20th August, 2024

BSE Limited
1st Floor, New Trading Wing,
Rotunda Building, P. J. Towers,
Dalal Street, Fort,
Mumbai - 400 001
BSE Scrip Code: 500302

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051
NSE Symbol: PEL

Sub: Transcript of conference call on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended 30th June, 2024

Dear Sir / Madam,

In continuation of our letters dated 7th August, 2024 & 9th August, 2024 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on 13th August, 2024 on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended 30th June, 2024.

The transcript of the said conference call is also hosted on the website of the Company at https://www.piramalenterprises.com/Assets/download/Investor-Calls/2024-2025/20240813%20Piramal%20Enterprises%20Limited%20Earnings%20Conference%20Call%20Transcript.pdf

Kindly take the above on record.

Thanking you.

Yours truly,
For **Piramal Enterprises Limited**

BIPIN SINGH
Digitally signed by BIPIN SINGH
Date: 2024.08.20 16:40:28 +05'30'

Bipin Singh
Company Secretary

Encl.: a/a

Piramal Enterprises Limited
Q1 FY25 Earnings Conference Call

August 13, 2024

MANAGEMENT:

MR. ANAND PIRAMAL – DIRECTOR, PIRAMAL ENTERPRISES LIMITED
MR. RUPEN JHAVERI – GROUP PRESIDENT, PIRAMAL ENTERPRISES LIMITED
MR. JAIRAM SRIDHARAN – CEO (RETAIL LENDING) AND MD (PCHFL)
MR. YESH NADKARNI – CEO (WHOLESALE LENDING), PIRAMAL ENTERPRISES LIMITED
MS. UPMA GOEL – CFO, PIRAMAL ENTERPRISES LIMITED
MR. RAVI SINGH – HEAD OF INVESTOR RELATIONS, PIRAMAL ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Piramal Enterprises Limited Q1 FY '25 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Singh from Piramal Enterprises Limited. Thank you, and over to you, Mr. Singh.

Ravi Singh: Thanks, Nirav, and hello, everyone. Welcome to our Earnings Conference Call for Q1 FY '25.

Our Results Material has been uploaded on our website, and you may like to refer to them during our discussion. The discussion today may include some forward-looking statements based on management's expectations that are subject to uncertainty and changes and must be viewed in conjunction with the risks that our businesses face.

On the call today, we have with us Mr. Anand Piramal – Director, Piramal Enterprises; Mr. Rupen Jhaveri – Group President, Piramal Enterprises; Mr. Jairam Sridharan – CEO of Retail Lending and MD of PCHFL; Mr. Yesh Nadkarni – CEO of Wholesale Lending; and Ms. Upma Goel – CFO, Piramal Enterprises.

With that, I would like to hand over the call to Mr. Piramal for his Remarks on the Q1 performance. Thank you, and over to you, Mr. Piramal.

Anand Piramal: Good evening, everybody. Welcome on this Call to discuss our Q1 FY '25 Results.

Before we go into details, a summary of the overall direction of trends in Q1 FY '25.

Our growth business, which comprises retail and wholesale 2.0 has sustained momentum. It now contributes towards the bulk of our overall AUM and net profit; and

Our legacy discontinued business in wholesale further ran down during the quarter without any incremental net credit cost.

In Q1 FY '25, the Company has reported a net profit of Rs. 181 crores versus Rs. 137 crores in Q4 FY '24.

Our total AUM grew by 10% year-on-year to Rs. 70,576 crores.

Within this, growth AUM grew by 51% year-on-year to Rs. 57,601 crores. It now accounts for 82% of our total AUM versus 34% at end FY '22.

Within growth business, retail AUM grew by 43% year-on-year and now stands at Rs. 50,530 crores. Wholesale 2.0 AUM was up 132% Y-o-Y to Rs. 7,071 crores.

Now some comments on the operational performance of the growth business:

In Q1 FY '25, the growth business reported NII growth of 34% year-on-year, led by 51% year-on-year AUM growth.

There has been an increase in the cost of funds on expected lines. This was on account of the movement in market rates and an increase in leverage. The NIM for growth business was at 6.7% in Q1 FY '25.

OPEX ratios is a key driver of profitability improvement in the growth business. It was encouraging to see OPEX to AUM declining by 104 basis points year-on-year to 4.6% in Q1 FY '25.

