"CreditAccess Grameen Limited

Q1 FY27 Earnings Conference Call"

July 24, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 Earnings Conference Call of CreditAccess Grameen 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 the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

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

Shreepal Doshi: Thank you, Shruti. Good evening, everyone. We welcome you to the Earnings Conference Call of CreditAccess Grameen to discuss the Q1 FY27 performance of the company. Today, we have the management of the company represented by Mr. Ganesh Narayanan, MD and CEO; Mr. Gururaj Rao, COO; Mr. Nilesh Dalvi, CFO; and Mr. Sahib Sharma, Head, Investor Relations.

Thank you to the management for giving us the opportunity to host this call. I would now like to hand over the call to Mr. Ganesh Narayanan for his opening remarks, post which we can open the forum for question and answer. Over to you, sir.

Ganesh Narayanan: Thank you, Shreepal. A very good evening, and welcome to the conference call to discuss our Q1 FY27 business performance.

I'm pleased to share that Q1 FY27 has been one of our strongest Q1 in the history of the company, marked by robust portfolio growth, normalized asset quality, and profitability levels that reflect the underlying strength and resilience of our franchise.

Let me begin with the operational highlights. Our AUM grew 16.4% YoY and 2.5% QoQ to INR 30,319 Crore, despite 6.3% TTM write-off and typical seasonal softness that Q1 brings. Disbursements for the quarter stood at INR 6,107 Crore, up 11.9% YoY. We added 2.5 Lakh new borrowers during the quarter, of which 35% were new-to-credit, and we expect this run rate to improve further, adding close to an average of 1 Lakh borrowers per month going forward. This should be the primary driver of our MFI growth trajectory through the remainder of the year. At the same time, digital collections, including other modes have risen to 24.2% of total collections in Q1 FY27, up from 16.3% in the last financial year.

We continue to see the scale-up of our retail finance book, which now constitutes 20.6% of the AUM, up 250 bps sequentially from 18.1% in Q4 FY26. The growth reflects the deliberate graduation of high-quality vintage customers into the retail finance pool. Our distinct retail customer model built on long vintage, credit tested and strong underwriting foundations is central to this direction, and we will be speaking to this in more detail shortly.

On the operational front, we opened 42 new branches during the quarter, taking our total network to 2,276 branches, a growth of 7.7% YoY, spread across 457 districts. Our employee base grew 3% YoY to 21,981. And importantly, employee attrition continued to moderate meaningfully, standing at 20.6% as of Q1 FY27 against 25.8% in Q1 FY26.

The quality of our portfolio remains one of the best in the industry with the AUM share of unique group lending borrowers where portfolio quality has historically been relatively better at 45.7% and the AUM share of borrowers with over 3 lenders at 2.6% as of June'26, reflecting the continued success of our deleveraging efforts and adherence to MFIN guardrails.

Our customer app, Grameen Mahi, continues to see strong traction. We onboarded 4 Lakh customers on the app during Q1 FY27 alone, taking our overall active base to 15.4 Lakh customers and 34.5% of our total borrower base. Over time, as the customer adoption of Mahi increases, we expect Grameen Mahi to evolve into an anchor for instant loan eligibility checks, small ticket loan availment, lead generation for new customers and retail products and a unified cashless collection ecosystem. We see this as a structural shift in how our customers choose to engage with us.

Our net interest margin was robust at 14.4% at the end of Q1 FY27, driven by a combination of improving yields, lower interest reversals and stable cost of borrowings. Our cost-to-income ratio stood at 29.3% and PPOP grew 33.6% YoY to INR 873 Crore.

Turning to the asset quality. Our PAR accretion trends remain well within the normalized range, contributing to a continued reduction in delinquency across all buckets. X-Bucket collection efficiency for June 2026 stood at 99.68%. The average PAR 15 accretion rate for Q1 FY27 stood at ~15 bps per month, whereas the credit cost for the quarter stood at INR 212 Crore or 0.72% on a non-annualized basis, comfortably within our guided range. Gross NPA stood at 2.18%, net NPA at 0.76% and PAR 90 at 1.46%, each showing sequential improvement. As a result, our Q1 FY27 PAT grew 720% YoY to INR 493 Crore, resulting in an ROA of 5.9% and ROE of 24.4%.

