



“Sammaan Capital Limited
Q4 and FY '26 Earnings Conference Call”

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MODERATOR: MR. NIKUNJ JAIN – MUFG

Moderator: Ladies and gentlemen, good day, and welcome to the Sammaan Capital Limited Q4 and FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikunj Jain from MUFG. Thank you, and over to you, sir.

Nikunj Jain: Thank you, Alrik. Good evening, ladies and gentlemen. I welcome you to the Q4 and FY '26 Earnings Conference Call of Sammaan Capital Limited. To discuss the company's performance for the quarter, we are pleased to have with us Mr. Peter Abraam, Chief Strategy and Growth Officer, IHC; Her Excellency, Dalia Khorshid, CEO, Avalora Holdings; and Mr. Gagan Banga, MD and CEO, along with other members of the senior management team.

Before we proceed with the call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website.

Now without further ado, I would like to hand over the call to the management for their opening remarks. Thank you, and over to you, sir.

Gagan Banga: Thank you. Good evening, and a warm welcome to Sammaan Capital's Quarter 4 and Financial Year 2026 earnings release call. I'm Gagan Banga, Managing Director and CEO of Sammaan Capital. Thank you for joining us. And before we start, our most sincere apologies for the 30-minute delay, which was for unavoidable reasons.

This call marks a significant milestone taking you through our first earnings release since IHC's acquisition of a strategic stake in Sammaan Capital and the beginning of what would truly be a transformative chapter for this institution.

Introducing the speakers, before we move into the results, I want to introduce our new promoters joining us on this call. Mr. Peter Abraam, Chief Strategy and Growth Officer of IHC. Peter will speak of IHC's global investment philosophy, India's extraordinary trajectory as a long-term investment destination and the strategic vision they bring to Sammaan.

Her Excellency Dalia Khorshid, she is the CEO of Avalora Holding, the dedicated global banking platform within Judan Financial Holding, a subsidiary of IHC, established specifically to unify, expand and bring value creation to the group's financial services investments across emerging markets. Her excellency will walk us through the depth of diligence undertaken and the strategic ambitions we are all pursuing together. We are also joined by my other senior executive management of the company.

Now I hand over the call to Peter to take this forward.

Peter Abraam:

Thank you, Gagan, and greetings to all. Let me tell you a little bit about IHC's vision for Sammaan in the Indian market. IHC is one of the world's largest investment companies with a diversified portfolio of 1,300 subsidiaries across 4 key sectors: technology, infrastructure, financial services and consumer. Our approach is centered on long-term value creation. We invest in businesses and sectors where we see strong fundamentals, clear strategic relevance and the ability to build sustainable growth over time.

Today, IHC operates across more than 100 countries with investments and partnerships that reflect both global reach and long-term strategic ambition. As an organization, we focus on identifying opportunities where capital, operational discipline and long-term alignment can support transformation and scale. That is the approach we are bringing to Sammaan Capital.

You would ask why Sammaan Capital. Our USD 1 billion investment in Sammaan represents an important milestone for IHC. It is our first promoter level investment in India and reflects our confidence in both the company and the broader Indian financial services sector. What stood out for us with Sammaan Capital was not only the platform itself, but the foundation that has already been built over many years.

The company has had a long operating history and an established presence in the Indian lending market, supported by a nationwide branch network and deep local market understanding. Equally important is the experience of the management team. Over the years, they have navigated different market cycles and periods of significant change. We're continuing to maintain the operational platform and positioning the business for its next phase of growth.

For us, the investment is not about short-term positioning. It's about supporting the long-term development of a financial institution with strong potential in one of the world's most dynamic markets.

India is a strategic and long-term market and is probably one of the most important growth markets globally today. Its economic momentum, scale, demographic profile and ongoing structural reforms continue to create significant long-term opportunities across sectors. For IHC, India represents a market where we see strong alignment with our long-term investment strategy.

We believe the country's financial services sector, in particular, will play a central role in supporting economic expansion, entrepreneurship and consumer growth over the coming decades. Our investment in Sammaan Capital reflects that broader conviction. This is not a stand-alone transaction. It is the beginning of a long-term relationship with the Indian market and with one of its established financial platforms.

Our long-term conviction in Sammaan Capital Limited and the IHC has already invested substantial capital in India and across multiple sectors continues to see significant opportunity for long-term partnerships and growth.

With Sammaan Capital, our objective is to support the company's next phase of development, both responsibly and sustainably, while working closely with management and stakeholders over the long term. We see this as a strategic partnership built on alignment, stability and shared ambition for the future. Thank you, Gagan.

