“Paisalo Digital Limited
Q1 FY2027 Earnings Conference Call”

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Management: Mr. Santanu Agarwal - Deputy Managing Director

Moderator: Ladies and gentlemen, good day and welcome to Paisalo Digital Limited Q1 FY2027 Earnings Conference Call hosted by Arihant Capital Markets Limited. Let me draw your attention to the fact that on this call discussion will include certain forward looking statements which are predictions, projections or other estimates about the future events. This estimate reflects management's current expectations about the future performance of the company. 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. Thank you and over to you Natasha.

Natasha Singh: Thank you so much. Hello and good evening, everyone. On behalf of Arihant Capital, I thank you all for joining the Q1 FY2027 Earnings Conference Call of Paisalo Digital Limited. Today from the management, we have Mr. Santanu Agarwal, Deputy Managing Director. So without any delay further, I will hand over the call to Mr. Santanu for his opening remarks post which we can open the floor for the question and answers. Thank you and over to you, sir.

Santanu Agarwal: Good afternoon, everyone. Thank you for joining us today for Paisalo Digital's earnings call for the quarter ended June 30th, 2026. Before we begin, I would like to inform you that our CFO Mr. Harish Singh is unable to join us for today's earnings call due to some personal exigency. I hope you have all had the opportunity to review our earnings presentation which has been shared earlier on the exchanges and is available on our website. We are pleased to share that Paisalo has delivered one of its strongest quarters yet across growth, distribution, technology and asset quality and we believe the momentum we are seeing is not just continuing but building. We appreciate your continued interest in Paisalo and look forward to discussing our performance and outlook with you as we begin this Financial Year on a strong note.

Let me begin with a brief overview of the industry and operating environment.

The quarter continued to reflect healthy demand in the MSME and micro-enterprise segment where access to formal finance remains a structural requirement. Against this backdrop, one of the notable developments during the quarter was the RBI circular to increase the collateral-free lending threshold for micro and small enterprises to 20 lakhs. We see this as a decisive and welcome step forward for financial inclusion. One that, by easing the lending framework for smaller businesses, will meaningfully improve formal credit access for a large set of borrowers who have traditionally faced challenges in securing collateral-backed funding.

Beyond expanding borrower access, the circular also has important implications for the co-origination and co-lending ecosystem. Product structures, underwriting frameworks, documentation standards, and risk-sharing arrangements will need to evolve in line with the revised regulatory framework.

While the industry may witness a period of operational recalibration as participants align their processes, we believe the long-term impact is likely to be positive, supporting deeper credit penetration and broader participation from formal financial institutions.

In our view, this is expected to encourage greater adoption of cash flow-based lending and technology-led credit assessment models with underwriting quality and data capabilities becoming increasingly important differentiators. Importantly, as collateral requirements become less restrictive, the competitive advantage is likely to shift increasingly towards origination capability, borrower understanding, data-led underwriting, and collection effectiveness. This is exactly the terrain on which we believe Paisalo is built to win.

For Paisalo, this regulatory shift plays directly to the strength of our operating model. Our lending approach has always been centered on serving underserved borrowers through granular underwriting, technology-enabled credit assessment, and deep on-ground distribution. With a diversified MSME-focused portfolio and extensive physical and BC network, we are well-positioned and increasingly confident in our ability to support the growing demand for collateral-free formal credit while maintaining prudent risk management.

Further, our longstanding partnerships with leading banks under co-lending and business correspondent arrangements provide a strong platform to scale credit delivery in line with the evolving regulatory framework. We believe with our established origination capabilities, strong borrower engagement, and disciplined underwriting, Paisalo is best placed to lead this next phase of growth and value creation for all our stakeholders.

Turning now to our financial performance, we believe Q1 FY2027 represents more than just a strong start to the year. It demonstrates that the continued investments across distribution, partnerships, technology, and risk management are now compounding together to create a materially stronger and more scalable franchise. We are entering an exciting inflection point where growth, productivity, and profitability are reinforcing each other, all the while maintaining our focus on asset quality and prudent risk management.

