16th November, 2023

BSE Limited
P.J. Towers, Dalal Street, Fort,
Mumbai- 400 001
BSE scrip code: 500302

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE symbol: PEL

Sub: SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('Listing Regulations') - Transcript of Conference Call with Investors/Analysts

Dear Sir / Madam,

In continuation of our letter dated 8th November, 2023 and pursuant to Regulation 30(6) of the Listing Regulations, please find enclosed the transcript of the Conference Call held on 9th November, 2023 to discuss the Q2 & H1 FY2024 Results of the Company.

The transcript of the said conference call is also hosted on the website of the Company at https://www.piramal.com/investor/piramal-enterprises-limited/financial-reports/investor-calls/

Kindly take the above on record.

Thanking you,

Yours truly,
For **Piramal Enterprises Limited**

BIPIN SINGH
Digitally signed by BIPIN SINGH
Date: 2023.11.16 19:10:48 +05'30'

Bipin Singh
Company Secretary

Encl.: a/a

Piramal Enterprises Limited

Q2 and H1 FY '24 Earnings Conference Call

November 09, 2023

<u>MANAGEMENT:</u>
MR. AJAY PIRAMAL – CHAIRMAN – PIRAMAL GROUP
MR. ANAND PIRAMAL – EXECUTIVE DIRECTOR – PIRAMAL GROUP
MR. JAIRAM SRIDHARAN – MANAGING DIRECTOR – PIRAMAL CAPITAL AND HOUSING FINANCE
MR. YESH NADKARNI – CHIEF EXECUTIVE OFFICER OF WHOLESALE LENDING
MR. RUPEN JHAVERI – GROUP PRESIDENT – PIRAMAL ENTERPRISES
MS. UPMA GOEL – CHIEF FINANCIAL OFFICER - PIRAMAL ENTERPRISES
MR. RAVI SINGH – HEAD OF INVESTOR RELATIONS – PIRAMAL ENTERPRISES

<u>MODERATOR:</u>
MR. SAMEER BHISE – JM FINANCIAL INSTITUTIONAL SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '24 Earnings Conference Call of Piramal Enterprises Limited, hosted by JM Financial Institutional Securities.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Bhise from JM Financial Institutional Securities. Thank you, and over to you, Mr. Bhise.

Sameer Bhise: Thank you, Michell. Good evening, everyone, and welcome to the second quarter FY '24 Earnings Conference Call of Piramal Enterprises. Firstly, I would like to take this opportunity to thank the Piramal team and the management for giving us this opportunity to host the call.

From the management team today, we have Mr. Ajay Piramal, Chairman, Piramal Group; Mr. Anand Piramal, Executive Director, Piramal Group; Mr. Jairam Sridharan, Managing Director, Piramal Capital and Housing Finance; Mr. Yesh Nadkarni, CEO of Wholesale Lending; Mr. Rupen Jhaveri, Group President, Ms. Upma Goel, Chief Financial Officer; and Mr. Ravi Singh, Head of Investor Relations at Piramal Enterprises.

As always, we will have opening remarks from the management team. Post which, we will open the floor for Q&A. Over to you, sir. I would like to transfer the call to Mr. Ajay Piramal for his opening comments. Post which, we'll take the questions. Thank you.

Ajay Piramal: Thank you, and welcome to our earnings call. Let me begin by wishing all of you a very happy Diwali and best wishes for the festive season. Before diving into our results for the quarter, a few comments on the macro backdrop in which our company operates. The global macro economy is clouded with uncertainties arising from record high inflation, geopolitical conflicts, tight financial conditions and Chinese economic slowdown. Amidst this, India has demonstrated exceptional resilience, fueled by strong domestic economic fundamentals.

India's financial sector is playing an important role in ensuring sustained growth across vital sectors like infrastructure, real estate and retail. As capacity utilization increases, demand for credit to invest in private capex will rise further. Indian banks and NBFCs have strengthened significantly in recent times, backed by several regulatory and supervisory initiatives of both banks and NBFCs, making them ready to meet this growth in credit.

Large NBFC services improved the asset quality, higher capital buffers and improved profitability over the last few quarters. Indian NBFCs have undergrown a strong recovery, despite a difficult operating environment characterized by COVID, high interest rates and global economic and financial uncertainties.

The retail credit demand has been strong. The current festive season has taken off well, and we expect the momentum to continue with improving economic conditions. However, El Nino can pose a risk with lower acreage of the winter crop affecting rural consumer demand, we need to be cognizant of our slippages that may emanate from these markets.

We are optimistic about our loan growth going forward and at the same time, vigilant on prevailing risks, including unsecured lending and the rural slowdown. Real estate demand continues to remain buoyant while annual growth rates may come off the post-COVID peak at a pan India level, that our market demand will continue to remain high buoyed by India's rising economic activity and growing middle class.

