



“Cholamandalam Investment and Finance Company
Limited

Q4 FY '26 Earnings Conference Call”

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MODERATOR: **MR. NISCHINT CHAWATHE – KOTAK SECURITIES**

Nischint Chawathe: Good morning, everyone. Welcome to the interaction with management of Cholamandalam Investment and Finance Company Limited. Today, we discuss 4Q FY '26 Earnings and Management Outlook. The senior management is represented by Mr. Vellayan Subbiah, Executive Chairman; Mr. Ravindra Kundu, Managing Director and CEO; and Mr. Arul Selvan,

Chief Financial Officer. I would now like to hand over the call to Vellayan for his opening comments, after which we'll take the Q&As.

Vellayan Subbiah:

Thank you, Nischint, for hosting the call, and good morning, everyone. I'm happy to take you through performance of Chola for Q4 FY '26. So first, we will go through the disbursal growth for the quarter. Chola reported aggregate disbursements of INR32,913 crores, which represents a 25% year-on-year growth for Q4, which resulted in AUM increasing to INR2,42,630 crores. AUM growth remained healthy at 21% as at the end of the quarter, reflecting sustained momentum across the portfolio. Disbursements registered strong, broad-based growth across all major product segments during the quarter. Vehicle Finance business reported 26% year-on-year growth in Q4, driven by sustained demand across vehicle categories with Auto AUM increasing 18% year-on-year to INR1,19,558 crores.

The MSME segment, which comprises of LAP, SME and SBPL, recorded 11% growth in Q4 disbursements supported by strong demand and robust branch-led distribution. MSME segment AUM grew 29% year-on-year. LAP AUM at INR52,295 crores which is a 26% growth year-on-year.

SME AUM is at INR9,338 crores, which is a 41% growth and SBPL AUM is at INR3,537 crores, which is a 46% growth year-on-year. The Consumer segment delivered 45% year-on-year disbursement growth, driven by sustained momentum across product segments with the newly launched Gold Loan business disbursing INR1,130 crores in Q4 FY'26.

Home loan disbursements saw mild moderation in Q4 due to procedural timing factors, including election-related administrative slowdowns, land-record digitization mismatches, and localized lien-marking delays in select markets, which temporarily extended verification and disbursal timelines.

Consumer segment AUM grew at 20% year-on-year, including 23% in Home Loans while CSEL AUM increased 4% despite the exit from partnership-led businesses.

In terms of profitability, our NIMs improved by 40 bps year-on-year in Q4 driven by a gradual reduction in the Company's cost of funds as interest rates softened during the period.

Credit costs (before management overlay) declined by 20 bps year-on-year in Q4 across product segments, reflecting stable portfolio performance. In order to mitigate any negative impact on credit costs due to heightened global uncertainties, the company has provided a management overlay for INR200 crores as a precautionary buffer.

The overlay addresses potential second-order stresses arising from volatility in crude and refined fuel prices, risk of LPG supply shortfalls and supply-side pressures on sectors dependent on global shipping and commodity flows, while core asset quality indicators remain resilient.

Return on assets for Q4 FY '26 stood at 4.1% (before overlay) compared to 3.6% in Q4 FY '25 while return on equity for the quarter was 23%, underscoring improved profitability.

We hold a strong liquidity position with a total liquid asset of INR21,186 crores, which includes undrawn sanction lines. The ALM is comfortable with no negative cumulative mismatches across all-time buckets. Our Capital Adequacy position stood at 19.21% in March '26, with Tier 1 capital at 14.73%. Out of the total issuance of INR2,000 crores CCDs, CCD amounting to INR1,370 crores were converted in FY '26. The balance INR630 crores of CCD is expected to be converted in the first half of FY '27.

The Board of Directors of the company has recommended a final dividend of INR0.70 per share, which is 35% on the equity shares of the company, subject to the approval of the members of the company at the ensuing Annual General Meeting. This is in addition to the interim dividend of INR1.30 per share(65%) for the financial year FY25-'26 declared by the company on 31st January 2026.

Finishing with that, I'll stop, and we'll be happy to take questions from audience.

Nischint Chawathe: Sure. We'll now start with the question-and-answer session. The first question comes from Kunal Shah of Citi.

Kunal Shah: Yes. So looking at this outlook, no doubt, we have created this overlay buffer. But if you can guide in terms of how we are looking at the trajectory getting into FY '27 and both with respect to AUM growth as well as credit cost, if you can indicate in terms of how the outlook will be? And anything particularly on the Vehicle Finance side or any of these segments wherein we would have tightened the credit filters or improve the screening out there, how we are incrementally looking at these segments, yes?

Ravindra Kundu: First, on the credit filter side, I would like to highlight that we have been continuously working to improve the Gini coefficient of our underwriting tools across all divisions. This will help us further reduce credit costs. For this financial year, we continue to maintain our committed growth trajectory of 20% to 23%. We are also expecting our net credit cost to decline from 1.6% pre-overlay to around 1.5%. Consequently, our return on assets should improve, moving closer to a pre-tax ROA of 3.5%, as previously discussed.

