Date: October 30, 2024

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BSE Limited, **Phiroze Jeejeebhoy Towers, Dalal Street,** **Mumbai- 400001** **Scrip Code: 544044**	**National Stock Exchange of India Limited,** **Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E),** **Mumbai – 400 051** **NSE Symbol: INDIASHLTR**

Sub: Transcript of the Earnings Conference Call for the Quarter ended September 30, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that the transcript of the earnings conference call for the quarter ended September 30, 2024, held on October 25, 2024 is available on the website of the Company.

The transcripts can be accessed from the link given below.

https://www.indiashelter.in/investor-relations

Further, we confirm that no unpublished price sensitive information was shared/discussed in the meeting.

You are requested to take the same on record.

Thanking you.
Yours faithfully,

For India Shelter Finance Corporation Limited

MUKTI CHAPLOT Digitally signed by MUKTI CHAPLOT Date: 2024.10.30 14:05:57 +05'30'

Mukti Chaplot
Company Secretary and Chief Compliance Officer
Mem. No. 38326

"India Shelter Finance Corporation Limited Q2FY25 Earnings Conference Call"

October 25, 2024

MANAGEMENT: **MR. RUPINDER SINGH – MD & CEO**
MR. ASHISH GUPTA - CFO
MR. RAHUL RAJAGOPALAN - HEAD, INVESTOR RELATIONS

MODERATOR: **MR. RENISH BHUVA – ICICI SECURITIES**

This is a transcription of the earnings call conducted on 25th October 2024. The audio recording can be accessed using the following link, https://www.indiashelter.in/investor-relations

Moderator: Ladies and gentlemen, good day and welcome to the India Shelter Q2FY25 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant line will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Renish Bhuva. Thank you and over to you, sir.

Renish Bhuva: Welcome to India Shelter Q2FY25 Earnings Call. On behalf of ICICI Securities, I would like to thank India Shelter Management Team for giving us the opportunity to host this call.

Today, we have with us the entire top Management Team of India Shelter represented by Mr. Rupinder Singh – MD and CEO; Mr. Ashish Gupta - CFO and Mr. Rahul Rajagopalan – Head, Investor Relations.

I will now hand over the call to Mr. Rupinder for "Opening Remarks" and then we will open the floor for Q&A. Over to you, sir.

Rupinder Singh: Thank you, Renish. Very good evening, everyone. On behalf of the Company, I extend a warm welcome to all of you. Thank you for joining us on the call today.

We delivered another quarter of consistent performance with sustainable growth in our AUM. The continued performance in this quarter is on the back of improved volume growth, stable productivity, sustained margin, stable credit cost and improved return ratios.

Let me start with some broad macro updates:

We see demand and growth potential is there in Tier-2 and Tier-3 cities. Government policies are supporting. The New Pradhan Mantri Awas Yojana scheme will help in maintaining the growth momentum in future also. Calibration made in the Interest Subsidy Scheme with regards to the payment of subsidy over 5 years will help in a better attention of quality customers. On the other hand, in case of balance transfer, such beneficiary will not be eligible to claim the benefits of Interest Subsidy scheme if it moves from one bank to other bank. Further details on the scheme are expected shortly in a month or so.

Though we are not directly exposed, we are hearing that stress is building up an unsecured lending market. We are keeping our eyes and ears on ground and monitoring situations carefully.

At overall portfolio levels, we are tracking the tradelines of our customer regularly. Our predictive risk models are helping us in elevating the collection efforts well in time, wherever required.

In our portfolio, DPD 30 plus have now stabilized around 3.5%-3.6%. We expect to remain around this level in Quarter 3 before seeing a reduction in Quarter 4. Rise in delinquency is limited to a few geographies like Madhya Pradesh in our case. Issues were internally to our manpower. We have strengthened our team in these areas and results are expected to kick in in 3 to 6 months.

On the liquidity side, we are comfortably placed given the recent equity rates and rating upgrade. However, given the overall liquidity position and market, we feel that interest rates will remain elevated for some more time before seeing some softening as we reach 2025.

There are some regulatory punitive measures for NBFC sector in recent time, but we feel that may be good for long term as it will make the NBFC sector stronger and resilient to face macro headwinds, if any in coming times. We were strong governance, risk and compliance team to make sure that business is compliant with regulatory expectations.

