Mr. Sahib Sharma – DGM (Investor Relations).

I would now like to hand over the call to Mr. Ganesh for his opening remarks post which we can open the forum for questions and answers. Over to you, sir.

**Ganesh Narayanan:** Thank you, Shreepal. Very good evening to all of you. We are pleased to welcome you to the Conference Call to discuss our 1st Quarter FY'26 Business Performance.

We have begun FY'26 with a positive momentum, setting the tone for the year ahead. Our Q1 FY'26 performance has created a new benchmark, achieving the highest ever 1st Quarter disbursement in our history. This is a testament to our resilience and agility that define us given that we are coming off the back of a challenging credit cycle.

Before we deep dive into the 1st Quarter performance, I will encourage all of you to go through our FY'25 Integrated Annual Report theme**,** Being Sustainable and Responsible, available on our website. This report reinforces the principles that define us while capturing full spectrum of our financial performance, business strategy, progress in our ESG journey, and commitment to robust corporate governance. We have witnessed broad-based declines in power accretion rates across our operating geographies with a strong ground-level execution and disciplined approach to customer engagement. The PAR 15 plus acquisition rate stood at 0.46% in June '25 compared to 1.34% in November '24. Karnataka is gradually inching towards stabilization with new PAR 15 plus accretion rates significantly being controlled at 0.58% for the month of June '25 from a peak of 2% in February 2025. The gradual stabilization in asset quality over the past three quarters has enabled renewed focus on our growth.

Our employee base grew from 20,970 employees in March '25 to 21,333 employees by the end of June '25 while maintaining lower annualized attrition rate of 27.1% in Q1 FY'26. This has resulted into improved customer servicing and supporting our asset quality outcomes. We have strengthened our market position amid multiple headwinds, increasing our AUM-based market share by 70 basis points during FY'25 to reach 6.9% of the overall microfinance industry. This gain reflects the consistency of our approach with a continuous new-to-credit customers and a strong commitment to supporting our borrowers through every stage of their credit journey. We added 2.16 lakh borrowers in Q1 FY'26 of which 43% were new-to-credit, maintaining a consistent trend quarter-after-quarter. As a result, 33% or one-third of the borrower base is unique with CA Grameen as of June '25 compared to 26% in August '24.

The branch expansion is progressing well with 54 branches opened in Q1 FY'26 across a mix of vintage markets and newer geographies. Our retail finance portfolio, the strategic growth lever, witnessed significant increase in YOY share from 2.9% to 6.8% at end of June 2025. We are pursuing a calibrated growth in this segment with strong focus on maintaining asset quality.

At the same time, it is important to highlight the increasing share of 3-year loans in GL book, rising to 44.3% in Q1 FY'26 from 33.3% in Q1 FY'25. While this trend reflects the improvement in serviceability and long-term retention, the probability of us handholding these customers into retail finance increases meaningfully given our evolved customer philosophy. Our internal policies on placing limits on credit exposure even before MFIN guardrails were implemented have resulted in a natural and steady deleveraging trend. Referring to slides 10 and 11, GLP of borrowers with greater than 3 pre-lenders stood at 11.1% in June 2025 versus 25.3% in August 2024. GLP of borrowers with greater than 2 lakh unsecured indebtedness stood at 9.5% as of June 2025 compared to 19.1% in August 2024. Further, the average total unsecured debt of CA Grameen borrowers has declined 14% year-on-year while the average monthly obligation has declined by 6% year-on-year.

PAR 15+, in case of borrowers with 4 lenders, stood at 14.3% as of mid-June 2025 versus 12.6% in March 2025. Similarly, PAR 15, in case of borrowers with more than 4 lenders, stood at 31.1% as of June 2025 versus 27.8% as of end of March 2025. This shows that delinquencies have largely crystallized in case of borrowers with greater than 3 lenders while 80% of these customers continued to make regular payments. Out of the overall PAR 15 plus of 6.4%, 35% was on account of greater than 3 lenders. Similarly, out of the overall PAR of 60 plus, 4.1%, 36% was on account of borrowers with greater than 3 lenders. An accelerated write-off journey which commenced in Q3 FY'25 is steadily driving us towards balance sheet normalization.

In Q1 FY26, we undertook write-off of Rs.693 crore which included an accelerated write-off of Rs.603 crore related to 180 dpd plus non-paying accounts leading to an additional credit cost of Rs.193 crore for the quarter.

As highlighted in slide #6, the share of credit cost due to new PAR accretion has consistently declined since Q3 FY25 whereas credit cost on account of write-off has increased. This has been in line with the company's aim towards balance sheet normalization through conservative provisioning and accelerated write-offs.

