



## “Paisalo Digital Limited

### Q3 & 9M FY2026 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Paisalo Digital Limited Q3 and 9M FY2026 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. From the esteemed management we have with us today, Mr. Santanu Agarwal, Deputy Managing Director, Mr. Harish Singh, Executive Director and Chief Financial Officer, Mr. Gaurav Chaubey, Chief Risk Officer. I now hand over the call to Mr. Santanu Agarwal, Deputy Managing Director, for his opening remarks, post which we can open the floor for questions and answers. Thank you and over to you, sir.

**Santanu Agarwal:** Good afternoon and a very warm welcome to Paisalo Digital's earnings conference call for the third quarter and nine months ended December 31st, 2025.

Joining me today are Mr. Harish Singh, Executive Director and CFO and Mr. Gaurav Chaubey, Chief Risk Officer. Our earnings presentation has been uploaded to the Stock Exchange and is also available on our website. We hope you have had the chance to review it.

We are pleased to engage with our investors, analysts and stakeholders as we progress through Q3 FY26 as we build on strong momentum while remaining firmly committed to inclusive financial growth. The operating environment during the quarter remained constructive for India's small ticket and MSME lending ecosystem. Over recent quarters, regulatory guidance from the RBI has reinforced the importance of disciplined underwriting, granular risk management, and responsible credit expansion. For institutions like Paisalo, with decades of experience in high-frequency, small-value lending, these regulatory directions are entirely aligned with our long-standing operating philosophy - now further strengthened by data-driven and technology-led decision framework.

During Q3, demand across small ticket loans remained resilient driven by steady rural consumption, MSME working capital needs an improved cash flow visibility at the borrower level. The ongoing formalization of the economy aided by the digital public infrastructure and greater data availability continues to favor lenders with scalable tech-enabled operating models. Our focus during the quarter remained on calibrated growth, maintaining prudent ticket sizes, tight portfolio monitoring and risk-adjusted returns, increasingly driven by analytics and early warning systems.

From a policy standpoint, the Union Budget 2026 introduced several measures aimed at

strengthening the MSME ecosystem. These included enhanced credit guarantee coverage under CGT-MSE, higher allocation for interest subvention schemes, improved access to growth and risk capital, and the strengthened receivables-based financing framework expected to deepen formal credit penetration over the medium term. While the benefits will accrue progressively, these initiatives reinforce confidence in sustained and high-quality credit demand from micro and small enterprises, segments that form the core of Paisalo's customer franchise. Finally, the broader macro backdrop, including progress on the US-India trade agreement is constructive for export-linked MSMEs and ancillary businesses. Improved trade flows and supply chain diversification are expected to translate into incremental credit opportunities for small entrepreneurs and vendors over time. While the direct impact is gradual, we view these developments as supportive of long-term portfolio quality and growth visibility for Paisalo.

Let me now turn to our strategy.

Over the next 3 years, our objective is clear to double our AUM, income and PAT while preserving best-in-class asset quality. Importantly, this is not an aspirational target. It is anchored in a deep operating track record with asset quality consistently maintained below 1% even through varied cycles. To deliver this next phase of growth sustainably, we have embarked on a transformation journey with artificial intelligence at the core of our operating model. We believe for Paisalo's next phase, AI will not be an incremental efficiency lever, it will be a central engine powering growth, risk management, compliance and operating leverage. Our strategy is to embed AI across the entire lending lifecycle, allowing us to scale volumes while strengthening control, improving unit economics, and preserving portfolio quality.

Starting with customer acquisition, we are transitioning from a predominantly physical sourcing to AI-led acquisition engine. Advanced analytics and machine learning models are being deployed to identify high intent borrowers across digital, partner and ecosystem channels. This will allow sharper targeting, improved cross-set, higher customer lifetime value and structurally lower acquisition cost. Over time, this becomes a self-learning system where every disbursement cohort improves future sourcing quality.

While our traditional sourcing channels, branches, business correspondents and partners remain a core strength, they are now being meaningfully augmented by an upcoming customer app and AI-based lead generation platform. The AI-enabled public customer app is under development stage, and the first phase of the app is expected to go live by the end of next quarter 3 of the upcoming fiscal year. This initial rollout will enable seamless digital engagement, repeat borrowing and self-service access to scale through an AI-assisted yet self-driven customer journey for both existing Paisalo ETP and new to Paisalo NTP customers.

