Mahindra & Mahindra
Financial Services Ltd.
Mahindra Towers, 3rd Floor,
Dr. G. M. Bhosale Marg,
Worli, Mumbai - 400 018, India.

Tel: +91 22 66526000

3rd February 2025

To,
BSE Limited, (Scrip Code: 532720)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd., (Symbol: M&MFIN)
Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the third quarter and nine months ended 31st December 2024, held on Tuesday 28th January 2025

Further to our letters dated 23rd January 2025, 28th January 2025 and 29th January 2025, and in compliance with Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A (15) and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed herewith the transcript of Earnings Conference Call for the third quarter and nine months ended 31st December 2024 held on Tuesday, 28th January 2025, which concluded at 07:20 p.m. (IST).

This intimation along with the transcript is also being uploaded on the website of the Company at: https://www.mahindrafinance.com/investor-relations/regulatory-filings

Kindly take the same on record.

Thanking you,
For **Mahindra & Mahindra Financial Services Limited**

Brijbala Batwal
Company Secretary
FCS: 5220
Enclosure: As above

Mahindra & Mahindra Financial Services Limited, Q3 2025 Earnings Conference Call

January 28, 2025

Management:

Mr. Raul Rebello:	Managing Director & CEO
Mr. Sandeep Mandrekar:	Chief Business Officer, Wheels
Moderator:	Mr. Anuj Singla Bank of America

Moderator: Good day, and welcome to the Mahindra & Mahindra Financial Services Limited Q3 FY '25 Earnings Conference Call.

This call will be recorded, and the recording will be made public by the Company, pursuant to its regulatory obligations. Certain personal information such as your name and organization may be asked during the call. If you do not wish for it to be disclosed, please immediately discontinue this call.

Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone.

I would now like to turn the call over to Mr. Anuj Singla. Please go ahead.

Anuj Singla: Thank you, Darvin. Good evening, everyone, and this is Anuj Singla from Bank of America. Thank you very much for joining us for the Mahindra Finance Call to discuss Q3 FY '25 Earnings.

To discuss the Earnings, I am pleased to welcome Mr. Raul Rebello – Managing Director and CEO; and Mr. Sandeep Mandrekar – Chief Business Officer. Thank you very much for the opportunity to host you, sir.

I now invite Mr. Rebello for his "Opening Remarks". With that, over to you, Mr. Rebello.

Raul Rebello: Thank you Anuj and Good Evening to everyone who's joined from different time zones, too. So, in summary, this has been a quarter which is characterized from our standpoint as a stable one. What's really underscored is the fact that we have had some positive momentum in growth and margins and largely asset quality has remained range bound.

The deck has been uploaded in the last few minutes or maybe last 10, 15 minutes on the exchanges. So, I would request everyone to keep the document handy. I will be referring to certain pages on the document as we proceed.

So, first page is Page #4, which is titled as "Key Highlights":

Disbursements have been up 25% quarter-on-quarter. Relative, if you look at Q3 of last year, we are up 7%. In our business, there's a lot of seasonality involved. We have seen this year been flattish most part of the year, Q1 and Q2, but Q3 has seen positive momentum in growth.

On the “Diversification Front”:

Directionally, we are moving well. The SME disbursements have come up with a 60% Y-o-Y growth, which is encouraging. Asset quality has, as I mentioned, remained range bound, GS3 is at 3.9%. We do understand the environment has its set of challenges. And on our part, we remain focused on prioritizing collections.

Moving to “Margins”:

NIMs have remained overall stable on a sequential basis, we have seen a 10-bps gain from last quarter at 6.6%, which on a consol basis means that the PAT came in at INR 899 crores, which is, of course, also a benefit that we have gained from the provision relief. There's a detailed document where I will talk through the provision release that we have benefited from. But overall, I think, as I mentioned, the quarter, which is encouraging.

Moving to some of the nonfinancial but strategic highlights for the quarter:

Specifically on the auto front, you would have seen in the last quarter, a lot of OEMs talk about the new passenger EVs, which are coming forth. We think this is a very positive move. Being a significant PV player, we have decided to actively participate in the new EV passenger vehicle momentum, which will pick up. We have secured an exclusive lending partnership with M&M for the new to Born Electric vehicles, which are slated for bookings from 14th of February.

Similarly, one of the other strategic imperatives that we have been talking about is fee-based income, in that line, in the quarter gone by, we linked a credit card partnership with RBL Bank, post getting the license from RBI for co-branded credit cards.

We have also, after getting our corporate agency license signed up 9 insurance providers for distributing life, nonlife and health insurance. Another source of revenue is for the vehicles that we finance. We are looking at getting some amount of revenue from the FASTag issuance.

For that, we have tied up with IDFC Bank, which has just happened in the last quarter. And we have also received from NPCI an in-principle approval for the TPAP license, which will again improve our digital presence.

I would now move to Page #7 “Double Picking on Growth”:

As we have seen and witnessed in the year gone by, the first 2 quarters were rather soft. This quarter has seen a comeback of growth of sorts, led largely by the Farm business, which is the Tractor business and the Passenger Vehicle segment. Tractor specifically saw a 24% growth, which was encouraging. Passenger vehicles at 8% is also decent. This is on the back of what we could call as revival in the underlying industry as well as our efforts to improve coverage in dealerships and geographies.

Disbursals were rather slower in the CV business, which saw a 5% Y-o-Y degrowth, but sequential growth still of 27 %. Our SME business, as I mentioned earlier, has seen a promising growth of 60% Y-o-Y. We do recognize this is from a relatively lower base, but what's really moving here is the LAP business, which now constitutes the majority of the business, and this business is coming at a good cliff.

If we move to Page #8, which talks about "Margins":

On the margin front, what you would see that the NIMs are at 6.6% for the quarter. This is a 10 bps sequential gain. It has, of course, been a 20 bps fall from last year same time, Q3.

If I break up NIMs, what you are seeing is that there's been a 20-bps sequential improvement in the loan and fee income. We are looking at whatever the levers at our end to kind of get sequential and improvement here. Overall, cross-sell, fee-based income continues to be an agenda item for us.

On the COF side, you have seen a 10-bps increase. Underlying factors here are various, of course, now the debt equity is higher, leverage is at a higher level. We are also seeing a runoff in the earlier lines; the lower price lines are running off. So, of course, we are trying to get in the incremental funding at a lower level, and we have had reasonable success on that front. But at an overall basis, COF has kind of moved up sequentially by 10 bps.