Our assets under management increased to Rs.67,074 million as of 30th June 2026, a strong 28% year-on-year increase. This performance reflects the continued expansion of our lending franchise across customer segments, product categories, and geographies.

One of the highlights for the quarter was our highest-ever quarterly disbursement performance. During Q1 FY2027, we disbursed Rs.17,309 million, an exceptional 128% year-on-year growth. This is clear evidence of the continued strength of underlying demand and demonstrates that our distribution and execution capabilities are scaling faster than ever before. It also reflects the investments we have made in strengthening our distribution network, streamlining our credit processes, and leveraging technology to improve throughput

and customer experience.

On the income side, total income increased by 19% year-on-year to Rs.2,603 million, supported by sustained growth in the loan book and stable portfolio performance. Net interest income stood at Rs.1,447 million, while net interest margin was maintained at a healthy 6.6%.

Coming to profitability, we delivered profit after tax of Rs.613 million up 30% year-on-year outpacing income growth and reflecting the benefits of operating leverage, productivity improvements and disciplined cost management. Return on assets for the quarter stood at 3.6% while return on equity was 13.4% indicating that the business continues to generate healthy returns while scaling.

Asset quality remains one of the strongest aspects of our performance and a critical pillar for our long-term strategy. As of 30th June 2026, gross NPA stood at 0.70% while net NPA stood at 0.49%, improving further even as we scaled disbursement at record pace. This is a strong testament to the strength of our underwriting framework, our monitoring processes and the discipline we maintain through the life cycle of the loan. Collection efficiency during the quarter remained strong at 97.5%.

Total borrowings as of quarter end stood at Rs.48,467 million supported by a diversified mix of banks, financial institutions and capital market instruments. Our balance sheet continues to remain strong with net worth increasing to Rs.18,298 million and capital adequacy standing at 33.1%.

We have also approved and are launching tranche 1 of our public issue of non-convertible debentures aggregating up to Rs.300 Crores under a Rs.900 Crores shelf limit. The issue is scheduled to open on August 7th and reflects our readiness to fund the next phase of growth. We are excited about the opportunity this gives us to strengthen our liability franchise and diversify our borrowing profile beyond the traditional funding channels.

Turning to funding and capital, we continue to strengthen the liability side of our balance sheet. Our cost of borrowing declined further to 10.1%, reflecting and representing an improvement of 64-basis points year-on-year. This reflects our long-term effort to diversify funding sources, deepen lender relationships, and improve our overall liability profile.

If I speak about our strategy, our growth journey continues to be anchored in four reinforcing pillars that work together to create a scalable, resilient, and sustainable franchise. These pillars are distribution, product diversification, technology and AI, and liability management. Each of these pillars is individually important, but more importantly, they are now compounding together, enabling us to grow while maintaining control over risk, profitability, and customer experience.

The first pillar of our strategy is distribution. We believe that sustainable growth in financial services is fundamentally built on the strength of customer access and engagement. Over the years, we have consciously invested in building a strong distribution network that allows us to reach customers efficiently across geographies while retaining a strong understanding of local markets and borrower behavior.

During the quarter, we continue to strengthen and expand our distribution footprint. As the end of Q1 FY2027, our network comprised of 5,995 touch points spread across 23 states, reflecting the scale we have built through a combination of branch-led expansion and asset-led operating model.

A key component of this strategy continues to be our business correspondent channel, which remains an important enabler of last-mile connectivity. This network allows us to remain closely connected to customers while ensuring that the acquisition and servicing cost remains efficient. Equally important are our longstanding strategic collaborations with leading public sector institutions such as State Bank of India, Bank of India, and Indian Overseas Bank. These partnerships enhance our ability to expand responsibly, leverage local market ecosystems, and deliver financial solutions to customers with greater speed and efficiency.

We are proud to announce a landmark achievement this quarter. Our business correspondent franchise crossed USD 1 billion in gross transaction value. A powerful validation of the scalability of our asset-light distribution model and a significant milestone in the evolution of our platform.

