Repco Home Finance
REPCO HOME FINANCE LIMITED.
CIN : L65922TN2000PLC044655

RHFL/SE/60/2022-23 **17th November, 2022**

BSE Limited
Phiroze Jeejeebhoy Towers,
26th Floor, Dalal Street,
Mumbai-400001
BSE Security Code: 535322
Kind Attn: Listing Department

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai- 400051
NSE Symbol: REPCOHOME

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 15th November, 2022

Ref: Our letter No. RHFL/SE/57/2022-23 dated 11th November, 2022 and RHFL/SE/59/2022-23 dated 15th November, 2022

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 15th November, 2022.

The aforesaid Transcript will be made available on the Company's website www.repcohome.com.

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We request you to kindly take the same on record.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

ANKUSH TIWARI
Digitally signed by ANKUSH TIWARI
Date: 2022.11.17 15:34:29 +05'30'

Ankush Tiwari
Company Secretary & Compliance Officer

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"Repco Home Finance Limited

Q2 FY '23 Earnings Conference Call"

November 15, 2022

MANAGEMENT: **MR. K. SWAMINATHAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – REPCO HOME FINANCE LIMITED**

MODERATOR: **MR. RAJIV MEHTA – YES SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Repco Home Finance Q2 FY'23 Earnings Conference Call hosted by Yes 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajiv Mehta from Yes Securities. Thank you, and over to you, Mr. Mehta.

Rajiv Mehta: Yes. Thanks, Roshan. Hi, everyone, and thank you for joining in Repco Home Finance earnings call. Firstly, I would like to thank the management for giving us this opportunity to host them. We have with us Mr. K. Swaminathan, MD and CEO and the entire top management team. Now I would like to hand over the call to Mr. Swaminathan for his opening remarks and company's performance, post which we will open the floor for questions. Over to you, Swaminathan sir.

K. Swaminathan: Thank you, Mr. Rajiv. Welcome to the Repco Home Finance earnings call for the quarter ended September 30, 2022. I have with me the entire top management, my Chief Operating Officer, Chief Development Officer, and all the General Managers, along with Mr. Bala. I would like to recall the priorities for the current year, which I envisaged in first conference call with the address. namely that we wanted to bring back the growth momentum with asset quality. Our targets are reasonable.

And now six months down the line, I'm happy to announce that we have carried the momentum, gained in the previous quarter, that is the June quarter forward in the current quarter as well. The loan sanctions and disbursements recorded a robust sequential as well as year-on-year growth. Year-on-year growth came on a decent bit of previous year numbers. The loan sanction increased 20% sequentially to INR 839 crores from INR 691 crores in Q1. Disbursements too increased to 16% sequentially to INR 745 crores as compared to INR 642 crores in Q1. On a year-on-year basis, the loan sanctions and disbursements increased by 58% and 50% respectively. You may add here that this quarter that is from the September quarter, there has been no inorganic growth in the form of loan pool payouts.

Strong disbursements combined with moderating repayments reflected in annualized sequential AUM growth of about 7%. The repayment ratios, including the regular repayments, has stabilized at around 18%. To give you the breakup of the repayment ratio of 18%, the regular principal repayments have accounted for 6% and the rest is attributable to prepayments as well as foreclosures. The AUM crossed the INR 10,000 crore mark and stood I think at INR 12,068 crores as of 30th September. As stated to you in August, we took a couple of rate hikes during Q2.

As a result, average yield on loan sanctions rose 31 basis to 10.1%, even as the product mix remained the same. We reported loan spreads and margins at 3.4% and 4.8% during Q2, above our guided levels of 3% and 4.3% respectively. We will continue to monitor the moment in our cost of borrowings and we strive to pass on the change if any to our customers. With the bulk of our asset portfolio set for interest rate reset in Q3, we expect the ratios to improve slightly in the current quarter.