Moving on to the Operational Highlights:

Our AUM crossed Rs. 7,000 crores. We have 93,500 plus customer on book. We continue to source internally with in-house sourcing of 98%. 100% of our book is secured with only two products, which is home loan and loan against property. Basis our conservative approach, LTV on the book remains 52%. 90% of our AUM is from Tier-2 and Tier-3 cities. 78% of our fresh disbursements are towards self-employed customers.

Moving to the Results for the Quarter:

We are pleased to report an AUM growth of 36% year-on-year to Rs. 7,039 crores supported by disbursement growth of 30% year-on-year to Rs. 828 crores. As discussed during the previous calls, we plan to add 40-42 branches during the year. On that note, we have added 24 branches during this quarter. We opened 6 branches in Maharashtra, 4 in Chhattisgarh, 4 in Rajasthan, 4 in South and one branch across other states. Majority of our branch opening was done in the first half of the year as this will help us to achieve breakeven levels by the end of the year and operating leverage starts picking in soon.

On Profitability Metrics:

PAT came in at Rs. 90 crores, registering a growth of 50% year-on-year. Return on equity improves to 14.8% from 14.3% in Quarter 1 Financial Year'25. We continue to maintain our guidance what we indicated during our previous calls that is branch addition of around 40-42 for the year from which we have already opened 37 in the first half of the year, maintain margins at around 6%, credit cost of around 40 bps and loan growth of around 35%.

Now, I would like to hand over a call to Mr. Ashish Gupta - our CFO, to take you through the Financial Metrics.

Ashish Gupta: Thanks, Rupinderji. Good evening, friends.

Let me take you through the Key Financial Numbers:

AUM as on September 24 is at Rs. 7,039 crores, year-on-year growth in AUM is 36%. Quarter-on-quarter AUM growth is at 8%. Total income for quarter is up by 35% year-on-year driven by growth in AUM. Quarter-on-quarter, total income is up by 9%. Portfolio yield is at 14.9% year-on-year up by 20 basis points. Our disbursement yield for H1 is at 15%.

Our cost-of-fund is stable at 8.8%. Our marginal cost of funds for H1 is at 8.9%. We have an undrawn sanction of Rs. 450 crores from National Housing Bank which we are planning to draw in H2. The same will help us to improve the proportion of NHB funding in our borrowing mix.

During the quarter, we have got a rating upgrade from ICRA. Now, we have AA- rating from all three rating agencies that we have. Our lending margins are consistently above 6%, in line with our guidance for the medium term. Our year-on-year growth in OPEX is lower than the growth in AUM, resulting in better cost ratios. OPEX to AUM for the quarter is at 4.4% down by 20 bps year-on-year.

The cost to income for the quarter is at 37% down by 340 basis point year-on-year. Credit cost for the quarter is 50 basis points, which is broadly in line with our guidance. DPD 30 is at 3.6%, Stage 3 assets are at 1.2%, marginally up by 10 basis point as compared to the last quarter. PCR for Stage 3 asset is stable at 25%. Our total ECL is Rs. 56 crores as against the regulatory threshold of Rs. 34 crores. Thus, the adequate buffers are in place. PAT for the quarter is Rs. 90 crores year-on-year up by 50%, quarter-on-quarter up by 8%.

The ROA for the quarter is 5.6%. It is stable quarter-on-quarter basis. ROE for the quarter is 14.8% at the leverage of 2.7x. It is up by 50 basis points quarter-on-quarter.

With this, I conclude and now we can open the floor for Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Raghav Garg from Ambit Capital. Please go ahead.

Raghav Garg: My first question is on MP I think you partly answered, there were some trouble in Madhya Pradesh if I heard it correctly, can you elaborate a little bit more on that as to what exactly was the issue? I think you highlighted something around manpower.

Rupinder Singh: So, there was a transition change which happened in that particular geography. We had divided our geographies into 6 various zones that depend upon the size, team that with the zones has been created among which has been who these six zones takes care of the 15 states which we are operating around. So, Madhya Pradesh is one of that states. We saw attrition which happened around a year back and I think some impact because we couldn't find a right set of leaders and that collection implications also happened because of some senior folks moving out and some branches not meeting the expectations number. And that way there was some buzz around because of which now we have taken corrective action, and we had a senior leader along with some quite a few senior folks who are having a good understanding of collection piece as well as a few people getting moved internally who will be going to take care of this piece. So, now thing is any course correction and should take 3-6 months to resolve. We tried to stabilize 30 DPD to 3.5%-3.6% which we were able to in the month of September. Now, going forward we will plan to take it back to the same place where we want to.