The second pillar of our growth strategy is the continued expansion and diversification of our product offerings. While MSME and microenterprise lending remain a strong core focus, we have progressively expanded into adjacent categories, including mobility solutions, industrial equipment, medical equipment, agriculture equipment, and alternative fuel opportunities. We believe this creates a significantly larger addressable market while allowing us to leverage our existing distribution and underwriting capabilities. This breadth also allows us to engage with customers across multiple sectors that are benefiting from structural growth trends within the Indian economy. As new sectors emerge and economic priorities evolve, we remain actively focused on identifying and capturing opportunities where financing gaps exist and where our underwriting and distribution capabilities provide a competitive advantage. Importantly, we are doing this through an asset-light expansion model supported by institutional and OEM partnerships, enabling us to grow rapidly without materially increasing capital intensity, a combination we believe positions us strongly for the years ahead.

The third pillar and increasingly one of the most important drivers of our future growth is technology and artificial intelligence. We believe AI will not only enhance efficiency, but fundamentally transform how lending businesses scale. As we continue to embed AI across the lending lifecycle, we are building capabilities that can improve decision making,

strengthen risk management, deepen customer engagement, and create a meaningful operating leverage. Importantly, many of these investments are now moving beyond the pilot stages and beginning to contribute on a scale across the organization.

During Q1 FY2027, we expanded our use of AI-driven solutions across sourcing, on-boarding, underwriting, risk assessment, portfolio monitoring, customer engagement, and collections. During the quarter, we processed approximately 1,80,000 customer on-boarding applications compared with about 1,60,000 applications in Q4 FY2026. We also completed approximately 5,00,000 voice-to-data convergence versus 3,50,000 in the previous quarter. AI-enabled outbound engagement increased to approximately 2,00,000 calls per day from around 1,50,000 calls per day in Q4 FY2026. In parallel, the number of AI bots expanded significantly from 7 to 18, reflecting the growing range of processes being automated and optimized.

In addition, we are in advanced stages of revamping our branch and business correspondent application platform to enable a fully AI-assisted digital journey, which we believe will be a significant step change in the on-boarding and customer servicing experience across our network. The upgraded platform is designed to provide a more seamless, faster, and fully digital workflow with capabilities such as automated data capture, real-time validations, and integrated compliance checks. We are confident this will meaningfully improve productivity, reduce turnaround times, and enhance scalability as transaction and sourcing volumes continue to grow. We look forward to this rollout as a key catalyst for the next leg of our technology-led operating model.

These developments are translating into meaningful operational benefits across the organization. AI-enabled onboarding and eKYC have enhanced customer convenience while reducing turnaround time. Machine learning-based underwriting models are enabling faster and more consistent credit decisions, helping us maintain both speed and discipline in our lending process. Automated workflows and intelligent process orchestration are reducing manual intervention and improving productivity across key operating functions. From a risk management perspective, AI and advanced analytics are helping us identify early warning signals, improve borrower segmentation, and strengthen portfolio monitoring. We are also leveraging technology to improve organizational productivity. AI-driven automations and digital processes have enabled us to handle growing business volumes with greater efficiency, contributing to meaningful productivity gains. This demonstrates our ability to scale without a proportional increase in operating cost. Over time, we expect these initiatives to support operating leverage by enabling business growth at a faster pace than growth in cost, thereby contributing to profitability and returns. We continue to invest in this direction because we believe that the ability to use data intelligently and execute efficiently will be central in the next phase of our growth.

The fourth pillar of our strategy is liability management. Over the years, we have worked

consistently to strengthen and diversify our liability franchise. During Q1 FY2027, our cost of borrowing stood at 10.1%, down 64 basis points year-on-year, and nearly 300basis points lower than the 13% level seen in FY2021. A strong and steady improvement that reflects sustained efforts to diversify funding avenues, enhance institutional credibility, deepen lender relationships, and optimize our liability mix. As the company continues to scale, maintaining a balanced funding profile will remain a key priority. We are focused on broadening access to capital, improving funding efficiency, and ensuring that our liability structure remains aligned with the long-term needs of the business.

As we look ahead, we believe the opportunity before us is significantly larger than anything we have achieved so far. The combination of expanding formal credit penetration, supportive regulatory developments, deepening bank partnerships, and rapid advances in digital technologies is creating a highly favorable environment for scalable and responsible growth.