Moving to Page #9, which we have detailed commentary on "Asset Quality":

Here, the highlights are that GS3 moved up sequentially by 10 bps. It is still 4 bps lower than quarter 3 of last fiscal. On a sequential standpoint, we have added INR 216 crores. If you see the right side of the page, INR 216 crores, GS3 has got added. It's a consol figure, but when we look at respective asset categories, we added tractor last quarter slightly higher.

We have seen actually a sequential reduction in tractor, of course other asset categories have added to the GS3 stock. We continue to look at levers that can keep the GS3

numbers under control. And for us, the primary variables there are to continue to originate a decent amount of prime plus customers in the origination mix, continue on the underwriting practices and the entire use of collection toolkits that will keep GS3 range bound.

So, if you look at the bottom half of the page, you would see that for the quarter, we have added only INR 9 crores in terms of overall credit cost. The big difference here is the provision reduction of INR 434 crores. I will request you to move to the next page for me to give you some colour on what's moved there.

So, if you look at Page #10, I am referring to Page #10 on the PCR change because of the LGD decline, just for understanding, the Company follows the complete ECL model-based methodology. We follow LGD using cash flow for a 42-month period.

Now for Q3, for the first time in this fiscal, the June '21 stock has got included in this 42-month pool. And you would recollect the June '21 stock actually had an addition INR 4,000 crores, and that's what I am referring to in the slide. The June '21 stock had an INR 4,000 crore addition to the pool. And the cash flow of this pool has seen, we have demonstrated very high collection in this pool, which has led to the LGD coming down, I think, in 1 quarter itself.

Now this is encouraging. And of course, a provision is a function of LGD and PD. While PDs will definitely climb in this environment, but what we benefited for is, 1, the stock of LGD that we could collect from, which is an INR 4,000 crore pool, which came in, in FY '22, Q1 and the demonstrated collectability of this pool has been good, which has resulted in the PCR falling from 59% to 50%.

The other moving factors, if you just move to the next page, you would see that our stated goals for the full year is to keep credit cost in the 1.3% to 1.5% range, basis how Q3 has panned out and how we look at executing on Q4, we still hold these targeted ranges of 1.3% to 1.5%.

What is also encouraging to note is the end losses, which we have been for some time now commentating upon has remained in a declining trend. You would see that on the left top of the page, sequentially, the end losses have been coming down. And even for the 9 months of this fiscal, it is INR 52 crores lower than last year 9 months.

Let's move to Page #12. So, on Page #12, I have some organization and updates to share with all of you. We have also posted on the exchange. The first part on talent, we

have been strengthening our senior talent pipeline. We have made announcements in the last quarter.

We are mostly done at the senior level, we have a CFO, of course there's an interim CFO in place, Animesh is the interim CFO, but we have had a very high bar for who would be the CFO going forward. And we are happy to announce that Pradeep Agarwal will be joining us shortly. He is currently the CFO at Aditya Birla.

And we also have a senior leader, Anurag, who will be joining us as Head of Marketing and Corporate Communications. These are the 2 senior level leadership that we have to announce.

Besides that, this is an organization which is prioritizing. Overall, we have a 26,000 workforce, and we continue to make sure that the entire workforce is aligned to the new ways of operating, whether it is in the lean mechanism, or the digital toolkits that we have recently unfolded. 49% of our employees have gone through new certifications and done the digital dexterity program.

We have also added the POSP, the capability for them to cross-sell insurance, 4,000 employees have got certified. So, we are looking at a very encouraging talent pool being ready to work in the new ways of how we refashioned the organization working forward.

On the "Tech and Digital" front:

We have moved 40% of the applications to the cloud now. In the last 2, 3 quarters, it's been a significant upgrade. The LOS for the SME business, we have kind of onboarded the sales force toolkit. And we are using AI, which is contextual to our business for cross-sell collections and underwriting.

Some updates on the OPEX side, how we are looking at keeping OPEX lean. A lot of the CPC capabilities continue to be upgraded. From a distribution standpoint, we have not had too many branch additions, but we have added 25 branches in the last quarter. Overall year-to-date 34 branches. We plan to add another 15, 20 for the year, and we will see that going forward next year, too.

We continue to have a high bar on our entire governance and risk capabilities that we add on. Most of our risk models have been upgraded. Our underwriting tools have been refreshed, and we are looking at the tools now sloping risk in a much more encouraging way.

Moving to Page #13. Yes. Here, this is just a slide which keeps us honest to what we have the ambition for the organization to close FY '25. We are not changing any numbers here, which we are looking at more aspirational closure numbers for the year.

Overall, we are trending well on asset quality. NIMs, yes, is also in the range that we want to close the year 6.5% to 6.7%. Growth seems to be trending again in the direction. Diversification, yes, that's the only one which is going slower than what we anticipate. And ROA, we are maintaining that we would like to be in the 1.8% to 2%.

Finally, this is the focus that the team has for delivering on FY '25. But yes, this is not an organization which is only looking at short term. We are also looking at being future ready and we have ambitions on growth and profitability across lending and asset categories and other financial service opportunities.

On these lines as well as we would like to share with you a more holistic plan on our digital AI use cases that we are planning. And very soon, at the end of Q4 results, we will have a very detailed road map for how we are looking at navigating the next 3 to 4 years, being absolutely future-ready and operating in a manner, which we think we will be able to unlock value and unlock revenue from different revenue pools that are available for us.

I pause here now, and we will open it up again for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and 1 on their touch-tone phone. If you wish to remove yourself from the question queue, you may press "*" and 2. Participants are requested to use handsets while asking a question and limit your questions to 2 per participants. You may rejoin the queue for follow-up questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, first things first, I would say congratulations on a good quarter. But there are 2 things I wanted to understand. First thing is, we have been for the last couple of quarters, been talking about this benefit from ECL model to say, a provision release, which we have seen in this quarter and has resulted in a decline in provision releases.

Just trying to understand what about benefit, which had to come from this ECL model, refresh, which we were expecting for the last few quarters? Are they already there? Or is there room for further releases in provisions for the next couple of quarters? That's my first question.

Raul Rebello: So, I would say that the benefit has got baked in, in this quarter. I think for the last few quarters, we have been mentioning that because in the 42-month pool for which we look at cash flows of LGD, the Q1, which was a pool, which is a significant pool and that's what I detailed on Slide #10. The INR 4,000 crores, which came in between March '21 and June '21. I mean, in June '21, this INR 4,000 crores got added. And this pool typically because it was coming after COVID, the collectability of that pool, which we demonstrated on a collection was very encouraging.

