"CreditAccess Grameen Limited Q4 FY26 Earnings Conference Call"

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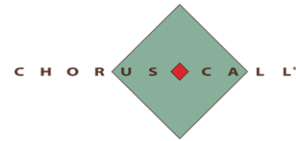

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MODERATOR: **MR. CHINTAN SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to CreditAccess Grameen Q4 and FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Chintan Shah from ICICI Securities. Thank you, and over to you, sir.

Chintan Shah: Thank you, Danish. Welcome. On behalf of ICICI Securities, I'm pleased to welcome all to the Q4 FY26 results conference call of CreditAccess Grameen. First of all, I would like to thank the management for giving us the opportunity to host their conference call, and I would like to congratulate the team on a very strong set of numbers.

So from the management, we have Mr. Ganesh Narayanan, Managing Director and Chief Executive Officer; then Mr. Gururaj Rao, Chief Operating Officer; then Mr. Nilesh Dalvi, Chief Financial Officer and Mr. Sahib Sharma, DGM, Investor Relations. So, now without further ado, I would now like to hand over the floor to the MD & CEO, sir. Thank you, and over to you, Ganesh, sir.

Ganesh Narayanan: Thank you. Thank you so much, Chintan. Very good evening to all of you, and welcome to the conference call to discuss our fourth quarter and FY26 business performance. “Tested by cycles, strengthened by purpose” is the theme that we've chosen for our investor presentation. This team aptly captures our evolution into India's leading rural-focused inclusive finance platform, having delivered consistent performance despite multiple business and macroeconomic cycles. Over the past two years, we were navigating one of the most challenging environments. We continued to work on the future and never lost sight of our long-term mission. Our performance trajectory over the past four quarters not only evidences our recovery story, but also validates our resilience as an institution.

Let me begin with where we stand today. Q4 FY26 marks a decisive inflection in our performance trajectory. The AUM grew 14.0% YoY and 11.4% QoQ, in line with the annual growth guidance, despite 7.6% write-offs made in FY26. Disbursement in Q4 grew 28.4% YoY, and 44.1% QoQ to INR 8,313 Crore, while the full year disbursements came in at INR 24,859 Crore, up to 24.1%. We continue to scale borrower acquisition with 3.3 Lakh borrowers added in Q4, while 9.8 Lakh borrowers added in FY26, of which 38% were new to credit.

Our portfolio growth was a combination of new-to-credit customers, guardrailing compliant borrowers, and graduation of vintage borrowers to higher-value retail finance products. Today, the AUM share of GL borrowers with greater than three lenders has declined from 25.3% in August 2024 to 3.3% in March 2026. AUM share of unique group loan borrowers stands at 46.1%, up from 26.6% in August 2024. The share of retail finance increased to 18.1% as of March 2026, up from 5.9% a year ago. This expansion is driven by deepening of relationships with our 44 Lakh customer base and our ability to graduate them through a curated product suite.

We opened 183 branches to close with 2,236 branches by March 2026. Our employee base grew 4.6% YoY to 21,941, with employee attrition moderating to 29.4% against the 33.5% in the previous year.

We observed strong and accelerating digital adoption among our customers. Our customer app, Grameen Mahi, onboarded 8.4 Lakh borrowers in FY26, taking the total active base to 11.2 Lakh customers, representing 25.4% of our borrower base. The proportion of digital collections increased YoY from 14% in Q4 FY25 to 22% in Q4 FY26.

NIMs expanded by 35 bps QoQ to 14.2% in Q4. Cost of borrowing further declined to 9.2% in Q4, marking a total 60 bps reduction during the year. Our marginal cost of borrowing continued to remain around 8.9% in Q4. Liability diversification was on track with the share of foreign borrowings increasing from 21% to 24.4%. Cost-to-income ratio improved QoQ to 30.4%. PPOP grew 23.1% YoY and 14.7% QoQ to INR 780 Crore in Q4, while PAT grew over 6x YoY and 34.7% QoQ to INR 340 Crore, translating to an ROA of 4.4% and an ROE of 17.8%.

Our recovery story is marked by PAR accretion rate, X bucket collection efficiency, and PAR 1-90 bucket reverting to pre-crisis levels. Gross NPA predominantly at 60 DPD, stood at 3.17%, net NPA at 1.12% and PAR 90 at 2.28%. Our balance sheet is strong with capital adequacy at 24.4%, total equity at INR 7,842 Crore and a debt equity ratio at a conservative 3.0x.