Against this backdrop, we are excited to share our ambition for the next 3 years to approximately double our AUM, income and profitability while maintaining strong asset quality, healthy returns and a robust capital position. We are confident in this ambition as it is supported by the strong foundations we have already built. A nationwide distribution franchise, a rapidly expanding business correspondent network, established institutional partnerships, a strengthened liability profile, and increasing use of AI across core business processes.

In conclusion, we believe Paisalo is entering its next phase of growth from a position of strength and sees significant opportunity in continuing to build a more diversified, efficient, and resilient lending franchise. The market we serve remains significantly underpenetrated. Demand for formal credit continues to expand and our capabilities today are substantially stronger than they were a few years ago. We believe this position us well to deliver sustainable growth, create long-term shareholder value, and further advance our mission of making credit more accessible, efficient, and inclusive across India. We thank our investors and stakeholders for their continued trust and support as we build a more resilient, technology-led, and financially inclusive company. Thank you. And with that, let me hand over the call to the moderator.

Moderator: Thank you. We will now begin with the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We request participants to restrict to the two questions and return to the queue for more questions. To rejoin the queue, you may click raise hand icon again. We will wait for a few minutes until the question queue assembles. We take our first question from Mr. Sandy Mehta of Evaluate Research. Mr. Sandy, will you just unmute your connection?

Sandy Mehta: Congratulations, Santanu, on a very strong set of results across the board, very well done. What is your co-lending with State Bank of India was going to expand during Q1 and Q2 to further lend to the MSME sector, what is the status of that, please?

Santanu Agarwal: Thank you, Mr. Mehta. The lending status for the co-lending tie-up remains as that of last quarter itself. So we are at a status quo level. We are still awaiting the compliance to be completed at the bank side before we can start working on it. So the disbursements have been slow, but hopefully we will be progressing soon on it.

Sandy Mehta: Okay. And then with the ongoing Iran war, my understanding is that you do not have much exposure to exporters and overall commodity price fluctuations. That is not really having an impact on your borrowers and on NPLs. Is that still the case?

Santanu Agarwal: So most of our borrowers are microenterprises, small traders, manufacturers. Hence, the impact of the macro has been relatively limited to the large scale manufacturers and exporters with some of the risk obviously passing down. We have seen a sequential increase in the loan loss provisions for this quarter, but we are still well below the sub 1% level for the same.

Sandy Mehta: And one last question is, again, very strong lending growth, disbursement growth. Do you see that continuing right now? What are you seeing so far in the second quarter and looking forward?

Santanu Agarwal: Our touch points have increased from 5,299 to 5,995, which is an increase of about 696 touch points in the last four quarters. Simultaneously, we have added 6 new product lines in the last one quarter itself. This is exactly the terrain on which we believe Paisalo is built to win. The sharp increase in the disbursements was primarily driven by the last few quarters execution of deeper penetration that we were doing through our increased touch points, which brought strong demand from the MSME and SME segment. Going forward, while quarterly growth may normalize from this exceptionally high base, the company expects healthy momentum through FY2027, supported by a continued expansion and robust credit demand, all the while ensuring that asset quality remains pristine and stable.

Sandy Mehta: Okay, thank you. All the best.

Moderator: Thank you. We take our next question from Rutvi Doshi of Crestline Value Fund. Rutvi Doshi, will you just unmute your connection?

Rutvi Doshi: Just a couple of questions. What is the cost-to-income ratio trend and how much further efficiency can AI-led processes unlock?

Santanu Agarwal: See Miss. Doshi, as we guided last quarter also on the same, we started our journey for this transformation from a largely high-tech, high-touch model to a large AI-led lending franchise,

in which we are expecting that in the short-to-medium term, we are expecting that the cost to income ratios will remain slightly on the higher side. Eventually, as the lending efficiencies of the AI model start kicking in, we will see that there is normalization on these efforts that we are working on. So from that point of view, in the short-term basis, we are expecting that these ratios will remain slightly on the higher side, while on the long-term basis, we will start working on it. Roughly, it is at about 40% right now.