So, I would say that the LGD benefit is kind of fully baked in for now. And yes, this is something we knew was going to come in specifically because of the way in which the ECL model works. LGD is a programmatic number. It works completely based on cash flow that we are able to execute on the 42-month pool. So, this is baked in.

Abhijit Tibrewal: Got it. And just a follow-up on that. So, suffice to say that provision covers across Stage-1, Stage-2, Stage-3 that we are carrying today are largely going to be steady state from here on?

Raul Rebello: See, as you know, provision is a function of PD and LGD, right? The PD, we every year, refresh the PD and the PD naturally would in today's environment generally seem to trend upwards because whether you look at all the macro factors that go into PD, typically, the externals are not extremely rosy.

LGD is a variable, which will move basically basis the cash flow of the 42 months. So, if we continue to collect well for the pool which is in the LGD consideration, we will see these numbers being in this range.

If the collection is not demonstrated to the way it is, it might see an upward trajectory. The sharp decrease is largely because of as I said, the INR 4,000 crore pool, which came into the consideration set and the collection efficiency of that INR 4,000-odd crores, which came to the pool.

Abhijit Tibrewal: Got it. And then the last question, which I had is, again, what you just referred to, sir, as the environment. Just trying to understand if you could give some colour on your individual product segments, maybe particularly tractors, CVs, how are they behaving during the….

Raul Rebello: See, I think our observations are not too divergent from, I am sure what you have heard from the community. It is an environment wherein we need to make sure that our collection front lines are on the job, because there is a level of leverage, which we see, which is higher than the past. And in this environment, it's very important that we

constantly be engaged with the end customer. We are able to collect in time and sensitize them on keeping a certain level of discipline.

So, we continue to be on the ball. Collections is a big priority for us, and we have actually made sure that the collection offices get all the enablers to kind of meet those outcomes. Having said that, the initiatives that we have taken in the last 2, 3 years of moving into the prime segment, having a higher mix of customers in the prime segment is also auguring well for us in this environment. But nothing taken for granted. We constantly need to be on the ball.

Specifically, portfolios like 3-wheelers, et cetera, are more susceptible to disruptions and to this kind of situations where there is a liquidity stress. So, we are making sure that we don't leave any effort on the collection front.

Moderator: The next question is from the line of Renish from ICICI. Please go ahead.

Renish Bhuva: Just 2 questions from my side. One, again, on the provisioning front, also after this quarter, we saw roughly INR 434 cores of provision reversal. But at the same time, there is a write-off or, let's say, the losses of INR 400-odd crores. So, let's say, going ahead, entering FY '26, and if there is no such provision reversal, what kind of a steady state credit cost one should assume?

Raul Rebello: See, you are right, this benefit has basically got crystallized in this quarter. We have in past forums also said that we would like to operate in a credit cost range between 1.3% to 1.5%, that's for this year and going forward also be in that below 1.5% range.

To get to that, we will have to make sure that it's a combination of end losses and provisions. If we keep the GS3 numbers range bound, then the provision increase won't be so high. Of course, we will have to see how the PD number works. But the controllable variables here are to keep the GS3 numbers in that zone, and make sure that whatever write-offs and disposal losses are also not going up.

And I think if you kind of refer to the pages that we disclosed, what's been a good trend is that the end losses have been on a declining trend, which means credit costs to be in that 1.3% to 1.5% zone, seems a plausible outcome if we execute well.

Moderator: The next question is from the line of Viral Shah from IIFL Securities. Please go ahead.

Viral Shah: I have 2 questions, Raul. So, first of all, on the asset quality front, just again touching base over there. So, again, I understand you are saying that next year, you won't have this, and you aspire to be at say, 1.5%. But the very fact that you will also be growing

the book, right, and you will have incremental Stage-1, 2 provisioning. How can we be, say, at 1.5% credit cost also next year if your write-offs, say even in this quarter is at 1.4%?

Raul Rebello: Yes. So, the write-offs have been on a declining trend. I mean, we have seen over the last couple of years, this write-off number has actually been coming down steadily, right? So, if we keep the GS3 numbers and as the book grows, if the GS3 needs to be in the same percentage, absolute values might go up because there's a rolling stock, which moves from Stage-2 to Stage-3.

But as you know, we also have a stated growth plan of 15% to 18%. And hence, on an absolute basis, if we keep the GS3 numbers range bound and curtail the end losses, keeping credit cost in that zone shouldn't be too challenging. Just to give you a quick look back on the end losses, this number from '23 from 2.6% has already slid down last year to 1.6% and YTD is 1.2%. I am talking about end losses.

Hence, maybe the remaining to be, and again, I am kind of giving you ranges 1.3% to 1.5%. That's again an ambition. I am not saying that this is cast in stone. If the end losses are kept in that range, then whatever 20, 30 bps of provisions is something that we should keep as a range to operate within.

Moderator: The next question is from the line of Kaitav Shah from Anand Rathi. Please go ahead.

Kaitav Shah: Sir, just wanted to understand. So, the previous CFO resigned on 31st October. And in the interim, we had no CFO in which period we had this write-back?

Raul Rebello: Sorry, I didn't understand the question.

Kaitav Shah: Sir, the previous CFO's tenure ended on 31st October, correct?

Raul Rebello: Yes, that's right.

Kaitav Shah: And then Interim CFO has been appointed from tomorrow?

Raul Rebello: Yes.

Kaitav Shah: Sir, this time frame where we got this provision write-back, we did not have any CFO?

Raul Rebello: No. What is the connection of the question. I mean, as we have explained in detail, the PCR number is a function of the ECL model. The ECL model, we have a full-fledged finance team. The finance team is not represented only by the CFO. We have a very

well-equipped finance team and the whole purpose of, and the whole exercise is done with the senior finance team and the stat auditors, and of course, the Audit Committee and Board. So, I don't understand the question actually.

Kaitav Shah: And second question is in terms of your provision coverage ratio, given that we are moving now to more premium set of customers, is the PCR perhaps going to trend lower over the medium term? Is that an aspiration?

Raul Rebello: No, I don't think. See the PCR benefit, at the cost of repeating has largely been kind of demonstrated right now because of what came into the 42-month pool, which is the June '21 stock. I do not really see a decline further. There might be a small uptick maybe because this benefit definitely gives us not a onetime, but a benefit which fructified in this quarter.