Considering the full year performance, our PPOP of INR 2,809 Crore grew 6.5% YoY. We ended the year with INR 778 Crore PAT, translating to ROA of 2.7% and ROE of 10.7%. While our PPOP was in line with the budget, our credit cost ended at 6.74% as against the guidance of 5.5% to 6.0%. The 6.74% credit cost consisted of 6.10% due to new PAR and 0.64% due to increase in ECL provisioning rates. Aligning with the prevailing delinquency trend, we have gradually increased our ECL provisioning every quarter. Further during Q4, we evolved our new ECL provisioning model to capture past data over long period covering various business scenarios and forward-looking macroeconomic variables. We believe the new ECL model aligns with our conservative provisioning approach as our loan book scales over medium term. Considering the ongoing West Asia crisis, the new ECL model has incorporated a higher weightage for major external event scenario resulting in an additional provisioning of INR 39 Crore in Q4. The additional 0.64% credit cost due to increase in ECL rates resulted in marginal miss on the lower end of our ROA and ROE guidance of 2.9% and 11.8%, respectively.

The past two years were genuinely difficult, and we took structured steps to navigate through the challenging environment with discipline and intentionality. We prioritized collections first, then portfolio maintenance and only then growth. We stabilized our force through continuous training, the leaders at the forefront approach and extensive hiring. We increased the internal audit frequency from 60 days to 40 days, supported by real-time analytics. Senior leadership travelled extensively to provide ongoing direction and moral support. We deployed a dedicated quality control team for targeted collections to support across geographies. We accelerated digital capabilities - Grameen Mahi, digital payment channels, WhatsApp, daily calling to maintain customer engagement beyond center business. What the past two years also demonstrated is that our return ratio through this MFI credit cycle were meaningfully higher

than what we delivered through the COVID crisis, despite higher credit costs. Our model has become more resilient with every passing crisis.

Let me step back and give you a 10-year context because it's important to frame how you should think about this business. FY17 to FY26, we have compounded AUM at 28.6% per annum, disbursement at 24.7% and PAT at 29.7%. Our equity base is compounded at 32.7% from INR 613 Crore to INR 7,842 Crore. Through 3 major external disruptions, namely demonetization, COVID and the recent MSI credit cycle, the cross-cycle ROA stands at 3.4% and ROE at 13.9%. We've achieved this while maintaining industry-leading cost structures. Our internal accruals have primarily funded our growth. That kind of self-sustaining compounding is what we have committed to continue in the future.

Today, we are building a rural-focused inclusive financing platform that serves the customer across multiple financial needs over time. Starting with group-based microfinance, we are expanding into individual business loans, mortgage-backed loans and 2-wheeler financing, leveraging the trust our brand has built on the ground. We intend to selectively add products aligned to our customer life cycle approach, contingent on achieving scale in the newer business lines launched over the past 3 years.

Our focus remains on deepening these relationships responsibly while maintaining the credit discipline that defines our microfinance heritage. India's rural and semi-urban micro retail credit market across segments is growing at double-digit rates. CA Grameen is steadily evolving to target the vast and underpenetrated opportunity of serving the 23.5 Crore low-to-middle income households by 2030. We are no longer in the business of financing only one woman per household. We are building the capability to be the financial life cycle partner of the entire household across income stages, credit needs and life events. This is the transformation we are executing.

Now I want to turn the strategic section of what we are building because the opportunity ahead is significantly larger than what we have addressed so far. Our customers are evolving. Their income profiles are becoming diverse with multiple income streams adding resilience. Their credit footprint is expanding with increased access to various retail finance product segments. We are strengthening our acquisition engines through 3 channels, group-based sourcing, individual lending and digital through the Grameen Mahi app.

We are strengthening our acquisition engines through three channels: group-based sourcing, individual lending and digital through the Grameen Mahi app. Our focus markets are rural and semi-urban India with contiguous urban expansion. Our lifecycle engine is designed to ensure that every customer we acquire deepens in value over a period of time. The accelerators behind this engine are formidable, vast distribution reach, dedicated foot on the street, localized intelligence, strong customer references, trusted brand recall in every community, and a diverse product suite, spanning the full lifecycle.

We've strengthened our underwriting and controls to support our product diversifications, leveraging both proprietary and bureau data, centralized credit intelligence through a business

rule engine and decentralized branch-based credit rating. Beyond underwriting, our risk and audit framework is also evolving towards being predictive.