Rutvi Doshi: Okay. And with 200k AI driven outbound calls daily, what is the conversion or resolution rate? And how does this compare to traditional collection methods?

Santanu Agarwal: When you are talking about a debt management infrastructure, largely the AI roles that we have been deploying across every single parameter has been largely based on three pillars. Number one is the quality control parameter, wherein we have liveliness check, we have face checks, we have additional QC captures from a documentation point of view. The second check where we have deployed this is in terms of the collection and engagement infrastructure where we are largely using these voice handles for communication platform of our collections and engagement. And third that we are running, this is on the portfolio management side of it. So the 200,000 calls that we are talking about are for customers who we have already converted into a Paisalo customer. The conversion ratio for calls that we will start making which are new to Paisalo customers or not yet on-boarded customers will start happening sometime towards the end of Q3 in line with the launches that we have planned in Q3 end of the fiscal year 2027. So if you go to the last quarter's FY2026 Q4 presentation, you will see that we have three new development products which are getting launched in Q3 end. So once that starts happening, then we will have this AI outbound call system working to get new to Paisalo customers or not on-boarded Paisalo customers also.

Moderator: Thank you. We take our next question from Mr. Logeshkumar Jaganathan, an individual investor. Sir, we request you to unmute your connection.

L Jaganathan: Thanks for the opportunity to ask the question. So I have a couple of questions to highlight. First of all, congratulations for the great set of numbers and I had a detailed read through the presentation. A couple of questions. One is on the interest expense quarter-over-quarter went up by 32% like it was Rs.87 Crores in the Q4 and it went up Rs.115 Crores this quarter. At the same time like I am also seeing that operating expense down 32%, so how we are able to scale down from Rs.69 Crores to Rs.46 Crores within a quarter, so that is two main questions. And also I am seeing a drop in collection efficiency by 1% quarter-over-quarter, so these are all the three main questions I have and also I just want you to comment about little bit about what is leading to the loan losses and provisions of 120% quarter-over-quarter and plus also like are we planning to release more pledges and promoters are allowed to increase the stake in the company further for this year. So these are all the couple of questions I have. Thank you.

Santanu Agarwal: Thank you, Mr. Jaganathan. So we will start with the first one. So typically, when you have a lending business, the interest expense and opex if they are simultaneously working in an inverse proportional matter typically happen when there is an expedited raise of funds and there is a lag between the deployment of funds. So typically, what you will see is that our interest income, net interest income and PAT are up about 30% and 16% respectively. But generally, if you look at a quarter-on-quarter basis, you will see that they are significantly compared to be lower. The reason behind that is that generally there is a lag between the debt issuance and conversion of funds into loan books. And hence there is always a transient impact in Q1. In Q2, we are raising again public NCD and hence we may not have that impact again. But at the same time, the FCCB conversion is also likely, which will help in normalizing the interest cost and the opex that you have seen. So overall, we do not see any major impact in quarters ahead, except that there will be some time lag between different fund raised and deployments. So what you are saying is a consequence of the same.

In terms of your collection efficiency and loan losses provision that you are talking about, we believe that we have given our since inception history of credit cost on the deck this time on page number 14. Except on COVID times, our credit costs have largely remained below 2% and if you even look at the last five years, it has been below 1%. This has been achieved due to our strong underwriting abilities built over the past many years and we are confident of sustaining this trend moving forward. We are not entering any unknown territory of products until the same test has been done through the 30-year framework. Also, if you see, on a year-on-year basis, our loan losses have actually reduced by about 10%. So typically what happens is that towards the end of the Q4 level, most of the borrowers and most of the segments that are going into the loan loss segment are willing to come and sit on the table for settlement and we are also doing that settlement faster because we have Q4 end. While in Q1 we are ready to take a short-term provision on it just so we can have an expedited recovery or a larger recovery on it which makes the Q1 loan loss provisions shoot up on a short-term basis. So you are just seeing that. The final question is that promoters have already acquired4.7% from the open markets. SEBI allows the promoter and the promoter group to only acquire up to 5% equity by any of its equity instruments in one financial year, which we have largely exhausted. In terms of the pledge, if you see on a quarter-on-quarter comparison, adjacent quarters, the pledge has come down. As we move forward, we will work on the same. I hope it answers all your questions, Mr. Jaganathan. Thank you.