- Gagan Banga:** Thank you, Peter. And now may I request Her Excellency, Dalia, to also address all of us.
- Dalia Khorshid:** Thank you, Gagan. Thank you, Peter. It's a pleasure to be here today with everyone. To continue to what Peter has elaborated from IHC's perspective. Now getting into the details and the deep dive of the financial services sector. Within IHC Group, the financial services sector is under the Judan setup, where Avalora being the consolidator of the non-banking FI and FI platforms within the group is the new setup that consolidates all of the group's activities from Asia, Middle East, Africa, Central Eastern Europe and Latin America.
- So from this perspective, Sammaan Capital comes and is in the core part of the investment strategy in Asia, as Peter has elaborated. And as everyone is aware, financial services is about people and systems. From this perspective, with Sammaan Capital's management team as well as with our systems, together, we create the financial hub and our investment in India.
- Our confidence is in the team during their evolution and their maneuvering during the past period together with the capital as well as the digital and the AI technology integration that is coming forward. This is going to be the NBFC platform where it is very strategic from an Asia platform perspective for the non-banking FI business within Avalora.
- The other important thing that we wanted to note is how have we been integrating and engaging ever since the acquisition. Ever since the acquisition, we've started to focus on our liability side and on our ratings. Every single local rating agency has been visited, has been worked on and have upgraded us.
- So this very quickly, and this represents the confidence of bringing in IHC coming in as the new promoter for Sammaan Capital with its institutional framework. So this is something that is important to point out and mention.
- We have been constantly engaged with all the rating agencies, and we view this as a meaningful external validation, reflecting the improved governance, strong institutional backing and the credible strategic outlook. Continuing to strengthen our ratings profile remains our priority. We are going to be working on it. And this is very important because it has a direct impact on our cost of funds and our lender relationships.
- What is also important is that from an AI and technology integration perspective, the application of our technology and our AI within Sammaan is part of the business and our DNA. It has already started, and it is actually going to impact both our front offerings as well as our operational efficiency. And therefore, this is going to come in our day-to-day business. The priorities are in our credit decision, in our customer experience, in our organizational productivity as well as our organizational efficiency.
- So this is another core part of focus that we are going to be focusing on. As part of the investment and our positioning Sammaan Capital is positioned in the market to come and to start operating and performing, although it is one of the India's largest NBFCs. However, we are working on it on an institutional transformation basis with respect to all the credit decisions, the operational decisions as well as the risk decisions, the governance and the compliance. So we are working with them. We are hands-on together from this perspective.

So before I close, I want to make sure that the strategic opportunity is well defined from our perspective. The execution capability is in place and the commitment from us to the business is long term and is there. So thank you, Gagan, and thank you, Peter.

Gagan Banga:

Thank you, Her Excellency, Dalia. Thank you, Peter, again. And now I will run all of you through the presentation deck, which has been e-mailed is on our website and is also uploaded on the stock exchanges.

If we can please flip to Page number 4, which provides an update on the transaction. So Sammaan Capital is now a part of the IHC Group. The transaction stands closed with share allotment to IHC having been completed on 31st of March 2026. IHC's current equity ownership stands at 28.5%. IHC will own 43.5% of Sammaan after the warrant conversion, which has to happen within the next 18 months.

IHC is the promoter and strategic shareholder of the company. Mr. Alwyn Crasta, Group CFO, has been appointed as Nominee Director on the Board on 15th of May. IHC has direct operating oversight through nominee directors and hereon via Board subcommittees. Sammaan Capital's operating teams are already directly engaging with the IHC Group experts across IT, artificial intelligence, risk management, credit development and finance.

All in all, we've already received approximately INR5,652 crores or \$592 million on issuance of equity shares and on the 25% upfront payment on warrants. The balance approximately INR3,200 crores or \$335 million has to be received within the next 18 months on conversion of the warrants.

It may have come to your attention that when our honorable Prime Minister visited UAE as a stop over to his visit to Europe, he and the King met, the press statement coming out of that event by the Ministry of External Affairs highlighted this investment.

And subsequently, even today, Economic Times carries the statement of the UAE Minister of Foreign Trade, emphasizing priority of large private sector joint ventures and strategic investments between India and UAE in key sectors, where again, the investment in Sammaan has been highlighted. This, we believe, signals long-term commitment to India's financial sector of IHC and to Sammaan Capital's growth platform.

Moving on to Slide number 9. IHC has become a strategic promoter and has committed USD 1 billion. And obviously, that has happened after an elongated process of a very detailed financial and legal diligence. And that should give each of us, including management, all stakeholders, all shareholders, a tremendous amount of comfort.

When a reputed global institution with strong financial services expertise invests, it does not invest only as a mere financial investment. It's a shared conviction, and it will certainly accelerate the growth strategy of Sammaan Capital.

IHC has experience of operating in multiple geographies. They have very superior risk management and governance practices. This will enable superior compliance, better asset quality, stronger Board-led governance, technology oversight and extremely important for

financial services. As Dalia rightly said, it's a people-based business, continuity and succession planning.

The balance sheet has already been fortified for growth with this capital, which is also reflected in the rating upgrades, which have started unlocking lower borrowing costs. This, in due course, will help us continue to maintain a very well diversified and matched borrowing program. Lenders will obviously be comforted with the backstop provided by the promoter. Rating agencies have already gained confidence, lenders in due course would, and this accelerates the path to lower cost of funds.

The lowest cost of funds is the journey towards which we are walking. That, coupled with various tech-led initiatives, which would be supported by the massive tech ecosystem of IHC, would accelerate the digital transformation to facilitate growth. It would improve our credit underwriting practices to reduce credit costs and improve our cost income efficiency. Each of these are significant strategic enablers and differentiators in our financial services business.

We strongly believe that with this strong balance sheet, which is levered by debt, the lowest cost of debt funds, which will come our way as the ratings continue on an upward trajectory, will enable a capacity to tap both organic and inorganic growth opportunities in India in financial services.

Now moving on to Slide 11. We built a fortress balance sheet. We have a 2-decade knowledge, and we are primed for growth. Now let me run you through where we stand today and what all have been the achievements thus far.