On profitability, I want to spend a moment contextualizing our numbers appropriately. Our ability to demonstrate quick recovery helped us report strong improvement in our return ratios in Q4 FY26 and further in Q1 FY27, thus helping us to improve our trailing 12-month ROA to 4% and ROE to 16%, both aligned with our guided cross-cycle profitability metrics. We view this as an encouraging start where credit cost behavior over the coming months will be the key determinant, we shall continue to monitor this closely and accordingly take a call on passing the pricing benefit to the customers in H2 FY27, in line with the board-approved pricing policy.

On the balance sheet side, we continue to maintain ample liquidity with cash and cash equivalents of INR 3,536 Crore, amounting to 10.4% of the total assets. This is particularly important given the ongoing West Asia crisis I want to clarify that to date, we've seen no discernible impact on our business from this development. Our liquidity buffer, along with undrawn funding lines of INR 2,993 Crore and INR 9,440 Crore of funding pipeline positions us well to navigate any external volatility should it arise. Separately, on El Nino and its potential impact on rural cash flows, we've not witnessed any visible impact currently. We will closely watch the underlying trends over the next 2 to 3 months before drawing any conclusions on how the situation may unfold.

During the quarter, we also completed a private NCD issuance of INR 425 Crore, which further diversifies our liability base and reduces our reliance on any single funding source. Our overall funding profile remains healthy and foreign borrowings at 24% of our liability mix and capital position remaining strong, where CRAR stood at 24.9%.

I would also like to draw your attention to one metric that best captures our long-term performance. Over the past 6-plus years, involving 4 years of stress events, that is 2 years of COVID and 2 years of MFI credit cycle, the company's net worth increased from INR 2,734 Crore in FY20 to INR 8,347 Crore in Q1 FY27, compounding at 20% CAGR, of which 86% increase came just through internal accruals. Very few NBFCs in the countries have delivered this pace of balance sheet compounding. It is the outcome of our consistently strong profitability, prudent capital allocation and our ability to navigate changing business cycles while preserving financial strength.

We've been witnessing structural shifts in our customer profile, a trend discussed in greater detail on Slide 26 of the investor presentation. Today, our customers exhibit a significantly more diverse credit and income profile than in the past. A meaningful proportion of our borrower households already have retail credit exposure alongside their microfinance relationship, whether through business loans, gold loans or through other secured products. And this diversification tends to increase with customer vintage. The customers moving into this retail finance fold exhibits strong underlying characteristics. Just for understanding, our Unnati loan customers carry an average vintage of 7.7 years and an average credit score of 732, while customers availing mortgage loans show an average vintage of 6.2 years and an average credit score of 714. These metrics reflect the depth of quality of relationships we've built over time and validate the opportunity we see in graduating our microfinance customers into higher ticket secured retail products.

Unlocking this potential is a core pillar of our retail model and our life cycle finance strategy. This vision laid the foundation for our transformation journey called Project Shakti that embodies the strength, resilience and aspirations of communities we proudly serve. We remain fully committed to our medium-term guidance of INR 50,000 Crore AUM by calendar year 2028, confidence reinforced by the strength of the start we have made this quarter across borrower additions, asset quality and margins. As we move through the rest of the year and into the years beyond, we do so with confidence in our ability to compound this franchise responsibly and deliver sustained value to all our stakeholders.

We will now open the forum for questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Renish from ICICI.

Renish: Congrats on extremely good set of numbers. So first on the guidance part, right? So do you foresee any risk to, let's say, current strong momentum maybe due to El Nino, second order impact of war, etcetera? And hence, we are not changing guidance or we might revisit in Q2?

Ganesh Narayanan: See, right now, we think everything looks positive. And we don't see a reason why we should be taking into account some things that could develop at this point of time. However, we remain with the guidance today as it is so that we watch one more quarter before we take any further step on the guidance.