L Jaganathan: Yes, it does. Thanks a lot.

Moderator: Thank you. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We will wait for a few minutes until the queue assembles. We take our next question from Mr. Amit Kumar, an Individual Investor. Sir, we request you to kindly unmute your connection.

Amit Kumar: Thank you for the opportunity. My first question was that we have focused on diversifying product mix towards agri, industrial and alternative fuel equipment financing. So what is the target AUM mix for these segments over the next two to three years and what risks can we foresee, if any?

Santanu Agarwal: Thank you Mr. Kumar for your questions. So typically if you look at how we look at business as a whole is that we typically take any product or any category or any industry and we ensure that in none of the industry benchmarks we are going beyond the 25% concentration level. So if you look at the AUM mix for Q1 itself, about 23% is coming from food and hospitality, 15% is coming from agri and allied agri services, 16% are coming from street vendors, these are the top three of them. While if you look at vehicle, health and education and textile, they are the bottom four or bottom three contributors to our industry mix contributing anywhere between 3% to 6% on each level. So the six products that we have entered into in the last quarter, which we are now planning to expand into will ensure that there is an equal weightage, which is getting spent on each of these industries. So, on a level, we might see that allied agri and agri may go from about 15% to 20% or may even go to 10% if vehicle goes from 3% to 10%. So that industry mix is very difficult to answer right now because these products were started literally three months back for us on a quarter-on-quarter basis. However, we will continue to maintain a prudent risk assessment through them while ensuring that none of these contribute more than 25% exposure to the AUM. Thank you.

Amit Kumar: Thank you. My next question is that the debt-to-equity ratio has risen steadily from 1.64x in 2022 to 2.61x this quarter. So what is the internal ceiling on leverage and how much do like how much more borrowing headroom exists before hitting that ceiling?

Santanu Agarwal: In our case of an NBFC our raw material goods and processed and finished good is money. The more raw material we are able to feed into it, managed by what we are servicing in terms of our risk capability, underwriting capacity, debt management infrastructure, collection efficiencies, gives us a throughput of collections, which is again our raw material of money. We have steadily increased from about 1.6 times to about 2 to 2.5 times and we have internal caps, although RBI and the various regulators allow us to raise up to seven times, we feel being somewhere between a three-and-a-half level is fairly comfortable for us. Because we also have if you may have missed on it, we also have about $44 million worth of foreign currency convertible bonds due for conversion which can get converted at any point of time. And if you see today we have our committee meeting scheduled for the same for conversion of those bonds as intimated to the stock exchanges. So that 2.4 or 2.5 level that you are seeing is inclusive of the non-converted foreign currency bonds. The moment those bonds are also converted, this will also push down the leverage level, giving us further headroom to raise that money. So we have kept all of those into accounts. Thank you, Mr. Kumar.

Amit Kumar: Thank you. And my last question is that the promoters are continuing to increase their stake. Even in Q1 2027, they have increased stake by approximately 5%. So what is the strategic

rationale behind this? And should investors read this as a signal on valuation or growth conviction?

Santanu Agarwal: We have been listed since almost now in 1996, that is about 30 years, right? We started our journey by being listed on Delhi, Ahmedabad and Kanpur stock exchange raised about Rs.1.5 Crores in our IPO at that point of time, followed by an FPO in 2007, where we raised about Rs.175 Crores then moving from those local exchanges to the NSE and BSE in terms of the direct compliance. In terms of the strategic raise that we have taken for it goes to prove exactly how committed the promoters are to the company. Three years ago or four years ago, we invested about Rs.185 Crores or Rs.180 Crores by way of issue of warrants. And ever since that issue of warrants, we have been adding 5% stake into the company. Also, if you would have noticed, we have delivered one of our strongest quarters yet across growth, distribution, technology, asset quality. And we as promoters and management believe that the momentum we are seeing is not just continuing, but we are building more on top of it. So this is the conviction that I want to show in a market where a lot of promoters are either exiting, selling, partly taking or adding or releasing. We are the ones who are continuing to build the momentum and believe in the momentum that we are headed to. So you take your own call on it after hearing how strong the promoters and the management believe on it.