Overall, the company continued to hold 133 bps or Rs. 331 crore higher provisions over PAR 90, 323 bps or Rs. 833 crore higher provisions compared to IRAC prudential norms and Rs. 74 crore higher provisions compared to NBFC provisioning norms.

Our collection efficiency excluding arrears stood at 93.2% for Q1 FY'26 while being 93.5% for the month of June FY'25. PAR 90 stood at 3.29%, GNPA of 4.70% and net NPA of 1.78%, both predominantly measured at 60 plus DPD.

Net interest income grew 7% quarter-on-quarter to Rs. 937 crore with portfolio yield at 20.3% and interest spread of 10.6%. We observed a decline of 8 bps in our average cost of borrowings to 9.7% at the end of Q1 FY'26, having remained stable at 9.8% over previous 7 quarters. During Q1 FY'26, we raised Rs. 2,570 crore which included partial drawdowns from our maiden US $100 million multi-currency syndicated social loan comprising of Japanese Yen and US dollars denominated combined. This transaction is particularly significant as it was priced comparable to our domestic borrowing rates and notably lower than our average cost of borrowing.

We raised money from leading banks from South Asia and Far East, reflecting our strong ESG credentials and consistent impact-driven record. We remain confident of building on this momentum as we work towards our strategic objective of achieving 25%-30% foreign borrowing by FY'28. NIM remains steady at 12.8% for Q1 FY'26. Cost-to-income ratio stood at 33.5% while PPOP stood at Rs. 656 crore in Q1 FY26. The liquidity levels including cash and cash equivalents were adequate at Rs. 2,025 crore amounting to 7.3% of the total assets. Additionally, we have sanctions in hand of Rs. 3,093 crore and another Rs. 6,500 crore worth of sanctions in pipeline. The capital adequacy remains comfortable at 25.5%. We delivered a PAT of Rs.60 crore in Q1 FY26 leading to ROA of 0.9% and ROE of 3.4%. The microfinance sector is showing signs of stabilization supported by implementation of MFIN guardrails and improved lending discipline across the ecosystem.

Looking ahead, the outlook for FY'26 remains encouraging with favourable monsoon forecasts and strengthening rural sentiment laying the groundwork for sectoral development. Our strong business momentum and stabilizing asset quality position us well to deliver robust profitability in the second half of FY'26 as guided.

Thank you for your attention and time. We now open the forum for questions and answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mr. Renish from ICICI. Please go ahead, sir.

**Renish:** Hi, congrats on a good set of numbers. Just two-three questions from my side first on this PAR 15 accretion data. So, it is very clear that except Karnataka, most of the states are either stabilized or may be better than the June '24 levels. But when we look at Karnataka specifically, PAR 15 accretion rate is still significantly higher at 58 basis point compared to June '24. And also, when we look at PAR 0, which is increased to 9.2 in June. So, what is happening at the ground level? What are the factors which is causing this delay? And does this also possess any risk to our Karnataka state additional credit cost guidance of 1% to 1.25%, which we shared last quarter.

**Ganesh Narayanan:** So, Renish, at ground level, the situation is consistently improving. If you see the chart, we have on a month-on-month basis, we've shown improvement in Karnataka also. I agree that it is not at a normal level. But we are hoping that by end of Q2, we should see further drop in new PAR accretion in Karnataka. And we will have to kind of watch Q3 to see where this will settled down. So, we will have to see whether it goes back to the earlier trend of 15-30 bps or it's going to kind of settle down slightly higher. But at least the monthly trend is showing that it is consistently, every month, probably on a weekly basis also, it is showing a very strong trend of recovery. So, the nature of PAR is still the same that certain section of customers are using the ordinance to kind of request for some more time. But however, what is encouraging is that you are seeing in the early buckets, more than 40% of customers, that is before 60 days, more than 40% of customers are partially paying. So, while you are accruing new PAR, the old PAR is also performing through partial payments. So, it should kind of balance out during this quarter is what we see.

**Renish:** So, this partial payment customers are only for Karnataka, right?

**Ganesh Narayanan:** No, overall as a company also, we have 40%. Karnataka is also similarly trending.

**Renish:** For the new PAR accretion you are saying?

**Ganesh Narayanan:** Yes. So, less than 60 days PAR, partial paying customers at a company level, as well as Karnataka is roughly around 40%-45%.

**Renish:** Got it. And does this budget in restore credit cost guidance in Karnataka, what we shared in Q4 of 1% to 1.25%?

**Ganesh Narayanan:** So, we would want to keep it there. But however, like I said, we will have to see how Q2 pans out and how we stabilize in Q3, right? So, the only comforting factor is every month we are seeing progress. And we will have to see how this kind of tapers down over the next few months.