Our collections model is equally getting structured. Center meetings remain the primary touch point, with more than 99% of regular collections still happening there. Our customers are managed through a disciplined escalation protocol calibrated to each delinquency bucket. We've piloted a collections management platform, which provides customer profiling, geolocation, data, visit logs and prioritization engine feeding into predictive next best action decisioning.

We're also working on enabling multi-channel customer engagement with center meetings as the anchor, the Grameen Mahi app for the end-to-end digital journeys in vernacular languages, WhatsApp for self-service queries, tele-calling for graduation outreach, and in-person relationship visits.

Our technology architecture processes over 30 Lakh transactions per day, with INR 10 Lakh to INR 15 Lakh loan repayments, INR 20 Lakh to INR 25 Lakh credit bureau submissions, and 70,000 to 80,000 loan applications. Looking ahead, our technology roadmap is focused on three things: strengthening the core for performance, security, and modern architecture, enabling our lifecycle strategy through paperless journeys, single-app visibility from lead to collection, and vernacular self-service UX, and making AI truly inclusive by embedding AI into credit decisioning, compliance monitoring, employee productivity and voice-based customer engagement. We are not treating AI as a future aspiration. We are building it into our operations today.

As we enter FY27 with a strengthened foundation, clear strategic priorities, improving return metrics. We are confident in our ability to deliver sustained value to shareholders. For FY27, we are guiding an AUM growth of 20.0-25.0%, NIM of 12.8-13.2%, cost to income of 33.0-35.0%, credit cost of 3.0-4.0%, ROA of 4.0-4.8%, and an ROE of 16.0-20.0%.

We've been tested, we've been honest with our challenges, and we've come through with stronger business, a more resilient risk framework, a clear strategic identity, and a much larger opportunity in front of us than behind us.

Over the coming decade, our ambition is to build a clear leadership position in inclusive finance space through a customer-first approach. We call this transformation journey, “Project Shakti” inspired by strength, resilience, and inspiration of our customers, we proudly serve. Project Shakti is not merely about scaling the business. It is about creating a stronger, future-ready, and more impactful institution. Our focus will be on deepening market reach, expanding household-level relationships, increasing customer wallet share, and significantly enhancing our people, technology, and AI capabilities, thereby positioning ourselves as one of the strongest players in the financial inclusion space in the years to come.

We would like to thank our investor and analyst community for their continued trust and unwavering support. A special note of gratitude to our employees, particularly our field teams, who've consistently gone beyond the call of duty to protect and serve the interests of our

stakeholders. Their commitment in challenging environments reflects the true strength of our institution.

I also take this opportunity to thank all our lenders who have continuously supported us for so many years, and we hope that we've delivered to their expectations. We are now open to the forum for questions. Thank you.

Moderator: Our first question comes from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Congratulations on a good quarter. So, first question is around retail finance. I'm just referring to Slide number 41. Within that, I see that retail finance as a proportion of the GLP mix has become 3x; on an absolute basis, it's 3.5x, obviously on a small base. But very, very clearly, other than those other products, we are seeing individual loans growing much faster.

So just trying to understand is the future of MFI moving towards individual loans, which could obviously be given as part of a group for operational efficiencies on sourcing and collections, but without JLG safety net.

Ganesh Narayanan: While we've discussed this subject earlier too, our thought process is that individual finance to graduated microfinance customers is a clear way to progress. And the growth in individual loans will look larger because of the base, like you said, and its initial time period. As we start penetrating into a certain proportion of customers, which we believe roughly around 6-8% of our customer base, we should be able to target, convert to retail finance customers every year.

And as the base increases, it will slow down, but we are of the firm belief that microfinance will continue to be as an entry point and a better strategy is to pick up the good ones, the ones which has established credit history. Are they able to demonstrate better cash flow to move into individual loans, right? So it will be calibrated growth while microfinance continues to grow.

Abhijit Tibrewal: Got it, sir. And sir, the second question I had was around the guidance that you have put out. Just trying to understand this time around why such a wide band in terms of the credit cost guidance 3.0-4.0%. And within this, as per your estimates, what proportion of this could be because of the higher ECL provision?

Nilesh Dalvi: We have implemented a new ECL model in this current business, and you may have seen our Stage 1 ECL has gone up to 1.63%. And the current model is more of a forward-looking, wherein we have also taken into account probable impact because of the ongoing global issues. From that perspective, obviously, certain element of that has already been baked in the current ECL.