The cash flow impact of rising interest rates on our existing customers is limited as we tend to adjust the loan tenure than increase the EMI. However, stability in inflation number gives us confidence that the interest rate cycle maybe called soon. The profit grew sequentially 15% to INR 71.2 crores in September 2022 quarter, driven by higher margin and lower credit cards. We earned ROA of 2.0% as against 2.1% in Q1 and an ROE of 13.3% as against 11.9% in Q1.

The main nonperforming assets that is the GNPA rose marginally by 10 basis points sequentially to 6.5%. The net NPAs that is NNPA fell about 40 basis points and now stands at 3.8%. The GNPA provision coverage registered a 6% sequential improvement to 43%. Overall, ECL provisions increased to 25 basis points to about 4.25% of the loan book. The contingency provision that we created in the previous quarter, of namely INR 20 crores was used to make specific provisions in Q2.

As highlighted during our previous discussions, the payment holiday of the accounts restructured in 2021 ended in Q1 of this current year. I am very, very happy to announce that the company has done a remarkable job in containing slippages from restructured as well as making significant recoveries in the non-restructured NPA book to ensure stability in the GNPA ratio quarter-on-quarter. As I shared with you earlier, the possible slippages of this restructured book was our biggest worry which is now out of the way.

A total of INR 175 crores out of the restructured book of INR 700 crores calls did slip, but sizable recoveries in the GNPA portfolio offset the impact. The balance between our exposure to self-employed and salaried segment stood at 51% and 49%, respectively, more or less as in the previous quarters. Similarly, the share of non-core signals, that is lab, stood about 19.54% of the loan book. The cost-to-income ratio moderated by about 40 basis points to 23.5% in Q2 FY'23.

The total capital adequacy ratio remained comfortable at 34.1%. As regards to branch growth, we opened two branches and three new satellite centers in Q2, taking our distribution network to 185, comprising 160 branches and 25 satellite centers. The liquidity position is comfortable, as we are carrying around INR 425 crores in cash and bank deposits. In addition, we have around INR 1,250 crores of unutilized lines of credit from banks and NHBs.

I summarize the key financial highlights for the half year ended September 2022. The loan book is standing at INR 12,063 crores, registering about 2% growth quarter-on-quarter. PAT for the half year has surged 13% year-on-year to INR 133 crores. The ROA and ROE stood at 2.2% and 12.6%, respectively. Core profitability has remained strong with strong spreads and margins of 3.4% and 4.7%, respectively. The GNPA is standing at 6.5% with a coverage ratio of 43%. I thank you all for listening patiently. I'll be very, very happy to answer any of your questions. Thank you.

Moderator: Our first question is from the line of Akash Jain from Moneycurves.

Akash Jain: And I think this quarter's results have been a pleasant surprise given the worry that I think you also alluded to regarding the restructured book in last quarter. I think it was a very, very pleasant surprise that we had less slippage and significant recovery to still manage the 6.5% overall GNPA. My first question is now that the worrisome quarter is behind us, do you see any significant slippage going forward? And what will you think your year-end GNPA number will look like? Because I think we were a little cautious in giving a very positive number for the year given where we were on the restructured book, but now that you have had strong recoveries, do you see we'll be significantly lower than 6.5% by the end of the year?

And also, if there are any more worries on slippages from restructured book? And that is the first question. The second question, Swaminathan, is again, on little bit of growth. So obviously, we have had a very strong disbursement growth this quarter, but it has also come at the expense of a decline in spreads and NIMs. You had briefly touched upon it in your opening remarks. But can you people throw a little more light in, whether the reduction in spreads is because we are trying to keep our customers from breaking out or even a lower rate is offered to customers would increase disbursement. How is this whole lending rate panning out?

And where do you see long-term ROA and ROE trending to given the fact that the earnings will be a little more subdued as per the new path we have taken, but formally will have more AUM growth and so operating leaders can expect et cetera. So maybe a little bit of where do you see maybe one or two years down the line in terms of overall instant ROAs and ROEs, that is very useful.