On the onboarding side, we are revamping our existing intranet-based branch and BC application to enable a fully AI-assisted digital journey. This will allow automated data capture, real-time validations and a compliance-first decisioning, resulting in a materially faster and more consistent onboarding experience. We expect this to significantly reduce turnaround time from days to minutes, while lowering errors and improving auditability. As we scale volumes, this AI-backed infrastructure will reduce operating costs, enhance consistency across geographies, and sustain our profitable franchise growth.

Our underwriting framework is going to be further strengthened through the deployment of our proprietary AI models that integrate account aggregator data, alternate data sources, geospatial inputs, and field intelligence. This will enable near real-time credit decisioning, faster disbursements and sharper borrower segmentation while retaining policy-based controls and human oversight. In parallel, our CCC underwriting model and risk frameworks are being enhanced by AI-generated signals and early warning indicators to enable proactive risk management. The objective is simple, grow faster without compromising credit discipline.

Further, under this strategic AI-led acquisition engine, we plan to roll out a proprietary dynamic AI-enabled business rule engine that materially upgrades our credit decisioning and underwriting capabilities. Traditional BREs rely on static, hard-coded rules that remain largely unchanged across customers and market conditions. In contrast, our upcoming proprietary dynamic BRE will be an AI-aware decision engine that adapts in real-time using Bureau data, account aggregator insights, and deep customer behavior signals. The platform will continuously recalibrate credit rules using proprietary data and customer profiles to dynamically determine loan eligibility, ticket size, and tenure at the point of decisioning. By embedding advanced metrics, such as behavioral risk costs, early delinquency probability, and a credit under index, the system applies differentiated rules for different customer cohorts rather than a one-size-fits-all approach. This will improve risk calibration, increase approval efficiency, deliver more accurate pricing, and accelerate decision making while maintaining strong portfolio quality as the business continues to scale. It will also provide a scalable technology moat as Paisalo expands across products and geographies.

Under portfolio management, we are also in the process of embedding AI models capable of detecting pre-EMI stress and early delinquency, supported by a unified real-time data layer. These models continuously re-rate borrowers' risk using transaction behavior, bureau data, and geo-spatial trends, providing instant visibility and automated alerts.

On the collection front, we have already implemented some of our AI optimized workflows, including Gen-AI led multilingual engagement. Today, we run approximately 350,000 automated EMI reminders and collection calls daily, improving contact rates, recoveries,

and cost efficiency while enhancing the borrower experience.

The takeaway is simple, by embedding our proprietary AI models across the lending portfolio, we are lowering risk, improving operating leverage, strengthening compliance and enhancing unit economics end-to-end. This technology-led transformation gives us the confidence in our ability to scale sustainably, maintaining superior asset quality and enhance profitability.

In parallel, we are actively evaluating inorganic growth opportunities aligned with our core strengths which can accelerate market entry, add complementary capabilities or deepen our presence in priority geographies without compromising on balance sheet discipline. Any such opportunities will be approached with a clear focus on strategic fit, scalability and long-term value creation.

Coming to the quarter's performance, Q3 FY26 was a quarter where Paisalo delivered consistent growth alongside visible balance sheet strengthening while continuing to scale distribution and expand product reach in a disciplined and capital-efficient manner.

Our Assets Under Management increased to INR 55,082 million, registering 16% year-on-year growth, reflecting steady portfolio expansion across income generation and MSME lending segments. Disbursements for the quarter stood at INR 10,574 million, reflecting sustained borrower demand and healthy sourcing momentum.

We delivered our highest ever quarterly Profit After Tax of INR 663 million, marking a 29% sequential growth. This performance was achieved alongside continued investment in distribution expansion and technology. As our distribution footprint continues to expand and our technology-led backbone matures, we expect operating leverage to progressively strengthen, supporting higher profitability and consistent long-term value creation.

A key driver of Q3 performance was the continued expansion of our distribution network without meaningful balance sheet stress. During the quarter, we added 492 new touchpoints, taking the total network to 4,872 touchpoints across 22 states. This includes 402 branches, 3,041 distribution points, and 1,429 business correspondents, enabling last-mile sourcing at scale. Our customer franchise expanded to ~14 million customers with ~1.6 million customers added during quarter three alone, reflecting strong on-ground penetration and improving sourcing productivity.