Renish: Okay. Got it. And secondly, again, on this progress towards building our non-MFI book, right? So when we are reporting a 24% ROE in Q1, essentially, which means our core MFI business is doing extremely well because most of your non-MFI businesses either will be incurring losses or maybe at very marginal profit at this point in time.

So internally, what are the metrics you track to get a sense how long all these new products will drag down your P&L? And is there any time line in management's mind, for example, let's say, mortgage, you get in the business for more than 2 years. And what could be the time frame wherein the new business should start generating steady-state ROAs or ROEs?

Ganesh Narayanan: Right. See, most of the products are already profitable, including mortgage, if you don't consider our HO cost allocation, it's still profitable. So all products, like we discussed earlier, none of them are diluting our ROEs. And as a product line also, they have become profitable, except for 2-wheeler, which is a small book at this point of time. Other than that, everything else is already in order. Mortgage, we may need something like INR 1,000 Crore to reach a full level breakeven, including HO allocation costs.

Renish: Okay. But I'm sure the ROEs will be much lower, right, in this product?

Nilesh Dalvi: No. So Renish, Nilesh here. So largely, I mean, all our lending rates are being published on our website product-wise. So you can see that the lending rates in all retail finance products, they are very much similar or I mean, in the individual business loans, it is maybe 50 bps higher than the MFI because there, we don't have the group mechanism. And even in the business loans backed by property, the average lending rate is around 20.5%. So it's around maybe 1% below MFI. But then the opex is much, much lower. The credit cost is much, much lower. So that's where today, if you keep aside the housing book, which is maybe only 1% of the total AUM, the balance 99% AUM is all at 20% plus yields.

So from that perspective, yes, that's why you see that despite the MFI share dropping, the ROEs are not affected. Otherwise, if the MFI share is at 79%, if it has come down from, say, 100% to 79%, it still can't maintain the ROEs if the retail finance is not contributing. So it is very much apparent that retail finance is equally profitable. And that's where overall, while the AUM mix is evolving, we still see the ROAs and ROEs are intact.

Ganesh Narayanan: So 91% of our book today in the Retail Finance space is the graduated unsecured business loan book. So that is already significantly profitable like the group loans. Like Nilesh said, AHL, while the yields are lower here, the credit costs are also much lower. It is even much lower than your secured business loans. So hence, none of them would kind of result in any overhang here.

Renish: Got it. Got it. So basically, you are saying that at the risk-adjusted level, most of these products are either at par with IGL profitability or maybe slightly better?

Ganesh Narayanan: Yes.

Renish: Okay. And just a last clarification on this Unnati and mortgage loan. So what percentage of the customer pool is existing to company? And incrementally, what is the sourcing mix between new to company and existing to company?

Ganesh Narayanan: Unnati is 100% internal.

Renish: Okay.

Ganesh Narayanan: And your mortgage is 55% is internal and 45% is external.

Renish: Okay. Okay. And incrementally also, this would be the trend?

Ganesh Narayanan: Yes. So in our assumptions, we've assumed 60-40. So it should be range bound anywhere between 55 to 60 internal customers.

Renish: Got it. Got it. Got it. And the credit score, which you published on the mortgage piece, which is 700 plus, this is at the book level?

Ganesh Narayanan: Yes.

Moderator: The next question is from the line of Abhijit from Motilal Oswal.

Abhijit: Congratulations on a strong quarter. Sir, just firstly, a clarification on the previous answers that you gave. You said that maybe you want to wait for one more quarter before maybe relooking at the FY27 performance guidance. But we can safely conclude that you're not seeing anything on the ground today with regards to either weakness in monsoon.

Ganesh Narayanan: Yes, there's absolutely nothing on the ground. There are also no leading indicators indicate any buildup of additional stress at this point.

Abhijit: Got it. And then, sir, again, a clarification in the previous question where you were just trying to explain that maybe the profitability metrics in retail finance maybe just works out too similar on a risk-adjusted basis. So even through a full credit cycle, do you think the credit costs and the operating economics in retail finance will compare with the traditional group loan business that we have?