**Renish:** Got it. So, second question is on the retail finance. You also mentioned in your opening remarks about strategically scale up of this book. Can you share a little more detail about which product is driving this growth? Which geography? How are they set up? I mean, internally, who is leading this business, etc.?

**Ganesh Narayanan:** Sure. So, broadly today, retail finance comprises of graduated customers taking unsecured business loans. It also comprises of mortgage loans, that is secured business loans, as well as affordable home loans. So, today, as we speak, the unsecured business loan book is around Rs. 1300 crores, which consists of graduated customers taking unsecured business loans. This is predominantly done in our core geographies which is Karnataka, Maharashtra, Tamil Nadu, MP. And during the year, we will scale this up to a few more branches. So, as of last year, we rolled this out in around 500 branches. As of now, we have rolled this out in around 735 branches. So, this is one part of the retail finance. With respect to mortgage loans, the secured business loans book stands roughly around Rs. 250 crores, and home loan stands at Rs. 134 crores.

**Renish:** Got it. Sir, just a follow-up on that. So, this unsecured business loan, what is the tenure?

**Ganesh Narayanan:** This is predominantly 3-year tenure.

**Renish:** And any data to share on month-on-book performance or anything?

**Ganesh Narayanan:** So, this unsecured business loan, as of last quarter, we were roughly at a PAR 30 of close to 2%. I think we have seen a slight increase here predominantly because this book is also in Karnataka. But we are around 75 bps higher than Q4. But we see that also stabilizing in the coming quarter.

**Renish:** Okay. Got it. And just a last thing. There was a media article suggesting many players are increasing their lending rates in MFI. So, are we also contemplating any rate hike or how is it?

**Ganesh Narayanan:** So, we have not increased rates for the past few quarters. That media article was kind of quoting what is published on the website as well as comparing it with portfolio yield. So, on a QOQ basis, our average lending rates have not increased.

**Renish:** Okay. And we are not thinking too…

**Ganesh Narayanan:** No, we are not looking at in the near future.

**Renish:** Got it. Thank you so much, sir. And best of luck, sir.

**Ganesh Narayanan:** Thank you, Renish.

**Moderator:** Thank you, sir. The next question is from the line of Abhishek from AB Capital. Please go ahead, sir.

**Abhishek:** I know you already spoke, but just again wanted to ask this. So, you think the challenging portion of the credit cycle, we have already crossed it, right? And we can again grow confidently, aggressively like our past?

**Ganesh Narayanan:** Yes. That is the confidence that we are seeing consistently month on month, right? So, that is why we have been publishing monthly updates. So, every month we are seeing improvement with certain amount of aberration that happened in April because of year closure and holidays and that translating to slightly elevated PAR in May also. But I think consistently if I see as a trend, we are inching towards normalcy.

**Abhishek:** Okay. And any other state other than Karnataka that you would like to flag as of now where stress is material there a little bit?

**Ganesh Narayanan:** All other states have really come back quite strongly.

**Abhishek:** Okay. Thank you.

**Moderator:** Thank you, sir. The next question is from the line of Shreya Shivani from CLSA. Please go ahead, ma'am.

**Shreya Shivani:** Thank you for the opportunity. I have three questions. My first question is on one of your peers had commented in their result call that they are facing some challenges in growing the MFI book in Karnataka and Tamil Nadu. Now, I understand this is your home turf. So, some color you can give about on what kind of growth and new customer acquisition has been seen in these two geographies in the past quarter? I know in the PPT, you give us that data for the past one year, but just for the quarter. That's my first question. My second question is on the employee cost. So, I understand that you had been, your employee count was increasing from 4th Quarter itself. So, the employee cost has come in at an elevated rate. What should be the run rate? How should we build it for the year? Was it that more variable was paid out this year? Some color on that would be useful over here. And my third question is, I think you've partly mentioned, but I still wanted to understand that last time you had mentioned that in your stage three, your provision coverage is at a 50%-60%, whatever level it is, because on the partially paying account, you had kept lower PCR. So, what has been the behavioral trend of this partially paying account? Do we foresee the need to provide more or it's an improving trend? These are my three questions. Thank you.

**Ganesh Narayanan:** Okay. On the first question, we don't see any specific difference in customer acquisition with respect to challenges in Karnataka, Tamil Nadu. It is like any other state. We are normally, normatively growing across all states. And with respect to OPEX, the employee cost in Q4 was slightly lower because we had reversed certain provisions with respect to our annual performance bonus, given the moderation in the performance of the company. Also, we added people in Q4 and Q1. Further, we have normative salary increments coming in effect from Q1. So, all these factors put together contributed to a higher employee cost on QoQ basis. But with growth starting, you should see overall Opex/AUM less than 5% as we move forward. And on the third question, Stage-3 provisioning, today we are at roughly around 63%. It is slightly lower than the last quarter because the Karnataka book where majority of the districts are classified as low risk has flown forward to Stage-3. Hence, you are seeing a slight lower provision. Otherwise, there is no change in provisioning model as such.