We expanded lending across alternative fuel mobility, medical equipment, agriculture equipment, industrial machinery, solar equipment, and loan against property, enabling higher average ticket sizes while maintaining credit discipline. These OEMs and institutional partnerships support zero-capex distribution expansion, allowing Paisalo to

rapidly scale physical reach by leveraging partner locations as origination and service hubs, without incremental branch investments. This model improves asset traceability, strengthens risk control, enhances sourcing quality, and delivers a sustainable scalable platform that preserves balance sheet flexibility and supports strong ROE.

As our footprint expands, AI-led automation and data-driven decisioning are delivering operating leverage, sharper risk calibration, and superior portfolio diversification, collectively enabling sustainable growth and reinforcing our competitive edge in the underserved markets.

Over the years, Paisalo has made meaningful and sustained progress in structurally reducing its cost of borrowing, reflecting disciplined liability management. Our cost of borrowing has declined from 13% in FY21 to 10.5% in FY25, reflecting a reduction of 250 basis points. This improvement is the outcome of diversified funding sources, deeper banking relationships and consistent operating performance. During Q3 FY26, this strategy was further reinforced with the successful raising of INR 1,885 million at a cost of 8.5%, one of the most competitive funding costs achieved by the company in the current environment. As a result, overall cost of borrowing for Q3 FY26 declined to 10.3%, representing a 92-basis point reduction year-on-year. This steady downward trajectory in funding cost enhances margin stability, strengthens profitability, and provides greater flexibility to scale the loan book responsibly particularly in small ticket and MSME lending where pricing discipline and cost efficiency are critical.

In conclusion, Q3 FY26 underscores our ability to scale responsibility while strengthening the foundation of long-term growth. Our disciplined approach to small ticket lending, supported by a resilient operating environment, expanding distribution footprint, and consistently strong asset quality continues to deliver profitable growth. As we accelerate our transition to an AI-first operating model, we are further sharpening risk calibration, speeding up decision making, and enabling scalable execution across geographies and products, positioning Paisalo for a sustainable compounding in the years ahead. We thank our investors and stakeholders for their continued trust and support as we build a more resilient, technology-led and financially inclusive company.

With this, I will now hand over to Harish Singh, our Executive Director and CFO, to take you through financial performance in further details. Thank you.

**Harish Singh:**

Good afternoon and thank you. I am pleased to present Paisalo Digital's financial performance for the third quarter and nine months of FY26. We closed Q3 FY26 with a record Asset Under Management of INR 55,082 million delivering 16% year on year growth and reflecting steady expansion across our core income generation and MSME lending segments. Disbursements during the quarter stood at INR 10,574 million,

underscoring sustained underlying credit demand and consistent sourcing momentum. Total Income for the quarter increased to INR 2,401 million, registering 18% year-on-year growth, while Net Interest Income rose to INR 1,453 million, up 19% year on year. This performance reflects a combination of portfolio scale-up, stable yields and improving funding efficiency.

On the profitability front, we delivered our highest ever quarterly Profit After Tax of INR 663 million representing 6% year-on-year growth and a 29% sequential growth. Profit before tax stood at INR 888 million, reflecting the benefits of disciplined cost management even as the business continued to invest in distribution and technology. Returns remained healthy, with Return on Equity at 12.6% and Return on Assets at 3.8%, highlighting the strength of the business model and the ability to deliver profitable growth alongside ongoing investments.

For the nine months ended financial year 2026, Paisalo has delivered a strong and consistent financial performance, reflecting disciplined execution across sourcing, underwriting, and balance sheet management. Cumulative disbursement for nine months FY26 stood at INR 29,180 million, which grew by 21% year-on-year, supported by steady demand across income generation and MSME lending segments and improving productivity across channels.

For nine months FY26, total income increased to INR 6,828 million reflecting a strong year-on-year growth of 18%, driven by steady AUM expansion and improving funding efficiency. Net interest income for the nine-month period rose to INR 3,960 million and 18% growth year-on-year, which has translated into a cumulative Profit After Tax of INR1,650 million for nine months FY26, underscoring Paisalo's ability to scale profitability.