Kunal Shah: Okay. Got it. So you mentioned like in terms of the credit filters, we have -- sorry, I didn't get that exactly.

Ravindra Kundu: We have been working on improving our underwriting tool, specifically the Gini coefficient, which helps us validate the accuracy of our credit decisions. This effort is being undertaken in collaboration with all the company's credit managers across divisions. This initiative has been in place for the past year and has already helped us improve asset quality across CSEL, CD, and the Vehicle Finance segments, particularly in the fourth quarter. We expect these improvements to continue through the current financial year as well.

Kunal Shah: Okay. And that should help the overall credit cost trajectory of 1.5-odd percent?

Ravindra Kundu: Yes, it should help us to get that number.

Kunal Shah: Okay. And no need for any further overlay. This doesn't include any overlay buffer as such. We believe like INR200-odd crores, which we have done, that is sufficient taking into consideration the current dynamics, which are there?

Arul Selvan: Yes, this is more of a precautionary measure, considering the global uncertainty and the potential for higher credit costs. As of now, however, there is no need for any additional overlay.

Nischint Chawathe: Raghav Garg of AMBIT, you go next.

Raghav Garg: Okay. Am I audible?

Nischint Chawathe: Yes.

Raghav Garg: Yes. Okay. So I just want to understand, see for April '26, these 2 key OEMs, Tata and Eicher have reported fairly good growth in their CV volumes. Now should that be taken as a proxy for how the on-ground sentiment is, amongst the CV operators that despite the war and despite the disruptions that have been there domestically, they are still going out there and buying trucks because they see the good demand for transportation? Or do you see some risk to CV sales momentum sustaining in the near term or even in the medium term? And that could be a risk to your growth guidance or estimate? That's my first question.

Ravindra Kundu: Not only has the commercial vehicle segment shown strong performance, but the passenger vehicle segment has also reported good numbers in the month of April. We have had the opportunity to review our own performance as well, and our sales, credit, and collections have been very strong compared to April 2025. As of now, at the ground level, we have not observed any change in customer behavior.

Raghav Garg: Understood. So what you're essentially saying is that despite all those disruptions and the narrative being that there is a lot of risk and I think rightfully so, you've also taken some management overlay. There is nothing on the ground at least in terms of data that would suggest that things are deteriorating. Is that understanding, correct?

Ravindra Kundu: Absolutely. That is correct.

Raghav Garg: Okay. My second question is that for FY '26, can you give me the total recoveries cost? This same number in FY '25 was INR441 crores, what was this number for the full year FY '26? And then I have a follow-up question on this.

Ravindra Kundu: So maybe we'll come back after seeing the number.

Raghav Garg: So, what I wanted to ask is that typically, what we've seen is that in years when there is asset quality paying the recoveries, cost grow at a higher rate versus say, the overall business growth or the overall opex growth. I am assuming that it would have been the case this year also, but with the asset quality improving in FY '27, your recovery cost growth should be much lower or it may not increase at all. Could that be one of the levers to your opex ratio improvement next year? I just want to get your thoughts on this.

Ravindra Kundu: I believe you are referring to collection costs as a percentage of assets. Collection costs are part of our overall operating expenses, and if you look at the total operating expense ratio, it has largely remained stable. It stands at around 3.1% compared to 3.0% last year.

There has been no meaningful increase in operating expenses, despite the addition of the gold loan business and expansion in the consumer durable segment. This indicates that recovery costs have not increased. In fact, recoveries have improved. During the third and fourth quarters, we saw better capacity utilization of the vehicles.

Additionally, we benefited from resolutions through the SARFAESI process. Taken together, these factors have led to an improvement in overall collection efficiency. Another important point, which we have been consistently highlighting, is the steady improvement in Stage 2 assets from the second quarter onwards. This reflects better repayment behavior across customers in the 0–30, 31–60, and 61–90 DPD buckets during the year. As a result, Stage 2 levels have declined.

Finally, Stage 3 assets also showed improvement in the last quarter.

Raghav Garg: Understood. Do I have opportunity for one more question or...

Ravindra Kundu: Please, go ahead.

Raghav Garg: Okay. See, when I look at your total Gold Loan AUM and then when I divide that by the total active customer base in the Gold Loan segment, that comes out to be some INR5 lakh, INR6 lakh of exposure per customer. I just wanted to get some sense on what kind of ticket sizes you are doing in Gold Loan segment? And what kind of yields are you charging to customers? I just want to get a comprehensive color on the kind of customer segment that you're targeting? And how are you positioning yourself versus the other gold loan NBFCs?

Ranjit Ramachandran: If you look at our portfolio, our average loan ticket size in Q4 has declined. When we started, the average ticket size was around INR 3 lakh, and it has now come down to approximately INR 2 lakh. This reflects a more granular acquisition strategy. In the gold loan segment, customers typically take more than one loan. As a result, total customer exposure can vary between INR 5 lakh and INR 6 lakh per customer. However, in terms of average ticket size per loan, it remains around INR 2 lakh.