Ganesh Narayanan: Yes. So if I look at the previous credit cycle that went through, the retail products actually held much stronger ground. The PAR 30 in the Unnati book never crossed around 3%. That was the max it touched even at the peak of the credit cycle. So it's held ground through a credit cycle. I'm saying even going forward because the profile of customers, it is associated both with the vintage and our own knowledge of this customer base, and we are carefully choosing customers to graduate. And that should hold better than microfinance portfolio at all point of time is what we think.

Abhijit: Got it, sir. And then, sir, maybe the last question that I had is, I mean, now that maybe we are in an up cycle again in microfinance. All of us are just trying to understand maybe whether this up cycle can be structurally better than the previous one. You can clearly see that industry growth has started picking up again.

So just trying to understand, are there any specific underwriting guardrails that we have put in place to ensure that maybe this up cycle is better than the past up cycles. So any structural changes that you've done in customer selection?

Ganesh Narayanan: You know that we have a BRE, right? So because of the technology that we have, we, on a continuous basis, fine-tune our policy. I could have different parameters for different states, different districts, different profile of customers, etc. And that's something that we fine-tune on a continuous basis. So it may not be uniform across different geographies. And that goes through revision probably on a quarterly basis, depending on how you see a certain cohort of borrowers behave.

Abhijit: Got it.

Ganesh Narayanan: All right.

Gururaj Rao: Abhijit, I just want to add here that 2 things are playing there. One is the MFIN guardrail, which is in place. So that is continuing which is ensuring that our customers are not overleveraged and they are within the guardrail. And internally, as Ganesh was telling that with the BRE in place now, we are able to control our credit policy at product level, at customer level and at geography level. So it can be tuned very, very fast and applied. We do see this up cycle structurally strong and it should continue that.

Abhijit: Got it. That answers my question. And maybe just one last question for Nilesh. I think this quarter, when we look at credit cost, somewhere around 2.8%-2.9% on an annualized basis. Should we now view this as a new normalized run rate? Or would you expect that credit cost, I mean, except for this El Nino and monsoons, credit costs to settle at these levels or somewhat higher level over the medium term as maybe growth accelerates portfolio starts seasoning the book that we are originating today?

Nilesh Dalvi: I think, Abhijit, so see, largely, I think the way we are shaping up the AUM profile. So directionally, we believe that microfinance, the credit cost should hold better because now the industry has rationalized to a good extent. And today, the customer base is in a good shape. The leverage levels have come down.

And the guardrails will ensure that this discipline kind of is maintained going forward. And in addition to that, as we are kind of graduating our customers to individual loans or mortgage loans, there we see that our ability to control the customer behavior is better. If you see over the last 12 to 15 months, the share of our unique customers has gone up. Today, it's around 45%. And in our retail finance, it is higher. Overall, we believe that the quality of the book will keep getting better as we are able to retain our high vintage customers. So like historically, we were losing our relatively higher vintage customers. But now if you see retail finance, the average customer vintage is almost 7 years.

That is something which will keep building up, and it will help us to manage our overall credit cost going forward. The current trend is still holding well, maybe around 15, 20 bps of new PAR 15 is what we have been seeing in the first 4 months. Obviously, there may be a few hiccups here and there basis weather conditions. But largely, we believe that the behavioral trend is holding up well on ground.

Moderator: The next question is from the line of Rajiv Mehta from YES Securities.

Rajiv Mehta: Congratulations on very strong numbers. See, I just wanted to understand what kind of pricing reduction will have to happen in the second half if the current collection trends continue? Because I think there is a big disconnect between the ROE you've delivered in the first quarter and for the whole year guidance, you've retained it. Then what kind of pricing reduction will have to happen?

Because broad calculation suggests that you may have to reduce pricing by 200-250 bps from October onwards because then even that will have a partial impact on the whole year ROE because it's going to be only in the second half. And maybe even that pricing reduction would only happen in the MFI book and not in the retail book. Would this be the correct understanding?