We start with an opening AUM, which has a 0 gross and a 0 net NPA. No incremental net provisions are required in future with respect to this opening AUM of roughly INR53,160 crores. The provision buffers capture terminal credit costs. If I look back at the disbursements through which from rundown, this INR53,160 crores has emerged, the disbursements were to the tune of INR3.6 lakh crores, which has over the years run down.

With all the provisions taken earlier as well as in quarter 4 fiscal '26, the annualized credit cost for this INR3.6 lakh crores disbursement adjusted for the rundown every year comes at 1.9% annualized credit cost which is fairly healthy and competitive. And from a long-term perspective, given that it is a terminal credit cost, gives us a very, very unique insight into how to provide for the disbursements that we do here on.

It's a demonstrated book. The most important demonstration of the quality of a book is via cash flow. The opening AUM is cash flow tested and has serviced borrowings, which stood at INR1.35 lakh crores at the end of September '18, almost 8 years ago. Since then, the company and this book has managed to create business history of the highest ever deleveraging program in corporate India by servicing INR1.3 lakh crores on a net basis.

All of this navigation has obviously created institutional knowledge. The management team has stood together. And now the management team has seen cycles, learned from our mistakes and most, most importantly, we know what not to do, which is the key to building any successful business.

Over the course of the last 4-5 years, we've also proven that the asset-light model can be scaled up. Over the last few years, we've disbursed as much as INR1.05 lakh crores or \$11 billion and sold that down across 24 bank and non-bank relationships. Our asset-light model playbook is fully operational.

What now happens is that the management bandwidth is freed to focus on growth, which results in us, though we are the largest multinational non-bank finance company in India, we retain the agility of a start-up.

Moving on to Slide 12. We focus on residential housing finance. We provide loans to business owners. We provide loans for commercial real estate, project loans, plot loans, etc. And we also do a little bit of unsecured lending, both business and personal. All in all, the book stands at INR53,160 crores, which is the AUM.

The chapter of the legacy book or the book itself stands firmly closed once and for all. The demonstrated collection efficiency with all of the credit costs is well north of 98%-99% in each of the product categories. Each of these product categories, we will continue to pursue. There is a funding strategy around each of them.

As far as residential housing is concerned, the prime mass market home loans, which yield us 8.5% to 10% would be more sourced with an idea to sell to banks. And the affordable portion of this book would be used to hold on our balance sheet, which should be yielding us 10% to 13%.

Similarly, the business loans, the secured business loans to individuals, SMEs, corporates and the micro-LAP segment itself will also be split between the prime mass market loans, which yield us 9.5% to 11%, would be sourced to sell to banks and the affordable semi-urban and micro-LAP loans, which would be yielding us 11% to 13.5% would be sourced to hold.

The CRE project loans, would be done strictly on a co-originate model with credit funds in a pari-passu structure without any credit guarantee where our stake would be roughly 10% to 15% of the overall disbursements that we do. We would slowly invest in new products, some of which would be unsecured products. There would be other secured products which would be added. I would run you through the entire product suite in a couple of minutes.

What is very important to note is that our current opening AUM will give us the financial flexibility via the ROA generates of approximately 1.6% to make all the investments which we need to do in tech, in the branch network and in enhancing the people network.

As Dalia mentioned, IHC has been working with us with all the credit rating agencies. CRISIL upgraded us on 9th of April, CARE on 12th of May and ICRA earlier today. Just about 30 minutes ago, we uploaded the upgrade information on the stock exchanges. As a result, within the first 50 days of the IHC investment, and this is the power of the investment to be noted, all 3 domestic rating agencies have upgraded us.

CRISIL and ICRA a notch each and CARE 2 notches. And we continue to remain very, very optimistic and confident of this rating trajectory remaining in the positive zone over the course

of the next few months as we continue to demonstrate, and this will apply to international rating agencies as well.

The yield movement post the IHC announcement, while the market still absorbs these rating upgrades, our bonds have already domestically appreciated by about 100 basis points. So our cost of funds, if we had to, in theory, raise monies should hypothetically be happening 100 basis points lower between where we were prior to the announcement of IHC's acquisition, which is September 2025, to date, our international bonds have appreciated almost 250 basis points.

International borrowings are a relatively smaller component of the overall borrowing mix. So the number to really track is the domestic borrowing program, which has improved by 100 basis points and should be moving in the direction of improving by at least 60 to 70 basis points more, especially now that all 3 rating agencies rate us at AA+. Thus, it is a consensus AA+ credit rating.

Slide 14. IHC and its senior management across all of their investee companies believe a lot in the digital and AI transformation of each of these companies. We've been working with the relevant teams and a variety of their companies to also create AI adoption model and AI policy and AI integration. We built as many as 37 use cases. I'll take you through some big picture aspects that we are pursuing.

The first is about enhancing customer experience and service responsiveness, which is vital to any sort of sustained growth. The AI tools, which are currently under either evaluation or implementation will improve our response quality, consistency and resolution while enabling a human-led relationship-driven experience, which is very, very important for a lender which has tremendous experience in dealing with the self-employed small business owner, SMEs, micro companies and so on, which all require significant amounts of handholding and would continue to remain an important segment of focus for the company.

Cost-income ratios have to trend down. As I run you through the projections later, it is very, very important to ensure that the cost income ratio is below the 30% ballpark. And that cannot be achieved while one is pursuing strong growth, which is compounding steadily without great operational efficiency. So the other area of focus is to drive operational efficiency at scale. AI-driven automation enhances consistency and scalability, creating greater operating leverage.