Operating profit thus grew by 48% year-on-year to Rs. 375 crores.

Asset quality was strong with retail 90-day delinquencies still contained at 0.6% and no delinquencies in wholesale 2.0.

Q1 FY '25 gross credit costs, excluding recoveries, was at 1.6% versus 0.8% in Q1 FY '24. Please note that the credit cost in Q1 FY '24 benefited from a one-time write-back of 1.3% due to change in ECL policy. Thus, like-for-like, gross credit cost is 1.6% in Q1 FY25 versus 2.1% in FY24 in the same quarter.

Growth business PBT stood at Rs. 205 crores, versus Rs. 233 crores in Q1 FY24. This represents a PBT-ROA of 1.5% in Q1 FY '25.

In Q1 FY '25, our legacy discontinued AUM declined by Rs. 1,597 crores to Rs. 12,975 crores. The book is down 50% year-on-year and down 70% since the end of FY22.

These AUMs are now at 18% of total AUM. We continue our efforts to run them down to below 10% by end of FY '25.

The merger of PEL and PCHFL is progressing on track. Following the Board approval, the scheme has been filed with the stock exchanges. After the receipt of approvals from exchanges, SEBI, and RBI, the NCLT process would then commence.

On diversification of borrowings, securitization is about 12% of overall borrowings versus 3% at the end of Q1FY24.

Following the $100 million social impact loan in May, we raised $300 million through our maiden US dollar denominated sustainability bond in July, it was oversubscribed by four times.

By capital base, Piramal is among the top 4 private sector diversified NBFCs. Our retail business has growth of Rs. 50,000 crores in AUM, making us one of the largest NBFCs in the country and among that the market leaders in affordable housing finance.

Our strategy has been to build a lending franchise, which is well diversified, one that dominates the chosen segments while serving budget customers in “Bharat” markets; and leads the industry on the use of digital technologies.

With these comments, I now handover to Jairam, Yesh and Upma to discuss some of the business highlights. Thank you.

Jairam Sridharan: Thank you, Anand. Ladies and gentlemen, jumping into discussion on Retail Lending.

In the 1st Quarter, AUM in the retail business grew by 43% year-on-year. 1st Quarter disbursements stood at Rs. 6,816 crores, growing by 19% year-on-year. Our flagship mortgage business comprising housing loans and loan against property, grew 37% year-on-year to Rs. 34,104 crores, and it contributes 67% to retail AUM.

As you are aware, there have been some regulatory changes in this space, and during the course of the 1st Quarter, those changes resulted in a temporary impact of about Rs. 255 crores in mortgage disbursements in our 1st Quarter. The mortgage book continues to experience very strong asset quality and has low 90 DPD ratios of 30 basis points.

This quarter, we have shared some more granular information on the composition of our retail portfolio, along with product and risk information. You will see these reflected in Slides 11, 15 and 16 in our investor presentation.

Growth was strong in all retail products, with AUM in used car loans, up 150% year-on-year; salaried personal loans, up 195% year-on-year and business loans, up 62% year-on-year.

In one area, we have seen some shift in the way the market has behaved and correspondingly, our own market positioning has changed, and that is in digital loans. Over the last 5 quarters, we have been driven by a view of all sorts of emerging risk signals in the digital loan segment as early as November 2022. We spoke about emerging risks in this area and the need for us to calibrate our growth in that space. We started reducing our disbursement growth there at that time.

If you look at Slide #11, you will find that over the last 5 quarters, disbursements in digital lending are down by over 50%. Digital loans AUM is currently Rs. 3,542 crores, and it represents

7% of retail AUM, or 5% of total AUM. As we have been able to slow down this part of the business well in time, we have seen our risk performance over the period being relatively benign as you will see in some of the risk charts in the presentation.

If you look at Slide #13, we have shared a new disclosure this time on our emerging cross-sell franchise. You will notice here that we have been able to staff a sizable proportion of our customer base for future cross-sell. Current levels of cross-sell for us are still relatively modest at 7% of disbursements in this quarter. However, you should expect to see this improve steadily in the quarters to come.