Nevertheless, it's an evolving model, and every quarter facing the external factors, business factors as well as the macro factors, we will be revisiting the ECL. The broader range, what we have picked from 3.0-4.0%, it is primarily to take into account all these evolving externalities, because we need to see how, what is going to be the actual fallout of the global issues.

While we also are aware of the fact that our customer segment will be relatively much more resilient in the current environment, but at the same time, we need to keep certain room to kind

of factor in certain macroeconomic effects, etcetera. So that is the reason why we have kept a broader range.

But largely we believe that we should be within this range because the current PAR accretion rate is very much stable. Now we have seen full month of April, and we are in the first week of May. Relatively, the trend what we have seen in fourth quarter, it is holding.

So we need to see, I mean, as we set into the next year, we'll be in a better position to take a view whether we are at the lower end of the guidance or at the higher end of the guidance. Largely, we have kept that band around.

Abhijit Tibrewal: Thanks Nilesh. And just a follow-up on that. Sir, I mean, when you say, just trying to understand April month, like Nilesh mentioned, has been in line with what we've been seeing in the fourth quarter. So in times like this, especially in the context of the current West Asia conflict, I remember seeing a chart that you've given or maybe a slide that you have given in the presentation where we have shown that in this cycle.

We have done better than COVID. So at times like this, if there is an economic impact, do we also see our segment of customers coming across as vulnerable, or like Nilesh mentioned, they will come across as more resilient given the more rural exposure and the kind of various work that they are in?

Ganesh Narayanan: Typically, we have seen our customers segment specifically rural to be more resilient. But we'll have to see what happens in case of prolonged disruptions with respect to the ongoing global scenario. Any temporary issues, I think, we should be able to manage very strongly. But say, for example, if there is no supply of fuel or gas for months, then what happens? So those are things that we have to be really prepared for, and we budgeted a little more around that.

And I think at this point of time, while we don't anticipate something like that since the evolution of the model is such that we have to take into account certain risk weightage for external events. We've built a cushion around it. So now what happens subsequently, whether this ends or it has a larger impact on the country, we'll have to wait and watch. But just that we are a little more prepared in case something, that's what it means.

Moderator: Our next question comes from the line of Aravind Ravichandran from Sundaram Alternates.

Aravind R.: Congratulations on the very good set of numbers. I just like to understand, like, the overall guidance given on growth, margins and everything. Does it include even, like, for example, bond market borrowing rates have moved up and down? We have seen much volatility there? Like, have we considered all those things in our guidance? That is one question. And similar question, from the first participant also, our PAR accretion rates are much lower than what we've seen in the past in the last few quarters.

And you know, it's under 10 bps; we are 13 plus. But still, we have given like 3-4% kind of a guidance in credit cost. Like, are we on the conservative side here just to be on the safer side? Even with the geopolitical crisis, I know, the credit cost could be under 3%?

Ganesh Narayanan: Right. So for your first question, the model itself takes care of any changes in pricing, if that's what you're talking about. Cost of borrowing is what you're talking about?

Aravind R.: Yes, sir.

Ganesh Narayanan: Cost of borrowing, yes. So the model takes care of it predominantly. But what we see is that, so far, we've had a very strong cost of borrowing reduction. And I think now we've reached kind of the bottom. We don't see ample opportunity to reduce any further. It could probably remain range-bound or slightly move up. And any movement, it will get automatically priced into our pricing model. And the second question on PAR accretion rate, yes, we have kept a wider range.

We also have to keep in mind that we went through an elevated credit cost period. And then we've corrected very sharply in the last quarter. Normally, our last quarter would be much lower than any other quarter. Now we will start moving towards a normative range, right? So that also needs to be kept in mind.

And hence, what we've given also takes care of what is the normative range of one month accretion that we anticipate as well as probable external events, including the global crisis, probably some amount of heatwave that's going to build in, and any effects due to that, etc.

Moderator: Our next question comes from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: Congrats on a good quarter. My first question, sir, was on the microfinance side. So have you taken any rate hike during the quarter or in the last 3-4 months' time period?

Ganesh Narayanan: No, we have not taken any rate hike in the last quarter.

Shreepal Doshi: Okay. And do we have any such or do we plan to take any rate increase in that segment?

Ganesh Narayanan: At this point of time, no, unless we see significant movement in cost of borrowing, that also comes in two quarters lag. That's how it will pan out.