Raghav Garg: So, out of this, I think after my estimate, your net slippage for the quarter was around Rs. 14 crores, how much of this was because of Madhya Pradesh or whatever this transitional problem that you are seeing or how much would it have contributed to this Rs. 14 crores?

Rupinder Singh: So, I think 60%-70% comes from there.

Raghav Garg: So, ideally, adjusting for this, net slippages have reduced and that is what I think you are referring to that by Q4 things would be back to normal?

Rupinder Singh: Yes, that is prerogative. As we put the operation piece properly, there is always challenges when you work in market about the portfolio, team and people and I think we are quick to understand and do course correction and whatever these implications have come to, I think we are confident to take it up on time and we would be able to manage it out.

Raghav Garg: And your securitization margins seem to be pretty high compared to the peers. Is it because that you securitize a lot more of the non-housing loans or is there some other reason to that?

Ashish Gupta: Yes, you are correct. So, we do securitize only non-housing loans wherein the yields are in the tune of around 15.5% and our cost of fund is close to 9%. So, we are getting around 6.5% kind of yield which we are upfronting, but that is if you look at year-on-year basis, quarter-on-quarter basis, those margins are broadly stable.

Raghav Garg: And just the last question, the cost of funds is still flat, right? Generally, we have been hearing from you that there should be 20-25 bps benefit because of the rating upgrade, so that and then the cost of funds will be flat. How should one look at it? How should we model the cost of funds going forward?

Ashish Gupta: So, Raghav, earlier we have like assumed that the market rate is going to remain stable. But if you look at the trend of MCLR of few of the large banks you will see that in the last 12-month kind of time banks have increased their MCLR by around 40-50 basis point. So, that is offsetting the benefit that we are getting because of our rating upgrade and in fact our rating upgrade from ICRA has just came in the month of August. So, technically we have got a full rating upgrade from all three rating agencies now. So, I believe that by the end of the year, we should be able to see about 10-15 basis point cut in the overall cost of fund.

Moderator: Thank you. The next question is from the line of Varun, Company is Kotak Securities. Please go ahead.

Varun: My question was regarding the fee income. It appears to be a little high this quarter. Is this going to be the normalized run rate, or do we see it normalizing to a different level? And the next one is on the assignment income, so is there any hike in volumes or is just this is what we can expect going forward?

Ashish Gupta: So, on the DA income, the hike is broadly in line with growth in our AUM. So, in fact, if you look at our DA percentages as a percentage of total AUM that is broadly similar at around 16% year-on-year, quarter-on-quarter basis. So, there is no change in the overall volume. The growth is just with respect to the business growth like only. Secondly, coming back to your question on the growth in the fee income, there are two key drivers for that. One is co-lending. So, in this co-lending business, we have 100% share in the fee income. So, whatever processing fees that is coming from this business, we are 100% retaining that. So, co-lending at this point of time is around 6% of our total disbursement. So, that is helping us getting better fee income year-on-year basis as the volumes are picking up. Secondly, we have got our corporate agency in the mid of this first half. That is also helping us get some better fee income and we believe these numbers are sustainable from here.

Varun: So, that 6% is on disbursements or on AUM right now, the share of co-lending?

Ashish Gupta: Share of co-lending is 6% is on disbursement and that AUM it is at around 3.4%.

Moderator: Thank you. The next question is from the line of Adityapal from MSA Capital Partners. Please go ahead.

Adityapal: So, I am a bit new to the Company and wanted to understand the unit economics of our branch. If you can quickly explain when does the branch breakeven? At what AUM, what is the OPEX of a mature branch and how long does it take for a branch to mature? And I see that you are presenting more than 3 years, so at more than 3 years vintage what will be the OPEX to AUM of a branch if you can quickly help me explain that?