On the asset quality front, retail has shown robust performance with overall 90-plus days past due contained at 60 basis points versus the 80 basis points same time last year, and the 50 basis points in the fourth quarter of the previous financial year. In addition to scaling and managing risk, we are equally focused on driving profitability improvements. Over the last several quarters, we have seen a consistent decline in the retail businesses OPEX to AUM. At the end of the 1st Quarter, OPEX to AUM stood at 4.9% versus 5.3% in the last quarter and 6.5% at the end of March 2023. We expect OPEX to AUM to keep moderating over the medium term and reiterate our goal of 3.5% to 4% in the medium term.

With that, I will hand over to Yesh to walk us through our Wholesale Lending business.

Yesh Nadkarni: Thanks, Jairam, and good afternoon, everyone.

In Wholesale Lending 2.0 business, we are building a granular high-quality and profitable portfolio.

Our 2.0 AUM grew 11% Q-o-Q to Rs. 7,071 crores across real estate and corporate mid-market strategies.

We disbursed Rs. 1,572 crores in the 1st Quarter. Our total repayments during the period stood at about Rs. 846 crores.

Our wholesale 2.0 loans are performing well, are in line with or ahead of our underwriting as reflected in the prepayment track record of the portfolio. There has not been a day of delay in wholesale 2.0 portfolio since the inception of the business in 2022.

The average ticket size in this book stands at about Rs. 74 crores across real estate and CMML parts.

We will further build this book in a calibrated manner, while capitalizing on the market opportunity.

Our discontinued legacy wholesale AUM was down 50% year-on-year to Rs. 12,975 crores.

Our focus is to bring the legacy AUM to below 10% of total AUM in FY '25 and make it further insignificant in FY '26.

With that, I hand over to Upma to cover the financial performance.

Upma Goel: Thank you, Yesh.

Moving to our "Financial Performance":

In Q1 FY '25, we reported consolidated PAT of Rs. 181 crores versus Rs. 137 crores in Q4 of FY '24.

Due to assessed carry forward losses, the tax rate at Piramal Capital and Housing Finance Limited was nil. At Piramal Enterprises level, we have accrued applicable tax fees. At the consolidated level, our tax rate comes out to be 27.6%.

Our GNPA and NNPA ratios were at 2.7% and 1.1%, respectively.

Our net worth stood at Rs. 26,863 crores with capital adequacy at 24.4% on consolidated balance sheet.

In Q1 FY '25, our cost of borrowings was flat quarter-on-quarter at 8.9%.

We continue to focus on diversifying our borrowing mix including securitization and international borrowings.

Our fixed to floating rate debt mix improved to 52:48 and we'll continue to see further improvement over coming quarters.

Our ALM is well matched with positive gaps across all buckets.

With these comments, I would like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So firstly, on the provisioning part, both on wholesale as well as retail. So, in retail Stage-2, we have now created the coverage of almost like 12-odd percent compared to that of 3-odd percent. So, what is actually driving that? And secondly, in terms of the wholesale, we have indicated that we utilize the management overlay of Rs. 260 odd crores. But besides that, when we look at it in terms of the overall decline in the provisioning, is it purely because of the rundown in the overall wholesale AUM of say, 11-odd percent on a quarter-on-quarter basis?

Jairam Sridharan: Thanks, Kunal, for your question. See, on retail, this is what you noticed the increase in Stage-2 provision coverage. It's a call that we have taken as part of our annual ECL regrounding exercise. Every year in the 1st Quarter, we reground the ECL. This year, as we updated all the data for the industry and our internal data, it was clear that 1-year PD numbers were all coming down. We made the choice to actually increase provisioning levels in Stage-2 because otherwise, the jump of provisioning from Stage-1 to Stage-3 were quite high. So, we thought it was a right conservative thing to do to actually strengthen the balance sheet for the future by improving coverage in Stage-2. So as part of the regrounding exercise of ECL, we incorporated that, and that's what you see reflected. You're absolutely right. Our provision coverage there used to be a little over 3.25%. We increased that to about 12% at the full portfolio level differentiated by product. So that's a result of the ECL regrounding thing. On wholesale, yes, you're right, there's a usage of a couple of provision pools that were available. There is also a write-off on the book, which reduces provisions as well because once you technically write-off an account, the provisions against it also disappear, right, which you see reflected as well. So, they are both reflected in that number that you mentioned.

Kunal Shah: So, write-off would be closer to Rs. 250 crores to Rs. 300-odd crores?

Jairam Sridharan: Yes, correct. Rs. 260 crores.