As we pursue growth, having early warning signals and the appropriate risk management framework is important. We are putting in place all the analytical models, which will improve portfolio visibility and ensure proactive risk management. Irrespective of what we do, some loans would require collection efforts.

Again, how to improve our efficiency and productivity there while personalizing every complaint, every customer and ensuring a customer-centric recovery program using bots and other such experiences is also being implemented. Fraud is an integral part of any business which deals with money. And therefore, we have to continuously strive for better fraud prevention.

Cybersecurity is a continuous risk. We have to become digitally resilient. We have to continue to evolve our fraud risks through the use of a variety of technology tools, which strengthen the trust, monitoring and the overall cybersecurity and operational resilience of the company.

The overall governance model has to also be completely focused on AI, what happens in Board meetings, what is the outcome of Board meetings, how do directors oversee the management through the Board subcommittees. Today, all of that can be tracked via various AI tools, which read through minutes and put out red flags or action points. This is a key tool for continuous governance going forward.

We've tried to also, on Slide 15, tangibilize some of these outcomes. We believe through all of this, our agent productivity, which is the people who are actually dealing with the borrowers every day, that productivity should go up by 30% our loan turnaround time on the secured mortgage side, which currently is about 5 to 7 days, should reduce to 2 to 3 days.

The fraud detection rate as miniscule as it may be, will also meaningfully increase. And the cost-income ratio, as I mentioned, would be in the ballpark of 26% by fiscal '30 through the various operational efficiencies that we are targeting to achieve.

The financial year target is to expand our workforce to 20,000 people, have a branch network of 1,600 branches and have over 15 products. We are not in any rush to hyper grow. We will continue to play on our strengths of the 3 to 4 products that I highlighted, which we have disbursed to the tune of INR3.6 lakh crores, run the whole cycle, have the unique experience of understanding terminal costs, etc.

And then we will build on that via loans against securities and gold loans, again, both which are secured at this point in time. Gold loans especially requires a completely different type of a branch network. So we will focus on that. It requires a different type of assurance and oversight function. We will focus on that. And from fiscal '28, we will widen that to include a lot of other opportunities, which we envisage would continue to remain in the marketplace.

The large products would be products that we are already doing or we will start doing in fiscal '27 and '28, and there would be additional opportunities which we have identified. All in all, we have to make sure that there is a lot of granularity in the book. The book is well diversified across many loan programs.

Moving on to Slide 17, which is probably the most key slide from an analysis perspective. We intend to, through this year, disburse approximately INR30,000 crores. We are targeting a profit after tax this year of INR1,400 crores. Dividend payouts are key. We would have a steady dividend payout policy of at least 25%. We would be targeting 40%, which has been projected here.

The net interest margin would start this year at 3.5% as we start to see the benefit of cost of funds. And as cost of funds declines by 150 basis points over the next 3 years, we would see just by that 150 basis points addition on our net interest margin, plus with the leverage, etc., the net interest margin should be touching a ballpark of 8%.

The cost-to-income ratio should half from here. We are currently at about 50%. We are targeting to go down to 26%. The ROA will double year-on-year and thereon also increase 50%. We intend to target high-teen ROEs and be best-in-class in both ROA and ROE. The asset-light strategy remains key, but so does the balance sheet strategy.

So we would focus on both the return on asset as well as we are introducing a new evaluation metric, return on managed assets, which are currently at 1.5%. As the scale improves, we will get to about 3%.

The branch network would grow fivefold. The employee network from here would also grow fivefold. By the end of this year itself, we will be 8,000 people and the borrower base would grow about tenfold. As a result of all of this, the book value per share, which is currently at about INR160 per share would increase to and go past INR200 per share.

Most importantly, and I continue to highlight this fact that the well-buffered 0 net and gross NPA opening AUM, which is generating a 1.6% ROA, gives us a very unique position while we are a start-up NBFC with INR19,000 crores of net worth, we have the earning power coming out of this INR53,000 crores of assets under management.

All of this growth are good, healthy targets, but they would sustain and sustain over a period of time. If we have to ensure multi-decade compounding and steady best-in-class ROA and ROE, we have to responsibly grow while staying within the guardrails. On the portfolio mix, we would target 60% secured lending, 20% unsecured or semi-secured lending. So 80% of the book would always remain retail.

The balance portion of the AUM with a minor stake on our balance sheet and the major with a variety of credit funds would be approximately 20%. On the balance sheet side, we have historically maintained a capital adequacy of north of 20%. We are starting with a capital adequacy of 20.2%. Pro forma for the warrants, we would be in the ballpark of 29%. So we have a lot of capital.

But despite that, learning from the various cycles, we would cap our gearing at about 3.5x to 4x. We would continue to maintain liquidity principles, which would be higher of 6 months of repayments or 10% to 15% of borrowings. The asset-light model has been immensely useful. We have a lot of experience around that. It has been immensely profitable as well. And now we have integrated with a large number of banks.

Across various products, the numbers would range to as high as 60% for prime home loans to probably 0 for some unsecured products. On an average, for the incremental disbursements that we do, we will have approximately 30% of the loans of the disbursements being done with a target of pursuing our asset-light strategy under co-lending or direct assignment arrangements.

We would be back to dividend paying. We would have a policy which is at least 25% with the target going to about 40% of profits to be distributed as dividends.

That brings me to an end as far as the financials, the strategy is concerned. I again thank Dalia and Peter for their time. And now the management team is open for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question comes from the line of Varun Ahuja with BlackRock. Please go ahead.