Shreepal Doshi: Okay. Got it. Sir, my second question was on the retail side. So within the IBL portfolio, I see that the ticket size has changed materially. So from INR 142,000 to down to almost INR 93,000 in the last one year. So have we changed any strategy for that particular product?

Ganesh Narayanan: It's gone down because individual loans are practiced in two models. One is called Unnati & the other is Unnati Lite. So the first model is where we actually have a larger ticket size. Average ticket size is around INR 1.7 Lakh there, where we look at visible, how do you say, credit points that are required for underwriting a customer, right? So customers who exhibit better credit profile, better cash flow demonstration, we give them a slightly larger ticket size loan.

However, customers who have moved up the income cycle, but they are not able to or we are not able to reasonably validate while we move them to individual loans, we maintain a lower ticket size. And probably in the next cycle, we will look at graduating them to the normal individual loans. So that is why you are seeing that since both these books are growing, you're seeing a taper down of the unsecured business loan ticket size.

Shreepal Doshi: Okay. Okay. So sir, in the Unnati product, you said the average ticket size would broadly be INR 1.7 Lakh, and Unnati Lite, wherein we are not having complete grip of the cash flows of the customer or growth. There, the ticket size would be what?

Ganesh Narayanan: Can be in the range of INR 75,000 to INR 1 Lakh.

Shreepal Doshi: Okay. So there, we are broadly trying to match with the group loan ticket size thought process.

Ganesh Narayanan: It could be around INR 1 Lakh, but then if they have other borrowings, it gets minimized. But when they come for next cycle, it will go up.

Shreepal Doshi: Okay. Got it, sir. The last question was pertaining to the retail portfolio growth strategy. So in terms of launching this product or, let's say, having it implemented, so how are we doing it? We are doing it in some specific states initially, and then, or let's say, specific districts initially, and then expanding it because I know that this is done through a separate branch network.

So in terms of selection of those, let's say, geographies, how are we sort of planning that out? I just wanted to understand that because the growth has been pretty healthy.

Ganesh Narayanan: Sure. So you know that this is not new at this point of time. Our retail products are today at least 3 years vintage, except for 2-wheeler loans. And when we launched the individual products, we did go to our core markets, specific districts. We got them piloted. And once the assumptions were proven, we scaled up. So today, our individual products are predominantly offered across all our core markets. And a significant portion of our branches are already covered.

So we have specific branches for mortgage loans, you know that roughly around 120 branches. And the rest of the group loan branches manage this portion of the individual business loan, which has also scaled up significantly over the last 3 years. So today, it's widespread.

Shreepal Doshi: Got it. So core markets, when we say it will be broadly be Karnataka, Tamil Nadu and the Southern belt, right, sir?

Ganesh Narayanan: Karnataka, Tamil Nadu, Maharashtra, Madhya Pradesh.

Shreepal Doshi: So that would be the broader belt where we are sort of launching this retail product so far. Got it, sir. Got it. And sir, so incrementally FY27 or FY27 end, where do we see the share of retail products, let's say, reaching?

Ganesh Narayanan: It should hit somewhere around 24-25%.

Moderator: Our next question comes from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congratulations on good numbers. One clarification first. This INR 38 Crore of additional provision taken for the West Asia crisis. This will be sitting in Stage 1, right? So 1.63% will have some element of this. But would this become a usual provisioning rate or then this coverage will actually come down next quarter because you may not take this additional provision if it is not required?

Ganesh Narayanan: So what we've done is based on the guidance of the Board, we formed an ECL committee with Board members and a part of it along with the management team. And this committee reviews various variables that need to be considered and what weightages have to be given based on the developments. So every quarter this committee will convene, and whatever has happened in the previous quarter, or we foresee for the next quarter will be taken into account before making any adjustment.

Rajiv Mehta: So in your guidance of 3-4% credit costs, have you kind of -- your base assumption is that you will continue with this 1.63% broad based ECL provision rate.

Ganesh Narayanan: Broadly, you should expect that it will be range-bound. It will remain there.

Rajiv Mehta: Yes, yes. Got. I think just coming back to...

Ganesh Narayanan: Unless there is significant data points to look at the reduction, but that takes a longer period to move back.

Rajiv Mehta: Okay. Understood. And just coming back to growth, because we have exponential growth in retail, and as you were discussing that there's a lot of penetration to happen of individual loans in the group loan customer base. So this may continue. Then the residual growth has to come from your core group loan IGL. Then that will be what, 12-15% in the current year. That's what the expectation is?