**Shreya Shivani:** Right. Even with the partially paying accounts, you are still comfortable with the level of provisions that you have kept, right?

**Ganesh Narayanan:** Yes. So, we are quite strong. You would know that we provide Stage-3 at 60 days, not 90 days. And there is already a very high amount of provisioning in all three stages compared to whatever we are able to see in the market.

**Shreya Shivani:** Got it. And just one follow up. The reason why I am stressing on Karnataka and Tamil Nadu is because you've given us a range of 14% to 18% growth, right? So, any slowdown over there would make me decide whether it's a, you know, will help us understand whether the growth is more towards 14 and more towards 18. Do you think your peers' experience of not a very normative growth in that geography could just be because of that is not their home turf or their home geography or something of that sort? Do you think competition has calmed down in many of the geographies? Any comments around that?

**Ganesh Narayanan:** With respect to Karnataka, I think the confidence will start coming in as people start seeing their fresh PAR accretion come down. So, in our case, because we are seeing it coming under control month-on-month, our book will also grow as we move forward, right? So, for different players, it could actually pan out at slightly different points of time. But I see that it will strongly come back in some time.

**Shreya Shivani:** Got it. This is very useful and thank you and all the best. Thank you.

**Moderator:** Thank you. Our next question is from Ms. Shweta D. from Elara. Please go ahead, ma'am.

**Shweta D.:** Thank you, sir, for the opportunity. Sir, a couple of questions. So, the sanctions which you are holding around Rs. 3,000 odd crores and the pipeline of closer to 6,500, can you provide the composition across JLG versus individual or retail finance loans? Second is, this Rs. 350 odd crores of provisions which have been made towards new PAR accretion, so, again, here also if you can provide some color on the customer cohort. And lastly, while the employee attrition has been declining but can you just provide any color on any geographic related concentration here in terms of employee attrition?

**Ganesh Narayanan:** I think for us, I will take the third question first. With respect to attrition, over the last two quarters, we have been able to kind of stabilize headcount across all states. However, we do see slightly higher attrition in the state of Tamil Nadu, which is more or less I am seeing this as a pattern across BFSI, not necessarily microfinance. But we keep a slightly higher bench there to kind of manage attrition. But otherwise, the rest of the country is kind of quite stable for us. And with respect to the borrowing related question, the sanction in hand, I am asking Nilesh to take that.

**Nilesh Dalvi:** So, Shweta, with respect to the sanctions in hand and sanctions in pipeline, largely all these funding lines have an underlying as microfinance loans. So, we have not yet started availing loans, keeping retail finance as an underlying because that book is still in a growth phase and once we reach a certain disbursement quantum on a monthly basis, then we will look at hypothecating retail finance assets for our funding. So, as of now, the funding is purely basis the microfinance book. And your second question on the provisions on the new PAR. So, the provisioning is again in line with our ECL policy. So, as you are aware, we are taking a district-based provisioning approach. And depending upon the classification of the district, the provisioning is done. So, as of now, the new PAR accretion, we have anyways provided the new PAR accretion across various states for your information and depending on in which district this new PAR comes, whether it is in a low-risk, medium-risk or high-risk, basis that the provisioning rate will be determined. So, largely as of now, we are not seeing any major deviations. It's been a normative trend over the last few months.

**Shweta D.:** Understood. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

**Nidhesh Jain:** Thanks for the opportunity. The first question is on customer count, which has been written off this quarter and how should we think about active customer growth? When do you expect that to happen? And what is the expectation to reach active customer base by the end of this financial year?

**Ganesh Narayanan:** Right. So, broadly, I think by end of Q2, most part of the write-off would have happened. And we are confident of adding roughly around 1 lakh customers on an average per month for this financial year. So, hopefully, we should be able to kind of maintain this trend and settle down around how much?

**Nilesh Dalvi:** We should see growth from 3rd and 4th Quarter.

**Ganesh Narayanan:** In the customer base because the write-offs will be largely done. And if you see normatively in second half, even if we add 6 lakh customers, so it will have 6 lakh customers on a base of 45 is around close to 15% growth. But then there will also be a normative attrition on maybe around 6% to 7% in the second half. So, we should see around 5% to 7% growth in the borrower base on an overall basis.