Varun Ahuja: Thanks so much for the results. A couple of questions. One is obviously a great outcome on the onshore agencies, from rating agencies, any thoughts or discussions with the offshore agencies? Any color on that would obviously be helpful given that you do have a fair amount of bonds in the offshore space. So that's one.

Secondly, I noticed that your cost of funds, they are falling, but obviously, it's a slow kind of decline over the next few years in your business plan. Can I presume that, that's more because you can't do much liability management exercises and they are non-call fixed maturity nature of instruments and which is why they have to fall only when they mature?

Gagan Banga: Yes, thank you, Varun. Thank you for sparing time to attend this call and thanks to BlackRock for being a true rock as far as the support to Sammaan is concerned, both on the debt and the equity side. We are, Varun, engaged with international credit rating agencies. Both Sammaan's management team, as well as IHC's management team has had multiple meetings.

And now that the financial results are out, our engagement would continue. And I would imagine that the positive rating trajectory that we have witnessed with our domestic rating agencies should get replicated with the international rating agencies as well.

For them, a very important metric is the cost of funds. Approximately 90% of our borrowings happen onshore. And it is but logical that as an outcome of these upgrades, our marginal cost of funds would decline by approximately 160 basis points. I mentioned that our current return on asset is 160 basis points.

So just as an outcome of this upgrade, our return on asset automatically doubles, very high-level math. So this would obviously go into whatever modeling international rating agencies would do. And I am fairly optimistic that given how our overall conduct has been, as well as now with such a strong promoter as IHC, much like the first 50 days have resulted in the domestic rating agencies upgrading, I would imagine the next 25 days would result in a similar action from international rating agencies.

On the cost of funds, we have been extremely cautious. We have looked at all of our borrowings. And whatever is long-term maturity and most of our borrowings would be 3 to 4 years maturity, that stock would stay. We have a fair amount of borrowings from banks. We would like to negotiate with them. Let's see how it goes. We are a very attractive borrower from them, having repaid almost 80% of the loans which were given to us by banks on an absolute basis.

So banks, like we have seen terminal credit costs on our portfolio. Banks have seen how money lent to Sammaan comes back. And that is obviously giving a lot of credit comfort to them. And that should result in possibly us being able to also negotiate our stock cost of borrowings as far as banks are concerned, which may accelerate the decline in the cost of funds.

The bonds can't be negotiated, and they would also have a similar 3 to 4-year maturity. It's our incremental borrowings, which will come in at a lower cost. So the cost of funds in that slide is

a mathematical outcome of how we feel that this trajectory would go down. Today, AAA borrows at sub 7.5%. So as we move in that direction, our cost of funds have to move in that direction with a lag of a couple of years given the existing stock of fund borrowings. I hope I answered your question.

Moderator: Thank you. The next question comes from the line of Renish from ICICI Bank. Please go ahead.

Renish: Yes, hi. Thanks for the opportunity. Just one thing, I mean, we are aiming at touching AUM of INR2 trillion, But our experience historically has been going through mortgage. Now to reach 18% aspirational ROE, I'm sure we want to grow more in non-mortgage portfolios. So just on that, I mean, how we are thinking as a management to build some of these portfolios?

And more importantly, who are going to drive these products because internally, our experience has always been on the mortgage side. So to build a non-mortgage book on a scale would obviously require different skill set, etc. So how we are thinking to build some of those portfolio?

And as far as investment is concerned, you did mention about we'll be very focused on cost-to-income bringing down. But just wanted to understand what will be the maths, right and when we are investing in building such portfolios, how we will manage cost, yes.

Gagan Banga: So, just as a high-level reaction to that and I will then come down to specifics. As Dalia had mentioned, this is a people's business. We well recognize that. The management team here has managed and we personally have managed secured and unsecured loans, personal loans, commercial vehicle loans, loans against securities, all done at scale running into tens of thousands of crores. So these products are not new to us.

What is a great enabler now is that tech allows you to control and continuously monitor the decisions being taken either by your system. So a lot of the unsecured lending actually happens on your app, which is a continuously learning process. And the second thing is we obviously have to invest in people. It is clearly not possible that I expect the mortgage team on the ground to now start doing personal loans or the personal loans team to start doing gold loans.

The branch network has to be unique for gold loans. The personal loan business is more an outcome of how well is the experience as far as the app is concerned. And on top of all of this, the huge amount of profitability is also derived by how successfully are we able to sell other products. Like today, we very successfully sell insurance to over 90% of our borrowers.

So that type of cross-sell, which is also not something which is trust on the borrower, but helps borrower manage their own risks is also very, very important. So, we would invest in people. We would invest in tech. What is going to enable this in terms of our ability to be probably as good or better than some other players.

One is the fact that we are already starting when we start to grow towards a INR2 lakh crores book, we already have a profitable INR53,000 crores book, which is giving us earnings and steady earnings and is not giving us headaches. So whatever has been done has freed up, and it has been done very thoughtfully to ensure that the management bandwidth is fully dedicated to growth.

The second part, which I would like to highlight and which probably underscores the overall strategy of Sammaan. In my personal experience, this business is not about asset management. This business is about liability management. This business is about, firstly, understanding that the real asset of this business or the real strength of this business comes out of the way that you manage liabilities.