Raghav Garg: Are you saying that even your customer would have around 1.5 to 2 loans? And for total, exposure would be INR4 lakhs to INR5 lakhs?

- Ranjit Ramachandran:** Yes. Okay. So as I mentioned, we have always been maintaining, our yield which is very healthy as compared to our peers.
- Ravindra Kundu:** So, ticket size is INR2 lakh now. It had started with INR300,000, it has come down. And yield has gone up now to 15.
- Ranjit Ramachandran:** So the yield is healthy as compared to our competitors. So if you look at our strategy is to get as much granular as possible, get into more of the retail customers, and we have been successful in doing that over the last 9 months of operations.
- Nischint Chawathe:** Viral from IIFL, you go next.
- Viral Shah:** Congrats on a good set of numbers. I had 2 questions. Sir, one is on the CSEL piece. When I see our segmental numbers, I think we are now starting to see a genuine turnaround, I would say, on the asset quality as well as I think we are getting our growth over here. Can you just highlight what is now incrementally you are looking at this segment in terms of, say, the growth potential, number one.
- And number two is, I see that the expense or the opex levels also have gone up in this quarter. Where are we investing in terms of distribution, which product segments? And what can be a steady state and ROA outlook for, say, FY '27 and '28 in this segment? And whether it will be to what degree and extent ROA-accretive? So that's my first question, sir.
- Ravindra Kundu:** CSEL currently operates across two business segments. The first includes unsecured personal loans, business loans, and professional loans. The second includes consumer durables financing, mobile lending, and direct-to-customer financing through our in-house digital and fintech platform. These are the two core businesses within CSEL. As you would have noticed, loan losses declined to 5.2% in Q4, and we expect this trend of improvement to continue going forward. As a result, with a Q4 ROA of 2.3%, we believe that pretax ROA should comfortably cross 3% during the current financial year. This will be driven by further reductions in loan losses and an improvement in net interest margins, particularly due to higher growth in the consumer durables segment.
- In terms of growth, disbursement growth stood at 39% in Q4, and we expect this momentum to continue given the low base in Q1 and Q2. More importantly, asset growth has now begun to pick up and currently stands at around 4%. By the end of this financial year, we expect the combined CSEL portfolio—including unsecured PL, business and professional loans, as well as consumer durables, digital, and mobile lending—to reach approximately 20% asset growth by Q4.
- Operating expenses were higher in Q4 primarily due to the payment of CGTMSE insurance. In the current financial year as well, this cost will be incurred but will be spread evenly across all quarters. As a result, the one-time impact seen in Q4—around 6%—will not recur, and operating expense ratios are expected to normalize closer to 4.5%.

Overall, we expect improvements in both operating expenses and net credit costs, which should support an increase in ROA from around 1.6% in the previous year to 3% or higher going forward.

Viral Shah: Got it, sir. Very clear. And just as, I would say, extension to your response, you mentioned that you have paid premiums for the CGTMSE in this pool. So what percentage of our PL over here will be covered by this insurance?

Sucheth Bharathan: As of now, we have covered around 70 percentage of our assets. And we continue to improve that. Probably, we may go up to 80% to 82%. That is what our plan is, to cover the asset in unsecured business.

Viral Shah: Okay. And this will be around INR10,000 crores, INR12,000 crores asset, right, in the ex of CD business?

Sucheth Bharathan: It is only BL portfolio that we are going under CGTMSE, and it will be around INR3,000 crores to INR3,500 crores.

Ravindra Kundu: Yes, as I mentioned earlier, this includes personal loans, business loans, and professional loans on one side, and consumer durables, mobile lending, and D2C on the other. The business loan portfolio stands at around INR 5,000 crore, of which approximately 80%—about INR 3,500 crore—registered as part of CGTMSE last quarter.

Viral Shah: Got it. Sir, very clear. And sir, my -- the second question is with regards to on the asset quality front in April. You did highlight that you are not seeing anything, say, from a customer or the borrower behavior. If you can just throw some light in terms of how are your bounce rates trending? And is this basically across the segments, vehicle finance and also the home loan, LAP? If you can just give some color over there, qualitative as well is okay.

Ravindra Kundu: The largest benefit is expected to come from the Vehicle Finance segment. I believe Balraj would be the right person to comment on this, based on what he has observed so far during the month, particularly in light of recent rate movements.

Balraj Menon: We have just closed the month of April, and I would like to highlight a couple of key points. First, early defaults and non-starter accounts are significantly lower in April 2026 compared to April 2025. In fact, these levels are broadly in line with the April–March trends seen in 2024 and 2025, and we have not observed any meaningful deterioration. Typically, we see some level of deterioration moving from March to April, but this year the trend has been more favorable.

Second, even at the first-cut level, our net credit loss numbers are lower than those recorded in April last year. Overall, the trends so far have been encouraging.

Nischint Chawathe: The next question comes from Abhijit from Motilal Oswal.