Asset quality continued to be pristine and best-in-class, supported by robust credit assessment and well-embedded collection architecture. Gross NPA and net NPA improved year-on-year by 27 bps and 18 bps, respectively to well-contained levels of 0.83% and 0.66%. Further, collection efficiency of 98.8% highlights strong repayment discipline and effective portfolio oversight across the portfolio.

Our balance sheet remains strong, liquid and well-capitalized, providing a resilient platform to fund future growth. As of Q3 FY26, total borrowing stood at INR 38,579 million, supported by a diversified and steadily improving liability profile. The cost of borrowing moderated at 10.3%, reflecting enhanced credit strength and disciplined liability management. Leverage remains prudent with debt-to-equity ratio of 2.22x, offering ample headroom to scale the balance sheet while maintaining financial stability. Further, our Capital Adequacy Ratio stood at a robust 38.3% underscoring strong loss-absorption

capacity and reinforcing our ability to pursue growth opportunities while remaining resilient to potential market volatility.

We have scaled our balance sheet meaningfully, expanded earnings and delivered record profitability, all while maintaining best-in-class asset quality, prudent leverage, and a strong capital position. While sustained demand across our core segments, improving funding efficiency, and a robust risk and operating framework, we remain well positioned to accelerate growth in a calibrated manner.

Thank you, and with that, let me hand over the call to the moderator.

**Moderator:** Thank you so much sir. Ladies and gentlemen, 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 will take our first question from Sandy Mehta of Evaluate Research. Please go ahead with your question.

**Sandy Mehta:** Good morning. Can you hear me?

**Moderator:** Yes, Mr. Mehta. Mr. Mehta can you hear us. It seems there is a connection issue we do not have a response from Mr. Mehta. We will move to our next question from Divyansh Thakur of Finterest capital. Please go ahead. Mr. Thakur, please go ahead with your question.

**Divyansh Thakur:** Sir, congratulations on a great set of numbers. So my first question was that you have guided for almost doubling AUM over the next three years. So given that quarter three disbursements grew only 7% year on year and AUM grew to over 16% year on year. So I wanted to ask what are the concrete levers beyond AI integration that will accelerate disbursement growth meaningfully. And sir what gives you the confidence that the business can sustain a 25% CAGR without compromising on the asset quality?

**Santanu Agarwal:** Thank you for your question, Divyansh. Can you repeat the second question? You were inaudible on the second question.

**Divyansh Thakur:** Am I audible sir?

**Santanu Agarwal:** Yeah. Yeah, you are audible. Can you repeat the question? Second question.

**Divyansh Thakur:** So, the second part was that, sir so first part was that disbursement grew only 7% and AUM grew about 16% year-on-year. Sir, so like what are the concrete levers beyond AI integration that will accelerate the disbursement growth meaningfully in the coming future and what gives you the confidence that the business can sustain a 25% CAGR growth without compromising on the asset quality.

**Santanu Agarwal:** Okay. Thank you for your question, Divyansh. So if you look at the scaling of our AUM, we have scaled at a CAGR of about 20% on a year-on-year basis between FY20 and FY25 while the PAT has scaled up at about a CAGR of 36% over the same timeframe. And if you take a 3-year AUM CAGR, we are at a 25% highly profitable franchise of 36% CAGR. In addition to that, when you look at the product and geographical expansion, we have doubled our geographical expansion over the last 3 years on a year-on-year basis and we have also doubled our product offering for the last 3 years on a year-on-year basis and we are going to be closing this year again by doubling our product suite by adding about five new products on top of the existing five products for which we already have some key institutional partnerships and three big pipeline partnerships with Eicher, Kirloskar and Sterling and Wilson. So a combination of all these factors, which is geographical expansion, product expansion and distribution will allow us to maintain our 25% CAGR of AUM expansion over the next three years and also remain a profitable franchise by giving a similar CAGR to all our stakeholders and investors.

**Divyansh Thakur:** Sir, so we will not be compromising on the asset quality, right?

**Santanu Agarwal:** Absolutely not. So if you look at we have been, we are one of the few NBFCs ,which has for the last almost since inception been focused extremely high on the credit discipline and credit distribution. So we remain confident on maintaining those same portfolio levels.

**Divyansh Thakur:** Okay, thank you so much. Sir second question was that, in the, if you see that our operating expenses have grown around 49% year-on-year, significantly outpacing the 19% year-on-year growth in net interest income sir so given the ongoing investments in technology, business and a wider distribution network. So could you please outline when the business expects the operating leverage to start kicking in and showing?