Liabilities could be having a very diversified portfolio from where you borrow in terms of both lenders, as well as the instruments that you utilize, as well as heading in the direction of the lowest cost of funds. It is known to our promoter. It is known to us that cost of funds is the most significant competitive advantage that we will have, which will enable all and every growth that we are taking up on ourselves and committing to all of you in the presentation that I made to you guys.

This cost of funds is obviously supported by a strong promoter, but it has to be executed every day by the management. The most important thing is we don't try and do any cute stuff, which is why these guardrails have been built, liquidity principles have been built, capital principles have been built. All of this will ensure that we have a very stable liability franchise, which frankly is going to be the single biggest competitive advantage, which will continue to accrue to us over a period of time.

I strongly believe in the India growth story. I strongly believe India is underserved. It may be a cliché, but I believe Bharat is more underserved. So as we go into Tier 4, 5, 6 cities, we would be presented with opportunities where the asset growth is almost endless. It is about being able to push the last mile credit.

Nonbank finance companies, the well-governed nonbank finance companies have been able to grow by pushing the last mile credit. Our further learning is that we have to do this in collaboration with banks and not competing with banks, which would also allow us to pursue prime assets and continue to leverage on the partnership that we have built with banks.

All in all, I believe between investing in people, investing in tech, ensuring consistently reducing cost of funds and having the guardrails, which will sustain the steady compounding, we will get to the INR2 lakh crores or the 18% ROE target or the NIM target, the ROA target, the cost to income target. Each of those would eventually result in the profit targets being met.

Without a key focus on any of them, nothing will happen. But we are in no hurry, which is why voluntarily before anyone asking me this question, we said growth for this year and growth for next year would largely be via mortgages. They are also higher ticket loans while we build capacity, reduce our cost of funds and build the other enabling factors. I hope your question is answered.

Moderator:

Thank you. The next question comes from the line of Bhanu Chauhan with Barclays Bank.

Bhanu Chauhan:

Congratulations to the IHC and Sammaan Capital teams on the successful completion of the transaction. I wanted to check, given the ambitious AUM growth targets outlined through FY '30, could you help elaborate on the execution road map as well? Specifically what proportion of growth is expected to come through the existing core segments versus the new product lines?

Gagan Banga:

Thanks, Bhanu, and thanks to Barclays as well to have supported us through this journey. The next couple of years, which is fiscal '27, '28, 80% of the disbursements would be dedicated to existing products, which would continue to come down as the other products increase. By fiscal '30, we would probably be having 50% of the disbursements through mortgage-backed products and 50% through other products.

The direction in which we will head to irrespective of which product is how much of the overall proportion of disbursement has been articulated in guardrail number 1, which is that 80% of the disbursements would be retail, 60% of the overall book would be secured and a large part of that would be mortgages.

The other secured product that we see at scale operating is gold. So the mortgage products and the gold products would be the secured products and unsecured business loans and unsecured personal loans would be the major drivers of the unsecured product. All in all, I think the mortgage products would give us the size. And the other products would help bring in the franchise by increasing the number of customers.

And then as an Order 2 impact starts the cross-sell opportunity. Each of these activities have been thought through all in terms of people, branches, tech and the mid-office variety of other assurance functions and work is ongoing in all of that. We want to do it slowly yet steadily and which is why we've said the front-loading of the business growth would be from what we have already been doing, which can be done at much, much greater scale.

I would like to bring back to everyone's attention that the quantum of disbursements that we are talking about in the year year '29 is INR72,000 crores, which is roughly INR6,000 crores. In the calendar year '17, calendar year '18, we had disbursed INR50,000 crores.

So we've already seen this kind of scale. The scale that we have to do this year and next year is something that we have done 8, 9, 10 years back. So we know how to handle the scale. And we have the experience of being able to navigate the new products, especially with all the tech-led enablement, which is available today.

Moderator:

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

Avinash Singh:

Hi. Thanks for the opportunity. Just one question, I mean, around your business projections. Given that, I mean, yes, the rating upgrades will probably follow. But yet, I mean, if we look now, we are in a situation where we have, I mean, AAA rated, strong parent impact, so many, I mean, large NBFCs and well capitalized, many of them have excess capital as well.

In this kind of a market competitive scenario, how do you see I mean because this is very, very different than, I will say, say, 8, 10 years back to your Indiabulls scenario, again, that time you were AAA, but there were not so many AAA. Today, you have a large list of AAA, strong and large NBFCs.

In that scenario, how do you see this competitive scenario playing out? Because your projections are not just growth, it is a massive increase or improvement in profitability. So that is my question one.

Second, if I look again at the projections, I mean, the kind of the ROA, ROE numbers that have been talked and if I look at the cost to AUM or cost to income, that is something, I mean, not many NBFCs even at that scale have done. I mean there are very few and far.

So what gives you sort of a confidence about these projections that, okay, this time you are going to achieve these numbers? And on that front, I mean, I guess there is some kind of error, I guess, in your FY '30 ROA projection because that's suddenly going to 8-odd percent. I think there something is odd there. Thanks.

Gagan Banga:

Sure. So I will certainly check on the FY '30 number. And if there is any correction, I will try and make that live here or update this presentation. Yes, there is an error, and that number is 4.4% in financial year '30. We will update the presentation and resend it to you or also update that on the stock exchanges. Thanks for bringing that to our attention.