The levers for keeping PCR in a zone will be all the kind of cash flows that we are able to demonstrate that can come in through the 42-month pool, which is considered for LGD, right? As I said, LGD is largely within our control. It is a function of whatever gets refreshed on a quarterly basis and how that number moves.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe The first question is actually on margins. When and how do we sort of expect to go to the 7.5% margin benchmark? And I think the second one essentially is on your outlook on growth. This year, disbursement growth has been rather tepid. And how should we think about it for the next year, given the fact that the overall outlook for auto industry itself is a bit soft. And M&M is probably gaining market share, but most of it is in the prime segment, where probably we don't have access to.

Raul Rebello: See, on the margin front, I just want to reset, 7.5% was a kind of aspiration we shared in FY '22 end. I think post that, as you know, at that point of time, one could hazard that cost of funds would remain elevated for 2.5 years. We did recalibrate our NIM aspirations, at least for this fiscal to end between 6.5% to 6.7%.

I did share with you will that in the longer tenure or the longer period, we would look at NIMs climbing up. But I don't think 7.5% with the kind of choice metrics that we have shared on the profile of incremental customers as well as the kind of product choices that we are making for the future will achieve a 7.5%. So, 7% is more like the long-range target. Immediately, this year, closing in the 6.5% to 6.7% is the goal.

What clearly, we will try to offset from the declining NIM is to keep OPEX in that range of 2.5% to 2.7% and keep credit cost in the range that we shared earlier, right? So, to get to at least for this year, 1.8% to 2% ROAs, but for a longer term, yes, the aspiration is to climb up to 2.5%.

Your second question on growth. See, the bulk of the organization is still heavily dependent on the Wheels business. As you know, 93% is still the Wheels business. In the Wheels business, not every cohort is growing in the same manner. You have the CV business, which has seen prolonged stress in terms of not really breaking out in terms of growth. There's underlying reasons why CV has been range bound. There have been kind of growth, which we have seen in the past in the used vehicle. This quarter has not seen such a very encouraging number.

PV, you are very right. The larger growth is happening in the extreme prime segment, which is very, very price conscious. We have been able to grow in that segment, but our growth has a certain upper ceiling, beyond which it will have a kind of impact on our margins. So, we are conscious of, in the vehicle cohort where we are choosing to balance between growth and margins. We will continue to double-click on tractor, which gives us higher NIM capability on used vehicle, which continues to give us a higher NIM capability.

And specifically, to look at in the longer run, avoiding huge dependency on one asset category, which is Wheels, we have shared with you our plans on the SME business on the Mortgage business and specifically on fee-based income. Because finally, yield is a function of both IRR as well as fee-based income. So, to achieve those margin goals, which I shared earlier, there is an asset diversification plan, and then there is a fee-based plan to kind of get to those aspirations.

Nischint Chawathe: Got it. But any specific number that you want to kind of guide to for, let's say, the next financial year in terms of growth?

Raul Rebello: On asset growth?

Nischint Chawathe: Yes.

Raul Rebello: We'd like to be in the mid- to high teens.

Moderator: We have the next question from the line of Raghav Garg from AMBIT Capital.

Raghav Garg: I just wanted to confirm a number with you. Your net slippage for the quarter is around INR 665 crores. Is that right?

Raul Rebello: We don't disclose that. You can compute it, Raghav.

Raghav Garg: Sure. So, as per my calculation, it's coming out to be that number, which is about 150% higher versus last year. You also said that tractor slippages have come down versus last quarter, which is 2Q. Can you highlight which all segments contributed to the slippages to this extent of INR 670 crores in this quarter?

Raul Rebello: So, just being fair to the level of disclosure Raghav, we don't do a product by product, but we did see a correction in tractors, I mentioned from last time, but there have been slippages. You are right, versus last year. But if you do the same slippage to last quarter, Raghav, you would see that this quarter has seen a lower net slippage.

Raghav Garg: Right. But I think I was trying to understand both from a place where we are seeing CV delinquencies rise in the system. And generally, in the auto loan space as well, a lot of lenders have pointed out that there is some stress in that segment. So, I was trying to understand from that perspective, if at all there's any payment in any of the other segments apart from tractors?

Raul Rebello: I think overall, the environment, as I said, is not as rosy as it was maybe if you look at Q3 of last year. Possibly last year was, I would say, a year which the underlying ability for collection was a much better place last year than this year. So, it's not a very comparable 12 months that's gone by.

And other than tractor, last quarter, we saw a tractor GS3 number spiked, as I called it out, it was more a delay than a default. We did see that number come back, and that's the GS3 number, which I called out as a reduction over last quarter.

Overall, if I were just to talk about, there is no specific pain in any segment. As you know, we participate in 3-wheelers, passenger vehicles, CV, mostly in the Light and Small Commercial, Bus segment, used PV, used CV, used tractor. Yes, these are the Wheel segment. I wouldn't call out a very abnormal slippage in any one of them. Segments did see their relative level of pain.

Raghav Garg: Understood. Another question is between the write-offs of about INR 450 crores and this slippage number of INR 670 crores odd, your collection efficiency numbers that you report has still managed to hold stable at 95%. Now one of the things that I am thinking is that there's probably that pool of INR 4,000 crores that you are referring to, may have contributed to this 95% number being stable Y-o-Y, quarter-on-quarter, whichever way you want to look at it. So, if you sort of remove the impact of that pool, the collection efficiency ratio has come down. Is that the correct understanding?

Raul Rebello: Not really because the collection efficiency formula basically stayed constant, and that pool is the LGD pool. But I think what you have to look at collection efficiency is real-time CD and OD collection, right? That's what goes in the numerator divided by the current view collection. So, that formula is not similar to the LGD numerator, denominator.

Raghav Garg: Understood. And just one last question from my side. Sorry, you are at 15% Tier-1. When do you plan to raise capital?

Raul Rebello: So, it is clearly on our minds. And we usually, when we come to these levels, we start warming up the engine for Tier-1 augmentation. At the right time, we will have commentary on that.

Raghav Garg: Next 6 months, is that possible for something like that?

Raul Rebello: I have said what I could give you as much as explicit.

Moderator: The next question comes from the line of Avinash Singh from Emkay Global Financial Services Limited. Please go ahead.