**Nidhesh Jain:** Sure. And what is the count of customers which have been written off in this quarter?

**Nilesh Dalvi:** 4.6 lakhs we have written off.

**Nidhesh Jain:** In Q1?

**Nilesh Dalvi:** Yes. Nidhesh, my bad. Trailing 12-month basis, we have written off 4.6 lakh borrowers. In 1st Quarter, we have written off around 1.8 lakhs.

**Nidhesh Jain:** Okay. Sure. And what is the quantum of interest income written off in the quarter?

**Ganesh Narayanan:** It is around Rs. 88 crores.

**Nidhesh Jain:** So, that should also reduce after Q3, right? As write-off slows down, that interest income written off should also reduce from Q3 onwards?

**Ganesh Narayanan:** Yes. Largely in Q2, we should see a similar figure. But from Q3 onwards, it should taper off.

**Nidhesh Jain:** And in terms of cost of fund, how should you see the trajectory of cost of fund going forward?

**Nilesh Dalvi:** Cost of funds, directionally, they should improve. However, today what we are seeing is that our borrowings are linked to MCLR and usually the reset happens on an annual basis at different points in time. So, while the repo has fallen by 100 bps, it takes at least 2 quarters for the transmission to happen in MCLR. So, we should see some benefit flowing in. So, like in Q1, we have already seen around 8 bps of benefit. So, the larger benefit should come by end of the financial year and in the 1st Quarter of next year.

**Nidhesh Jain:** Okay. Sure. Thank you. That's it for my side.

**Ganesh Narayanan:** Thank you. Nidhesh.

**Moderator:** Thank you. The next question is from the line of Aravind R from Sundaram Alternates. Please go ahead.

**Aravind:** Thank you so much for the opportunity. Considering the accelerated provisioning we have made of Rs. 193 crore in this 1st Quarter, are we still confident of getting to the guidance of credit cost of 5.5% to 6%? That is my first question. And then second question is with respect to higher OPEX. I understand we have made multiple efforts in terms of strengthening connections and maintaining higher bench strength in Tamil Nadu because of higher attrition rate. But do you think this will improve as the growth picks up? That is the second question.

**Ganesh Narayanan:** Yes. So, first question, on the guidance on credit cost, because we are seeing month-on-month improvement, we believe that we should be able to reach that. But Q2 will give us better confidence if we continue to improve the performance on this and kind of reinforce that we should be able to make this. On the OPEX side, like I said, Q3 and Q4, you will see it dropping and hence by end of the year it should drop-down below 5%. So, currently it is high because of two things, like I said. One is because of higher employees added in Q4 and as well as Q1. And also because of the effect that in Q4, provisions for APB were reversed to kind of rationalize the budget for the same. And that has kind of made Q4 employee cost lower. And we have also added increment provisions in Q1. So, that has also kind of contributed to higher OPEX.

**Aravind:** Sure, sir. But just one follow-up question on credit cost. You mentioned that lower credit cost in second half, but it has to be as low as 3%-4% for us to get to a point of 5%-6% credit cost for the whole year. So, that is the reason it was so low.

**Ganesh Narayanan:** Yes, the confidence for us is that given that the monsoons are better and field level issues have reduced, we are looking at lower migrations and a significant improvement in performance in Q3 and Q4. And hence, we are saying that it should be maintainable.

**Aravind:** Sure. If I can just ask one more question, like this is with respect to regulatory relaxation in terms of MFI as a percentage of the overall portfolio being reduced from 75% to 60%. Does it mean that industry will have much more of individual MFI basically unsecured loans offered to a good set of customers as overall at the industry level? And will that happen with CreditAccess also, like higher portion of individual MFI?

**Ganesh Narayanan:** Right. So, you would have seen that we have already laid out a 2028 plan where we have said that we will diversify into these asset classes and over a period of the next few years, we will reach roughly around 12%-15% of diversification. Similarly, with this higher room, I think a lot players will step into experiment into adjacent asset classes, could be mortgage, some of them could be other asset classes that they are confident about. But I think this will grow in a phased manner. I do not see a significant ramp up across this because all of this needs investment, thought process, technology, credit policy, etc. So, I think this will be a phased growth. But it would be over a period of time, probably most MFIs would see diversification in their portfolio per se. But I do not see it going up very quickly, but it should take a phased growth. Sure. Thank you so much.

**Ganesh Narayanan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

**Rajiv Mehta:** Sure. Hi, good evening. Congratulations on very good numbers. So, firstly, on collections, I mean, if you can comment on July collection efficiency or PAR accretion trend so far, and also what we see is this reduction in the PAR 15 accretion rate across markets. Is it also correlating or aligning with the fact that central meeting attendance is now coming back? Central meeting collections are improving. Can you also give us some sense around it?