Moving to our company's performance and how we have delivered during the quarter. Our Q2 performance was in line with our strategic focus of building a diversified Retail business, an accelerated rundown of Wholesale 1.0 and building a granular Wholesale 2.0 book.

Firstly, it was encouraging to witness the AUM getting in a growth mode. Our total assets under management grew by 4% Q-on-Q to INR66,933 crores after seven quarters of broadly unchanged overall AUM. Retail segment led this growth with the AUM growth of 55% year-on-year to INR38,604 crores. Retail now comprises 58% of our total AUM versus 33% at end of March 2022.

Within Wholesale, the Wholesale 2.0 AUM is up 48% quarter-on-quarter and now stands at INR4,500 crores across Real Estate and the Corporate Mid Market Lending. Wholesale 1.0 AUM is down 8% quarter-on-quarter to INR23,827 crores. This is a 45% rundown since March 2022.

Secondly, another key highlight for the second quarter of FY '24 is a reduction of 13% quarter-on-quarter in the Wholesale SRs book to INR3,259 crores.

Thirdly, on retail asset quality, the DPD trends were either stable or down across all our Retail products. Thus, consolidated GNPA ratio was down 10 basis points quarter-on-quarter to 2.7%, while the NNPA ratio was flat at 1.5%.

Lastly, on operational performance during the second quarter of this year, the improvement in yields drove the NIM expansion of 38 basis points quarter-on-quarter and Net Interest Income growth of 10% quarter-on-quarter.

Fee income growth at 39% quarter-on-quarter and 159% year-on-year was also strong. Thus, our PPOP, excluding dividend income, grew by 27% from the last quarter to INR237 crores. This, along with broadly stable credit costs meant that our PAT, excluding exceptional items and one-off, stood at INR113 crores versus INR30 crores in the first quarter. In the second quarter, we also successfully completed our share buyback of INR1,750 crores as announced by the Board last quarter. We remain strongly capitalized with a net worth of INR28,710 crores and capital adequacy ratio of 31% on a consolidated basis.

With these highlights, I will now hand over to Jairam, Yesh and Upma to discuss segments with specific highlights.

Jairam Sridharan: Thank you, Chairman, sir. I will walk you through the details of the Retail Lending segment and then hand over to Yesh for the Wholesale side of the business. Our retail AUM scaled 55% year-on-year, coupled with growth in quarterly disbursements as well of 57% year-on-year. For the second quarter our disbursement yields stood at 14.3%, while the overall book yield stood at

13.2%, excluding the POCI book. Our housing loan disbursements grew 55% year-on-year with an average ticket size of INR18.1 lakhs for the second quarter.

77% of our retail AUM is made up of secured loans with an average CIBIL score greater than 740. 90-plus delinquency in all our Retail products are stable to down and are currently well under control. Our unsecured retail book across four different product lines stands at INR8,512 crores. In recent months, there have been a lot of conversations on risk and unsecured lending. We believe this is a healthy conversation to have, and we have flagged it multiple times over the course of the last year.

Over the last two quarters, through various measures to tighten credit lending, our disbursement volumes in unsecured have declined. Simultaneously, the risk metrics have remained benign with a slightly improving bias. 90-plus delinquency ratio has decreased from 1.6% at the end of last quarter to 1.4% as of September end. In this unsecured segment, we serve over 13.4 lakh customers with an average CIBIL score of 760. We continue to make steady progress towards the long-term operating profitability metrics, which we have shared with you in the past.

Our yields in the retail business are steadily increasing on a book basis. Fee income is improving. opex ratio is lower than at the end of last year and flat Q-o-Q, and asset quality continues to be benign. As we continue to expand our Retail Lending business, we also continue to invest in manpower, branch infrastructure, technology and analytics for future growth.

During the quarter, we added 19 new branches, aggregating now to 99 branches over the last 12 months. With this, today, we have a network of 442 full-service branches and 142 microfinance branches across our network. We serve across 596 districts in India across 25 states. Our customer franchise now stands at 3.6 million with us acquiring 2.5 lakh new customers during the quarter. Our active customers out of this 3.6 million is at 1.1 million. With that, I'll hand over to Yesh to walk us through what happened in Wholesale Lending during the course of the quarter.

Yesh Nadkarni: Thanks, Jairam, and good afternoon, everyone. In Wholesale Lending, we have achieved an accelerated rundown of 45% since March 2022. In our 1.0 AUM, in line with our strategic focus. Wholesale Stage 1 AUM, excluding non-yielding assets in the nature of land assets, receivables, security receipts and DHFL on which we don't record yields, on that book, which stood at about INR17,381 crores, we had an average yield of 12%.

Stage 2 plus Stage 3 AUM combined reduced 63% year-on-year to INR4,126 crores with a provision coverage ratio of 32%. We continue to focus on resolution of stressed assets, which will shrink the Wholesale portfolio in the short term as we have communicated earlier as well. A dedicated team is involved in the monitoring and executing the resolution strategy for some of the complex recoveries and enforcements aim to improve recoveries and monetization of assets on an accelerated basis.