Kunal Shah: And second question was on the yield side. So, we are seeing the increase in the disbursement yields across the product segments, be it housing, MFI as well. So, is there the rate increase, which has happened, or this is purely the shift within the portfolio? And similarly, when we look at it on the wholesale side, there is a decline on the Stage-1, Stage-2 pool, which we are seeing. So is it like the rundown which has happened that was on a much higher yielding portfolio. So that's the reason we are seeing this kind of a decline in the wholesale areas as well?

Jairam Sridharan: I will come to your wholesale 2 question in a minute. In wholesale 2.0, I don't think we have seen any meaningful decline.

Kunal Shah: In Wholesale 1.0?

Jairam Sridharan: In Wholesale-1, it's just a mixed thing. In the Wholesale-1, the only part of the business where you get actual yields are Stage-1 and Stage-2 loans, right, which has now reduced to 50% of the entire Wholesale-1 book. So, if you see payback from Stage-1, you will see average yields come down of the wholesale 2 book. That's what we saw this quarter, we had a good, steady quarter in terms of payback from our Stage-1 and Stage-2 loans in the legacy book. So that's what is reflected in the yield number. If you look at our Page #23, you will see in the top right box, that we show that the Stage-1 and Stage-2 loans are at an average yield of 10.25%.

Kunal Shah: Yes. I was just referring to that, it was like more than 11% in the last quarter. So, what is actually leading to this?

Jairam Sridharan: Yes. That's just a mixed thing between the various accounts within there. There's nothing specifically that has happened there. And of course, we're not booking any new business there. And if anything, RPLR are all going up, not down. So, it's just differently who pays down during the course of the quarter. If a higher-priced account pays down, which is kind of what happened in Q1. So, the average yields come down a little bit. So that's what you're seeing here, nothing more than that.

Kunal Shah: On retail?

Jairam Sridharan: On retail, there have been both the things that you mentioned, the mix has shifted within the secured lending. See, overall, secured versus not the secured part of the business have actually done more share-wise in Q1 as compared to Q4. So, to that extent, yields should have come down. However, within secured, we have been able to move a little bit more towards higher-yielding businesses. So that has actually helped. But we have also increased pricing starting April 1 on most of our secured product lines. So that is also reflected in the disbursement yields that you mentioned and why you see, for example, housing disbursement yields at 11.5% when you saw them a good 30 basis points lower in the previous quarter. So that's all-internal mix shift between various product variants in the business. I will also note, this is not a Q1 thing. But from a Q2 perspective, I will note that starting August 1, we have increased our RPLR by 25 basis points. So that is another indication to you of where yields are headed, given what we are seeing on the cost of borrowing environment.

Kunal Shah: Okay. And this will be on the entire portfolio?

Jairam Sridharan: All the variable rate part of the portfolio. Yes.

Moderator: Thank you very much. Next question is from the line of Shreya Shivani from CLSA India. Please go ahead.

Shreya Shivani: Sir, first, I wanted a clarification on this one particular slide where you have given the retail customer mix between different geographies and like the metro adjacent Tier-1, Tier-2, Tier-3, there's a big change versus the last year's PPT. Is this just for the customers that you have acquired in FY24? Or is it for the entire portfolio?

Jairam Sridharan: No. This is just for the customers in the last year. Historically, we have shown the full portfolio, but we wanted to give you a more recent mix of what we are booking right now, and that's what we have given here is basically a last year's bookings. Based on that, we have updated these charts.

Shreya Shivani: Correct. So incrementally, you are focusing more on the non-metro geographies is what this data point really pointing us, right, in the retail segment across the product segment?

Jairam Sridharan: That is correct. And places like Mumbai and Delhi NCR, DHFL had a very strong presence. However, we are not as focused on these big markets. So, you will see a lower footprint for us in those markets compared to the old DHFL portfolio.

Shreya Shivani: Got it. So, this is purely customers acquired by you in the past 1 year, where you have the greater focus on Tier-1 cities? Got it.

Jairam Sridharan: Correct.

Shreya Shivani: And maybe I joined late, but did you share on the management overlay that you have utilized this quarter Rs. 260 crores odd towards which segments? And have you given some color about that?

Jairam Sridharan: Yes, that's in our old wholesale legacy business.

Shreya Shivani: Okay. So, it's towards the old wholesale legacy business?

Jairam Sridharan: Yes.

Shreya Shivani: The entirety of it, right?

Jairam Sridharan: Yes. Entirety of it.