**Ganesh Narayanan:** Sure. See, July collections, I would say, have been stable as per our expectation and hopefully, it should remain strong in August and September also. Karnataka is improving, but overall, I think we have been stable in July also. And with respect to central meeting attendance, today we know that attendance has been to a subsection. It is not as per historical level, but we have always maintained that central attendance today has no direct linkage to repayments. Most of our repayments are coming through central meetings. Like we said earlier, early morning central meetings have better attendance. Post 9 am central meetings have we have seen that attendance is dropped. We are also seeing an uptick in digital collections. So, we have reached roughly around 16% of our collections are coming through digital modes now. So, we will have to see how this moves, but I do not see that as a challenge as long as you are investing to see what is happening and kind of complemented with digital modes of connecting with the customer. So, digitization is something that is contributing. Second is the amount of women getting employed has also significantly increased in the digital market. So, that is also resulting. But still, the early morning central meeting attendance is quite encouraging. Post 9 am is something that has been falling, but we do not see it so far as an implication to our repayment. Most of our repayments are happening through central meetings. And today, if you see, almost our daily collection efficiency as well as monthly collection efficiency is similar. So, if you are not getting money in the meeting, this is not maintainable.

**Rajiv Mehta:** If you can comment on the rejection rate after the April guardrail, what is it now versus what it was before the guardrail came in, in April. And how do you see the rejection rate going forward because the industry is leveraged, the customer leverage is also correcting. So, do you think that in the second half, the rejection rates will kind of ease off, allowing you to add more customers, because the leverage would have settled by then, and that will also help you for growth?

**Ganesh Narayanan:** Right. So, so far, after the guardrail 2, which I think we picked up around February, not in the April, most of the industry picked up a little early, the rejection rates have gone up by around 5% to 10%. And we think, according to what you are saying also, our assumption is also that post Q2, because the leveraging would have dropped, it is possible that we could see a slightly better approval rate. But it may not be significantly different, because you will also have to reach out much wider. So, if you are spreading out wider, probably you will have more customers, and then it should balance out. But you could see a slight increase in approval rates as we think, as we see in Q3.

**Rajiv Mehta:** Okay. Just one last thing on our guidance and our guidance between first half and second half, and second half, we are talking about, Q3, Q4, being near 4.5% ROEs and around 18% ROEs. So, in that sense, are we here assuming that, that the number of customer per loan officer and that metric will improve and give us some operating leverage, cost leverage here because I think, as you said, lending rates, maybe are not changing, cost of fund will gradually improve. So, NIMs, you have already guided, credit cost also you have already guided, where we can land in the second half. But are we assuming some leverage from this metric that the cost can be better absorbed with the growth coming back.

**Ganesh Narayanan:** All right. So, we should see that, because post Q2, the drop because of accelerated write-off would kind of slow down, right? And you will see that the averages are inching up, along with growth of new customers.

**Nilesh Dalvi:** See, Rajiv, I will add a couple of points here on the operating, I mean, on the OPEX to AUM question. So, see, largely, as you see, our AUM is still flat at what it was in FY'24. So, we are still at around 26,000. And maybe it stays at this level for another quarter, because of the accelerated write-offs. So, while the disbursements are healthy, customer additions are happening, but maybe because of the accelerated write-off, the denominator is at 26,000. And in second half, obviously, it will grow in line with whatever disbursements we are envisaging. So, it is more of a base effect in first half, wherein our employee expenses on a YOY basis, obviously, they will go up, because we will have our annual increments will be in place. And plus, whatever employee addition we did in the 4th Quarter, almost 1000 new employees were added in 4th Quarter. So, obviously, their salary contribution will also reflect in this year. So, there is a normative increase in the operating expenses. And also, historically, the branch expansion we have typically conducted in the first half. So, even in Q1, we have added around 50 plus branches and we will have, we will primarily complete our branch expansion in second quarter. So, even that leads to certain front loading of expenses, which usually gets adjusted in the second half. So, this OPEX, which is today around 5.1, it may stay at that level in Q2. And then Q3, Q4 as the growth picks up, we should see that ratio again dropping below 5.

**Gururaj Rao:** Rajiv, Gururaj here. Just to add to the point of customers per loan officer**,** currently it stands at around 320. And we have accelerated write off what we are taking, which is resulting in lower customer base. But we do expect that post-September when the accelerated write-off is completed, this number will revert back to our historical average. So, we should be by year-end, it should reach the historical averages, which will provide a better efficiency in terms of productivity for employees.