Security receipts reduced by 9% Q-o-Q and is the first quarter during which we actually saw a decline in security receipts to a number of INR4,862 crores, of which 67% have been relating to wholesale loans on the underlying assets. With this, wholesale SRs reduced by 13% Q-o-Q to a number of INR3,259 crores as of Q2 FY '24. As resolution process continues, we expect our SR portfolio to reduce in the near term via a combination of sales, enforcement and collections at our carrying value, while few more ARC sales are expected over the next two quarters.

In Wholesale 2.0 AUM, we are focusing on building a granular and high-quality portfolio, wherein our 2.0 AUM grew at 48% Q-o-Q to INR4,501 crores across Real Estate and Corporate Mid Market Loans strategies. Our 2.0 loans are performing well and are in line with or ahead of underwriting as reflected in significant prepayments that we have received to date.

We received about INR966 crores from Wholesale 2.0 over the last six quarters, which illustrates the credit quality of the underlying portfolio. We disbursed INR1,819 crores in the second quarter of FY '24, of which INR1,115 crores was disbursed in the month of September '23. The average ticket size is around INR172 crores on Real Estate loans and INR64 crores for Corporate Mid-Market Lending in this version of our AUM. We will further build this book in a calibrated manner while capitalizing on the market opportunities.

With this, I'll hand over to my colleague, Upma, to cover financial performance and liabilities.

Upma Goel: Thank you, Yesh. Covering our financial performance. In Q2 FY '24, our net interest margin expanded by 38 basis points Q-on-Q, supporting the net interest income growth of 10% quarter-on-quarter. Fee income continues to scale up well and was up 39% Q-o-Q. Our opex was up 6% Q-o-Q to INR664 crores, led by growing Retail and our investments in tech platforms and distribution. Thus far, fees provision operating profit, excluding dividend income, went up 27% quarter-on-quarter to INR237 crores. Credit cost was at 1.2% versus 1.1% in Q1 FY '24, which is in line with our expected range for credit costs.

During Q2, in further to the order dated 5th September and 20th September '23 of the Honorable Delhi High Court, Piramal Fund Management Private Limited, a 100% subsidiary of Piramal Enterprises Limited, has agreed to refund or return the principal amount to all investors of Indiareit PMS as a onetime payment without admission of any liabilities and without prejudice basis. This led to recording of exceptional loss of INR64 crores during the quarter.

Our reported profit after tax for Q2 FY '24 stood at INR48 crores versus INR509 crores in Q1 FY '24. Profit after tax, excluding exceptions and one-offs, stood at INR113 crores versus INR30 crores in Q1 FY '24. On liability management side, we continue to focus on diversifying our borrowing mix, including securitization.

Our fixed to floating rate debt mix improved to 54:46 and we'll continue to see further improvements over coming quarters. Our cost of borrowings remained stable at 8.6%. Our ALM is well matched with positive gaps across all the buckets. With this, I'll hand it over to Chairman, sir, for his concluding remarks.

Ajay Piramal: We have given you a brief update of this quarter and of the first six months. The investor presentation has also been uploaded on the site. And now I will ask you to open the floor for questions. Thank you.

Moderator: The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: So two questions. The first one would be around your credit cost that is close to INR2 billion. It has so many moving parts. If you can just help me understand that INR683 crores that you have taken kind of a hit on the loan that you have derecognized, what was the provision already there because, I mean, the net negative INR244 crores, I see, that will be a kind of a sum of two parts that you would have reversed whatever it was provided on this part of the loan thing derecognized and you would have incrementally provided some bit there.

Also to help us understand what part of your other income that you have sort of given in note that majorly is the recovery from write-off? Is there some sort of FLDG-related income also in there? And if I were to look at the fair value gains, line item at INR78-odd crores, is it majorly now from the revaluation of SRs? So this is question one.

And the second is that, in terms of your Q-o-Q reduction in Wholesale 1.0, if you can just provide the sort of a breakup that how much of it is kind of the regular payments, prepayments or how much of that is coming from the sell-down of either their stressed loan or a standard loans? These are the two questions.

Jairam Sridharan: That's a lot of questions. Okay. so we will take the credit cost question first because there were three parts to your credit cost question. I'll try and take some of them and Upma will add whatever I might miss. And then Yesh will talk you through the Wholesale 1.0 side of the story.

See, your first point of how much exactly the gross-to-gross comparison to essentially say, hey, kind of did new Stage 3 get formed, did stock get derecognized and kind of written-off and go off the books and how much was it like? I think the best way to kind of look at this is on a net-net basis. The 1.2% credit cost is probably the simplest way to look at this. That's what we have guided as well that, on a net basis, we expect our business in the long run to be about 1.5% credit card business. We are at 120 basis points.