Amit Kumar: Thank you. This was helpful. All the best.

Moderator: Thank you. We take our next question from Mr. Aditya Singh of Alpha Capital. So please go ahead.

Aditya Singh: So my question is, sir, in past few calls, you have given a guidance of doubling your AUM. So I just want to ask you what will be the key drivers for it?

Santanu Agarwal: So see Mr. Singh, if I speak about our strategy, our growth journey continues to be anchored on the four reinforcing pillars that basically work together to create a scalable, resilient and sustainable franchise. You can have a look at the presentation also we have mentioned the same in our slides 18 and our slide number 10, where you will see that we are mentioning that there are these four pillars are basically distribution, product diversification, AI and liability management. So each of these pillars is individually important, but more importantly, they are compounding together, enabling us to grow while maintaining control over risk, profitability, and customer experience. A cohort of that you can already see is in comparison to the rate of employment increase for the quarter versus what has been the AUM increase. Second, you can see is in regard to the branch expansion, touch point expansion and employee cohort expansion. In comparison to that, what has been the disbursement expansion? So we are already seeing some effects of all these four pillars compounding together, enabling us to grow and maintain control over risk, profitability and customer experience. So you can hop on to slide number 10 and slide number 18 and get a detailed outlook of the same. Thank you.

Aditya Singh: Okay sir. Thank you.

Moderator: We take a follow up question from Mr. Sandy Mehta of Evaluate Research. Sir please go. ahead.

Sandy Mehta: You have started your comments talking about the RBI rule change on the collateral free up to 20 lakhs. Is that been finalized by the RBI? And what impact will that have on your lending? If you could give us a little bit more color, please. Thank you.

Santanu Agarwal: The RBI circular is basically increasing the collateral free lending threshold for MSMEs. So typically what was ideally happening is in that in sub 5 lakhs or sub 3 lakh category was the only category where largely although an institution could take an individual call, but the RBI's framework on sub 3 lakh or sub 5 lakh categories was more favorable towards an unsecured lending for this segment based on what was the risk framework and risk weightage allowed on the capital. Now with RBI increasing the collateral free lending threshold to MSMEs to 20 lakhs, we are basically seeing that advantage being crossed to that segment also. Now there are two segments to it. Now if you look at Paisalo's portfolio, largely 93% of the portfolio is already secured by some kind of immovable or movable collateral and we basically only have 7% of our portfolio which you can classify as unsecured. Even though even in the 7% of the collateral, we have some kind of primary collateral where we have a floating charge over the assets of the borrowers by way of a deed of hypothecation or the current assets of the borrower. So this framework will basically have a large impact on the co-origination and co-lending ecosystem because it will allow a faster STP integration. Because when you are doing unsecured lending, your STP integration can be expedited faster. So from that point of view, I said that that it will meaningfully improve the formal credit access for a large set of borrowers who have traditionally faced challenges because they do not have collateral backed funding and they want to focus on cash flow based funding. So from that point of view, I was talking about that specific segment. Thank you.

Moderator: Thank you. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We will wait for a few minutes until the queue assembles. We take our next follow-up question from Mr. Logeshkumar Jaganathan, an individual investor. Please go ahead, sir. Mr. Logeshkumar, will you just unmute your connection?

L Jaganathan: Okay, I just have two follow-up questions and thanks for the opportunity again. So, one is on that I am seeing in the Q1 FY2027 like our touch point has increased close to about 6,000 from about 5,300 in the last quarter. So, what is leading to this significant increase quarter-over-quarter that is point number one and second question is that like in the last quarter we have set a target of like doubling the AUM income and PAT so what is the internal target you see for this like is it likely to happen in the FY2030 or 2029 like because the way we are growing at the speed it looks like that we may able to hit it in much earlier than what you may be forecasting so what is the internal target you have for that that is it.