K. Swaminathan: The voice was not pretty much audible, especially the later part. Anyhow, I'll try to answer you. The first question is regarding the restructured portfolio, right? See, the restructured portfolio, I should say, that the worst is over. See, out of INR 700 crores, some INR 175 crores have slipped, after the remaining INR 100-odd crores have actually come out, it is fully clean, there are no overdues, either they are closed or no overdues.

Around INR 300 crores is still in overdue position, but we are not having much worry as far as this particular pool is concerned because these are all the customers who have started repayments. Already, they have paid two to three installments. There may be overdues, but they have started repayments, so we are very much confident that this pool of accounts, which are still in Stage 2 but not in restructured category will definitely move, so we are very much confident going forward, this restructured portfolio may not give us the pain which we had foreseen in the second quarter.

So going forward, with the pain of this restructured portfolio behind us, we expect the slippages ratio to come down in the coming quarters. If I can recall, we had told the NPA book of INR 700 crores by 31st of March, we are confident that we will be able to reach these numbers safely, because as of now, we are at INR 786 crores. We are confident that we will be able to reach well in advance as far as this INR 700 crores. We may even surprise if we even reach this number as far as our NPA book is concerned. I think second, you were not fully audible, any way I could understand that regarding this BT out, I think you were asking about these BT out issues...

Akash Jain: No, sir. I can repeat it again if you want, so it was more about NIMs and spread coming down and whether it's the combination of...

Moderator: Mr. Jain, could you switch to your handset while asking your question, if you're on a speaker phone.

Akash Jain: No, I'm on handset only. I'll give it one more try. Let's see if it's audible. So the larger question was on NIMs and spreads. So obviously, we have been having a problem of BT out. So maybe some sort of reduction in interest rates have come because of clients, we are trying to not have our customers go out. Maybe we are offering lower spreads and yields to attract new customers for growth. I'm just trying to understand where are we on NIMs and in the next two, three years, where do we see us on NIMs and on ROA and ROE? I think that's the basic question, sir.

K. Swaminathan: Okay. See, as you would have seen, the interest flow is slightly compared to year on year, September '21 to September '22, things have come down. This is because of the conscious call taken by the management to ensure that these BTs are reduced as much as possible. We are happy that as far as these BTs is concerned, there is some start of a stability, of course, going out, we cannot prevent.

But many of the cases, which was around INR 120 crores or INR 140 crores has now come down to around INR 80 crores. It has now come down and stable around INR 80 crores, INR 100 crores. Going forward, we still feel that this number will still come down. And especially during the second quarter, our interest rates are comparable with the best in the industry in the particular industry compared to our peers. So this BT is, I can say that slowly, we are coming out of this problem as far as BT is concerned.

On the positive note, we should also say that we are seeing some traction in BT in, that is we are taking over some of accounts from other housing companies. We saw last quarter around INR 30-odd crores, we took over from other companies. So this will also happen. So BT still can happen, but it is not causing us problem as we used it here in the previous quarter, as far as BT is concerned.

The NIMs and spreads, yes, the NIMs and spreads will keep increasing in the coming quarters. I already told in the preliminary speech, see, we do the interest rate resets every half year, bulk of the interest rate resets happen in April and October. So this is the third quarter, bulk of our accounts will get an interest rate reset as the interest rates have gone up in the period in the last half year.

Definitely, the spread will be better in the third quarter vis-a-vis the second one. So the NIMs also will go up in the third quarter. Going forward, we feel the NIMs will reach that to this 5% thing which we are hoping for original plan in the first quarter whatever we said. So we are confident that the NIMs will go back to the 5% category. That will not be a big issue. We are confident of reaching the NIM. Same way, the spread. We are passing on whatever the interest rate that is happening in our cost of borrowings. we are passing on most of the things are getting passed on to the customers, especially because to repeat whatever I said in the last quarter, most of our borrowings are MCLR-based and the resets happen not immediately after every RBI phrases.

So based on that, we also phase out our interest rate resets depending on our costs. So the interest rate reset for our customers do not happen immediately. So this way, we are able to spread out our interest rate resets to the customers. So we are hopeful that this interest rate will not be a big issue as far as BTs are concerned. And especially when most of the other lenders are immediately passing on the interest rate resets, and there's a time lag as far as our company is concerned. We feel that this BTs is not going to become a big issue in the days to come. I think I have answered your issue.