Avinash Singh: A couple of questions. The first one is again on the yields and margins. So, what you are indicating that the growth in the wheels, EV is going to contribute some bit to growth. You are also going to kind of go into prime mortgages and Prime LAP. All this put together, you are still going to put pressure on yields.

Now on the OPEX side, of course, I understand that over the medium run, these prime businesses are typically lower OPEX. But at the moment, you expand into this, again, OPEX is going to be sort of on the higher side. Now on the credit cost side, even if the improvement, because I mean, the reversal part on other PCR reduction part is done, so FY '26 should not see.

So, if we kind of try to add, of course, I am talking to you on the fact that what you are saying on the fee side. But the pressure on the pure interest income yield, some bit of OPEX even operating leverage getting delayed because you are entering into newer segments. So, do you see the FY '26 or your ROA numbers could be better, I mean, than what is there in FY '25 or say, can it cross 2%? So, that's question one.

And second, if I just look at the last quarter, I mean, it's a smaller segment, but yet we see kind of a bit of a slowdown in your preowned vehicle segment. Is it because of your kind of proactive move seeing the environment? Or I mean, is it that there's a kind of a weak demand itself?

Raul Rebello: Yes. I didn't get your second one, but I will first attempt the first one. So, when we look at our overall growth plans, see, we are building an organization for the future also. So, when we take pause to diversify and build new business lines, one should take into contract, this is not just to deliver FY '26 numbers or '27 numbers.

Many of these are long-term initiatives and long-term investments that we think we have to make at a certain size and scale, having a loan book of INR 1,15,000-odd crores, and from an organization, which is looking at playing a much more holistic financial services play for the foreseeable future, we do believe some of these investments on the diversification front, are longer-term initiatives that we are making, right?

So, whether it is the prime mortgages or it is playing in other categories of the Wheel's business, these are all slated with a larger ambition to being a growing franchise and also to be a sustainable, profitable franchise.

On the choices that we have made, we do understand some of it will consume OPEX in the near term. This is for us growth OPEX. Some of it, we do understand that will have impacts on margins. We have a calibrated view on how much of the new segments we will do on balance sheet and off-balance sheet. We have talked about in the past of our strategic tie-ups in co-lending and coordination with certain partners. We believe that there is a certain revenue that will accrue to us from a distribution play.

We are, after all, sitting at a very strong position of strength in 6,000 dealerships across the country. We can orchestrate a lot of this finance while earning fee. Part of it, we will keep on our balance sheet, which we think is extremely margin sensitive, we might offload to partners. But the objective is to be able to consolidate this growth momentum and feed either our balance sheet growth or our off-balance sheet growth, whichever is deemed fit to get to both our growth and our margin objectives.

Your second question, I couldn't completely understand it. If you could just repeat it?

Avinash Singh*:* Your kind of muted growth or rather a negative growth in the pre-owned vehicle disbursements. So, what is happening there? I mean because this is relatively a smaller piece in the pie. But in the first half, it was doing quite well. But in the Q3, suddenly, there is a kind of a decline in disbursement in pre-owned vehicle. So, what is happening there?

Raul Rebello: Yes. So, the pre-owned vehicles, part of it is our own vehicles, which come up the new PVs, tractors that we fund when customers they finish their period, or they need a top-

up loan on that. And a large part of it which happens in the commerce, which happens in the used vehicle industry. What we have seen the PV continues, the used CV as the main CV business, LCV, SCVs are not growing significantly. Some of the replacement demand in that segment is starting to be muted. And also, we have to factor in what is the risk that is in part of the segment. So, it's a combination of what is the underlying replacement demand, which is there as well as some of the risk factors that we take in.

Nevertheless, in our mind, we could have executed better on this. We want to make sure that incremental sourcing of used PV, CV tractor is 20% of our incremental disbursement. It was a soft execution, one that I would call it. We have to work within the constraints, and we have, augmented the used CV team to be able to bite a little more of the acquisition that is capable. But our plans are to be participating much higher than where we are right now in this segment.

Moderator: The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah Yes. So, firstly, again, getting back on to the overall provisioning coverage. So, again, Stage-2, the decrease, which has been there, that is also on account of a similar pool, because during that period, in fact, Stage-2 assets also went up by almost INR 4,000-odd crores. So, is it the same pool getting added and that's where Stage-2 is also down in terms of the coverage?

Raul Rebello: So, you are talking about the Stage-2 PCR?

Kunal Shah Yes. So, Stage-2 coverage has also dropped from 10.6% to 9.1%, almost like 150-odd basis points. So, is it like a similar pool? Because when I look at June '21 Stage-2 pool, along with Stage-3 June '21, Stage-2 pool was also up by INR 4,000-odd crores.

Raul Rebello: Yes. So, see, the Stage-2 is, again, a function of PD and LGD. So, there are 3 macroeconomic factors that work behind the scenes. And those factors, along with the collection that we would have demonstrated in the Stage-2 pool would have resulted to the coverage number.

Unknown Executive: So, the LGD is common across the stages.

Kunal Shah Yes. LGD is common, just the PD one. And maybe overall, when we look at it, after that June '21 behaviour, if you look at till maybe at least like March '22 behaviour, there was, again, a contraction of almost like INR 5,000-odd crores in the Stage-3 pool. And similarly, like Stage-2 pool also contracted by INR 4,000-odd crores. So, would that again have any kind of an impact in terms of, obviously, these are like getting out of the pool. But can we then fairly assume that the provisioning coverage will keep on

inching up over a period as the new projects added and the collection might not be that robust as we saw in the June '21 pool?

Raul Rebello: So, to some extent, you could say marginally might go up. Again, a lot of it is, Kunal, basis, if the team continues to have a collection for that 42-month pool, if the cash flows which can emanate out of better collections, then that could, of course, impact how much that increase in PCR or LGD will spike.

Kunal Shah: Yes. But the only thing is these collections would be over the period, okay? So, it's not like a one quarter phenomenon. So, at least in terms of the trend, obviously, you are well aware in terms of June '21 pool having a much better collection. You have looked at it over the past 3 years, and you are confident that this coverage would come down.

But you know in terms of how the incremental pool has behaved, it's not like one single quarter phenomenon. It just gets added, but there is a fair trend in terms of the collections. And if you can guide based on that because this gets slightly volatile on a quarterly basis. But at least you would be aware about it, yes.