Rupinder Singh: So, any branch when we open, we generally have a set of team which is bare minimum team which is required to set up a branch. So, normally a Branch Manager with 3-4 Loan Officers supported by Credit Manager as well as Branch Operation Executive, what we call Operation Manager or called Customer Service Manager. So, these are the bare minimum set of people who start the branch, we open it in any of the geography. So, as the branch goes there is addition of the people in terms of the business team as well as once it reaches a certain level there is addition of people in terms of the collection team. If the branch is large, there is also an addition in terms of a technical manager. Having said so, if there is a new branch and there are a couple of branches around him which are also equally new or small, then there is some sharing of resources in terms of Technical Manager or Legal Manager. This is the basic structure of any branch. Branch breakeven comes anywhere between 8-9 months from the start of the branch. So, OPEX of any branch is around Rs. 25 lakh annually, which we spend, that is on average, somewhere it will be little low, somewhere little more depending upon size, location, geography, rentals and things around that piece. So, 8 to 9 months, branch starts getting breakeven. So, we have divided three categories, in the first year of operation, they disburse anywhere around Rs. 75-80 lakh monthly disbursement. As they go to the next level between 1-3 years, they stabilize anywhere between Rs. 1-Rs. 1.1 crores of monthly disbursement and once they stabilize, which took almost 3 years, they cross the number of around Rs. 1.2 Cr monthly. This is the way the branch works on that piece and instead of focusing more on what is the AUM they produce, we always focus on what is the capacity the branch can run with in terms of getting a new acquisition, new customer month on month. Our expectation from any average branch is that they should disburse at least 10 units in a month basically on the disbursement side and a good decent branch should disburse 12-13 and once branch reaches to the stable number it should do 17-18 units, then it is a peak time for the branch and beyond that we try to segment the branch and open a nearby branch to this existing branch to give up more penetration in that market and get a more use from that market. This is the way largely our operation operates on that side.

Adityapal: And so if we exceed 17-18 units per month, we try to divide the branch into two teams, correct?

Rupinder Singh: Yes. So, what we do for example is a branch and one geography and demand is coming very high, then we see in the nearby vicinity maybe 40 kilometers or 50 kilometer away from that branch. We come with the new setup, so this way we meet the requirement demand of the market there as well as what you said the processing activity is also being diverted in such a fashion. So, there is not a burden on one single branch for a heavy processing side because in any branch we will have a one Operation Executive or Credit Manager.

Adityapal: And sir, just last couple of questions. So, do we disburse close to Rs. 828 crores this quarter, what would be the split across our three vintages of branches, one year between 1-3 and more than 3?

Rupinder Singh: So, largely in this quarter, we have sourced monthly 3,000 fresh customer, if you talk about which we added here basically. If you talk about on the vintage side since our more than three years branches are 126, so major ratios which is almost 60% of business comes from them, then 1-3 branches that will be around 20% and remaining comes from up to one-year branches.

Adityapal: And sir, as on date, if I were to look at the split between employees, what would be, how many RM do we have, how many branch credit officers do we have and in terms of the central credit team, what is the team size and sir, additional question to that will be that when we have a central credit team, what is the capacity of that team that it can do a disbursement per month?

Rupinder Singh: So, every branch we have a dedicated branch Credit Manager. So, today we have 260 branches, then our credit team across will be more than 260 because some larger branches may have more than one branch Credit Manager and same is the number of branch operation executive in each branch. That is one piece. If we talk about the centralized team, the centralized team has one dedicated operations team which is centralized operation team which processes the disbursement when the things happen and one hindsight team which are majorly having a role of checking the proposal once they get approved. So, this hindsight team constitutes around 19-20 people as such, which are focused on basically verifying all the checks and balances there to maintain what is getting processed from the branch side. Once they give clearance on the form of sanction, then the role of the operation team comes in form of disbursement. That is again a team of around 50-60 in the head office to do that process.

Adityapal: So, I didn't get, how many RMs do you have as on date out of the 3704 employees that you have?

Rupinder Singh: Almost 1700 people are team people since we sourced directly in market over 98% of sourcing is a direct sourcing. So, we have a pretty large people across these 260 branches. So, if you take out the average of 4-4.5 that comes up to 1600 people.

Adityapal: And are you seeing any increase in competitive intensity in terms of BT outs?

Rupinder Singh: So, I think our BT rates are consistent from last 7-8 quarters in it, around 6% that is being maintained even now this quarter also we maintain the same level approximately.

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

Renish Bhuva: Sir, just a couple of questions from my side. One on the small ticket LAP loans, right? So, I am referring to Slide #18 wherein we have shared the cuts as per the ticket size. So, less than Rs. 5 lakh loan exposure stands at 8% and I am assuming this will be the customer segment wherein some of the customers might be overlapping with MFI or any other unsecured business loans. So, what are the trends in this portfolio with respect to collection or early package DPD?