Ganesh Narayanan: The pricing depends on a few components that we track on a 12-monthly basis. Any pricing movement, we follow the pricing policy of the company. In our thought process, currently by end of Q2 FY27, probably can look at a 50 bps price cut if we are able to hold the asset quality.

Rajiv Mehta: Then Ganesh, what will then drag the ROE towards the full year average, right, if we are starting with such a high ROE number. And if only 50 bps of pricing reduction has to happen only from October, and that too may not happen on the retail finance book. It will only happen on the MFI book, then how should we look at your NIM guidance and the ROE guidance?

Nilesh Dalvi: See, Rajiv, Nilesh here. So maybe I'll give you some perspective on how this will work. So largely today, on our borrowing cost, there is a decent visibility we have. Obviously, in this year, we'll be also focusing more on increasing our ECB loans, NCD loans, which come with longer tenors and they do help us on our ALM. The pricing is slightly higher, but overall, this transition may still have maybe 10-15 bps of borrowing cost impact. So that is something we had already briefed at start of the year that maybe we are starting the borrowing cost at 9.2%. It may end somewhere at 9.4% average, we may still hold around 9.3%. So largely borrowing cost is very much stable.

So now the NIMs, what we are generating, typically, the NIMs will have a correlation to the credit cost trend what we are witnessing because the operating cost is largely stable when you look at our performance. Today, the 14% NIMs are kind of reflective of the credit cost what we had over the last 12 months. Even today, if you see our trailing 12-month credit cost is still more than 4%. It's around 4.0%-4.5%. So that's where today, the NIMs are higher. Now if the current credit cost, so in first quarter, let's say, our annualized credit cost is around 2.8%-2.9%. If this trend continues for maybe second quarter or third quarter, then the trailing 12-month credit cost will also drop below 4%. It may start trending closer to 3%.

If our credit cost settles around 3%, then 14% NIMs may not be required. Maybe we may even do a 4.5%ish ROA with a 13%, 13.5% NIMs. So the NIMs what we are generating, it has to be seen along with the credit cost, what we are incurring. To ensure that the final ROAs what we generate are in line with what we have guided for.

So obviously, maybe currently, what we are envisaging is if the current credit cost trend holds, then maybe in third quarter, we may have to pass on some benefit to the customers. Otherwise, we will keep making 6% plus ROA. That is something which we would not want to obviously achieve on a continuous basis. For a couple of quarters, we may deliver a higher ROA because on a trailing 12-month basis, we have to recoup the profitability and ensure that our cross-cycle returns are in the range of 4.5% and ROEs are around 18%-20%. That is something which will be in back of our mind.

So obviously, even if we don't need a 200 bps pricing cut, I mean, as of now, maybe we may have to take 50 bps pricing cut in third quarter, maybe another 50 bps in fourth quarter. So it will happen gradually. It will not happen at one shot. And it will be purely linked to the credit cost trend. If because of any reason, the credit cost stays elevated or if it again goes up, then we need not pass on the benefit as well. It is purely linked to how the credit cost trend is shaping up. And that leaves us with significant cushion to protect our ROAs and ROEs in the coming years.

Currently, we are much comfortable on the guidance front. Obviously, if we are able to repeat this performance over coming quarters, then obviously, there will be an outperformance on the guidance. But we will observe one more quarter and then we will take a call. But we do not see so much of pricing reduction to be undertaken. And even if we cut, say, 50 bps in Q3, 50 bps in Q4, for example, the impact will be gradually felt. So typically, it takes around 15 to 18 months for the assets to reprice. So that leaves us with significant time to manage the overall profitability and be within the guided range.

Rajiv Mehta: And Nilesh, even in the credit cost, right, I mean, this quarter, it annualized 2.8%, but you still have write-off-related credit costs.

Nilesh Dalvi: Now, we don't have...

Rajiv Mehta: No, you had in this quarter, you had, no? So, I'm just saying now if you look at the NPA level it's going to recede further and hence, the write-off related credit costs will also come down. But still you're guiding for 3% to 4% credit cost. So how cushioned are we? I mean, I think there seems to be a good amount of cushion.