So the ROA, just so that everyone is clear, fiscal year '27, we expect that to improve to 1.8%, fiscal '28 to 3.7%, fiscal '29 to 4.4% and in fiscal '30 also be at 4.4%. So we are targeting around 4-plus percent ROA on a steady-state basis. You're right, there are now not many, a handful probably of AAA rated NBFCs. Several of them have emerged as AAA rated NBFCs in the very recent past. They have built this business from a relatively small scale over the last 6 to 7 years.

So if we are to look at most of the conglomerate-backed NBFCs apart from one, they were of significantly smaller size to where we are right now. Some of these NBFCs are already adding and doing disbursements of the quantum that we are talking of 5 years later. And obviously, they don't control a very, very large market share. Nobody in a well-diversified financial system like India controls a very large market share.

So there is a market to be taken. The front ending would happen via mortgages. We have a material hold on mortgages. And now with the asset-light strategy being more an enabler than a compulsory type of a strategy, our productivity almost instantly month-on-month.

So between March and April, our productivity has gone up 2x. So that's the quantum of improvement that we are seeing. And we would disburse in the first quarter at least 50% to 60% more than what we disbursed in quarter 4.

First quarter, all of you know, is a slower quarter. And then we will probably use that as a base and increase that by 30% to 40%. So all of these numbers are reasonably thought through. We've gone through days and days of discussion with the IHC team. These numbers are also getting consolidated at various levels. And therefore, they have gone through a reasonable degree of review from a doability perspective.

From an opportunity perspective, very clearly, the play field is becoming larger and larger provided your cost of funds are lowering, which is why there is so much of an emphasis on credit ratings. The AA+ is just the first stop. AAA is the destination. We will get there much quicker

than what may be captured in these sheets. We are working very hard to ensure that we build that compulsive case.

I'm sure, at least within my team, nobody was thinking that a AA+ would happen in the first 50 days itself. In our projections, we had thought of this as a quarter 3 event, but we've achieved it in the first 50 days.

So very clearly, the journey is towards AAA. The direction is upward. We have a strong promoter. We have a very, very strong operating team. And with that, we will get to AAA. Then it becomes a question whether there is opportunity in India to be able to disburse INR50,000 crores next year, which is INR4,000 crores with other AAA players or 3, 4 other AA+ players.

We strongly stand behind these disbursals, these yields. And the cost/income ratio is obviously going to be an outcome of the existing team becoming more efficient. Currently, my productivity is at 0.6 loans per person per month, which will go to 2-plus loans per person per month.

That itself is a huge reduction in the cost-to-income ratio. The entire centralized team or the senior management team, that cost gets amortized over those many disbursals and that much larger book that also drives down the cost-to-income ratio.

Is it possible to run a high-teen ROE company in India. Yes. Is it very easy. No. Therefore, our unique ability of having managed liabilities, having managed assets, scale them down, scale them back up, scale them up to very significant levels, scale them down again.

No one in this country, and I say this with great pride. No one in this country has handled cycles like we have. India will go through cycles. And if we continue to do steady compounding, we will in year here or there, get to 18% ROE. That I am super, super confident of.

Moderator: Thank you. The next question comes from the line of Naintara Ghosh with Deutsche Bank. Please go ahead.

Naintara Ghosh: Thank you and firstly, congratulations on the IHC transaction and the rating upgrades, Gagan. So my question is on the new product suite that you're expanding into. How much investment do you expect is required for setting up these new products? Thank you.

Gagan Banga: Thanks, Naintara, and thanks to Deutsche Bank again, has been a core banker to us the last few years. I appreciate the bank's support to us. The investment is less in terms of how much of upfront investments in something, so this is not a great grand factory that I need to set up or a big power plant that I need to set up. I have to invest in branches. A branch of gold loan takes about INR20 lakh of to set up. It takes about 3 years before it becomes fully productive and profitable.

Our 240 branches are already sized up to do the other products. So in physical distribution, we would have to invest, but these are not investments which are running into tens of hundreds of crores. The expensive part is in expanding the workforce, which we will do at a steady clip over the next few years. But again, there, given the core management team is there, we will require to do more assurance function handling, hiring and product level hiring.

So that's again something which we feel is with our earning trajectory right now, we can well afford. So whatever are these investments in terms of per person cost, per person productivity per branch, how much will it take, how many loans will it be able to do? What is the tech investment? How many loans will our LMS be able to take and how many more will we have to do? We invested in CRM upgrade.

We invested in Salesforce 6 months ago in anticipation of this. So that cost is already taken. It is typically a huge cost. So these costs are all built in are all, none of them are, so to say, capitalized. They're built in, they would run through the P&L. And the P&L as a result of these costs would throw up the profits that we have projected. If you would want a more product-level ROA or something like that, you can always engage with the team and they can run you through the ROA for each product for your knowledge.

Moderator: Thank you. The next question comes from the line of Vineet Sharma with Param Capital. Please go ahead.

Vineet Sharma: Thank you so much for the opportunity and many congratulations on the successful closure of the transaction and the rating upgrade. My question was largely around the NIM expansion that we are seeing in FY '27 to FY '28. It's projected to go from 3.5% to 5.8%, whereas the cost of funds is not declining to that measure.

And the leverage also on the book is increasing despite what I think is a bit of equity infusion also, which has been assumed during FY '28. So just wanted to understand what are the levers which are actually leading to this such a significant yield expansion, which is leading to this increase in NIMs?

Gagan Banga: So the cost of funds that you see are cost of debt funds. These are not blended for equity. The equity which comes in is a very significant \$1 billion, which directly impacts the P&L. And while I have the highest regard for shareholder money, from a P&L perspective, it does not come with any added cost. The other enabler of the ROA is if you just go 2 lines below, just go to ROA and then more importantly, go to return on managed asset.