Every time we derecognize we write-off something, obviously, we will make incremental provisions and bring it up to 100% and then derecognize it, right? Obviously, we can derecognize only assets that are 100% provided. So yes, some part of this has gone towards that de-recognition. The Stage 2 and Stage 3, whatever is left on the books right now, you will see in our investment presentation on Page 37, that Stage 2 plus Stage 3, the provisions are broadly the same.

They are -- they may be a little bit less in -- compared to last quarter. So they are a tiny bit less than last quarter, 200 is a net credit cost that we've had. So you can do the math and figure out what is the gross level -- incremental provisions that we've had to make to write-off the cases. So that's a couple of hundred crores that you will see there.

As far as recoveries are concerned, you had a right question there about, our part of the recovery is coming from FLDG? The answer is yes. We had a 2-digit number. We're not disclosing the specific number, but I'll just say that it's 2-digit number, which is sort of -- which is coming from FLDG. Yes, we do have FLDG recoveries as showing up as part of that as well.

There was a third part to his question, which was about revaluation of SR. Not really, no. The revaluation of just ASR is just not created. So it would be premature for us to start revaluing them upwards. A lot of the re-evaluation ends up happening actually on our old POCI book, where cash flows come in and based on that, we end up doing some re-evaluations. So that's what you're seeing that it's not nothing to do with the right now, at least. A year from now if SRs behaved really well, we might consider some re-evaluation, but it's too early at this point of time.

Yesh, do you want to take the question on Wholesale 1.0?

Yesh Nadkarni: Yes. I think the question, if I got that right, was the reduction in Stage 2 and Stage 3 book, right? What was the source of it?

Avinash Singh: I mean, overall, your Q-o-Q reduction in Wholesale 1.0, how much of this Wholesale 1.0 reduction that's like -- if I recall some 8-9% Q-o-Q, how much of that, I mean, absolute amount is coming because of the kind of your regular payments? And how much of it is like asset sell-down, whether it's stressed or standard?

Jairam Sridharan: I think, predominantly, it has been organic recoveries where the underlying assets or a pool of other capital has taken out from the underlying. I don't have the exact number Q-o-Q handy to answer your question, but it has been a mixture of the two. But if I want to take a step back and tell you the composition of the repayments over a longer period of time, which is really the trend you should focus on, about 75% plus being sourced through the asset cash flow themselves, right? So a material part of the reduction that we have seen has come through the performance of the underlying assets and the partners who we work with to be able to achieve better performance.

Avinash Singh: Okay. And if I can just follow up, that -- okay, let's look at the credit cost on a net basis, that INR200 crores-odd number for the quarter. If you can provide now again sort of a -- how much of it is on Wholesale 1.0, Wholesale 2.0 and Retail?

Jairam Sridharan: See, the numbers are there, if you look at our Page 37, and you can see the stock that is there. And if you see the SEBI disclosure, you will get to see kind of the recoveries that we have got. The best way to think of this is of the about INR200 crores, right now, Retail credit costs are going to be very small because Retail is still a young book. So much of the credit costs, both the costs -- the credit costs getting formed as well as the recoveries coming in are all going to be kind of related to the Wholesale part of the book. The Retail part of the book will slowly come. So I think that it's good enough right now, we're not making segment-specific credit cost disclosure, so I'll just leave it at that at this point.

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

Abhijit Tibrewal: Sir, just wanted to understand the SR decline that has happened. So whenever the SRs rundown, what impact will it have on the P&L or through which item will it get routed? Essentially trying to understand there will be a certain fair value at which you would be carrying SRs on your balance sheet. So once SRs get resolved, so this quarter as well, you've sold down SRs, I think, which has led to -- SRs to ARCs which has led to the decline. So when we sell down SRs, is there any component that comes and sits in the P&L? Any line item, which gets impacted when you sell down SRs to ARCs?

Upma Goel: Abhijit, when we sell down the SRs, if we are realizing the full SRs value, there will not be any impact on the P&L. Any amount more than the SRs selling will go in the credit line item in the P&L. And if we are reducing by way of NAV, the impact comes into the loss as a -- loss and gain on to the fair valuation. So the reduction what you're seeing it in our quarter is the recovery without having any significant impact on the P&L.

Abhijit Tibrewal: Got it.

Yesh Nadkarni: So just to clarify that, we haven't added SRs in this quarter. In fact, the SRs have got renewed. That's the point I would add.

Abhijit Tibrewal: No sell down...

Jairam Sridharan: Yes.

Upma Goel: There is no sell down...

Jairam Sridharan: There's no new sell down to the ARCs, the SRs we have been able to sell and we have been able to recover equivalent value, so there's no meaningful P&L impact one way or the other during the course of the quarter.

Abhijit Tibrewal: Got it. The second question that I had was on this Retail yields. So I mean, obviously, you've given out in your presentation, why Q-o-Q there has been moderation in the Retail is because you've kind of cut down your unsecured disbursements. But just wanted to understand, at the overall company level, your yields have actually improved sequentially. So what has led to that? I mean, is there some other component in interest income?