Abhijit: Thanks, Nischint. Sir, just on the ROA tree, last 2 years, I think, you will also acknowledge has been particularly tough, especially from the Vehicle Finance side. Balraj sir just mentioned that in April 2026, nonstarters have been much lower than what we saw in April of last 2 years.

So just trying to understand versus ROAs of 2.3%, 2.4% that you've seen in the last 2 years. You'll remember when we had started these newer business lines, the whole idea was to get to better ROAs over a period of time. I acknowledge last 2 years on the NCL line has been higher.

Now I mean, when you said that this year, FY '27, we should look at a credit cost of 1.5%. Just trying to understand which segments vehicle being one. CSEL, you'll remember last year, we were incurring higher credit cost on that book, which was originated through fintech partnerships. So just trying to understand, I mean, what all levers will we have on the ROA tree, which can lead to an ROA expansion this year or next year?

Arul Selvan:

This is Arul here. We expect NIMs to largely remain stable at around 8%. While the newer businesses will deliver higher yields, this benefit is likely to be offset, on a conservative basis, by a marginal increase in the cost of funds over the course of FY27. Taking these two factors together, we expect NIMs to hold at approximately the 8% level.

Operating expenses are expected to remain broadly stable in the range of 3.0% to 3.1%. The key improvement will come from net credit losses, driven by both the Vehicle Finance and CSEL segments, as you rightly pointed out. This should result in an improvement of around 20 basis points.

Currently, our ROA stands at about 3.3%, after factoring in a management overlay of approximately 9 basis points. If we exclude this overlay, our underlying net credit loss is around 1.6%. Even with a modest improvement to 1.5%, we should comfortably achieve a pre-tax ROTA of around 3.5%.

Abhijit:

And sir, while you are here, I just wanted to understand, I mean, what will be the approach to ARCs in the coming -- basically trying to understand this SBPL book that we have, that is not something that we can apply SARFAESI. So what will be the approach to ARCs in that business?

Arul Selvan:

Our focus will be to use ARCs in cases where we are unable to pursue recovery through SARFAESI. This would typically apply to loans with ticket sizes below ₹20 lakh, whether from the home loan portfolio or SBPL. These broadly fall under two segments. SME and LAP— where ticket sizes tend to be larger. In such cases, we will predominantly rely on SARFAESI for recovery, and the use of ARCs is likely to be limited.

Abhijit:

Got it. And last question is for Ravi sir. Just trying to understand within the vehicle financing book, various sub-segments, I mean, you mentioned earlier, April trends are looking good but are there any product sub-segments or geographies where you are seeing anything unusual or everything is as per expectations. And till now, we have not seen any impact of the war.

Ravindra Kundu:

Over the last three years, we have faced challenges stemming from both geographical and product-specific factors. This is why we have consistently described the period as a down cycle for the vehicle segment. This downturn impacted vehicle sales across categories, including small-ticket loans such as Tata Ace vehicles, light commercial vehicles, and even heavy commercial vehicles. In effect, all segments were affected.

From Q4 onwards, however, we have started to see a meaningful improvement. Even in the month of April, vehicle demand has continued to hold up. As Balraj mentioned earlier, early delinquencies and non-starter trends across all product segments have shown improvement, indicating better portfolio performance.

We have also maintained that we expect to gain some market share in Vehicle Finance as conditions improve, and this is now playing out as anticipated. Last year, at this time, Chola's growth was primarily driven by three engines—LAP, SBPL, and Home Loans. Today, all eight business engines are contributing to growth.

This gives us a higher level of comfort, as we are now well diversified. Within Vehicle Finance itself, we are diversified across segments, and at the Chola level, we are diversified geographically as well. This diversification positions us well to manage and absorb the uncertainties that exist in the market.

Nischint Chawathe:

Next question comes from Deep from Bandhan.

Deep:

Sir, one quick thing. We are at around 6.94x gearing and guiding a growth of around 20% to 23%. So any sense, sir or clarity on when will we raise some capital if needed? And I mean how -- I mean not on the quantum, but any timelines for those because I think we have -- I mean, 19.2% is our capital adequacy ratio. So how much of this will be -- I mean will we consume some amount of capital for growth this year as well or our internal accruals will be sufficient? Any clarity, sir, on this part?

And sir, one follow-up on this is that any internal policy or something that we have in mind, I understand that we have been reducing gearing from 7.1x -- 7.17x last quarter to 6.94x currently. So sir, any internal policy or any guidance that you would like to give for the gearing ratio?

Arul Selvan:

We closely monitor our capital adequacy ratio and have clearly articulated our guidance in this regard. If our Tier 1 ratio were to approach 13%, we would certainly begin evaluating equity-raising options. However, in a scenario where we are delivering a pre-tax ROTA of around 3.5% and growing at a pace of less than 23% to 25%, we believe we should be largely self-sufficient in meeting our capital requirements through internal accruals. This has consistently been our stated approach to capital planning.