Akash Jain: Can you give some targets for ROA and ROE for the next one or two years? Where do you see ROA and ROE settling given the worst is behind on growth as well as on credit cost?

K. Swaminathan: As for as NIM is concerned, we want to maintain at around 5% or above 5%. Okay. Spread, as far as spread is concerned, we do not want to give a larger number. It will be around 3% range. NIM, we had set up around 4.5%, we may reach around 5%. But as far as spread is concerned, it will be ranging around 3% because we do not want to have a larger spread and there may again start BTs. So we want to be competitive in the industry.

Moderator: Next question is from the line of Sanket from B&K Securities.

Sanket: My question was on NPA accretion this quarter. So there was about 150 bps which slipped from restructure book. And for our NPA to move up just 10 bps, there were recoveries of 140 bps or closer to 150 bps recoveries from the existing NPA pool that we would have had. What led to such sharp recovery, sir, what was the details of it, if you can elaborate maybe how much was recovered through SARFAESI or how much was through your collection? So what led to such sharp recovery?

K. Swaminathan: Actually, since we anticipate that there's going to be a problem in the accounts restructured, we geared up our machinery as far as recovery is concerned. Okay. So even though the slippage was around INR 150 crores from the restructured book, we were able to contain the slippages from the non-restructured book DMA INR 21 crores. That was, I should say, the first part of the recovery efforts. The second part of our recovery efforts is in the actual collection of our interesting core NPA accounts that is non-restructured portfolio. We collected something like INR 148 crores in the current quarter itself. This happened on various fronts. See, we issued something like 1,200-odd notices under SARFAESI.

We issued some threatening letters to the customers. We asked our branches, see, everything happened through branches, so we asked our branches to meet all the NPA customers one by one, one by one. So it's collective effort on all the fronts because the customer felt this company is not going to sleep as the rest of the company becomes NPA. So that way, we were able to mobilize the entire machinery towards recovery and that proved in our recovery of INR 148 crores, a record I should say, in the core non-restructured portfolio. So this, we were able to continue NPA only because of these reasons.

Sanket: So if we go by that, maybe and if we are confident on the no further slippages from the remaining restructured book or maybe whatever is there in now Stage 2, then by year-end I think the Stage 3 numbers that you are guiding should be around 5%, right? We are just guiding 6% now as a...

K. Swaminathan: You are right. We may end up around 5% because there will be growth in the denominated assets, so most likely, we will be around 5%.

Sanket: Okay. And sir, on margins, if I heard you correctly, you said that you will try to maintain margins at 5%. Last quarter, I think we were guiding for 4.5% on a blended basis. So is there a change there? Or how should we see it?

K. Swaminathan: As far as for the percent, we are having a margin of around 4.75% the current half year. Going forward, it will be in the range between 4.75% to 5% around that rate same range.

Sanket: And finally, on cost of funds, while we have not seen any meaningful increase as far as our borrowings from NHB and commercial banks is concerned, but in case of Repco Bank, the cost has actually come down quarter-on-quarter. So while I want to know how the cost will move from NHB and commercial bank also in the next couple of quarters. But what led to this anomaly in terms of the cost from Repco Bank actually coming down sequentially?

K. Swaminathan: See, we bargained. Actually, we bargain with every institution including our parent. So we bargained, we could get some interest rate concession from Repco Bank. Same bargaining, we are taking with other banks as well. We try to maintain our cost at the lowest.

Moderator: Sanket, do you have any further questions?

Sanket: Yes, no. Those were all the questions from me.

Moderator: Our next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Sir, first question, just to get clarity on Slide number 12, which has OTR assets. So basically, what has happened is that you have got only INR 20 crores slippage from your non-structured book and because of around INR 150-odd crores collections in the NPA pool, we were able to sort of compensate for the restructured assets, which slipped into the gross NPA pool. Is that the right understanding?