Raul Rebello: Yes, we are. We kind of know the model kind of has reflected what kind of cash flows have happened in the 42-month moving period. So, there is part handle in what we can do again in every quarter. But as you rightly said, a lot of it has already got baked in.

Kunal, it will be giving, I guess, too much, while we do, of course, as management know, and we can bake in what additional collections can come in. I would refrain from giving specific guidance on how the LGD will kind of move specifically in the foreseeable future.

Kunal Shah Sure. And on OPEX, when we look at it, so this quarter, it's been up, maybe you have been indicating that there could be some upward bias as you would continue to invest. But then maybe we have reached that level of 2.5% to 2.7%. So, should we see the efficiency gains and that helping contain the OPEX or there could be some upside risk to the OPEX to asset guidance which we had given?

Raul Rebello: So, if we bake what goes in behind OPEX is, of course, staff. There is acquisition cost, there's collection costs, and then there is diversification for the new businesses. For the existing Wheels businesses, clearly, we would expect that the efficiency levels start kicking in, because these are steady-state businesses with all the efficiency toolkits that are there today.

And just to keep everyone mindful that we have actually, from March ending of the last fiscal, our staff strength has come down for the main businesses. So, we are gearing

the teams to be much more efficient for the core businesses. There will be growth-related expenses that we will incur for the diversification businesses. There will also be as we flesh out more of the underwriting teams, risk team, compliance teams, and we invest a little more in tech, there might be some investments over there.

And I would also not shy away from in the environment that we are operating in, to spend reasonably on collections, right? So, overall, yes, we would still like to operate in that 2.7% kind of a corridor, not to go up maximum 2.8%. But there is a lot of efficiency gains that we are expecting from the team.

Moderator: The next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.

Kushan Parikh: Sorry to just keep harping on the provision coverage part. I appreciate your point that you would like to refrain from giving specific guidance on how the new pool of loans essentially is performing from an LGD perspective. But could you just give us a picture on how should we view the glide part? I mean, appreciate your point that you could see a slight uptick in provision cover given the environment and rising PDs and the LGD performance of the new pool. But will this be more in nature or over many quarters? Or should we expect a sudden spike again few quarters down the line?

Raul Rebello: Yes. So, I would kind of borrow from what I said to Kunal also earlier. We don't expect a very sharp increase, because you could also just go back and see the collection efficiency that we demonstrated from '22 onwards, as well as what has been the end losses.

So, in summary, I would say it would be range-bound. It clearly won't climb back to those levels. The post-COVID effect or the kind of impact of the second wave got the whole PCR cover to basically climb up to those levels.

With what we have seen now and what collections we have seen in the last 2, 3 years, I would more safely say this would be marginally increasing, but more or less very, very range bound, clearly below the peak level that we went to earlier.

Kushan Parikh: And this will be happening gradually over the quarters, not a one-time change or a refresh?

Raul Rebello: Yes, yes, absolutely.

Moderator: We have the next question from the line of Viral Shah from IIFL Securities. Please go ahead.

Viral Shah: Just one thing, Raul, can you give some commentary as to how are the prices of used vehicles trending? So, the commercial vehicles, the PVs, the tractors, and like recently and versus what it has been like 6 months or a year back?

Raul Rebello: Yes. I have not seen any sharp decline. I mean, think about it, the CV business because the rates of the new vehicles have been going up, clearly, there will be a certain impact on the used vehicles. Of course, the PVs, we have seen a big onslaught of price reductions at the middle level and some models. It's a very model to model; some models have had a drastic drop. So, one could think that even it would rub off on the used vehicle side. But in total, I don't think we are not seeing very huge drops. But I would invite my colleague, Sandeep here, to give more colour on specific guides.

Sandeep Mandrekar: Yes. I think the prices, if you look at it from last year to this year have more or less remained stable in the market. They haven't dropped or increased either. If you look at the last 3 to 4 months' time when we have started to already see discounts getting offered onto the new vehicle, this automatically have some bit of rub-off effect on the used vehicle prices. But nothing at this point of time to feel worried about in terms of large drops, which have happened.

Kushan Parikh: So, just on the last 3, 4 months piece, that a slight correction which you are referring to, that's true for all the segments of used vehicles or just in PVs?

Sandeep Mandrekar*:* No, I was talking more from a new passenger vehicle standpoint, wherein we have seen the month giving more discounts on the vehicle, leading to on-road prices going down.

Kushan Parikh: Correct, correct. But are we seeing similar trend in, say, a used commercial vehicle or a used tractor?

Sandeep Mandrekar*:* Not yet, not yet. So, I am saying it has not yet gone and dropped the prices on the used. They have held their prices. We haven't seen much drops on it as of now.

Moderator: The next question is from the line of Punit Bahlani from Macquarie Capital. Please go ahead.

Punit Bahlani: Firstly, on the margin bit, sorry, I missed the opening remarks. What was the reason for the yield improvement of 20 bps?

Raul Rebello: See sequentially, there are different levers that can work over here. Clearly, we have been looking at optimizing on the incremental pricing. At the same time, part of the mix, which can also kind of impact. And thirdly, fee-based income, which is the biggest

kind of initiatives we are driving, the corporate agency license has actually given us in the last 7, 8 months, a pretty healthy fee-based income.

Even if you look at previously, when you normalize for the MIBL's contribution, even normalizing for that, it's been a very healthy addition to our overall income and yield outcomes.

Punit Bahlani: Okay. Got it. Sir, secondly, on the PCR change. Say, last quarter, you have given a recovery period for LGD was, say, Q4 '21 to Q2 '25. So, that included the 1Q FY '22 period, right? I am wondering like if this quarter also it included, then why was this change not done last quarter when the high recovery period was included in the last quarter as well, if we are going by that 42-month period?

Raul Rebello: No. I don't think you have read it, right. What happens is that there is a new pool which has come in. The entry pool for Q3 of FY '25, this pool did not come in, in last quarter. This pool has come in, in this quarter itself because if you trace back 42 months from December, June '21 is what comes into the mix, right? So, this entire INR 4,000 crores which is the LGD recovery pool for the next 42 months is the first time that Q1 FY '22 has come into the mix.

Punit Bahlani: Okay. Got it. And sir, so when this goes out of the mix, your PCR might increase, right, because this has led to a 900 bps decline in PCR. So, going forward, like once this pool is excluded, there will be some increase in PCR, right?