Moderator: Thank you. Next question is from the line of Gaurav Agrawal from Nine One Capital. Please go ahead.

Gaurav Agrawal: Sir, just looking at the few numbers from the last presentation to this presentation. So, you're talking about the legacy book first. So, I think we were carrying around Rs. 2,500 crores provisions last quarter, and now it stands Rs. 2,012 crores. So, if I look at the difference, it is Rs. 500 crores and the rundown that we are seeing is around Rs. 1,600 crores. So, does it mean that there's a 30% kind of an LGD for the rundown that happened in this quarter?

Jairam Sridharan: You can do that math. Yes.

Gaurav Agrawal: And sir, now coming to the remaining part, which is Rs. 13,000-odd crores, which is left. And if I assume the similar kind of an LGD of 30%, we need to provide for around Rs. 4,000 crores of provisions. Now against that, we are already carrying Rs. 2,000 crores of provisions. Rs. 1,700 crores of AIF gain that we expect to get in the next 2 years, including this one. And then there are some Shriram's stake sale, which help us to realize around Rs. 2,300 crores odd. So, is that math, correct? Am I getting all of these things, right? Or is there any divergence in your end?

Jairam Sridharan: Your math is very correct. You have said everything that we would like to say. Thank you very much.

Gaurav Agrawal: Perfect. Now sir coming to the AIF gains that we expect to get. Are you on track to achieve Rs. 1,200 crores kind of gains for this year? Or is there any difference?

Yesh Nadkarni: No. We are absolutely working on recovery of the AIF assets. As is the case with wholesale assets and particularly the assets that we are in the AIF bucket, these are sort of lumpy repayments. Some of these assets actually need fair degree of work on the counterparty as well. And therefore, there might be some ups and downs as we go along, but we continue to stay put with our guidance where we said that we would collect about Rs. 1,200-odd crores of AIF gain this year. So, we stick to that.

Gaurav Agrawal: Okay. Understood. And sir, just lastly, if I may squeeze, any timeline on the Shriram value realization in this year?

Jairam Sridharan: No man, it's a big transaction, we will see. We will stay in the market. We will find if whenever the timing is right in terms of getting the right counterparty, we'll do it. This is not something that we can disclose in a public forum about our timing.

Moderator: Thank you. Next question is from the line of Vinod Jain from WF Advisors. Please go ahead.

Vinod Jain: My first question is why dividend income in the 1st Quarter is nil, as against Rs. 76 crores in the previous year 1st Quarter?

Jairam Sridharan: Vinod ji, in the last year 1st Quarter, we still had a sizable stake in Shriram Group of Companies we have sold that we would not get the dividend income of that, so that's what you are seeing is because that stake is not there, the dividend income does not show up.

Vinod Jain: The second question is about the gross nonperforming asset and net nonperforming assets. The ratio has, of course, worsened over the quarter-on-quarter. But what is the view going forward?

Jairam Sridharan: Here to some extent that in Q1, you do see a little bit of worsening of some of these ratios. It's a very minor take, nothing significant that has happened. We have not seen any material worsening of any account on our portfolio, neither in retail nor in wholesale. The environment has remained very stable, you have seen all our risk numbers that we have disclosed in our presentation. You will see that from a fundamental standpoint, fundamentals continue to be sound. We have not seen any material deterioration. Let's see, the environment is shifting. You have seen what's happening in the market in terms of credit costs etc. of all NBFCs and banks in this quarter, be under a little bit of pressure. We are watching the environment. Our numbers have held up very well in Q1, but we don't want to jinx it by speaking too soon about the future. Let's see how it goes. So far so good.

Vinod Jain: Similarly, the NIM has also gone down quarter-on-quarter marginally. What is the view again here going forward?

Jairam Sridharan: See, there will be some pressure in NIM because our cost of borrowing is continuing to rise because all the banks are still increasing pricing. So, there will be a little bit of pressure on borrowing, so cost of borrowing, you can see for the last 2 quarters, it is at 8.9%. And if anything, there's a slight upward bias to that number. And our book is now getting more and more levered, right. So as the leverage increases, anyway, cost of funds also changes. So, for those two reasons, there will be some pressure in NIM for another quarter or two.

Vinod Jain: But if you look at the medium to long-term, you still maintain your FY '28 projections?