Rupinder Singh: There are no specific trends in terms of the ticket size. In fact, we have observed in our case the larger ticket has shown some stress compared to the smaller ticket size. That is number one. Largely, it is a set of customers which anyway have collateral which is free from any encumbrance before taking a loan from us. The ticket size is low, but please appreciate that the LTV of 40%-45% with a property value of Rs. 14 lakhs to Rs. 15 lakhs. So, they have small business activities, they are largely in Tier-3 market and Tier-4 where we operate into that. But seeing with the lens of MFI will be difficult because they are something which has clear title of the property and they are looking for loans for small activities. In fact, in our case, we found the credit culture in these kind of customer to be almost at par with what is the average ticket size of Rs. 10 or Rs. 12 or Rs. 15 lakh.

Renish Bhuva: And in general, let us say 40% of our LAP portfolio is also behaving in a similar manner how HL portfolio is behaving?

Rupinder Singh: LAP portfolio has a little higher delinquency than actual portfolio if you ask me. That is the trend which I have seen currently, but this we have seen because of multiple seasonality factor. As season gets changed festivity start coming up, business activity picks up. The trends also seem to have changed across because same was the trend last year, same was the trend last to last year. The LAP has this kind of distinction. There will be always a gap of some basis points between |LAP and HL in that case.

Renish Bhuva: So, there is no sign of any stress buildup or anything in LAP as such?

Rupinder Singh: I won't say it is because LAP or because HL as products per se, but yes currently if you say we require more efforts to do the collection, this has been a trend which has been observed. But the good part is that LTV is comfortable here. So, there is always a propensity to cover it quicker.

Renish Bhuva: And sir, just last question on the yield side, right, so we have been sort of sustaining this 15% odd yields, how confident we are about sustenance of this kind of yield going forward, given now our base is also for relatively higher, let us say a year back?

Rupinder Singh: Renishji, we always believe in maintaining the spread of 6%. We are maintaining 6%-6.1%. So, I think if there will be benefit of cost of fund in future, then definitely would like to pass on to this customer. So, these are the levers that we have to keep operating, but yes, I think as you are going more into Tier-2, Tier-3 markets beyond Tier-3, Tier-4 markets, there is always a scope of sustaining this kind of piece. That is the answer which you might be looking for.

Renish Bhuva: I mean follow up on that. So, I am just asking because since we run a pretty large, fixed book, right, and hence if one has to assume a rate cut maybe over the next 6-8 months, ideally we will be in a better position to sustain yields as compared to industry, right? And hence our spread could be higher than let us say, the guidance range of 6%, is that the fair assumption?

Rupinder Singh: So, one thing is that this transition is happening, definitely that would be benefit for some time. So, you will always feel that the margins will be maintained. But overall, as we progress, we always try to take advantage to give back to the customer in terms of maintaining those prices.

Moderator: Thank you. The next question is from the line of Adityapal from MSA Capital Partners. Please go ahead.

Adityapal: Wanted to double check on the previous participant’s question, so this 1.2% Stage 3 assets, what would be the split between our home loans as well as the loan against property product?

Rupinder Singh: Normally, we don't split in terms of product, but yes if you want to know broadly then I think it will be between 1.1% to 1.15% would be HL and 1.35% to 1.4% would be the LAP.

Adityapal: And also going a bit more granular, so in Madhya Pradesh, the pain point is coming more for LAP customers or more for HL customers?

Rupinder Singh: Both side. It is not because of customer side; it is because of a propensity to execute in that side.

Adityapal: And it is a more macro related issue?

Rupinder Singh: It is more on the operational side that we have to activate ourselves where there are some changes which we built up and that result is there to come around that side.

Adityapal: And sir, broader question would be, you highlighted this in your opening remark, so RBI has come a bit strong on at least the unsecured lending space, do you see and more importantly there is a visible slowdown as well in the macro scenario. When we look from the consumption perspective, do you see any instances of our disbursement growth slowing down from here?

Rupinder Singh: I think if you see the affordable housing particularly talk about India Shelter, 18%-20% are new to credit also. That is the kind of customer that we fund into. And this set of customer, they prepare to take this loan not a month or two months back, but they have this wish or dream to have the home and they keep building their equity base till the time they reach that point and once they decide to take this property which they call home, they look for a support in terms of home loans from the companies like us. So, when we are maintaining the LDs of 55%-60%, which means there is a lot of say from customer side in terms of equity infusion there basically. So, largely it is not a matter with a month or two months they will divert from their plans or think around that piece. So, I don't think unsecured plays any role in the growth trajectory or in taping the growth in the home loan market per se. This is altogether different segment. They behave independently to each other. Yes, overall financial institutions are considered keeping these products under single basket. That is there. The rest of things are not being linked to that extent.