Ganesh Narayanan: So our assumption is around 10-12%.

Rajiv Mehta: As the portfolio level?

Ganesh Narayanan: Yes.

Rajiv Mehta: And on NIMs, when I look at your guided NIM, the midpoint is 13%, you are exiting at 14.2%. I know there will be a leveraging effect because of growth. But still, I mean, the kind of NIM decline that we are trying to indicate in the guidance, is it because of the change in mix, which I don't believe is so diluted, but is it because of cost of fund changes that you are indicating? Or are you planning to pass on incremental hand strength and efficiencies by reducing pricing?

Ganesh Narayanan: Okay. I'll ask Nilesh to take this one.

Nilesh Dalvi: The NIM range what we have given, compared to the fourth quarter NIM, it is at a low range. There are a couple of things here. The NIMs what we generate, there are always the factor of our pricing what we charge to the customer. And the pricing currently is aligned with our borrowing cost, operating cost and credit cost. So obviously, on a YoY basis, we do see the credit cost will be trending downwards. And to that extent, there will be certain pricing which needs to be passed on to the customer on a YoY basis.

So from that perspective, if we are able to do a better credit cost this year, compared to FY26, obviously, some of it will flow as a benefit to the customer. So that is where slightly we are budgeting lower NIMs because at the same time, the credit cost will also be lower, and we'll be

still doing ROA in our guided range. And on the borrowing front, as we said earlier, we believe that the borrowing cost seems to have stabilized now. We don't see it further dropping.

Depending upon the rate environment, we are keeping certain buffer on the borrowing cost as well because even, the domestic rate environment seems to have been reversing now in the coming 3 to 4 quarters. And even internationally, given the way global situation is panning out, the hedging rates have also gone up. So factoring all these aspects, we are keeping this NIM range.

And largely at any point in time, you will see that the NIMs will have to be commensurate to absorb our opex and credit cost and give a guided ROA range. So that will be the corridor within which we will always maintain our NIMs to achieve our intended ROAs.

Rajiv Mehta: Nilesh, just a similar question for cost-to-income ratio bands as well. I mean, the midpoint is 34%. I mean, I'll not take the agreed number of 30%, but even the whole year number is about 33%, while we grow income in this year very nicely. So would the opex grow more than commensurately, and that is what the guidance seems to be factoring.

And we were thinking that when the growth will come back, you will also have some operating efficiencies, which you're trying to pass through pricing. But when I look at cost-to-income guidance, it seems to suggest that your cost will grow higher than income?

Nilesh Dalvi: We need to see. Currently, things are a little volatile. So we have built certain inflationary elements because of the global issues. So if the global issues do not prolong, I mean, if they do not prolong and if there are no cascading effects on the input factors, then we may not see cost-to-income rise. But as of now, we have built certain increase considering the anticipated inflationary elements.

Moderator: Our next question comes from the line of Shreya Shivani from Nomura.

Shreya Shivani: I have a question on your long-term guidance that you have shared, which is Project Shakti. So the Slide number 21, I think fair to say that you're targeting for 20-25% CAGR over next 10 years. Is that understanding correct, interpretation, correct?

Ganesh Narayanan: Yes. Right now, we've assumed a growth rate of at least 20% plus.

Shreya Shivani: Right. So now that makes me question that, see, you've always said that in the near term, your MFI will grow slower and your retail finance will grow faster, and that's how you will achieve the FY27 guidance. But over 10 years, if you're going to target this, then your MFI also has to grow at the same pace because you cannot breach the 60-40 mix.

So what is our thought process around it? And when our entire presentation today has been about moving beyond MFI, then doesn't the NBFC MFI format somewhere restrict us on the longer-term period? I'm not talking about immediate 1 year.

Ganesh Narayanan: Yes. So broadly, we've picked up certain business lines, and we are anticipating certain growth rate in each of these lines, right? And you also have to remember the regulatory guideline was

15%, till not so long ago, then it became 25% and now it's 40%. Our assumption probably, if there is enough room and potential, that also could move up. Or in the worst case, we can look at managing the 60-40 in various methods, including securitization, sale of portfolio, whatever you deem it. We can also pick up co-lending as we always maintained.