**Santanu Agarwal:** So see, we have like I was telling in the previous question also, we have doubled our geography, product, distribution platform as well as our technological stack. So all of that obviously requires the operational leverage go up a little bit. So in the medium term, we have guided that we will be maintaining almost similar operational leverages. And by the time we achieve our three-year strategic roadmap map outlook, we should see stabilization in these levels.

**Divyansh Thakur:** Okay, sir that is it from my end and all the best.

**Santanu Agarwal:** Thank you.

**Moderator:** Thank you so much. We will take our next question from Sandy Mehta of Evaluate Research.

**Sandy Mehta:** Congratulations on a solid set of results and more importantly, a strong outlook. First question is SBI reported strong results last week and they raised their loan guidance. So can you comment on your co-lending partnership with SBI? And you had earlier indicated that expansion into MSME loans would take place, I think on the fourth quarter currently or Q1. How is that going and what impact will that have going forward on your loans and profitability?

**Santanu Agarwal:** Thank you for joining in, Sandy. So yes, SBI did report a great set of numbers. Coming to the question, we are still bullish on our co-lending outlook. However, looking at the recent guideline which the RBI has released on co-lending, we are awaiting the outlook of the bank in terms of expanding the same. So although we had guided that the new SBI-MSME co-lending partnership shall start from quarter 4, we are still in the process of integrating our systems with their systems and hopefully we should be able to start it in quarter 1 as of now.

**Sandy Mehta:** Okay, and if that does start, what kind of jump in loans do you expect or what kind of activity do you expect with that?

**Santanu Agarwal:** Our target is irrespective of how and where we are sourcing. So we should be able to achieve the same irrespective of the agreement getting live in quarter 4 or quarter 1. That tie-up should aid in additional incremental growth over the existing targets.

**Sandy Mehta:** And my second question is, can you comment on the outlook for your net interest margins given lower interest rates in the overall economy? Talking about re-pricing of loans we have seen that the cost of borrowing has come down, but what are you seeing on the repricing of loans, please?

**Santanu Agarwal:** So see, we have been able to raise about Rs.188 Crores last quarter in a mix of NCDs and CPEs at 8.5%, which has been a fairly good achievement for the company. In terms of our NIM outlook, we had projected and guided for about a 6% NIM achievement on the full year basis. So we have already achieved the same. So we are going to maintain the same for this year.

**Sandy Mehta:** All right. Okay great. Thank you. All the best.

**Santanu Agarwal:** Thank you.

**Moderator:** Thank you so much. We will take our next question from Mr. Anurag Patil, who is an individual investor. Mr. Patil, please go ahead with your question. Yes, Mr. Patil, please go ahead.

- Anurag Patil:** So thank you for this opportunity and congratulations for a good set of numbers. So my first question is, according to your presentation on the slide 26, you have mentioned that you are also now offering a new loans against new products, right? About five new products. I want to understand if the yields on these products are similar to the previous or existing offering that you were doing.
- Santanu Agarwal:** Thank you Anurag ji, thank you for coming, taking on the call. Yes, the yields will remain largely the same.
- Anurag Patil:** Okay, thank you. And my second question would be, you have guided that you want to reduce the cost of borrowing further. So I would like to understand what is your strategy for getting this done?
- Santanu Agarwal:** So see, as you saw in the last quarter, we raised about Rs.188 Crores at 8.5%, which were between a combination of NCDs and CPs. So the company is going to be actively targeting the same segment. And we are very proud to also say the fact that other than more than one-and-a-half lakh shareholders that the company has now the company has also more than 2,000 debenture holders. So leveraging on that existing distribution platform that the company has been able to successfully build over the last one year, we feel that a combination of NCDs and CPs will help us further reduce the cost of funds. Thank you.
- Anurag Patil:** So the cost of borrowing will further go down right from around 10 odd percent right now. And you are taking up now about 8.5%, your borrowing funds on 8.5%. So it would further come down as I understand.
- Santanu Agarwal:** See, I cannot give an exact future outlook, but I can tell you this much that our full year target for this year cost of borrowing, which was given in quarter one of this year was 10.5%. So we have already achieved it and we are at 10.3%.
- Anurag Patil:** Okay, that is it from my side. Thank you.
- Moderator:** Thank you so much. We will take our next question from Rahul Gupta of Alpha Capital. Mr. Gupta, please unmute your microphone. Please go ahead.
- Rahul Gupta:** Sir my first question is on ROA. So it dropped from 4.4% to 3.8% YoY. What is causing this decline and can the business sustainably return to 4% plus ROA while still investing heavily in AI and distribution sir.
- Santanu Agarwal:** Hello. Yeah, Rahul ji, you are not audible. Can you repeat the question?
- Rahul Gupta:** Yeah, so my question is on ROA. ROA dropped from 4.4% to 3.8% YoY. What is causing this decline and can the business sustainably return to 4% plus ROA sir?