Jairam Sridharan: Yes, or more like in the medium to long-term, our NIM should be higher than what we were able to show there, both by higher yields and importantly, by lower cost of borrowing over time. So, it will happen. Short term is going to go in the other way.

Moderator: Thank you. Next follow-up question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have a follow-up question on the business loan segment. So, of all the Rs. 4,700 crores of that segment, is there a breakup between how much is microfinance and business loans, because I am assuming merchant BNPL would still be a smaller part of it, right?

Jairam Sridharan: Yes. See, our microfinance is a very small business for us. So, see, the microfinance portfolio is about Rs. 1,400 crores, something like that total. And the rest of it is business loans to MSME.

Shreya Shivani: Okay. So, the biggest stress that we're seeing for the past continuous quarter actually comes from the pure business loan and not from MFI or anything, right?

Jairam Sridharan: Yes. MFI also has seen pressure. In fact, in relative terms, MFI has seen more pressure than business loans have. However, MFI is a smaller part of the book. So, it doesn't impact our numbers as much. It's mostly the core business loans that have seen. Having said that, like, I will reiterate that the business loans are being done at almost 20% yield. So, the kind of delinquency numbers that you're seeing on that page, they are more than priced in into the product.

Moderator: Thank you. Next question is from the line of Kishan Rungta from Emkay Global. Please go ahead.

Kishan Rungta: Sir, just referring to the Slide #16, overall retail assets were 90-plus DPD is quite stable. But if I just look at business loan and the other unsecured loans, the 90-plus delinquency has seen a bit upper trend. So how do we look at it? And how do we see the unsecured segment growing going forward?

Jairam Sridharan: Yes. You have seen this across the industry. It's an important area to keep watching. Of course, these businesses have been at extraordinarily low delinquency rates for a long time. In business loans, for example, you are seeing 140 basis points of 90 DPD. As I mentioned to the previous caller, this is a business being done at 20% yield. So, you should be expecting a much higher delinquency rate than what we are seeing right now. We have seen in the market a little bit of reversion to the mean of the long-term means. The market has been at below mean for very long, and we are seeing a slow reversion to that mean. We are seeing a little bit of that in our portfolio as well. However, being a multiproduct business has given us the opportunity to increase from other part of the business at a time when this part of the business starts facing some pressure. So, you have seen us actually gravitate little more towards housing and LAP in the last quarter and that has helped keep the overall delinquency rates in check, as you rightly mentioned. So as a multiproduct platform, that's always the game we are going to be playing, which we will keep calibrating different businesses up or down based on where the risk levels are. As you can see here in the digital loans, for example, on Page #16, digital loans were up 5 quarters ago, we noticed that this is not looking that great. We started reducing the volume. We reduced the volume by roughly half over the course of the last 4 quarters. And hence, you have not seen the impact of that high delinquency on our portfolio level delinquencies, which have remained steady. That's the kind of game you need to keep playing depending on which part of the market is going up and which is going down. So, it's a very, very dynamic situation. We will not hesitate to calibrate businesses up or down based on market realities.

Moderator: Thank you. Next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Just one question on the Stage-3 changes in absolute terms. So, while retail Stage-3 has changed by, say, Rs. 100-plus crore, a few crores, here and there. The balance is coming from legacy or wholesale 2.0?

Jairam Sridharan: No, all from legacy. There is no Stage-3 in wholesale 2.0. There's no Stage-2 either in wholesale 2.0.

Moderator: Thank you. Next question is from the line of Arpan Agrawal, individual investor. Please go ahead.

Arpan Agrawal: My first question is the repetition of the question that I've asked during AGM. Sorry for repeating it, but I'd like to know management's thought on this question. So, for context, so I have numbers for FY '23, '24. So, retail AUM grew by 50% during that period. The share of unsecured disbursement during that period was 40% of total retail disbursement and our potential customers, the Bharat customers may not have complete documentation. So essentially, they're lending at a fast pace with a significant proportion of it not secured by collateral and our potential customers may not have complete documentation. So, given this, how do we maintain the quality of our retail loan book?