And if you can measure or specify that cushion from a PAR accretion rate point of view, what have you budgeted in this 3% to 4%? Are you already assuming 25-30 bps of monthly PAR accretion versus the current trend of 14-15 bps, so that if there is any event, it can be absorbed?

Nilesh Dalvi: Yes. So see, largely, the write-off related component will come down because the write-off what you have seen in the first quarter, this is primarily linked to the stress which came out in the previous year second quarter. And the improvement was very much visible from November last year. That's where the second quarter, whatever elevated stress levels, they have come for write-off now. From second quarter onwards, we will have a normative write-off, and that's where you will see the write-off impact on credit cost will come down.

When we gave a 3% to 4% credit cost guidance, obviously, we had 2 cut factors in front of us. One is the West Asia crisis. And secondly, obviously, we had to see how the monsoon is shaping up because there was a lot of news flow on how the monsoon is going to pan out in this year. That's why we had kept this range. So we have that as a cushion. I mean if everything goes well, we may continue to do what we have done in the first quarter. But we have kept that cushion, which we will -- as we said, we will see one more quarter. And if we believe that we are not seeing any upside risks to the credit cost, then we may end towards the lower end of the credit cost guidance, what we have given for the year.

Moderator: The next question is from the line of Nidhesh from Investec.

Nidhesh: So, on the PCR, our Stage 1 PCR is around 1.6%. So how should we see the direction going forward on the Stage 1, Stage 2, Stage 3 PCR? Because I think earlier, we have guided that Stage 1 PCR can go up to as high as 2.0%.

Ganesh Narayanan: Right. So right now, we think the Stage 1 PCR remains. And as you know, we have an ECL committee now. That sits every quarter to discuss on certain variables that are included in the model, including external events, including certain variables that we think need to be evaluated on a quarterly basis. So for this quarter, it remains like this by end of next quarter, for example, if the West Asia crisis results in some additional fuel shortage or etcetera, then we can increase the weightage to that, and that is when it can go up. Otherwise, it's expected to be range bound at this point of time.

Do I answer your question? So I think Stage 1 will be 1.63%. It is the same this quarter. Probably if nothing materially happens, next quarter also, it could remain here until we get clarity on certain variables that are currently available.

Nidhesh: Sure. And so ROA right now, we are around 6%. We have guided for 4%-5%. So what is our comfortable ROA that we expect to deliver, specifically during the up cycle because the ROA should be higher because the down cycle happens, ROA is much lower. So if we cap our ROA to, let's say, 4% to 5% during up cycle, then our through-cycle ROAs may be lower than what we have seen in the past.

Nilesh Dalvi: Yes. So Nidhesh, as I said, we'll not be capping our ROA. So we obviously do consider through-the-cycle ROAs. And that's where even we said earlier that once we are out of a cycle for maybe a couple of quarters for 2 to 3 quarters, we will have relatively higher ROAs, which helps us to kind of regain the cross-cycle profitability. And then obviously, the benefits get passed on to the customer. So this year, like what we saw in FY24, we should see strong profitability. And then if the performance sustains for a relatively longer period of time, then obviously, we have to realign and pass on the benefits to the customer.

Nidhesh: Sure. But I think it is reasonable to expect that this year, the ROA will be much higher than 4% to 5% bracket. If nothing happens on the West Asia war

Nilesh Dalvi: Yes, correct. If it plays out like what has happened in first quarter, then yes, we should be relatively doing much, much better.

Moderator: The next question is from the line of Abhishek from HSBC.

Abhishek: Congratulations for the quarter. So all this extra profitability that you're getting right now, basically, you can use it in 3 ways, right? One is by reducing yields and passing it on to the customer, which you have spoken about. But the other 2 ways are probably to make some overlay provisions or maybe spend it on some kind of upgrade or adding branches or employees and all. So what about that part? Because you've got a lot of capacity.

You haven't yet added branches and employees even in the last few quarters. But do you need to spend more? And what are the plans there? And any thoughts about making overlay provisions right now so that it comes to, it can be used later on?