Santanu Agarwal: See, Mr. Jaganathan, if we talk about our growth strategy, our journey basically continues to be reinforced on four pillars that work together to create a scalable, resilient and sustainable franchise. These pillars are distribution, product expansion, technology and AI, and liability management. So the jump in the distribution points that you have seen going from about 5,299 touch points to about 5,995 touch points belongs to our first pillar of our strategy, which is the distribution. We believe that sustainable growth in financial services is fundamentally built on the strength of customer access and engagement. Over the years, we have consciously invested in building a distribution franchise that allows us to reach customers efficiently across geographies, while retaining a strong understanding of local market and borrower behavior. So you are seeing a consequence of this. In terms of our ability to hit that, so we are targeting three fiscal years for achieving our target of doubling of our AUM income and PAT. And hopefully, we are achieving the same. There is an optionality in that space also where we have not accounted for because of the recent RBI guidelines on co-lending and how long it is taking from a compliance point of view to get it kick-started at an expedited level. We have put co-lending as optionality in it for providing incremental growth. However, we are not contributing on it. So if we see that also kicking in, we might see an expedited achievement of this timeline. But for the timing, we will require three fiscal years. Thank you.

Moderator: Thank you. We will wait for a few minutes until the queue assembles. We take our next question from Mr. Harshit Singla of 8K Capital Private Limited. Please go ahead, sir.

Harshit Singla: Yes. Congratulations, Santanu ji, for amazing results. And I really appreciate you for showing us a very clear picture of the business. If I may, with your permission, can I ask, where does the top brass of Paisalo spend 80% of their time? And what is the KPI other than PAT or revenue that the management really focus about?

Santanu Agarwal: Thank you, Mr. Singla. Thank you so much for the compliment. Other than AUM, Income and PAT, the biggest focus that we actually focus on is the collection side of the business. So over the last 30 years, we have built this entire franchise that you are now seeing taking an advantage of with a collection first mindset. Even if you look at what we were guiding for in the starting and what we were talking about is that most of the additions that you have seen this quarter are part of a rapid expansion in customer touch points and expand customer acquisition strategy. We have always maintained that portfolio quality is what we prioritize over aggressive growth as these customers and touch points mature for us over a 30-year lifecycle. So yes, other than AUM, income and PAT, the technically the number one priority for us is that we focus on the collection side of the business.

Harshit Singla: Understood. And other question, what is one thing you really care about SLO in terms of risk?

Santanu Agarwal: Actually the only thing that I care about the most which does not show up in any P&L or any balance sheet is my employees and the staff that I work with. Because at the end of the day, the team and the efforts that they are making, which proves and which scales to what we have done. If you look at the last couple of years' worth of Annual Reports related to the shareholders, we discuss a lot of things and we discuss quite a lot on the employee side of the business and the employee side of things. And we discuss a lot on how we are promoting them. So technically, the only point that does not get captured in any balance sheet or does not get captured in any kind of asset base is the true asset of the company, which is the employees which are working for the company on its behalf and are actually acting as the true promoter of the company on the field and on engagement levels. Thank you.

Harshit Singla: Nicely said. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Santanu Agarwal for his closing comments. Thank you and over to you. Management, please go ahead.

Santanu Agarwal: Thank you everybody. We are pleased to tell you again that Paisalo has delivered one of its strongest quarters yet across growth, distribution, technology and asset quality. We believe the momentum we are seeing is not just continuing, but building. We appreciate your continued interest in Paisalo and look forward to discussing over our next outlook calls and calls again. We thank our investors, stakeholders and Arihant Capital for their continued trust and support as we build a more resilient AI and technology led and financially inclusive company. Thank you everybody.

Moderator: Thank you members of management. Ladies and gentlemen, on behalf of Paisalo Digital Limited, that concludes today's conference call. Thank you for joining us. You may now click on the leave icon to exit the meeting. Thank you everyone for your participation.

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Contact Information:
ir@paisalo.in

Registered Office:
CSC, Pocket 52, CR Park, Near Police Station,
New Delhi - 110019

CIN: L65921DL1992PLC120483
www.paisalo.in