That said, if attractive growth opportunities arose, we would not hesitate to consider raising additional capital to support and strengthen growth. Any such decision would be taken in consultation with our promoters and senior leadership, based on a careful assessment of prevailing market conditions and growth prospects.

Overall, our capital deployment and fund-raising approach will continue to remain aligned with the policy framework I have outlined earlier.

Deep: Okay. Sir, and one more question. I understand we are AA+ positive from ICRA and AA+ as stable from all other rating agencies. And I mean, sir, any initial talks, what they have been saying to -- I mean to take Chola to a different level from AA+? So any steps that we are following there or I mean, in such scenarios, I mean, anything that you would like to highlight on that part?

Arul Selvan: We are in ongoing discussions with them and will continue to evaluate the situation. As you know, there is no fixed formula whereby achieving certain metrics automatically results in an upgrade. Credit ratings are assessed using both qualitative and quantitative factors. Many of our peers have achieved AAA ratings by leveraging explicit parental support. However, that is not applicable in our case, as there is no direct dependence on any parent entity for Chola's funding requirements.

Deep: Sure, sir. I understand. I mean the positive trigger is also a qualitative one.

Nischint Chawathe: Next is Abhishek from HSBC.

Abhishek: So just a few questions. First, on vehicle loans this year, what is the disbursement and AUM growth that you're looking at?

Ravindra Kundu: In Vehicle Finance, we expect the current momentum seen in Q4 to continue. Based on this, we are guiding towards disbursement growth of around 15% to 20% and asset growth of approximately 18%.

Abhishek: Okay. And considering that there might be some disruptions, even then you're confident that you can do this level of growth in vehicles this year?

Ravindra Kundu: Yes. That is what Balraj is committing.

Abhishek: Got it. Right. The other question, the Fintech book, how much of it is left to run down now?

Arul Selvan: The amount is expected to be in the range of INR 300 to INR 400 crore. However, this will have a relatively long tail, as it will be spread across the entire year, given that these are exposures outstanding for more than one year.

Abhishek: Okay. Yes, but it's quite negligible that way. Okay. The third thing is, in the overlay provisions that you have made, have you changed any PD-LGD assumptions? And does the run rate credit cost change or this is just a onetime activity and you go back to the run rate credit cost?

Arul Selvan: No, we have not made any changes to the PD-LGD assumptions. If we were to change the PD-LGD, there would be no need for an overlay. The overlay has been determined based on our past experience during similar situations, such as the COVID period and the phase of elevated diesel prices, and how delinquencies evolved during those times. Using a similar framework, we

assessed the potential impact and arrived at the appropriate overlay. Therefore, there has been no change to the underlying PD-LGD assumptions.

Abhishek: Got it. Yes, because some other NBFCs are having to gain some of these core assumptions. So nothing like that, right? The ECL model remains...

Arul Selvan: Abhishek, the PD-LGD is derived from historical data and past experience. We cannot revise past data, as it is the historical performance that determines the PD-LGD estimates. There are essentially two ways to reflect additional risk—either through changes in macro assumptions or by applying a management overlay. In this case, the available macro inputs were actually pointing to stronger GDP growth and more favorable forecasts, as these assumptions were finalized prior to February, before the subsequent geopolitical developments. The IMF macro data that we rely on was also published before those events.

Therefore, to appropriately capture the impact of developments that occurred post-February, we chose to factor them in through a management overlay rather than altering the underlying PD-LGD assumptions.

Abhishek: Got it. And CGTMSE, the cost for this quarter would be roughly around INR40 crores?

Arul Selvan: Yes.

Arul Selvan: INR38 crores.

Abhishek: Perfect. Just one last quick question on HL yields. Now that inter-quarter movement is because of assignment and up-fronting of income or is there something else?

Arul Selvan: Assignment income is not credited to the respective business portfolios; it is disclosed separately. Also, we have not assigned any part of the home loan book. The assignments relate only to certain other portions of the portfolio.

Abhishek: Arul, this 50-bps jump...

Arul Selvan: This primarily arises from ARC accounting, where the ARC receipts are recognized as income, while the corresponding net credit losses are higher. When these two effects are netted, the overall ROTA remains largely unchanged. However, it does support the bottom line.

Ravindra Kundu: Page number 72 footnote is there. 0.39% is the NIM gone up because of that.

Nischint Chawathe: Piran from CLSA, you go next.

Piran: Congratulations team on the very strong set of numbers. Just firstly, what would it take for home loan disbursements to pick up? It's been in this INR1,800 crores, INR2,000 crores range for now 7, 8 quarters.

Prashant: The key point is that, as of now, we are maintaining a steady book growth rate of around 23%. We expect Q1 to be slightly better than this level. Last year, in Q3 and Q4, we saw a pickup in incremental disbursements, and in Q3 we crossed INR 2,000 crore as well.

For the current year, we expect disbursement growth in the range of 12% to 15%, while maintaining steady AUM growth of around 25% or higher.

Piran: But sir, why has it been lagging? Like, what will change next year for growth to pick up to 15%, if I ask it that way?