Since the strategy for the first 2 years is to continue to do mortgages. And on mortgages, we would continue to do a fair amount of sell-down. As the return on managed asset goes up, it has a direct impact on net interest margin from a perspective of our net interest margin. My colleague, Ramnath, will just explain the calculation to you.

Ramnath Shenoy: Yes. See, what also adds to the NIM is our sold on book. So the spread that we make on the sold on book directly adds to the NIM. And hence, you see that expanding. So in FY '28, if you see the difference between the AUM and the loan book, that's about INR30,000 crores, which expands to INR45,000 crores. So this boosts the NIM. The cost of funds mentioned here is only the cost of funds on the borrowings that is on our balance sheet.

Gagan Banga: So that does not factor in the additional equity, which has come in, which is liquidity. So there are 2 aspects of equity which is coming in. One is the cost the equity which is liquidity, and then there is the capital buffer. We've consumed the capital buffer, but we still have the liquidity, which we will continue to enjoy.

Moderator: Thank you. The next question comes from the line of Arun Antony with JM Financial. Please go ahead.

Arun Antony: Hi team. Thank you for the opportunity. Congratulations, first of all on the transaction and the rating upgrades that were received recently. harping back on the cost of fund side. I think in the previous conference call, it was mentioned that over FY '27, around 270 bps decline in cost of funds is expected. So in the current backdrop of the West Asia conflict and yields hardening currently, do you think this 270 bps reduction in cost of funds is still achievable for FY '27?

Gagan Banga: Yes. So what we had said is 270 bps of cost of fund improvement will happen as we complete our journey from AA to AAA. It can't obviously come in on the overall stock of funds and AA to AAA is not a direct journey. It will come with a stop, which is probably a pit stop, and we will be able to move up with a very strong case, both operational as well as the promoter once we are able to demonstrate to rating agencies that we have settled in as a AA+ credit, and we are ready for AAA in all aspects.

The balance sheet is very, very solid. It is as strong as when I look at it very dispassionately and compare it with any of my AAA rated peers, peer NBFCs, then we are there as far as all aspects of the balance sheet are concerned. So operationally, we are ready. Financially, we are ready. From a promoter perspective, we are ready. It's just a matter of time.

We stand by the 270 bps number. That on a marginal basis would require us to go from AA to AAA. As we go from AA to AA+, we would capture about anywhere from 120 to 150 basis points out of that. And then the next 120 to 150 basis points would come via the AA+ to AAA target migration and upward movement. Now the last question, please.

Moderator: The last question comes from the line of AS Raju, an Individual Investor.

AS Raju: Good evening Gagan ji. I'm shocked with your write-offs. What is the total outstanding write-off as of 31st March road map for writing? What will be the percentage of recovery from write-offs as the projections include all these writings or not?

Gagan Banga: So the projections, Mr. Raju, do include recoveries. We would recover close to about INR7,000 crores from what we have provided. And that has been baked into all of these projections in due course of time. I would refrain from calling this write-off. These are credit costs, which will enable management to focus on bandwidth. So yes, we have dipped into our capital one time to be able to add much more to that capital in due course of time via growth.

A lot of time has been spent by the management team in consolidating the company. Companies don't go anywhere by just hanging in there, either they have to grow or the phase of consolidation would lead to something which is not very positive. We've navigated that, and I'm fairly confident that with whatever buffers we have on the balance sheet, as we have shown to you in the past, even if we, for example, do sales to asset reconstruction companies, we recover 70%, 80% of that.

And all of that has been discussed in various calls in the past. So this is just a technical step to make sure that we have the right buffers, we can fully focus and the INR53,000 crores of assets

are painless assets, which give us full bandwidth to focus on growth and support us with the earning power of the 1.6% ROA, which will continue to expand as the cost of funds reduces. So that is my humble submission to you. Recoveries will be very comfortable and recoveries are part of the numbers that we have presented to you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question for today. I would now like to hand the conference over to Mr. Gagan Banga for the closing remarks.

Gagan Banga: So thank you, everyone. May I request Dalia and Peter, if you would like to say any concluding words and then what I have to say I have said. So thank you. Dalia, Peter?

Peter Abraam: Thank you, Gagan. Look, I just would like to reiterate, it's our pleasure. It's a wonderful opportunity for both IHC and Sammaan. We think that this relationship will benefit both organizations, and we see nothing but a very bright future.

I want to thank you for the opportunity. It was great to listen to a number of people who have spoken today. It's wonderful to see their support for the bank. And I think that we look forward to working closely together with you. And I think there is nothing, but strong prospects as we move forward. Thank you.

Gagan Banga: Thank you, Peter.

Dalia Khorshid: Thank you, Peter. Thank you, Gagan, and thanks for everyone who's participated with us today. Of course, this is the start of a number of series of calls that we are going to be coming back, and we're going to be constantly giving updates on.

So we are looking forward to working closely with the management team, as we've mentioned, in order for us to ensure that we have the operational and the product efficiency and to transform and to set all these trajectory KPIs going forward. So we thank you all for your participation and looking forward to a great journey together.

Gagan Banga: Thank you, Dalia. Thank you everyone for participating, supporting us. And we are, as a team, very, very optimistic about the future and look forward to engaging with you next quarter. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Sammaan Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.