For us, growing these independent business lines will be top priority. How we grow it and how we manage the various regulatory aspects is something that we can always work on. And we also indicated that we'll probably look at some kind of diversification over a period of time, including inorganic. We can figure out how to kind of do it, but for us, that is not a limited factor in what we're seeing. So these lines will continue. When it reaches a certain mark, where we need to work on that, we will start working on it. We're already working on some of these aspects. We will build on it, and we should be able to maintain it.

Shreya Shivani: Right, right. Now, that makes sense. Also, there's a very detailed slide on 32, where you've talked about the internal control structure, etc. So this is pertaining to your retail finance, right, because this is completely a branch model that we are talking about, right? The 3 lines of defense, there's a big slide on it.

Ganesh Narayanan: No, no. That is applicable to all our businesses. So both in GL and retail, we have the same concept, including our internal audit, including our risk, including our quality assurance, all of them are common across the business lines.

Shreya Shivani: Right. But you will have to scale it up in the retail finance, or is it that retail finance you already have the structure, and parallelly you will develop this structure in retail finance, or for retail finance, you have to start from.

Ganesh Narayanan: No, it is already in place. Whatever size and format we have, right? It is already in place. So any expansion that happens, even the control teams will naturally move towards that.

Gururaj Rao: And just to add in the same slide, we are on the right side, if you see. Retail finance, we have verticals, which are supporting, so which is already in place. So this will be scaled up as the business scale. So all this infrastructure is already built and our controls are in place.

Shreya Shivani: Got it. I think that answers my questions. This was useful.

Moderator: Our next question comes from the line of Varun Gajaria from Omkara Capital.

Varun Gajaria: Congratulations on a good set. So now that we start our individual loan business and Tamil Nadu being one of the prime blocks that we'll be targeting, what is the competition landscape like, especially in Tamil Nadu because one of your peers also has announced something similar. So just would like to understand how the competition set there?

Ganesh Narayanan: See, I think it is natural for most institutions to take this path, right, both with respect to regulatory route as well as a large customer base. Now I think the biggest strength that we would probably have is in how we execute and how we strategize more, right? So from a potential perspective, I don't see that competition is something that's going to limit us, or we have to look at it differently.

But I think our biggest strength is we already made investments on technology, our existing customer base, how we train our employees, how we figure out distribution across all these products, and try and retain as many customers who are graduating from us, not going out of us, right. So just for a broad data point within our existing customers, what we have built as a portfolio is roughly around INR 30,000 Crore. And what we have already outside is roughly around INR 40,000 Crore. So we just have to be sharper in ensuring we understand our customers' requirements, build products accordingly, and reach them on time to service their needs.

Varun Gajaria: Right. And on the back of the recent tough two years that we've had in the industry, they believe that there are a host of the customers that we will be -- the host of the clients that we'll be now targeting the pool must have gotten smaller over time because a lot of people must have gone out of system due to default, right? So how do you deal with something like this? What is our approach to this?

Ganesh Narayanan: A lot of customers would have gone because of default, yes, but what is your question?

Varun Gajaria: Yes. So I want to understand is how do we deal with a pool like this, especially when we are trying to ramp up a new portfolio.

Ganesh Narayanan: How do you deal with the pool, which has been written off is what you're asking?

Varun Gajaria: Yes, yes. Like which has gone out of system or probably is in the default zone.

Ganesh Narayanan: Okay. So see, typically, once we write off a customer, we don't do much with them, except for helping them come back through OTS as well as a restructuring product that we have, right? So that is the only way to approach, but we will continue to source new customers. And that is a very strong possibility because we only have around 7% market share when it comes to the number of customers, we are catering to in the microfinance space.

And most of our new geographies is still very new. We don't have sufficient depth there. So, we continue to grow both core and non-core space, but different percentages probably because of penetration. But there will be strong acquisition of customers through microfinance, and we will kind of bring them up the curve for a few years, and then proactively pick of them to move forward. That is the broad strategy. Do you want to add anything?

Gururaj Rao: Varun, just to add, if you refer to Slide number 11, even in a challenging year this financial year, we added 976,000 customers. And our write-off customers were 491,000. So there is a net addition of 4 Lakh plus customers in FY26. So this write-off is going to come down this year, whereas the customer addition rate will increase. So this is going to be the growth engine where customers will come through trends, and we will keep graduating them.