Prashant: Four years back, our presence was largely concentrated in the southern region. Over the last three years, however, our scale-up has led to a pan-India footprint. The branches we added during this expansion phase have now started contributing meaningfully, and as a result, the proportion of business coming from the South has been steadily declining.

At the same time, we are seeing strong traction in other regions across India. Incremental business is increasingly coming from these locations, supported by improvements in productivity and the maturation of newly opened branches. Looking ahead, we expect the coming year to be a phase of meaningful scale-up in disbursements, along with improved operational efficiency. This should enable us to sustain a ROTA of 4.2% or higher.

Ravindra Kundu: As mentioned in the opening note, and as the Chairman highlighted earlier, there has been some delay in completing documentation due to the ongoing elections in two southern states. This has temporarily impacted disbursements in both LAP and Home Loans.

However, this has not affected our overall asset growth. We remain confident of achieving asset growth of 25% or higher in the Home Loan and LAP businesses. In addition, our other mortgage segments—SBPL and SME—are expected to grow at a rate exceeding 30%.

Taken together, growth in the mortgage businesses will continue to be the primary driver of overall company growth. This is further supported by newer businesses such as CSEL, consumer durables, and gold loans. Therefore, we are comfortable reiterating our guidance of maintaining overall company growth in the range of 20% to 23%.

Piran: Understood. Sir, secondly, on Vehicle Finance, I just wanted to understand, let's say, fuel prices go up 10% tomorrow. How much do you need to increase freight rates to offset that and maintain steady profitability per truck?

Ravindra Kundu: There are essentially two types of customers to consider, to begin with, HCVs account for only about 5% to 7% of our overall Vehicle Finance portfolio, which is a relatively small proportion. The bulk of our business is in small commercial vehicles, light commercial vehicles, passenger cars, and construction equipment, where fuel price fluctuations have a much lower impact. The sensitivity to diesel prices is largely limited to the heavy commercial vehicle segment.

Even within HCVs, the impact is primarily on long-haul transporters who consume significantly more diesel. For example, a long-haul operator may run around 6,000 kilometers over 20 days,

with an average fuel efficiency of about 3 km per litre. This translates into diesel consumption of roughly 2,000 litres. If diesel prices increase by ₹20 per litre—around a 20% to 25% rise—it results in an additional fuel cost of about ₹50,000.

Typically, a long-haul transporter's net income after all operating expenses is around ₹1 lakh. Even with this increase in fuel costs, they are still left with about ₹50,000. While this certainly affects their disposable income and standard of living, it does not materially impair their ability to service EMIs or meet repayment obligations.

It is also important to note that long-haul transporters are usually large fleet operators. Our exposure, however, is predominantly to small road transport operators who operate within a city or within a state. For these operators, passing on increased fuel costs through freight rates is relatively easier.

In contrast, large fleet operators working under fixed-rate contracts or with low road-load providers may find it harder to pass on fuel cost increases immediately.

Overall, given that our exposure to heavy commercial vehicles is limited and skewed towards small road transport operators, the impact of higher diesel prices on our portfolio is not expected to be significant. The more critical factor for us is demand—if freight demand remains healthy and loads are available, operators are generally able to pass on cost increases, mitigating the impact on credit performance.

Piran: But one fundamental question, why will fuel price not impact LCV operators? Is fuel cost a smaller proportion of the revenue than for heavy...

Ravindra Kundu: They do not operate over long distances like 6,000 kilometers. Their operations are limited to shorter leads. In addition, they are market-load operators who source loads from the open market and are able to pass through fuel cost increases relatively quickly through freight rates.

Arul Selvan: Daily pricing, it's like a daily pricing.

Ravindra Kundu: Pricing in this segment is daily. It is not fixed or predetermined, and operators adjust freight rates dynamically rather than having to work within a fixed pricing structure.

Piran: Okay. Fair. Just secondly, and this is probably very qualitative, but which of the end segments are more price sensitive or price elastic as in, for example, if freight rates go up 20% tomorrow, where will we see a drop in demand because of the freight rate rise? So for example, if I'm shipping iPhones and my -- and the freight rates go up 20%, there's obviously not going to be a drop in demand because the freight cost is a miniscule proportion of the iPhone cost. But there will be many other sectors where this would lead to some sort of elasticity of demand. So if you could just maybe touch upon this qualitatively, that will be useful?

Ravindra Kundu: What you are saying is that freight rates increase only when demand is strong. If demand is weak, freight rates cannot go up. That is the first and most important point—only when loads are available can transporters command higher freight rates.

The second point is that transportation costs themselves do not materially impact demand. Any increase in freight is essentially an inflationary impact rather than a demand-destroying factor.

Vellayan Subbiah:

I think Piran's question relates to the end-use segments. Your sector analyst colleagues would be best placed to address this, as the key data point required is logistics cost as a percentage of the overall revenue or cost structure of the product.