Adityapal: No, because I completely understand that you are very well capitalized to achieve this growth rate, but more importantly, the demand is not going down that you are seeing on the ground?

Rupinder Singh: Not exactly, demand is not going down. That is in fact this quarter, this has been the highest ever disbursements for many of the housing finance Company, including us.

Moderator: Thank you. The next question is from the line of Omkar Panchal, an Individual Investor. Please go ahead.

Omkar Panchal: What I wanted to first ask was the split between the self-employed customer, so what is the split between self-employed non-professional and self-employed professional?

Rupinder Singh: We hardly have a self-employed professional. We are actually catering to the set of customers when they are not normally a part of larger financial inclusion. They have a small business activity in the Tier-2, Tier-3 market and to fulfill the dream of having their own homes, we are there to support them. That is the first thought on which we work around basically. So, self-employed professionals, we talk about they are being catered by the prime customer in the prime markets. In this category of customers you deal, they are on the outskirts of larger peripheries. So, you will not find self-employed professions around that side. You hardly have anyone.

Omkar Panchal: And with respect to branch expansion and your strategy, so what I can see from your branch expansion from March to now, most of the branch expansion are in Rajasthan, Maharashtra, Uttar Pradesh. So, are we concentrating on the North and Western region or are we going to be spread out across states? How is that looking?

Rupinder Singh: We have more than 40 branches in the South, and they are coming out in a very promising way and both numbers growth wise and everything is giving a very good output in that sense. So, we don't have this concept that we have to be North based, or West based. We feel that we have to have our strong distribution presence across the country that we are driving around basically, and we are getting the results around that side.

Omkar Panchal: But are we focusing on any specific reason or just you need to be broad based across wherever you see opportunities because?

Rupinder Singh: Opportunities are there wherever we find that is always there. We definitely do some market study, understanding whether it is viable to open branch as of now, immediately or we will have to take some time around. Those things are internal strategic point, but for wherever the opportunities are there in 15 states, we are not expanding beyond these 15 states as of now, but we look forward.

Omkar Panchal: No, what I wanted to understand was, are we going into areas which is for example in Rajasthan the 7 branches that we added were they deeper expansion branches or were they the new locations in areas where competition was not there or we are in competing with others that is what I was trying to understand, broad based expense that is going to happen, is that going to be focused on new areas or competing areas?

Rupinder Singh: So, largely where the mortgage possibility exists, so there is a market response that is the first and primary focus. Again, the structure is largely being created among these 15 states. So, we don't have much of logistics challenge. We see that the market has been tested already in terms of vicinity of already existing branch that always gives more comfort in that sense, basically. So, we evaluate those markets and accordingly open. So, we don't distinguish that we have to capture certain market as the only Rajasthan or North or only South or West. That is not the game plan altogether. That is all together where we find the opportunity in the areas of operation we already exist, we try to experiment ourselves.

Omkar Panchal: And finally, on the OPEX to AUM, where do you see that because if you say that you are going to add the 40-45 branches every year, where do you see it stabilizing over the next 2, 3, 4 quarters down the line?

Rupinder Singh: So, every year we are adding 40-42 branches. Earlier the base was small on which we were adding 40-42 branches. So, a year back we were adding may be on the base of 180 branches, we are adding 40-42 branches this year, we are adding on the base of 220 branches, 40-42 branches next year. Next year, again the 265 numbers will be added on this piece. So, as the base is going which means this is going to taper down when you talk about OPEX, particularly because the major investments have already gone into the structures and other things. So, you can easily see every year-on-year you can find 20-25 bps of OPEX support into that side. So, we started this year at probably 4.5% and you can see coming up 4.25% as we close the year.

Moderator: Thank you. The next question is from the line of Manav, an Individual Investor. Please go ahead.

Manav: Sir, what do you think about the ROE number shaping up for the next 3-4 quarters?