**Rajiv Mehta:** Got it. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sunlife AMC Limited. Please go ahead.

**Himanshu Taluja:** Hello, sir. Thanks for the opportunity. Just a few questions at my end. Sir, if I just take what is the new PAR accretion, what is currently 0.46%. And if I assume that this stays at the current levels for another quarter, is it right? Because the credit cost, which you have showed in the 1st Quarter, 2.2% and if I assume that for the quarter, your forward flow rate would be 1.5. And if you make 63%-65% of the PCR, probably 1% credit cost is required on a non-annualized basis. Will be for the no-end plus the write-offs, which can potentially. So, can we say that in the second quarter, your credit cost can revert to a level of 1.5% on a non-analyzed and then third, 4th Quarter, potentially, where we can see a massive improvement of below 1%. Is that understanding, right?

**Nilesh Dalvi:** Yes, Himanshu. So, largely, if things go as per what we are envisaging, this is the trajectory we should see. Because as you see, even in 1st Quarter, while there was certain provisioning with respect to the new PAR, which came in 1st Quarter, but there was also secondary impact of the PAR, which came in 4th Quarter and which kind of flew into the advanced buckets in the 1st Quarter. So, that's where in 1st Quarter, there has been a little elevated impact on the new PAR related provisioning. Now, when we go in second quarter, obviously, since the new PAR accretion in Q1 has been lower than what it was in Q4. So, obviously, the secondary impact of that will be lesser in Q2 and the primary impact of the new PAR, which comes in Q2, obviously, it will have a similar kind of provisioning. So, we should see this 572 number, it will keep declining.

**Himanshu Taluja:** So, the idea is to understand the pace of the decline, what my math says that from going ahead quarters, assuming if your flow rate doesn't increase and stays at even at the current to a declining trajectory, your credit cost should materially decline from the coming quarters now.

**Nilesh Dalvi:** Yes, Himanshu. So, that's what I mean, if we look at our guidance, we are saying that obviously, first half, the credit cost will be elevated and in second half, the run rate will be 3%-3.5%. So, obviously, the 3-3.5% is a run rate, the quarterly cost will be below 1% on a non-annualized basis.

**Himanshu Taluja:** Thank you. Thanks a lot for this clarification. Second is on the growth guidance. Sir, can you help us, what kind of the portfolio are you trying to build on your retail finance, because that proportion in the mix is also rising. Assuming the two years forward FY'26 and FY'27, where you see this mix will going to be? And if you can also help us, what kind of the portfolio you are trying to build in this?

**Ganesh Narayanan:** Right. So, right now, because our mortgage is a long journey, the book today is a little more of unsecured loans will grow faster, your mortgage will take time to grow. But once both businesses are established, the mortgage business will run down slower, whereas the unsecured business loan will run down faster. So, over the medium term, you should see that. Today, I think 70% is unsecured business loans, 30% is secured. 75-25, approximately. So, this should keep changing over the next few years. So, that's how we envisage. And in the medium term, should kind of reach around 50-50.

**Himanshu Taluja:** Sorry, around 15% over the medium term?

**Ganesh Narayanan:** Around 50-50.

**Himanshu Taluja:** Okay, got it. But where do you think this mix of retail financier can go from 3% last year to 7% currently? Can this head towards 12%-15% in the 2 years' time frame?

**Ganesh Narayanan:** What we have guided is around by end of the year 2028, we should reach anywhere between 12%-15%. And we are confident of reaching that number.

**Himanshu Taluja:** Sorry, what percent?

**Ganesh Narayanan:** 12%-15% is what we've guided for 2028.

**Himanshu Taluja:** Fair. So, secondly, lastly, given this guardrail 1 and 2, probably we see potentially 20% of the borrowers have gone completely out of the system. On a sustainable basis, what sort of growth one can expect, assuming the second half become normalized, then if you have to really guide the growth on your MFI book, what do you believe on a sustainable basis you can deliver?

**Ganesh Narayanan:** Yes, I think in a normal scenario, MFI book should grow in the early teens, maybe around 13%-15%. And along with retail, we projected that the overall growth should be 20% plus, 20%-25% kind of range. So, it will moderate around 10%-15% in the microfinance side.

**Himanshu Taluja:** Thanks a lot, sir. Thanks a lot for answering. Thanks.

**Ganesh Narayanan:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Mr. Abhishek from HSBC. Please go ahead.

**Abhishek:** Thank you. Hi. Good evening, everyone. So, my first question is on Bihar. You've actually carved it out in your GLP branches and all, and there's a clear slowdown. This is just until November, until the elections are over, and then you think there's some growth potential, or you think that it's too overheated, and therefore, this consolidation in the AUM. So, just wanted to check what's your thoughts regarding that.

**Ganesh Narayanan:** Right. So, Bihar, we had actually slowed down last year because we saw a certain amount of abrasion in the credit costs in Bihar. So, we had kind of strengthened the team, added people, and we've started growing business there. So, it has nothing to do with the environment there. It is a lot more internal in our view that we saw that we were slightly higher credit costs in Bihar even compared to industry. So, we had to kind of slow down to see what's going on, correct our policies, people, and we started growth there. So, it's nothing to do with the election or overheat at this point. We are very small compared to the industry there, but I think we should be growing at some pace from now.