Ganesh Narayanan: Right. So with respect to branches and people and expansion, all of that as per the plan is budgeted, right? So you don't need additional budgeting for that. We've already considered that in the plan. And with respect to overlay, we already have given the overlay of INR 41 Crore for the West Asia crisis. And say, for example, if at all something plays out in Q2 with respect to your weather, then probably there is some more overlay that is possible.

And like I said, because there is a committee now, there is a laid-down process for even any variable that needs to go up. There needs to be backup data, there needs to be logic to build it. And you know we follow IND As. And that is the model we work on, right? So we'll see how it goes.

Nilesh Dalvi: Typically, today, Abhishek, there is a significant in-build overlay because as you see, our Stage 1 provisioning is highest in the industry. And it has been significantly raised over the last 3 to 4 quarters. So 1 year back, our Stage 1 was 1%. Today, it's sitting at 1.63%, and plus the asset classification, what we do after 15 days, we book it as Stage 2. After 60 days, we book it as Stage 3. That allows us to kind of absorb the risk early and realign. This is the prevalent risk trend. From that perspective, we are well covered. And yes, so that's how it is.

Abhishek: And this yield increase of, I think, 60 bps QoQ, this is all due to interest reversals?

Nilesh Dalvi: Yes. It is, it is due to interest -- I mean, interest reversal does have a component in it. But at the same time, obviously, the overall delinquency has reduced. So your percentage of earning book has gone up. That also adds to the overall yield. So now I think the yield will settle at this level. And then as and when in future, whenever we pass on any benefit to the customers, it may trend lower. But as of now, I think it should settle at this level for some time.

Moderator: The next question is from the line of Sonal from Prescient Capital.

Sonal: Hi. This is Sonal Minhas. I hope I'm audible?

Ganesh Narayanan: Yes, Sonal.

Sonal: Good set of numbers. So I just wanted to understand some bit of subjective data that you can share on your individual loans. Is there anything to read on the PAR 30, PAR 60, PAR 90 numbers there, which look kind of sticky? Or it's too early to comment on them basically as we see right now?

Ganesh Narayanan: Yes, even here, it has been better compared to the last quarter.

Sonal: Okay. So nothing to read basically in terms of quality?

Ganesh Narayanan: Yes, nothing to read on asset quality. It's quite stable and strong.

Sonal: Okay. And the similar thing on Slide 8 on mortgage loans. Is the book stable now given that we see PAR 30, 60 and 90 in the same range?

Ganesh Narayanan: Yes. So the book is stable now, but there's a very small base. As you start building, then you will start getting slightly range bound credit cost increases. If mortgage say, each of them are around INR 270 Crore as we speak. As we scale book, I'm just saying it is indicative at this point of time, but it should be range bound. We don't see any significant jump here, but we should do in similar ranges that we've kind of published at this point of time.

Sonal: Got it, sir. And just second question is a clarification. You said that there is a guidance of reaching roughly INR 50,000 Crore of AUM by the end of FY28. Is there a fundraise required for this? Or this is largely going to be based on whatever we...

Ganesh Narayanan: Right. So one, the INR 50,000 Crore AUM is something that we're talking about as of calendar year, not financial year. That is one. And second, for this growth, we don't need capital. The rate at which we are growing is something that we can augment using internal account.

Moderator: The next question is from the line of Shreepal Doshi from Equirus Securities.

Shreepal Doshi: Congrats on a good set of numbers. I just had a question, which is on the new products that let's say, relatively new products that we have ventured into, which is SBL, AHL and 2-wheeler. So in that, apart from transitioning customers, our vintage customers from MFI, what are the other sourcing strategy or sourcing strategy that we have for acquiring new customers?

Ganesh Narayanan: Right. This is completely sourced by our own employees. We don't use DSA or connectors or any channel for sourcing. So right now, it is directly sourced by our employees. It was also referred by our customers through our Mahi app.

Shreepal Doshi: Okay. For all the 2-wheeler, we would be having any dealership network or even that product is more?