Jairam Sridharan: More of the mix that keep moving towards Retail, you will keep seeing this. It's -- we are -- even after the moderation in yields in Retail, we are still at 14.25% incremental for the quarter. So that's what you're seeing. By the way, let me make one other point on that moderation clear. We were at 14.7% at the end of -- during last quarter in terms of disbursement yield in Retail. That 14.7% went to 14.2%. Some part of it is mix shift, as you have rightly mentioned, less unsecured.

But the other part, which is also equally important is that within unsecured particularly in the partnership business, the new RBI guidelines on partnerships and FLDG, etc, and digital lending took hold in the course of the quarter, that led to some realignment in commercial, where earlier, I might have charged a higher part of the interest to my P&L because I was not able to get the clawback from an FLDG format.

Now in an FLDG format, I will actually charge less from an interest perspective, but I have the FLDG cover at the back end. So do not show up in my credit costs. So the commercial rearrangement has also happened, which is what has actually shown up in the yield number.

Abhijit Tibrewal: Got it. And then maybe one last question that I had is, I mean, in one of the notes that you've given out and in the financial statements, you talk about this principal business criteria for our HFC subsidiary. So wanted to understand as on September, where are we? And going forward, is it fair to expect that maybe because you are required to meet this principal business criteria by

March '24, which I believe is 50% at the overall level and 60% in individual home loans, will be kind of accelerating your growth in mortgages?

Jairam Sridharan: See, I think the current position is that we are well short of where we need to be. Having said that, we have known this for a while. So we have been in conversation with both NHB and RBI. And while I cannot tell you the specific details on that because that's privileged communication with regulators. But suffice to say that we are in conversations with the regulator, and they are well aware of what our realistic goals are. One of the things that you've got to be careful about in the lending business is trying to achieve extraordinary growth numbers just to achieve some of these portfolio mixes can have debilitating long-term effects. So we have to be careful about what we can do.

In that, there are some things which are realistically doable and some things which are not that realistic. And we have been very upfront and open with the regulators on this matter and are in active conversation.

Abhijit Tibrewal: Got it. So then is there a case that in case we don't need that criteria by March '24, we could -- you might have to go back to the regulator for an extension?

Jairam Sridharan: As I said, we are already in conversations. We're not going to wait for March '24. We are already in conversations with them.

Abhijit Tibrewal: Got it. And sir, just one last question, sorry. So you've been last two quarters cleaning up your balance sheet. I mean last quarter, we had taken goodwill, right? As this time, you've done some clean-up on the India REIT side. I mean, are there more clean-ups of the balance sheet that's envisage in the next few quarters? Or do you think we're largely done with regards to this cleaning up of the balance sheet?

Jairam Sridharan: See, we are -- we think we are largely there. There might be one -- as you can see, the size of some of these clean-up is getting smaller and smaller every quarter. So we don't think there's anything kind of major that's out there. Minor things might come up every now and then like in all spring cleaning, Abhijit which is like you might realize some other things in some corners, but nothing material.

Moderator: The next question is from the line of Kunal Shah from Citi Group.

Kunal Shah: Sir, just again on this yield question at the company level. So once again, to clarify, there is -- when we are running down the Wholesale book, there is no component of any maybe one-off interest income, which would have got booked into that, and it is purely the mix shift, which has led to 38 bps overall yield increase despite 50 bps decline in the Retail yields, yes?

Jairam Sridharan: Correct. There's no one-off here. I will point out, however, that in the past, in quarters when you have significant NPA formation, you might see reversal of interest. This quarter, we have had neither reversals nor any one-off gains in the interest-based income.

Kunal Shah: Yes. But no recovery income, which is there, okay, which is in the yield?

Jairam Sridharan: No.

Kunal Shah: Okay. Yes. And any particular reason in terms of maybe the overall Stage 2 and Stage 3 provisioning coverage being lower? I think you have highlighted some point with respect to write-off. So is that the only component or there are changes in any of the assumptions because at the both Stage 2 level also full, we are seeing it lower. Otherwise, there is not much change, in fact, at the absolute number, but still provisioning the number is down, yes?

Jairam Sridharan: Yes. The -- you're talking within Wholesale or as a full company level?

Kunal Shah: Sir, whole company level and primarily that's coming in from wholesale only largely, yes.

Jairam Sridharan: Yes. See, there is -- policy changes we don't do in the middle of the year. So there is nothing that has changed between last quarter and the quarter. It's exactly the same provisioning and ECL policy. In the Wholesale side of the business -- so there are 2 factors here that you should keep in mind. Firstly, there's Wholesale and Retail mix will keep changing in Stage 2 and Stage 3 and Wholesale and Retail -- and even within Retail, which product it is, will actually change as a percentage provisioning that you will see in Stage 2 and in Stage 3.