**Abhishek:** And can you highlight what change you made for yourself?

**Ganesh Narayanan:** No. So, Bihar, we had a slightly higher attrition, right? So, normally with higher attrition, you will have higher credit costs. So, we had to evolve a certain amount of people strategy there, and we strengthened the bench there, and we are okay now.

**Abhishek:** Okay, perfect. The other question is about this year's branch addition plan and hiring plan. Can you share that?

**Ganesh Narayanan:** Yes,. On an average, we do around 200. This year also, we should do around 8% to 10%. So, roughly around 200 branches we should add this year. We've done 54 in Q1, and we will spread this out over the next couple of quarters.

**Abhishek:** Okay. And hiring of employees?

**Ganesh Narayanan:** Typically, we start a branch with around five field officers and one branch manager. So, if you include the rest of it, you can count six more. So, you can average, assume six per branch, because you also have support functions like auditors and all of them coming in. So, then you can assume that kind of increase.

**Abhishek:** No, but you would also be hiring for the retail finance functions, which you are growing much more, and those are relatively smaller.

**Ganesh Narayanan:** Yes. Retail today is not material. We have around 110 branches, probably we will add around 10-15 branches, that is also baked into this branch count.

**Abhishek:** No, Ganesh, I was asking more from a hiring perspective, the employee addition point of view. So, there is one which you explained, which is JLG related. But then retail finance related, how many do you need to add? Because that is where you need to really invest.

**Ganesh Narayanan:** Right. So, what I was saying is that the branch count that we said of 200 also includes expansion in retail finance branches. And we start off the retail finance branches also with a similar headcount. And what we are working on is to see how we convert our group loan branches to contribute to mortgage, for which we may add a slight number of manpower, because right now it is on a pilot stage. But it should be similar. If you assume around six per count per branch, we should be in that range. So, we should be not more than that.

**Nilesh Dalvi:** And Abhishek, for retail finance, the scale up will be coming from the existing branches because the mortgage book was, I mean, the individual and secured loans were piloted four years back, but mortgage loans were piloted two years back. So, now they will enter into a scale up mode. And the existing 100 branches itself, wherein there is already an existing 1000 member team. So, the existing branches will be driving the scale up in this business. So, while the new branch addition will be there, but obviously, the larger component of growth will be coming from existing branches.

**Abhishek:** And it will primarily be these two products, individual and home loans. You are not looking to scale up any other product materially right now?

**Ganesh Narayanan:** The retail finance branches only do mortgage today, be it home loan or secured business loans. As you know, we do unsecured business loans through the group loan branches, but through much more stronger underwriting norms there. It is a small pilot of two wheeler, which we could see some amount of scale up during this year, but may not be materially different, materially high number.

**Abhishek:** Right. Understood. So, the 12%-15% will basically be on the back of mortgage and individual?

**Ganesh Narayanan:** Yes.

**Abhishek:** Perfect. Got it. Thanks so much and all the best. Thank you.

**Moderator:** Thank you. The next question is from the line of Abhishek from AB Capital. Please go ahead.

**Abhishek:** Just wanted to ask, one of your competitors had commented in their concall, I think in the last call, questioning the viability of the traditional joint lending group business model in future. So, do you have any doubt about it in future? Just wanted your broad opinion.

**Ganesh Narayanan:** See, I think we have kind of stated our position on this earlier also. The only change that we are seeing, Abhishek, is that the probability of the customer's life in the JLG model could be shorter. So, we still do not see that the JLG liability model will become unviable. But however, we believe that once a customer comes into the formal financial system, today we have customers who are 15 years, 20 years also with us. So, the vintage of the customer and microfinance could get moderated over a period of time. So, they come in through the JLG model, probably spend 2-3 years, create a credit history and once they have a credit history, probably move up the ladder and move towards individual loan. So, this is what we envisage. Otherwise, I do not see today an alternative to JLG for this profile of customers to run very successfully. So, this model I think will be an entry point, but then the graduation can become faster.

**Abhishek:** Okay. Thank you.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Shreepal Doshi for closing comments.

**Shreepal Doshi:** Thank you, Shruthi. And thanks to the management of CreditAccess Grameen for giving us the opportunity to host the call. Thank you, sir and thanks to all participants for being there on the call.

**Ganesh Narayanan:** Thank you all for your continuous support. Look forward to the next quarter. Thank you.

**Shreepal Doshi:** Thank you.

**Moderator:** On behalf of Equirus Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.