**Harish Singh:** Yeah, actually, our total balance sheet size has increased by around 30% in comparison to the previous financial figures. So, you will find a little bit drop in that particular figure, but we hope to get back the same within the next coming years, you can say. Actually, we cannot give forward looking any further statement in this regard. Thank you.

**Rahul Gupta:** So my next second question is on the states. So the states, the five geographies like Delhi, Maharashtra, Haryana, Rajasthan and UP, they account for 90% of our portfolio. So what risk mitigation exists for this geographical concentration?

**Santanu Agarwal:** So see, Rahul ji, if you look at about, if you look at a three year, four year scale over the last four fiscal years, you will see that on an overall basis, the concentration of Delhi, UP, Maharashtra, Haryana and Rajasthan has been pretty much coming down on a year-on-year basis, wherein we have actually gone from having a strong portfolio concentration in Delhi and UP to being able to reduce almost all these states below 20% except Delhi, which we should be also able to reduce and have added about 8.2% in the other states where we are expanding our geographical presence. So if you look at it from a long-term standpoint, it is very difficult to compare Uttar Pradesh with let us say a state like Goa because the population density and the people progression is totally different. So, while we do expect to have geographical expansion and portfolio concentration further getting reduced, wherein each state is contributing less than 20% on the overall level, we do still expect some of these large states with high population density to be a big contributor to our growth.

**Rahul Gupta:** Okay, sir, but my question came because our like touch points are going up but the diversification is not increasing, sir.

**Santanu Agarwal:** Absolutely. So, see the touch point structure is based on three parameters, which is the branch, distribution point and business correspondent point. So, branch for us is OpEx and CAPEX driven business. Distribution point for us is only OpEx driven business while business correspondent for us is no OpEx, no CAPEX business. Typically, when we enter a geography, we will enter it through a Business Correspondent, try and see what is the banking literacy, offer Banking-as-a-Service there, figure out what kind of expansion we can do and then tie up at a OEM level on the distribution point. So lets say if we are entering a state in Kerala, while we may have two or three branches in Kerala, it may not be a big enough state for us to have a concentrated geography platform there. So that portfolio of Kerala will be parked to the nearest branch in Karnataka which is a large contributor of the state and being merged there. As the state expands in terms of branches, distribution point and business corresponding point, it starts to give a concentrated outlook on the geographical platform. So over the next three years, you will see that this strategy will play out well and each trade contributing less than 20% on the overall book. So that should be able to answer your question.

**Rahul Gupta:** Okay, sir. Thank you.

- Moderator:** Thank you so much. We will take our next question from Harkirat Singh, who is an individual investor. Mr. Singh, please go ahead with your question now.
- Harkirat Singh:** Yeah, my first question is like, what percentage of our loan is below one lakh rupees?
- Santanu Agarwal:** What do you mean what percentage?
- Harkirat Singh:** Like the loan amount that you have, we are disposing the loan, you have an AUM of more than 5,000 crore. So what percentage of your loan amount is below 1 lakh?
- Santanu Agarwal:** In terms of numbers or are you asking on a portfolio level?
- Harkirat Singh:** Portfolio level.
- Santanu Agarwal:** 25%.
- Harkirat Singh:** 25%. Okay. And like you have raised around Rs.188 Crores. So what percentage of the raised amount is used for portfolio expansion or for refinancing?
- Santanu Agarwal:** The entire money raised will go into portfolio expansion.
- Santanu Agarwal:** And the liquidity levels remain strong. If you look at our ALM position on all three ALM buckets, we have surplus liquidity available. So whatever the company is raising is all gearing the company towards an expansion.
- Harkirat Singh:** Okay. And third question is regarding FCCB, like foreign currency bonds that we issued. So last presentation, you have said like 4 million have been converted into the shares, right? So what is the company's approach regarding the remaining amount? Would they prefer to convert into the shares or held till maturity?
- Santanu Agarwal:** So see the FCCB conversion option lies with the investor. So if you ask what is the company point of view, yes, we would absolutely like the investor to not only that has participated in this debt risk to also participate in the equity rally in the company, but the decision to convert lies with the investor, not with us.
- Harkirat Singh:** So like you are, you must be in touch with the investor. So what are their views? Can you share?
- Santanu Agarwal:** Yes. The investors are bullish on the company and will look forward to converting their shares with the passage of time.
- Harkirat Singh:** Okay. That is all from my side. Thank you very much.