Jairam Sridharan: Arpan, it's a good protective question. First off, I'd say, keep looking at our numbers, keep us honest by tracking our delinquency performance. We are one of the few large NBFCs that show product level delinquency numbers, right. Not everybody does it. And the reason we do that is, so the investors like you can keep us on it on whether we are doing a decent job in managing that risk. We believe that by building the right kind of models, analytic models by having the right underwriting policy and framework in place, and by being very agile about which segments we dial up and dial down, we can manage the portfolio well. But it's a daily battle. This is not a big strategy thing that we can decide. And based on that, we will just automatically have better quality portfolio. We make decisions every day. Last quarter, to give you an example in the quarter that just passed, we made about 100 policy changes in the course of 1 quarter. So, we practically make a small policy tweak every day. So, we make tens of these things all the time. And it's through the accumulated effect of all that and the discipline of constantly looking at the product level risk and vintage level risk that we believe we'll be able to manage the overall risk well. We've been able to do that well so far over the last few years. Let's hope that continues.

Arpan Agrawal: I have a follow-up question. So how do you interpret this 90-plus DPD ratio. So, I understand the numerator, it is the loans which have passed due between 90 and 179 days, but what is the denominator of this ratio?

Jairam Sridharan: 0 to 179 days. Everybody from 0 to 179 days. That's the denominator.

Arpan Agrawal: Makes sense. I have one question on Slide #37. So, it has a column of sharing disbursements, which totals to 94.9%. So, I want to know what accounts for the remaining 5.1% of disbursement?

Jairam Sridharan: We do some small direct assignment-type transactions, which will show up there as well. And loan against shares/securities, loan against mutual funds. This is a small product, which are still in infancy, which we don't show here.

Arpan Agrawal: Got it. I have one small request. I am not sure if it's feasible or not, but if we can keep some time gap between like the time at which the presentation is uploaded and the investor call, I think that will be very helpful to digest presentation and then ask questions.

Jairam Sridharan: We would like to do it too, and we know it's the right thing to do from an investor perspective. Unfortunately, days like today when there are multiple results, it's hard to find the right time slot. So logistically, it becomes kind of hard. But I take your point that we should give investors time to digest the results before holding the call. We will do our best.

Moderator: Thank you. Next question is from the line of Sachit Motwani from Motilal Oswal. Please go ahead.

Sachit Motwani: I just wanted to check, the reduction in land and receivables from by around Rs. 250 crores on a Q-o-Q basis, what led to this reduction, was it from a write-off or anything?

Yesh Nadkarni: Yes, it was write-off of one land asset.

Jairam Sridharan: So, you might recall that last quarter, we had made a significant provision, and we had set some money aside for a deal that we told you was in the offing. But the deal was happening at a rate which was lower than the rate at which the asset was held on our balance sheet. So, we made the provision last quarter, the deal consummated during the course of the quarter, and we ended up using that provision and writing the asset down.

Sachit Motwani: Got it. And my second question is what's the outlook on the SR book now? We've reduced it down by Rs. 300 crores in Q1. So how do you see a rundown of this SR book happening over the next 1, 2 years?

Yesh Nadkarni: So, look, on the SR book, on the wholesale side, we continue to engage with the ARCs where we only are the underlying trust. Through them, we continue to engage with the counterparties to actually find solutions and resolution of the underlying loans. And these are nonperforming assets, clearly, that have been issued historically in terms of performance, and we have to work on a number of parameters, which we'll continue to go on right now. Our intention is that in the next 2 to 3 quarters' time we recover material part of the resource. However, given the nature and the complexities involved, we're not able to really give a concrete guidance on how this book will travel.

Jairam Sridharan: Yes. If I may add just a quick sort of summary note on what Yesh said. The way you should think about this is that the directionality of the SR portfolio will be downwards. It will reduce. However, we cannot guide a specific pace at which it will come down. It's very deal specific.

Sachit Motwani: Understood. And as of date, how much is marked down by?

Jairam Sridharan: See, if you take the markdown from original book value at which it was carried from there, it is 60-plus percent. So Rs. 100 assets got sold at Rs. 40, and of that Rs. 40, we took 15% as cash and showed as cash on only, the remaining 85% is shown as SR value gain. So, it's well marked down in that sense. But these are big bulky assets. We'll see how it goes. It's very well marked down though.

Moderator: Thank you. Ladies and gentlemen, we'll take that as a last question. I will now hand the conference over to Mr. Ravi Singh for closing comments.

Ravi Singh: Yes. Thanks, everyone. Please reach out to me and Investor Relations team if you have any further questions. Have a good day. Thank you.

Moderator: Thank you very much. On behalf of Piramal Enterprises Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.