Raul Rebello: Yes, there will be a gradual, because there's a certain benefit that this has accrued right now. And that's what I said, it will be range bound. We don't see it spiking up. We see a gradual tick, but it will be range bound. In my estimate, since you are all pushing on this, I don't think this will definitely go beyond a 54% number. That's why I said, between 51% to 54% number in the near future.

Punit Bahlani: And 1.3% to 1.5% factors this, right?

Raul Rebello: Sorry, that's the credit cost aspiration that we have. Again, I am not giving you a guidance here. This is an aspiration that we have. But this is 1.3% to 1.5%, absolutely, if you are asking for this year.

Punit Bahlani: Right, right. Okay. And sir, on the write-off policy, could you comment like what's the write-off policy? Is it...

Raul Rebello: No, there is no change in the write-off policy. Like most vehicle lenders, we look at what's the good time to write off. Again, the kind of recovery that we see in the NPA

pool gives us enough of input to decide when to write-off, and we have not changed any write-off logic, if that's the question.

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

Nidhesh Jain: Can you share some details on what is happening in Mahindra Rural Housing?

Moderator: Sorry to interrupt, but you are not audible.

Nidhesh Jain: Hello, am I audible now?

Moderator: This is better, sir. Please go ahead.

Nidhesh Jain: Yes. Sure. So, I have 2 questions. First question is on Mahindra Rural Housing Finance. What is happening there? And what is the medium-to long-term strategy for that business? And in terms of capital requirement, how much capital we are likely to infuse in that business?

Raul Rebello: Yes, thanks. So, we have shared last time that we plan to participate in a much holistic manner in the mortgage business. Before we really participate in a meaningful manner, it makes sense that we clean, and steady state create a semblance of a reasonable amount of asset quality outcomes in the MRHFL business.

You would have seen in that light; we have done additional provisioning for this quarter. We believe that, that business needs to be set first right in order before we grow mortgages overall. I don't know whether I informed you guys, we talked about a very senior resource from Bajaj Housing Finance, who was deputed there. He continues to work closely with the management team. In fact, he was seconded earlier. Now he has moved full-time to that entity and will ensure that very soon we see MRHFL set in order. The team is working in that direction. We have already reduced a significant amount of manpower. OPEX will come down. And of course, asset quality, we are starting to see positive changes there.

From a capital adequacy, that entity is adequately capitalized. There is no need, we are not growing anyway. We are looking at more rightsizing that organization and making sure the asset quality in that organization reaches a desirable level. There is no immediate exuberant growth plans there. So, whatever capital is in that organization, it's adequately capitalized.

Nidhesh Jain: And the Mortgage business will be done through that organization only, right?

Raul Rebello: We will share plans. As we said, we plan to play mortgages holistically. I did mention at the start, end of Q4, we will give you a slightly longer-range strategy view of Mahindra Finance. At that time, we will detail where mortgages will be done, to what extent will be done, what parts of mortgages will be done. Please be patient with us at the end of Q4. And when we have this longer-range view, we will share these details.

Nidhesh Jain: And second question is on ROA, ROA trajectory from 2% to 2.5%. How long do you think you will be able to reach there? And what are the levers you have to reach to 2.5% ROA?

Raul Rebello: Yes. Again, I would say we are having a very detailed walk of our ROA plan. Please bear with us for another quarter. End of Q4, we plan to have a very detailed in fact, Investor Analyst Day of sorts, where we will share much more details on the overall growth aspirations, asset category participation, aspirations, digital AI capabilities that we have built. So, all of that walk, please be patient with us. We will share that in detail in the next forum.

Moderator: We have the next question from the line of Sonal from Asian Market Securities.

Sonal Gandhi*:* Apologies at the outset, I am harping a bit on the provisions part. But when I look at your FY '22 numbers, the write-offs for the entire year were closer to about INR 2,500 crores and a significant chunk of it came in Q4. So, if you could just explain, how would this LGD work? Because right now, we have reduced our PCR to 50% and end of Q4 FY '22, I think we did write-offs of about INR 1,200 crores. So, how gradually would this increase be from 3% to say 3.3%, 3.4%? Or it could happen in the next 1 year itself?

Raul Rebello: Sorry, I didn't understand, what is 3.5%?

Sonal Gandhi: So, currently, your total ECL provision stands at about 3%, this number was slightly higher in the previous quarter. And obviously, with the new model, the requirement for PCR has gone down. Now if I look at your loan losses or actual write-offs for FY '22, I think they were closer to INR 2,500 crores.

So, I am just trying to understand that year the write-offs were the highest. So, we are seeing that currently, the total ECL is at 3%, Stage-3 PCR is at 50%, and it will gradually move up. But if I look at Q4 FY '22 numbers, write-offs were slightly higher at about INR 1,200 crores in that quarter itself.

So, just to understand when we are modelling how do we kind of model credit cost? Because again, there would be this variable, which would come into factor and then the provision coverage will go up?

Raul Rebello: Yes. So, the PCR number again, at the cost of repeating, it's a number which the LGD and PD are the 2 big variables. The LGD is something which is basically based on cash flow that has happened for the 42-month period, right? The PD is a number which gets refreshed.

Now to your question, I think your larger question is how will the PCR go forward? I don't think you can do a map to map on the end losses of FY '22, because the end losses of FY '22 would include pools, which are not exactly in the LGD 42-month period. It could be of previous period.

So, doing a like-to-like mapping and trying to future forecast basis, FY '22 write-offs. FY '22 write-offs would not be an accurate comparison, as I said, because write-offs happen from different pools, right? And we also have settlement losses, which come into the loan loss. So, I wouldn't hazard a line-to-line comparison of looking at forecasting the PCR number with connecting the dots on the write-off for FY '22 and '23.

As I said, we look at a gradual possible movement. And the other way to look at it is if you look at prior to the COVID period, our PCR number, which is, again, the LGD number, have always been in that 40% to 55% range. So, I do believe that our normal LGD PCR numbers should also reflect that because they are still in the vehicle business.

And in fact, what's happened from FY '22 onwards, is the end losses as well as the collection efficiencies have improved. In fact, the loan losses have come down. So, we don't see a big departure from the steady-state LGDs, which were, let's say, prior to the COVID period.

Sonal Gandhi: Okay. And at the beginning of the year, in the annual report, we had mentioned that we are planning to open about 120 to 150 branches, in the current year or maybe over the next 12 to 18 months. So, where does this stand today? And how do we see this 100, 120 branches being added? And do we really want to add those new branches, given we want to control that OPEX element?