- Santanu Agarwal:** Thank you, Harkirat ji.
- Moderator:** Thank you so much, Mr. Singh. We will take our next question from Mr. Abhishek Jaiswal, who is also an independent investor. Mr. Jaiswal please unmute your microphone, yes please go ahead. Mr. Jaiswal can you please go ahead with your question.
- Abhishek Jaiswal:** My question is like, I can see some very good sort of increase year over year in Assets Under Management and then there is a lot of increase in like a lot of good work done to sort of improve the touchpoints, but I see that like sequentially, our disbursements are coming down, right? And total income has only got up by 7%, like quarter over quarter, which is okay, but I see disbursements kind of taking a hit. And the other point, my other question is related to the other income, the commission, the non-interest income. When I see that non-interest income from the like from the first release, it is not present in the investor presentation. I think that has completely vanished. Right. So can you give color on like what is going on, on these two questions?
- Santanu Agarwal:** So see, so to address the first point, if you look at the disbursement cycle on a 9-month cumulative basis, they are up about 25%. Sequential degrowth that you see is slightly there because we could not disburse the entire lot before the end of the quarter, which have been rolled over to the next quarter. In terms of your other income outlook, the other income has primarily gone down due to the changes in the co-lending agreement as per the new RBI policy. Once that is up and running, we should see that growth starting again.
- Abhishek Jaiswal:** I see. And like, what is the communication from SBI? I think there was a question, but I could not understand, like, what is the communication from SBI or a lack of it with respect to this arrangement?
- Santanu Agarwal:** SBI is extremely bullish on the arrangement and so are we. It is just that the new policy requires some additional compliance from the regulatory point of view. Once that regulatory compliance is achieved for, we should be able to expedite the same.
- Abhishek Jaiswal:** And that compliance is tech related, integration or?
- Santanu Agarwal:** It is both tech related at integration level, it is at a borrower level also. Like for example, I can give you a couple of compliances that instead of opening a single loan account, now it is required that both bank and NBFC open their own 80:20 accounts or 90:10 or 60:40 accounts as well as run a mirror account of the entire account on a single level. Second is the arrangement of credit bureau reporting. Third is that the bank's KYC norms being complying and being integrated into the NBFC's compliance norms on a back-to-back disbursement level that has to be achieved. So because of all of these, both NBFC and the banks are in a process to comply with the regulatory guidelines before aggressively expanding the same.

- Abhishek Jaiswal:** Understood. I think this does require more tech integration for sure and that might be some work. So I understand. Thank you.
- Santanu Agarwal:** Thank you Abhishek.
- Moderator:** Thank you so much. We have our next question coming in from the line of Deepak Rao of KNR Securities. Please go ahead Mr. Rao.
- Deepak Rao:** Thank you for the opportunity, sir. So, the question I had was in respect to inorganic opportunities. So, you had mentioned that you will be actively evaluating inorganic opportunities to accelerate market entry and add complementary capabilities. Can you just clarify what specific adjacencies or asset types you are targeting? What valuation discipline you intend to follow and what kind of synergy you are looking to add with these acquisitions.
- Santanu Agarwal:** Thank you Deepak for logging on the call. So I cannot make a comment on the same, but I can tell you this much that from a point of view of geographical expansion, product fit and a strategic outlook, we are looking at expanding inorganically as well.
- Deepak Rao:** Sure, sir. Any further detail you can provide on what kind of further acquisition we are looking at any sort of color?
- Santanu Agarwal:** Deepak ji, we will share the details as and when something materializes.
- Deepak Rao:** Sure sir, thank you so much.
- Santanu Agarwal:** Thank you.
- Moderator:** Thank you. We will take our next question from Mr. Anurag Patil, who is an individual investor. Mr. Patil, please go ahead with your question now.
- Anurag Patil:** Yeah so my first question is I see the promoter has been increasing their stakes for a bit time so I would like to understand, is there further plan to do that? Secondly, are there any plans for bonus issues or buyback schemes to raise the sentiment of the stock in the market?
- Santanu Agarwal:** See Anurag ji, so the promoters have this year added about 4.7% on a fiscal year basis and 0.5% of that is in Q3 alone. If SEBI allows the promoter to increase their stake by 5% in a fiscal year basis so we are very close to that. So that is number one. We have gone from about 26% in FY19 to now holding about 41.7% as of 9 months FY26. So yes, we believe a lot in the company, we believe in the franchise model, we believe in the sustainable growth that we have, and we believe that what we are doing is right. So yes, the promoters have