We know, for example, that in certain heavy infrastructure sectors, logistics costs can account for as much as 22% to 24% of the total cost structure. In such sectors, the impact is obviously more pronounced. Your analyst colleagues should be able to provide a detailed breakdown, as this analysis—logistics cost as a percentage of total sectoral cost—is fairly readily available.

Broadly speaking, it is well understood that heavier infrastructure-oriented sectors tend to have higher logistics costs as a proportion of their overall cost of revenue.

Nischint Chawathe:

Yes, we have a large participant list for questions. So, my suggestion is just to keep it brief and maybe 1 or 2 questions. Shubhranshu from PhilipCapital you go next.

Shubhranshu:

The first one is the growth number that you gave, that's on the disbursement. So, if you can split this number into a business-wise, I think you've already given for Vehicle Finance. For rest of the businesses, if you can split this growth for '27, what kind of growth we can look at for each of the businesses? Second is how many people do we deploy in collections? And again, we can split that business-wise?

Arul Selvan:

Shubhranshu, I can't give you business data. These are not in the public domain. We had given a lot of data.

Shubhranshu:

At least the total number of people in collection, Sir?

Arul Selvan:

The number of people we can give you. That is around 30,000 we have now on collections. That is there. But independently, each business-wise is very difficult to share...

Shubhranshu:

That's fair, sir. I'll take it offline. The first part of the question, sir, the growth numbers.

Arul Selvan:

On growth, we have already provided AUM guidance. As discussed earlier, we are targeting overall AUM growth in the range of 20% to 23%.

At a segment level, Vehicle Finance is expected to grow at around 18%, while LAP and Home Loans are expected to see growth in the range of 25% to 30%. The remaining businesses, which are relatively newer, are expected to grow at a higher rate. However, when combined, the overall growth at the company level is expected to normalize to the 20% to 23% range that I mentioned earlier.

Shubhranshu:

Right, sir. And if I can just squeeze in one last question, sir. If I look at the LAP PBT as a percentage of total PBT, sir, it's roughly at around 30%, 31%, which is quite high versus the rest of the previous 5, 6 years, sir. Earlier, it used to clock anywhere between 19% to 22%, and this

is a huge spike. So, any reason it is here or we are likely to see this come off? If you can elaborate on that, it will be great, sir.

- Arul Selvan:** They have been growing their book at a healthy pace, and costs have also remained low. This is encouraging, and we are quite pleased with the performance. We would like to continue on this trajectory going forward.
- Shubhranshu:** It will stay at around 30%?
- Arul Selvan:** Yes.
- Nischint Chawathe:** Nidhesh from Investec, you go next.
- Nidhesh:** Sir, my question is on branch addition. What are the plans to add branches in vehicle, home equity and home loans in FY '27?
- Prashant:** The key point is that we already have the Vehicle Finance branch infrastructure in place. For us, this is primarily an extension through additional manpower. We are planning to open around 60 new branches in Q1 and another 40 branches in Q2, taking the total to approximately 100 Home Loan branches in the next financial year.
- Arulselvan:** These will be shared branches of Vehicle Finance. Unique branches would be the gold loan branches, which should be in the range of around 300 plus.
- Suresh:** Will always be part of the VF...
- Arul Selvan:** All the other businesses would mostly be in the Vehicle Finance branches. Vehicle finance branch by itself would go up by around 100...
- Suresh:** Basically, for the other divisions. It's deployment of manpower in the branches, which will create the new branch.
- Vellayan Subbiah:** 100 in LAP?
- Nidhesh:** 100 in VF and then probably 300 in Gold, that will be the branch addition?
- Arul Selvan:** These 100 branches will be within the Vehicle Finance network, where other businesses will also begin to participate. As Prashant and Suresh mentioned earlier, these teams will start operating out of existing Vehicle Finance branches where they are not currently present, contributing to incremental growth by leveraging the same branch infrastructure.
- Suresh:** The count would be 100 in HL and 100 in LAP.
- Arul Selvan:** 100 in HL Yes. So those add up all the numbers to arrive at the total number of branches for Chola. That's what I was trying to say.
- Nischint:** Sorry, just a clarification, Gold branches addition is 300. And what is the current base?