So if it's an HL, it might be 2% or 3% in Stage 2 and 22%, 23% in Stage 3. But if it's a PL, it might be 30% in Stage 2 and like 70% in Stage 3. It could be very different depending on the product mix that is in Stage 2 and 3. So product mix matters it's the absolute headline number is the same. The second point that I've made is that in Wholesale, because assets are lumpy, Stage 2 conversations happen on an asset-to-asset basis.

So LGD assessment you need to do on an asset-to-asset basis, and that might sometimes depending on which asset is in Stage 2 this time versus last time, it might create some small deltas in terms of provisioning. But policy wise, nothing has really changed.

Yesh, anything you'd add?

Yesh Nadkarni: No, absolutely. But the other thing I'd add is change is very marginal, right? As you can see in the numbers on Page 38.

Jairam Sridharan: Yes.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Just getting back, like follow-up questions on some that was asked earlier, I mean, these are more accounting related. Now how do I reconcile your credit cost of INR198 crores from the consolidated P&L, the BSE release because from there, it's like -- shouldn't I just be deducting INR244 crores from that INR683 crores and therefore, that INR440-odd crores should be of credit cost?

Upma Goel: Can I just answer this part? You also have to add the other operating income, which is INR184 crores, that's the recovery we got it from the -- write-off of recovery from the provisional written off account.

Piran Engineer: Okay. So this is a net credit cost, net of bad debt recoveries?

Upma Goel: Absolutely.

Jairam Sridharan: Correct.

Upma Goel: Now we are showing it in our IR deck.

Piran Engineer: Okay. Okay. Got it. And sir, just to be clear, the write-offs this quarter is then INR683 crores.

Jairam Sridharan: No, your number is a little bit too big. I think more like in the INR400 crores. We will take this up offline and we'll show the exact number. Around INR400 crores is write-off. INR200 crores write-off recovery is there and net credit cost is around INR200 crores. This is the math.

Piran Engineer: Okay. Fair enough. Second thing that again on accounting, the SR book of almost INR5,000 crores, that sits in your investment book of INR18,000 crores. Is that right?

Jairam Sridharan: It sits in investment book, yes. But it also shows up in our AUM. When we show AUM, it add both loan book and this SR book in it.

Piran Engineer: Fair enough. And so just trying to understand, so when you recover money from the SR, basically, there's nothing that goes through the P&L and this investment get converted into cash on the balance sheet and that's how the balance sheet balances?

Jairam Sridharan: Correct. Except, that's the delta between the consideration that you get versus the book value will flow through P&L.

Moderator: We'll take the next question from the line of Viral Shah from IIFL Securities.

Viral Shah: Actually, I have basically two questions for you. So one, can you give me the number in terms of the 30-plus DPD for each one of your Wholesale -- Retail loan segments, including unsecured?

Jairam Sridharan: We'll see whether we want to show. Started 30-plus disclosures. We will see whether it is useful. Right now, 90-plus trends we have started showing us a new disclosure this time, 90-plus trends for the last five quarters. See whether this is useful. I will just tell you that the story line is 30-plus. While the levels are different, the story line is absolutely no different. It shows exactly the same pattern. There is no accumulation that's happening in 30-day and 60-day bucket, if that's what you're looking for.

There is no accumulation there. So the trend lines are very, very similar. The absolute value, we'll see whether we want to start doing disclosures in the future.

Viral Shah: Because last quarter, in the adjustment had given out 30-plus DPD, so that's why I'm...

Jairam Sridharan: But we don't want to do it every quarter. That metric is a little bit more volatile. There's no point actually, just confusing. I think 90-plus is a good metric for us to continue to share. We'll see whether we find it useful or maybe annually start showing it or something like that, we'll see.

But as I said, please take a look at 90-plus and just the deltas, 90-plus or 30-delta, what you saw in the Analyst Day, nothing has changed. So trend lines are exactly the same.

Viral Shah: Okay. Just delving over there, you mentioned the trend line is similar. So versus the last quarter, where your unsecured loans had higher delinquencies quarter-on-quarter. So that trend continues for unsecured directionally? Or has it come down?

Jairam Sridharan: It has come down. Like this quarter, it got come down. Same thing has happened in 30-plus also.

Viral Shah: Okay. Fair enough. And the second question I had was on the comment that you made with regards to FLDG and rear, FLDG being there. So just to understand this right. So now you have the FLDG covered. That's why the yields are that you get would be relatively lower. So earlier, there was no FLDG or even quasi FLDG?

Jairam Sridharan: No, there was a quasi FLDG. That's why we had a higher part of the yield accruing to us and that we would keep as high. And if credit event happens, we would not pass on the higher yield to the originator because that's a service deficiency. But if the service was full in the sense that we did not see a higher level of risk, then that higher yield would eventually get passed on back to them.

Viral Shah: And can you give a sense of like what's the -- of course, we know the cap on the FLDG, but is the quasi FLDG now down to 0? Or is it still there...