K. Swaminathan: Correct. You're right.

Sarvesh Gupta: And now for the breakup of this 6%, so this 6% is INR 700-odd crores. You are saying that around INR 175 crores has slipped and around INR 100 crores, you said is closed. Those accounts have been recovered and closed. Is that the right understanding?

K. Swaminathan: No, they have come out, recovered and closed means...

Sarvesh Gupta: Full collection has been done...

K. Swaminathan: Some accounts have been closed, some are current.

Sarvesh Gupta: So that INR 100 crores has been collected, so that INR 100 crores and INR 175 crores makes an INR 275 crores. And then you said INR300 crores is still in Stage II, etcetera, but they have started repayment. So what is the expectation in the coming few quarters of how much can slip from this INR 300 crores pool?

K. Swaminathan: I don't have exact number, Mr. Sarvesh. I don't have exact number, but I'm confident the impact will be minimal. That much I can say. I am unable to give you a specific number of how much it will slip out of this restructured portfolio. But I'm confident now that the these customers have started repayments, the impact will not be all that much.

Sarvesh Gupta: So they have made more than one EMI payment? So they have made more than few EMI payments to the company?

K. Swaminathan: Yes.

Sarvesh Gupta: And all this addition, INR 175 crores slip plus INR 100 crores closed and INR 300 crore in Stage 2, all this adds up to INR 575 crores. What is the status of the remaining INR 125 crores?

K. Swaminathan: I just said approximate. I can tell you the exact number. I said INR 300 crores roughly INR 388 crores there will be something here and there, more or less it's around 388, I said INR 100 and odd crores, it is actually INR 138 crores.

Sarvesh Gupta: So basically, INR 125 crores plus around INR 400 crores, so that is INR 525 crores and INR 175 crores have slipped adding up to INR 700 crores. INR 400 crores in Stage 2, INR 125 crore closed and INR 175 crores slipped. That is the breakup of the INR 700 crores.

K. Swaminathan: Yes. Not exactly INR 400 crores, it is less than INR 400 crores. And some may be even one day overdue. It's not that everything is, 1 to 30 days are also there, 30 to 60 days are also there, 61 to 90 days are also there. It's all combination of everything. I don't have an exact breakup of each and everything, but it's slightly less than INR 400 crores and these people have started payment.

Sarvesh Gupta: And now on the growth part, sir. So of course, we have seen good growth in the sanctions and disbursements. But the overall loan book growth has still been muted, primarily because of this 18% sort of repayment ratio that we have. So now on the other target that we had that we should reach to around INR 13,000 crores sort of a loan book. Now given in this quarter, we were able to sort of increase the loan book by around INR 100 crores, INR 200 crores only. So do we expect the loan book to grow by another INR 1,000 crores net of everything in the remaining two quarters?

K. Swaminathan: Yes. See, we expect a disbursement of around INR 1,600 crores in the next half year, that is the third and fourth quarter, approximately around INR 1,600 crores. Our repayments will be somewhere around INR 2,000 crores. So book growth will be approximately INR 600 crores from the current level. So we said INR 13,000 crores, we will be somewhere nearing INR 12, 700 crores, INR 12,800 crores, which is without taking into account any in or any purchases, okay? So it will be somewhere nearer if it go as per our schedule. If we are able to do something more than what we are anticipating, which we expect, especially because fourth quarter is usually our busiest quarter. In that scenario, definitely, we will be somewhere in the touching this INR 13,000 crores.

Sarvesh Gupta: So around INR 12,500 crores, INR12,600 crore loan book, with a 5% sort of gross NPA is what we are expecting?

K. Swaminathan: Not INR 12,500 crores, it will be more than INR 12,500 crores. See, we are already nearing INR 12,100 crores, so another INR 600-odd crores will be the book growth even in the normal situation, okay, if you are able to accelerate in the coming months. We will be somewhere in the touching this in INR 13,000 crores. And our NPA seen around INR 700 crore or even less than that. So INR 700 crores divided by INR 13,000 crores, you can...