increased due to their strong belief in the company. From a buyback and other point of view, there is no such plan under consideration right now.

**Anurag Patil:**

Thank you for that answer. So my second question is on the collection efficiency point of view. So I see from Q3 FY25, we were about 99 and we have been doing pretty well and we are at about 98.8%. So I would like to understand this from an industry perspective, we are doing really well compared to our peers as well. So we have to understand what are the key drivers in our collection efficiency being better than our competitors.

**Santanu Agarwal:**

See there is a large in-house data management infrastructure which plays a key role in the high efficiency collection efficiency of Paisalo. So to give you a couple of things over there, we have a predefined collection path for field staff, we have backend collection support, we have branch manager and legal support, we have AI and ML analysis for collection performance, and we have automated collection triggers based on geo-spatial mapping. But on top of that, we have three stages of known stages, which is normal initial stages of delinquency and NPA level, wherein we have three or four different kind of parties involved which range from all the way from tech driven to legal recovery team. Also the third important point is a large part of the sales incentive which is accrued by the sales team is only paid for once there is a collection performance on the branch and on the state level as a whole, which ensures that the sales team is as focused on collection as it is on recovery, as it is on disbursements. So a combination of all these factors ensures that we are maintaining a robust collection efficiency.

**Anurag Patil:**

Thank you for that answer. And if I could squeeze in another question, from NPA perspective, I see in FY23, FY24, our GNPA was about 0.25 and 0.21 and NNPA was about 0.02 and 0.02 in FY2024. So it has come up substantially up now, but I understand because we were facing on industry level there was stress in microfinance and MSME so can you help me understand if this would go down to somewhere close to that or would it remain stable somewhere here?

**Santanu Agarwal:**

Anurag ji if you look at FY23 and FY24, they were extraordinary years for the company because what the company wrote off versus what was recovered far exceeded the provisioning levels. So that is an extraordinary one-off year. If you look at that 26 year, 25 year track record of the company, wherein you look at the cumulative gross NPA and net NPA levels, you will see that as a standalone performance and a cumulative performance, we have been able to far outperform our peer group by having a gross NPA level maintained at extremely good levels of below 1%. Also, if you look at the industry as a whole, we have been able to maintain our asset quality really well. And on top of that, if you look on a sequential quarter-on-quarter basis, we were able to reduce our loan loss and provisions by 54%. So which goes to show that we are actively looking to work on the same

and we will continue to maintain good levels. We have always guided for less than 2% NPA levels and we are far, far below our guided range.

**Anurag Patil:** Yeah, thank you for that answer. That is it from my side.

**Santanu Agarwal:** Thank you Anurag ji.

**Moderator:** Thank you so much. As there are no further questions, I would now like to hand the conference over to Mr. Santanu Agarwal for his closing comments. Over to you, sir.

**Santanu Agarwal:** So we thank all our shareholders, investors, analysts and Arihant Capital for taking part in the Q3 FY26 call as we build on the strong momentum while remaining firmly committed to our target of improving financial growth. Our presentation again has been uploaded on the Stock Exchange and is available on the website. We hope you have had the chance to review it and thank you again to Arihant Capital, our investor, analysts and stakeholders for participating in this call.

**Moderator:** Thank you, members of the 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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(This document has been edited for readability purpose)

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