Raul Rebello: Yes. So, lot of these branches serve for incremental revenue in the future, these distribution points clearly give us a huge amount of ability to acquire new customers

as well as service customers and service dealerships. So, as I said, we opened 25 in the last quarter, 35 totally in the year. These are mainstream actual branches.

I did mention that we have got some hybrid branches which operate out of dealerships and some small format branches. So, we will look at increasing the amount of distribution for our overall growth plans, not just for 1 year, 2 years, but for the foreseeable future.

And branches, by the way, we don't increase only OPEX, there's a certain CAPEX amount. So, setting up a branch is important from a growth standpoint. It will attract some CAPEX, OPEX requirements. And that's baked into our OPEX ranges that we have shared with you.

Moderator: Thank you. Ma'am sorry to interrupt but we request you to please rejoint the queue if you have follow-up questions. Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Yes sir, thank you for taking my question. Just one question….

Moderator: Jigar, your line is unclear. You are inaudible in between. Jigar, are we audible to you?

Jigar Jani: Is this better?

Moderator: Yes, please go ahead.

Jigar Jani: Yes. So, I was saying if you look at the GNPA number and the difference between the GS3 number, that difference, which is about INR 6,200-odd crores of GNPA and a Stage-3 of INR 4,500 crores. That seems to have been sticky since the last 3, 4 quarters. When do we expect this gap to close between the GNPA and GS3.

And secondly, just a follow-up on the same is that the gap, which is there between the 2 numbers, that would be sitting in Stage-2, but do we carry the Stage-2 provisions or certain extra provision on this pool of assets?

Raul Rebello: Jigar, we do carry the same Stage-2 provision on this asset. If they are IRACP. but not IND-AS NPAs, they sit largely in Stage-2, and yes, they would take the Stage-2 provision. This number, you are right. I mean, it's difficult to get 3 EMIs sometimes. So, that's why that pool has remained range bound.

But yes, I don't know whether I shared earlier, we have reconfigured the collection team to be product specific right now. It is our stated goal to start seeing this number go down, but your observation is right, it's remained range bound.

Largely what happens is these customers pay on 1 EMI and stay in the same pool, getting 3 EMIs or 4 EMIs is going to be a little more, especially in an environment like this is going to be a bit more tough.

Jigar Jani: But do you expect like slippage from this bucket? Or would it be like towards the end of the tenure, you would be collecting probably these extra EMIs? That is how it would work?

Raul Rebello: Yes, more like that, because it's tough for them. So, usually, at the end of the tenure, the kind of forthcomingness of these customers to clear will always be there. Inter tenure, it gets tough to plow back 4 EMIs.

Jigar Jani: Sure. So, probably near the end of FY '26 because our behavioural tenure is about 2, 2.5 years, probably by end of FY '26, we should see this gap kind of closing?

Raul Rebello: I don't have a ready comment. We will have to modulate to see that. Sandeep?

Sandeep Mandrekar: All of this may not be from the last 1 year or the last 2 years. Since we have a tenure of 4 to 5 years, it will be difficult to say that everything will get over in the next 2 years' time. Because you will keep on having new customers also coming in there.

Moderator: Ladies and gentlemen, we will now take the last question, which will be from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.

Umang Shah: I have 2 of them. First is, I wanted to understand the thought process. See, when I look at your last 7, 8 quarters data, I mean, our asset quality has pretty much stabilized with our Stage-2 plus Stage-3 in the range of about 10-odd %. However, our overall ECL provision on the balance sheet has come down from 5% to now just at about 3 odd %.

Now in the current environment by your own admission, where there is a bit of a volatility, and you believe that there is a possibility that there could be some deterioration in asset quality. Wouldn't it have been a bit more prudent to not write back these provisions into the P&L, and maybe create some sort of a management overlay, especially given that in the past, too, we have seen a lot of volatility as far as the provision coverages are concerned.

Wouldn't it have been a little more prudent to just hold back these provisions, rather than writing it back into the P&L. Just wanted to have your thought process on this.

Raul Rebello: It's a fair point. And the ECL model ideally should reflect what is the underlying LGD and PD. You are right, Management can decide to make overlay provisions. We did contemplate it. We just felt we'd be being a bit too cute and trying to basically do artwork on top of the model.

At the right time, if we believe that we have got to start creating buffers, we will do it. In this quarter, we saw the LGDs work in the manner. We didn't want to kind of create something which is over and above what the model was prescribing, because it is reflective of the collection that has happened of that pool.

It will be our stated goal to continue to kind of collect and make sure that we keep these ranges. Of course, it's not going to stay at this level. It will marginally move up. But it's a valid observation. It was something that we definitely thought about. And it's not that we can't do it in the future. If we believe that we can stomach some overlays, we will evaluate it at the right time.

Umang Shah*:* Okay. Sure. The second question that I have is about capital infusion into the subsidiary. Now while we appreciate that you have been supporting the housing finance subsidiary through thick and thin, while material progress over the past few years has been fairly limited, right? But again, if I look at it from a capital allocation standpoint, probably in a couple of quarters, we ourselves will start hitting a debt equity of about 6x. So, how should we look at capital raising for the parent entity, Mahindra Finance itself, considering that Mahindra Rural Housing is also in need of capital.

Raul Rebello: Yes. I am not sure whether you heard me earlier, I did mention that at these levels, we are actively looking at our Tier-1 requirements. And we do believe that in the recent or the upcoming quarters, you will hear from us, and we are at certain levels, which we believe is the right time to evaluate augmenting Tier-1.

Moderator: I would now like to hand the conference over to Mr. Anuj Singla for any closing comments. Over to you, sir.

Anuj Singla: Thank you Raul and Mahindra Finance for the opportunity again. Any closing comments from you, Raul?

Raul Rebello: So, thank you, everyone, for being with us on the call. I do understand we had a little bit of a delay in uploading the document, but I hope we have covered all your questions, and we can also take conversations forward. I do understand the PCR cover was the

larger part of the discussion. We do believe that this quarter 1 of FY '22 has given us a certain LGD decline here.

But overall, the collection focus of the organization remains making sure we underwrite well, making sure we have the right balance of growth and margins and risks. That's largely what we continue to prioritize for the organization. And thank you for all your questions. And hopefully, we have addressed all of them. Thank you, Anuj.

Moderator: Thank you. Ladies and gentlemen, we now conclude this conference. Thank you all for joining us. You may now disconnect your lines.