- Ravindra Kundu:** Gold loan is adding 360 more. Today we are at 119. 480 HL will increase another 100, LAP will add 100. Similarly, CSEL and CD are also likely to add 100 branches. SME is going to go move up.
- Nischint Chawathe:** And Gold tends to be exclusive, right? I mean there is no sharing of branches.
- Arul Selvan:** Gold will be exclusive, rest of them will co-located.
- Nischint Chawathe:** The next question comes from Shreepal of Equirus.
- Shreepal:** Congrats on a good quarter. My question was on Vehicle Finance front. So within that, HCV has seen a very strong growth this quarter. Are we seeing similar trends in April as well? And how is the competition from banks in this particular segment, especially on the newer side?
- Balraj Menon:** As of April, we have recorded growth across all segments. We have seen growth in passenger vehicles, two-wheelers, heavy commercial vehicles, and light commercial vehicles. Across all product categories, we have also been able to increase our market share.
- Shreepal:** Okay. And on the competition from bank, if you could give some color there?
- Ravindra Kundu:** As of now, we have not seen any significant change. The situation remains at a similar level to where it was earlier.
- Shreepal Doshi:** Okay. Got it. And sir, is that a trend in the newer segment as well? Because I mean, PSU banks who were hurt, they've become very aggressive in that particular segment. So, we are not seeing any thing for us?
- Ravindra Kundu:** They are into Passengers...
- Balraj Menon:** We have not observed any significant change in competitive behavior over the past four to five months. Even in April, there has been no noticeable shift.
- Nischint Chawathe:** So apparently, as per CMI data, freight rates have already gone up in April versus March? And apparently, some of the data suggests 10% month-on-month growth. So, is this something which has to do with demand? Or is it something in anticipation of fuel prices?
- Ravindra Kundu:** As of now, diesel prices are at same level.
- Nischint Chawathe:** Demand has been strong in April. Yes. Sorry, I'm not sure if you're audible. You're saying demand is strong in April.
- Ravindra Kundu:** Yes. Demand has been strong in April. The prices have not gone up. So, fuel prices cannot be the reason for increasing the freight.
- Nischint Chawathe:** Got it. Yes. So, this was the last question. We don't have any further participants in the queue. Anybody who wants to ask a question can raise their hand. So, I think, yes, that's it. We are done.

Thank you very much management for giving us an opportunity to host the call. Okay. We have a question from Harshit. Can we take that? Harshit, you can ask a question.

Harshit: Sir, the question was on the cost growth itself. So, when we look at FY '26, our employee cost was around 27% Y-o-Y. But going forward, obviously, we want to invest in gold loan and we want to invest in newer businesses. But how should we look at the overall cost growth versus the AUM growth? And yes, I think on a net basis, should we start tracking AUM growth or we should start getting some operating leverage out there?

Arul Selvan: We believe it will take another year or so before we start seeing meaningful operating leverage, as we are currently adding new branches across most of the businesses we discussed earlier. As a result, we expect operating expenses to remain around 3% of average assets on an overall basis.

There may be some quarter-to-quarter fluctuations, but broadly, this is the level at which we expect to operate for now. At this stage, we would not want to factor in operating leverage beyond this assumption.

Harshit: Got it. The idea was to just check because given -- in gold loan assumption was that typically the breakeven periods are shorter compared to non-gold loan business.

Arul Selvan: There is a significant capital outlay involved, as these are exclusive branches and require new hiring. Unlike Vehicle Finance, we cannot rely on fresh or entry-level hires; we need experienced personnel, particularly from businesses such as gold loans.

Additionally, there are parallel initiatives on the IT front, including investments in AI-driven capabilities, which are also adding to costs. Given all of this, we believe it would be prudent not to factor in too many cost benefits or efficiencies at this stage, ahead of where we currently stand.

Nischint Chawathe: We will take the last question from Bunty Chawla.

Bunty Chawla: Yes. So, as we have seen new business part or CSEL, which we were struggling with respect to asset quality and all are doing good now. We are confident on that. Vehicle financing was some bit of a pain in terms of asset quality. That is now out. And growth, we are very much confident in vehicle financing. And already, we -- in terms of West Asia crisis, if you are seeing, you are saying already, we have an overlay of INR200 crores on the credit cost per se.

So, then we are still guiding for credit cost as a whole from 1.6% to 1.4%. If we go with the history, we have been in the range of 1% to 1.4%. So, what still -- getting us to still give a credit cost guidance of just 1.5%. We can easily touch 1.4% with respect to history. So, what is that creating us back? Or are we being conservative in that sense? If you can share some bit of a thought process on that?

Ravindra Kundu: For this year, our credit cost guidance is 1.5%. If we achieve this level, then next year the expectation would naturally be to improve further, say to 1.4%. In that sense, credit cost improvement is a continuous journey year after year. We do not want to over-promise or set

aggressive targets upfront; let us first see how much improvement we can deliver this year, and based on that performance, we will aim to improve further in subsequent years.

It is also important to recognize that some of our high-yield businesses—such as CSEL, consumer durables, digital, and mobile lending—are structurally designed with higher net credit costs. As these segments grow, the associated credit costs will also reflect that design.

At the same time, our mortgage businesses operate with much lower credit costs, while Vehicle Finance sits somewhere in between. Therefore, we need to view credit costs at a consolidated level, considering the mix across all three segments, to arrive at a normalized or sustainable credit cost for the company.

Historically, this has been in the range of 1% to 1.2% but redefining a steady-state level will take time. Once all eight businesses are fully scaled and stabilized—over the next one to two years—we will be in a much better position to clearly define our long-term ROA and net credit loss levels.

For now, we are comfortable holding our guidance at 1.5% for the current financial year, while continuing to work toward further improvement.

Nischint Chawathe:

Perfect. That was the last question. Thank you very much for joining us. Thank you, management, for giving us an opportunity to host the call. Thank you.