Sarvesh Gupta: 5.4%.

K. Swaminathan: 5.4%. We are hoping that we will be somewhere nearer.

Sarvesh Gupta: And any plans that you have made for the coming next financial year? And what is the sort of expectation? And what do we need to do differently in the coming financial year to take it to slightly higher loan book growth trajectory from mid to maybe 10%, 15% plus growth trajectory in FY'24?

K. Swaminathan: Yes, Mr. Sarvesh, it is still in drawing book stage I should say. We are still working out. We had to go to the Board. We had to go to the Board sometime in January, February to workout the strategy for the next two or three years. Definitely, we will inform you in the conference call of March, the entire plan.

Moderator: Our next question is from the line of Kunal Shah from ICICI Securities.

Kunal Shah: So firstly, in terms of Stage 2 assets, what is the overall pool size? And how much is the provisioning against this Stage 2?

K. Swaminathan: Stage 2 is INR 1,605 crores and provision is INR 116 crores.

Kunal Shah: INR 1,605 crores.

K. Swaminathan: Yes. Provisioning is INR 116 crores.

Kunal Shah: And provisioning is INR 116 crores. Sir, INR 1,605 crores on INR 12,000-odd crores. So that's almost 13-odd percent. Did I hear that number right? INR1,605 crores?

K. Swaminathan: Yes, I understand your question. We will definitely see an improvement in the coming quarters. Immediate that is to bring it in single digits. And going forward, it will be still less.

Kunal Shah: And how much was it in the last quarter?

K. Swaminathan: We are rolling out some strategies, some plans are already there, and we are working out.

Kunal Shah: And how much was this in the last quarter?

K. Swaminathan: Approximately INR 1,800 crores, INR 1,700 crores approximately. And in the March quarter, it was something like INR 1,900 crores.

Kunal Shah: So even maybe post the recovery, so obviously, restructured book was classified in Stage 2. So there has been some recovery as well and there have been some slippage as well. So even after almost like INR 320-odd crores, INR 330-odd crores, it is coming down only by INR 70 crores, INR 80 crores, so there is still further additions, which have happened in Stage 2?

K. Swaminathan: I do not have the numbers. But one thing I would like to assure that as far as Stage 2 now that the restructuring issue is behind us, we're focusing better on the Stage 2 portfolio. And we will definitely see improvement in the coming quarters.

Kunal Shah: And so overall, in terms of these collections, which have happened, okay, outside of the restructured pool. So was there any one-off or we could see a similar kind of a traction in the collections going forward as well -- So yes, so I was just checking in terms of these collections, which have happened during the quarter. Was there any kind of a one-off wherein it was more intensified or there were pool of assets which got collected? Or this is in the normal course of business and we could see the similar traction going forward as well?

K. Swaminathan: There was no one-off, it was all normal collections, piecemeal collections from various accounts. We did not sell any book.

Kunal Shah: And overall, in terms of yield, so you said we hiked it in April and in October. So what was the quantum in terms of by what average? And what would be the split maybe in terms of the fixed versus floating book for us? Or is it entirely floating?

K. Swaminathan: Fixed is very, very small, minuscule percentage of the entire portfolio. That's why we do not take that, almost all things are floating only, maybe around less than 5% maybe fixed. I think that too those are very old vintage. And even in those cases, our interest rates are very high, around 11% or so. So fixed is not an issue for us. As far as floating, almost all the things are floating.

Kunal Shah: And how much has the rate increased?

K. Swaminathan: Yes, rate increase. See, our MLR was 8.15% in April, May, and now we are 8.8%.

Kunal Shah: 8.8%, okay.

K. Swaminathan: This is the basic, I can call it, is the MLR, minimum rate increase, depending on the customer's profile, the interest rates may vary.

Kunal Shah: And these prices will be very next count or there is a reset figure. So from October, the entire book reprices to 8.8%?