Rupinder Singh: Manav, we raised equity in December 2023. Because of that, our leverage today is quite low. We are having a leverage of around 2.6. We are going at a rate of 30%-35%. So, at the closure of Quarter 4 last year, we were at 13.8%. Previous quarter we were at 14.3%. Today, as we closed September number, we are 14.8%. I think this is going to be definitely an improvement that is there. But if you talk about the next four quarters or maybe something like that, you will find it is going by quarter-on-quarter, maybe some 10-15 bps improvement quarter-on-quarter. So, this is the game which has to play a little long. So, what we see is the long horizon of 2-3 years. If once we reach that level with the leverage which is stretching 4%-4.5%, almost same number which is coming around the ROA you can expect that time from 16.5%-17%.

Manav: And for the disbursement, sir, any guidance?

Rupinder Singh: So, you can assume, we look forward 30%-35% of annual growth on the AUM side. So, that is something we should look forward.

Moderator: Thank you. The next question is from the line of Ajeesh J L from the Company of Investor Things. Please go ahead.

Ajeesh J L: Sir, my question in affordable housing finance sector in long term risk could be there? Like we are seeing a little bit of risk in microfinance so in the long-term what kind of risk can we assume?

Rupinder Singh: The biggest risk which can come up is that the demand is not coming from the market, that is which I don't think is going to come very soon, at least not for the next 3, 4, 5 years. Demand is picking up, typically the kind of product and kind of segment we are in is affordable. Anyway, anywhere for the business that can be long term risk what I see. The second risk is liability side, once you reach certain scale, how important that is the biggest risk and third risk is the people risk, which is always there in any kind of large operation setup which is there. These are the important risks which you can come around. Otherwise, if you are prudent in terms of corporate governance and the regulations, know-how very well while operating it, you should not worry about this because this business actually has a lot of longevity on that side.

Ajeesh J L: If there could be rate cuts from the RBI side how is this going to impact our Company?

Rupinder Singh: Cost of fund will come down, that will have a positive impact.

Ajeesh J L: Where do you want to see the Company in the next five years in terms of AUM**?**

Rupinder Singh: So, we grow by rate of 35% for the next 5 years, so you can estimate where this AUM can actually go.

Moderator: Thank you. The next question is from the line of Omkar Panchal, an Individual Investor. Please go ahead.

Omkar Panchal: So, currently, we have a monthly run rate of Rs. 270 odd crores. How long do you think that will it take for us to reach Rs. 300 crores and how are we thinking to scale it up? That was the first one?

Rupinder Singh: So, we have two major levers, one is productivity on the ground for the existing branches which we open. So, every year since we are adding 40-42 branches, their productivity is going up as we mentioned earlier also that every year there is improving productivity in such branches, once they start stabilizing. So, there is one big gear to it. And definitely we have planned to open for next few years, 40 branches year-on-year. That is the other lever which is going to affect us. So, last quarter the productivities was in tune of around Rs. 250-255 crores, this quarter it is Rs. 270 crores. So, we would like to catch up as early as possible on that side also.

Omkar Panchal: Is it possible for you to share what is the per employee productivity or maybe per branch productivity, the number of files that you do?

Rupinder Singh: So, monthly, if you talk about per branch, the number of customers which are being approached for the loan are around 25-30 customers. What we are able to typically disburse is 10-11 units per branch on a month basically. These are the two important parameters that we work and judge on terms of what is the output coming around. So, I think that gives you some idea exactly how this productivity drive happens. In any given branch, there are 3-4 average loan officers with one branch manager and one credit manager and operation manager. This is a team size in branch.

Omkar Panchal: Approximately 50% conversion rate will be correct to understand.

Rupinder Singh: Little less than 50%. So, it is not touching 50%, but it is around that.

Omkar Panchal: And with respect to credit cost, the credit costs have more or less been stable at 40 bps, 50 bps. Do you see it continuing from the same over the next 2-3 years or will it drop?

Rupinder Singh: So, that is our prerogative. That is the key what we are striving and driving around to maintain it.

Omkar Panchal: So, the credit cost will remain at 40-50 bps over the next two years and then before?

Rupinder Singh: Yes, that is the thought all about.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Rupinder Singh for closing comments.

Rupinder Singh: Thank you everyone for taking your valuable time for attending our Earning Call. We will keep you posted for any further updates. Also, an audio recording and transcript of this call will be uploaded on our website in due course. Looking forward to hosting you all in the next quarter. If you have any further questions or require additional information, please feel free to reach out to us. Wishing you all a Happy and Prosperous Diwali in advance. Thank you so much.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.