Ganesh Narayanan: Yes. 2-wheeler is have a dealership network, but that is more for fulfilling and not for sourcing. The sourcing happens through our branches, our own customers. This is not offered to open market customers. We handpick customers who need a 2-wheeler and are eligible as per internal criteria, and we take them to the dealer. We don't have any presence on dealer locations.

Shreepal Doshi: Got it. And sir, as a strategy, how do we want to keep the book in the sense that would you want to have like 60%, 70% of the book being built through new sourcing or -- and then have the remaining coming in from the MFI customer transitioning or MFI customers' credit needs? Is there a thought process there? Or are we open to looking at it differently?

Ganesh Narayanan: No. See, broadly, like we said, all our products, barring mortgage today are offered only to internal customers. All of it will come through internal customers there. Mortgage loan, we do both internal as well as open market. In our assumption, it should be around 60-40. Right now, we are around 55-45.

Shreepal Doshi: Okay. 60-40, meaning 60% internal and 40% external?

Ganesh Narayanan: Yes, 60% of the customers should be internal, that is group loan graduated customers and probably 40% will be open market. And when we do open market, we don't do low ticket mortgages there. We do less than INR 5 Lakh only for our in-house customers. And for open market, we source with a minimum ticket size of INR 5 Lakh and above.

Shreepal Doshi: Got it. Got it. Sir, just the last question, which is on the industry side. So the last cycle wherein we had issues pertaining to customer leverage levels, which has broadly been resolved with the help of guardrails and also MFIs strictly following it right now. The other 2 issues were attrition at employee levels or RM levels. And the third one was customer KYC-related issues. So just wanted to get some sense on the latter, which is on attrition as well as KYC-related issues. So, what have we done at a company level or at industry level to overcome these 2 problems because these 2 were also instrumental in terms of the cycle that we just experienced.

Ganesh Narayanan: Right. See, attrition, I think, has to be managed at company level. As an industry, we can impart training. So that is also something that MFIN does today. They offer a certification process to Kendra managers to either upskill them or to ensure code of conduct is implemented. But at a company level, we've managed attrition better than most players. As you know, we closed the last year also with good numbers. In fact, in Q1, we closed with attrition of 20.6%, probably one of the lowest. And I think because we follow this policy of hire fresh and graduate them internally, we've been successful in managing this attrition-related issues with us.

I think that's something that kind of protects us. And you know that even the last 2 years, we had a lot of employees rejoining us, roughly 2,500 employees expressed interest to join us. We took around 700 employees back into CA Grameen. Typically, during crisis periods, we are able to kind of retain them with us.

Also, in stress periods, we ensure that the employees variables don't get significantly impacted, right? Because that is one reason why employees leave. Unless it is not a scenario created by the employees, something like an industry-level stress, we kind of ensure that their incentives are protected at a certain level so that there is continuous interest and effort going into the parameters that we want them to focus on. With a combination of our people hiring strategy, internal promotion strategy with a differentiated culture, and differentiated incentive structure, we've been able to kind of retain. Even the kind of incentives we pay, it is not too high on the variable side.

Variable side is quite low, and we do both monthly incentives as well as annual bonus. There is focus for both short-term objectives and long-term objectives. So far, our people strategy has worked very well in our favor, and I think we'll continue to sharpen it as well.

Shreepal Doshi: Got it. Got it. And then just a bit on the KYC front.

Ganesh Narayanan: Yes. So KYC-related issue will continue to be there, but it is not so significant to speak of, right? Because voter ID is the common thing that is used for microfinance because we are not allowed to do Aadhaar, but a lot of us are working towards a combination of voter ID and PAN today. We're also working on e-KYC. So somewhere between a combination of more than one ID, we should be able to kind of protect ourselves from any significant impact. Even historically, while there is some amount, but I can't quantify it to say it's a large problem to kind of manage.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

Ganesh Narayanan: Thank you. Thank you, Shreepal. Thank you, everybody, for your interest and support in the company. We know we did a very good Q1, and we are hopefully continuing the same performance for the next few quarters, and we're looking at a very strong year in this financial year. Thank you so much.

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