Jairam Sridharan: No, it's still there. It's still there. Not -- It's not as large as the FLDG is, but it's still there.

Moderator: We'll take the next question from the line of Adarsh from Enam Holdings.

Adarsh: Question to kind of realign your interest income. Just wanted to understand, on a stock basis, your retail yields would be north of 13% at least.

Jairam Sridharan: On a stock basis, yes, 13.2% excluding POCI and 13.8% including POCI.

Adarsh: Got it, Jairam. So because -- would it be possible to give out -- you have a wholesale AUM, what part of that is interest earning like a Stage 1 and Stage 2 is about INR28,000 crores. Does all of it accrue interest because the implied yields on that book seems pretty low? If I take Retail, it's 13%. Then you have an investment book. If you do all of that, there is very little interest income left out of the Wholesale book?

Jairam Sridharan: Adarsh, look at Page 26. Page 26 there is a header, it shows Stage 1 AUM, its for wholesale, AUM is INR17,381 crores, average yield is 12%.

Yesh Nadkarni: This is the yielding.

Adarsh: So this is the yielding book, is it?

Jairam Sridharan: Correct, correct.

Adarsh: Out of the INR28,000 crores?

Jairam Sridharan: Correct.

Adarsh: Okay. Got it. This kind of adds up. This is helpful.

Jairam Sridharan: So just to remind everybody, the non-yielding part of the book is SRs, land and receivables, and there is some DHFL, which is non-yielding. So also that delta is -- I mean apart from these, INR17,381 crores is the yielding book in Wholesale.

Moderator: The next question is from the line of Arvind Chetty from Dymon Asia Capital.

Arvind Chetty: Just one question on the new customer acquisition on the Retail part. So that's been slowing down significantly on Y-o-Y and Q-o-Q basis as well. Could you explain the reasons because I understand on the secured part, you are slowing down a bit?

Jairam Sridharan: It's a good observation. It's all driven by the slowdown in unsecured. In terms of sheer number of customers, unsecured always gets you a lot more customers. Order of magnitude, more customers than secured. So while our secured business has been growing really strong, as you've actually seen in our numbers over the last six months, our unsecured business has slowed a bit, and that is what's resulting in a smaller customer acquisition.

This will come back up and as and when we get more comfortable, we made a lot of credit policy changes over the last six months in this business. So as we get more comfortable with the credit quality as a new book that is actually getting booked, you might see accelerator a little bit more in the future, and you will see that come up. Your observation is right, but it's all got to do with the reduction in unsecured.

Arvind Chetty: Understood. And my second question is on the fintech partners that you have. So would we go ahead and sign FLDG with all the partners and to the extent of up to 5% or limited to.

Jairam Sridharan: No, as I said, about 70-odd percent of our business is done with partners on the FLDG format, and the rest are not. 50% is FLDG format, 20% is non-FLDG, but some other form of credit enhancement by the partner, and the rest 30% is risk on our own book.

Moderator: The next question is from the line of Vinod Jain from WF Advisors.

Vinod Jain: I seek better understanding of 2 items of P&L. One is the net loss on de-recognition of financial instruments under amortized cost of INR683 crores. And the second is the impairment allowance to reversals of financial instruments of INR245 crores. My question is only twofold. One is, are these interrelated? And two, what is the view on these items going forward?

Upma Goel: This net loss on de-recognition of financial instruments, it's primarily on account of the assets, which has been actually moved out of the balance sheet. Now impairment is the actual impairment of our instruments which is nothing but in the form of ECL, expected credit loss. So when we look into the overall credit cost, we have to add up these 2 lines because there is a possibility when we actually sell down the book, it'll move from the ECL to the net loss on condition of financial instruments.

Vinod Jain: Okay. Then what is the view on this going forward, madam. Can you give us some understanding of the view on these items?

Upma Goel: See, we were talking about the credit cost. So when you have to look into the credit cost, that is the range you have to look into it. So that's roughly 1.2 sort of a number what we have been expecting.

Vinod Jain: 1.2, madam?

Upma Goel: Yes.

Moderator: The next question is from the line of Kunal Shah from Citi Group.

Kunal Shah: Sir, on the unsecured part of it, if I look at the details in the presentation, Ma'am is that disbursement particularly lower on account of maybe we have to break it up into the various segments, then what would have led to this decrease in the disbursement? Is it more of a digital personal unsecured SME? And is it on account of tightening of the norms and what we would have done or maybe any of the particular partnerships we are reevaluating? What is happening out there? And where should this number stabilize? Is it like this downtrend is expected to continue, given this kind of an environment here?

Jairam Sridharan: No, good question. So of the four products that we speak about in digital unsecured, microfinance is roughly the same as what it was in Q4. Nothing much has changed there. It's neither gone up nor down. Unsecured MSME is -- it was low in Q1, but it has gone back to Q4 levels now. Personal loans is higher than where we were in Q4. All the reduction has actually happened in digital loans, the partnerships doing business. That's where all the reduction has come. This business is now roughly 1/2 the size than it was in Q4.