Ganesh Narayanan: I think I also want to add one point, what we are seeing because of very strict guardrail implementation is, we have even very old customers coming back for settlement now. As even for the COVID-period customers, we are now getting requests for either restructuring or settlement of some form of help to make them come back. So that's also playing out quite well, I would say with the guardrail.

Moderator: Our next question comes from the line of Chintan Shah from ICICI Securities.

Chintan Shah: So again, harping on this guidance part, particularly on the AUM growth, so 20-25% is the AUM growth guidance, of which, what kind of growth are we building from the MFI and non-MFI portfolio, if you could just help on that? And what would be the yield differential between MFI and the non-MFI the retail or other parts of the portfolio? What would be the yield differential there?

Ganesh Narayanan: Chintan, as we said earlier, the microfinance growth being in the range of 10-12% and the rest of the growth will come from the non-MFI. And from a yield perspective today, I think, both microfinance and non-microfinance are very close to each other, not very different in yield. Except for home loans, which is a small book. And like we said earlier, home loan is something we'll actually try and do in partnership with probably a larger bank or figure out some other strategy for that as we scale up.

Nilesh Dalvi: I'll add one more point here. So when we are saying that microfinance will grow at 10-12%, that doesn't mean that microfinance is growing at a slower pace. What we need to understand is that we'll continue to see strong customer acquisition. Like last year, we acquired close to 10 Lakh customers. So this year, we should be doing much, much better than what we did last year.

The new customer acquisition will continue to happen in MFI. But at the same time, what we'll also see is that 6% to 8% of MFI customers, they will get graduated into retail. So that is why the net growth in MFI will be 12%. It's not that the MFI as a segment will be growing at a slower pace. Overall, we will see that despite 6-8%, customers moving out of MFI into retail, still MFI will grow at 10-12%. And those 6-8% customers who move into retail, we take at least 2 to 3x exposure on them compared to MFI. That gives us the balance 10-12% growth, and that's where the overall, we fit it 20-25% range.

Chintan Shah: Understood. Fair enough. And this question, again, MFI growth would be around probably other growth or other sectors are expanding. But also, for MFI, what incremental disbursements for FY27 or for FY26, how much of the incremental disbursement was towards the new customers and towards the existing customer? What would be that share?

Ganesh Narayanan: It may be around this year. I mean last year also, the disbursements were more skewed towards the existing customers because the new customer addition was relatively lesser than what we would have added in a normal year. You may take maybe 20% coming from new customers, 80% coming from existing. So in a steady-state basis, this should be around maybe 30-40% coming from new customers and balance coming from existing.

Chintan Shah: So probably steady state means FY27, we should see that inching up to 30-40% versus 20% in FY26?

Ganesh Narayanan: At least 30%, 40% and may take time 30%, it may have.

Chintan Shah: Okay. But going ahead also then, even in FY28, FY29 probably given the 30% is from new, so that MFI around 10-15% ballpark means that, that could also inch up further?

Ganesh Narayanan: MFI growth rate, you're saying?

Chintan Shah: Yes, only MFI?

Ganesh Narayanan: It will be range-bound, like we guided. It should not change much in the near term.

Moderator: Our next question comes from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: Just had one question, which is on the product-wise profitability. So as we've been scaling up these newer products under the retail head, by when do you see these products like all of them, or rather, if you could give product-wise, let's say, some clarity, becoming profitable at a standalone level?

Nilesh Dalvi: Shreepal, today, except for the mortgage book, all other products are profitable at the product level because if you see for all retail finance products, we are leveraging our group loan ecosystem. So we have been for the last 3 years, doing mortgage loans through the standalone retail finance branches and the individual business loans, we have been doing through the group lending branches.

So there we get the economies of scale, and we have been able to achieve a faster breakeven in the individual business loan products. For mortgage loan products, the standalone retail finance branches, we should see them achieving breakeven as we near maybe INR 800 Crore to INR 1,000 Crore of mortgage book from the retail finance branches.

But at the same time, we have now also started expanding the mortgage loans through select group lending branches, adopting a similar approach for individual business loans. So overall, as these products scale up, we believe that we'll be able to see benefits of operating leverage because we'll be leveraging the GL ecosystem across various states. Obviously, first, we start with the high vintage states. And gradually, we populate into the newer states over a period of time.

Moderator: Ladies and gentlemen, as there is no question from the participant, I would like to hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Ganesh Narayanan: Thank you. Thank you, everybody. Wishing you all the best, and we hope this year will be a very normal year, and we will meet our guidances quite confidently. Thank you so much.

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