And all of it is through tightening of credit criteria, not by selection of partners. So across every partner, our business volumes are down because we have just tightened credit criteria. As I've mentioned in the past, we had a first round of credit tightening in November and another significant round of tightening in April this year. That quarter has actually started to show now in terms of the numbers.

In terms of outlook, I think this downward reduction is kind of done. I feel comfortable now, looking at the last six months of originations, Kunal, we are feeling pretty okay with the credit quality -- the new business credit quality in terms of early risk, etc, it's looking good. You might see us actually bend this curve and start going in the other direction soon enough.

Kunal Shah: Okay. Sir, if you can just explain in terms of this proportion maybe when we look at it in terms of the partnerships, so that is also down from 44% to 41%. And incrementally, we are doing more of the business from the branches where in that proportion has now gone up to almost like 51% or so.

Jairam Sridharan: Correct. So just to put a rupee crore number on it. In the month of March, we did INR750 crores of business through partnerships -- digital loan through partnerships. In the month of September, we did INR350 crores.

Kunal Shah: Okay. And nothing much to read into the increase in the ticket size, which has been there in digital loans, 40 to 50...

Jairam Sridharan: Because in partnership, the ticket size is smaller. So if that proportion comes down, the average ticket size will go.

Moderator: The next question is from the line of Shubhranshu Mishra from Phillip Capital.

Shubhranshu Mishra: Just to understand the FLDG with our partnerships. Are we at 5%? Or is there something more than 5% with certain partners? This is the first. Second is what kind of ticket size is minimum are we doing and maxim are we doing in terms of personal loans and the minimum and maximum IRRs we are doing in personal loans?

Jairam Sridharan: Okay. See, on FLDG -- regulatorily, FLDG is capped at 5%. So practically in all the cases that we do FLDG, we will be at 5%. There might be some other commercial arrangements that we might have with the originator. But within the FLDG format, you can only do 5% and that's kind of where we are.

Your question on ticket sizes, I think -- your ticket and yield, I think, on ticket size, see, we do all ticket prices. But, I guess, we're trying to figure out what is the small ticket exposures that we have is within the unsecured population. So within that 8,500-odd which is there in unsecured, this small ticket unsecured, which has kind of been the subject of a lot of conversation less than 50,000, we have about INR480 crores. So it's a very small percentage of our overall exposure in unsecured is less than 50,000, less than 25,000 is about INR175 crores.

So our ratios are very small. I think a lot of you have heard this in other calls as well. But let me also add some information to the same conversation. We do also see in our portfolio the same dynamic, which is the smaller the ticket size, higher the risk. While we talked about 1.4% as the overall 90-plus delinquency of unsecured, when you look at the less than INR50,000 category, that 1.4% basically doubles. And actually, little bit more than doubles, it's something like 3.5%. And if you go even smaller, if you just look at the less than INR25,000 category, that population is something like 6%. So it doubles again.

So there is almost a 4x differential between the regular PL and the really small ticket PL right now in terms of risk that we are seeing on our portfolio. But the less than INR25,000 portfolio is very small for us, INR175 crores and less than INR50,000 is about INR480-odd crores.

Shubhranshu Mishra: Right. Just to come back to FLDG, my fair understanding of FLDG is that it's an over the counter contract between the lender and the originator. So it can be plus or minus of 5%. But then when the regulator says that it is going to be capped at 5%, it means that it's going to be 5%, right? How can we have another commercial arrangement with the originator?

Jairam Sridharan: I will not be able to talk about that on this call. Let me just reiterate that our FLDG is capped at 5%.

Shubhranshu Mishra: For all originators?

Jairam Sridharan: Yes.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Jairam Sridharan for his closing comments. Over to you, sir.

Jairam Sridharan: Thank you, friends. To conclude, the performance of the company in the Q2 and the H1 FY '24 strengthened our confidence in the -- on the company, continuing in growth mode and improving profitability to our stated goals. To achieve this, we remain focused on our four strategic priorities: number one, building a leading housing-focused diversified retail business with our high tech plus high-touch strategy; number two, effectively running down our Wholesale 1.0 AUM while building a profitable and robust Wholesale 2.0 AUM; and number three, optimizing our capital allocation and achieving steady-state ROA for our shareholders.

I thank everybody for joining the call today. If you have any further questions, please feel free to reach out to our Investor Relations team. Season's greetings from entire crew at Piramal. Have a great day. Thank you very much.

Moderator: Thank you very much, sir. Thank you, members of the management. I would now like to invite Mr. Sameer Bhise for the closing remarks. Over to you, Mr. Bhise.

Sameer Bhise: Thank you, Mitchell, and thank you to the team of Piramal Enterprises for giving us the opportunity to host this call. You may now disconnect your lines. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of JM Financial Institutional Securities, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.