K. Swaminathan: Maybe most every six months. Every sixth month, there is a reset. But when the reset clauses were introduced some to two or three years back, some 40,000 and odd accounts were in the pool. So those accounts get reset every six months at April and October. So the remaining 60,000 and odd accounts again to re-price every sixth month. So this 40,000 and odd accounts get re-price in April, October. So as we said, in October, when this 40,000 and odd account is get re-priced, our yield and spread also will kick off.

Kunal Shah: And the balance accounts you said, they re-price every?

K. Swaminathan: Every sixth month.

Kunal Shah: So then that should be some buffer, so what we see in terms of the increase in yields during the quarter, was there any element of recovery or interest and maybe some interest bookings which have been done on the collections? Was there any impact of that in the interest income?

K. Swaminathan: No, not much, that's not much, you mean to say whether we are passing on any interest concessions and all, is it that way you are asking?

Kunal Shah: No. I'm saying when there was collection, was there maybe any interest on bookings, which would have been done or interest income, which would have got accrued on the collections, okay, because collections were quite strong during the quarter.

K. Swaminathan: Correct. See, it is a normal way of collections. Maybe we would given some sacrifices as far as these penalties are concerned. We collect mostly on the principal bulk of the interest.

Moderator: Our next question is from the line of Rishikesh Oza from Robo Capital.

Rishikesh Oza: Sir, my first question is on how many branches are we going to open in this year and next year?

K. Swaminathan: This year may not be much, we are already doing surveys. Already, we have opened five centers. I think we have already told you. Maybe another five to six centers, maybe [inaudible 0:34:52] pure branches, it might grow this year. But next year may be larger, we have to go to the Board. We have already completed the surveys in our operated notified centers depending on the, we will do, but this year, we expect to open another five to six maximum 10 points this year. But next year, there will be a good growth. Because this year, as I told initially, it was more a period of stability, so we do not want to grow fast this year. Next year, we have had strategies including the geographical increase.

Rishikesh Oza: And sir, if you could please indicate on credit costs for the second half and for FY '24?

K. Swaminathan: FY '24 is still on the line, I think FY '24, it may take some time. As far as FY '23 is concerned, we had told it will cost of INR 100 crores. We have already done around INR 41 crores in the first half. But going forward, I'm happy that we may not require the remaining INR 59 crores, maybe less. I am unable to give you a number, but I assume the slippages are likely to be less hopefully, our credit cost may be also less in the second half. But I am unable to give you a specific number.

Moderator: Our next question is from the line of Bhuvnesh Garg of Investec Capital.

Bhuvnesh Garg: Just wanted to confirm the Stage II numbers that you gave. So if I heard it correctly, it is INR 1,065 crores for September '22, INR 1,700 crores for June '22 and INR 1,900 crores for March '22. Is that correct, sir?

K. Swaminathan: INR 1,600 crores. If I can correct. It is not INR 1,065 crores, it is INR 1,600 crores.

Bhuvnesh Garg: And other numbers are correct, right?

K. Swaminathan: Yes.

Moderator: Our next question is from the line of Sanket from B&K Securities.

Sanket: Pardon me if I missed that, sir, but we had taken some hike in June. So what was the quantum of that hike? And at what blended rate, we had on-boarded incremental disbursements in this quarter? And have we further done any rate hike in terms of yield in October or November?

K. Swaminathan: You see, October, I told you, we have increased by 20 bps from 8.6% we made it to 8.8% in October month. Otherwise, from April to September, we increased from 8.15% to 8.60%, 45 bps increase in the four quarters, average wise, it's increased by 1 bps...sorry, 99.4% was the incremental yield on housing and home strictly around 11.8%. Borrowing costs were more or less flat in the second quarter, in June and September.

Bhuvnesh Garg: From April to September, you said from 8.15% to 8.6%, the increase.

K. Swaminathan: April to September, and in October we increased to 8.8%.

Bhuvnesh Garg: But from June to September, how much it was out of the 45 bps that you have taken in first half in June, how much it was?

K. Swaminathan: I think April, May, June, we did not do. So whatever is the 45 bps was in the second quarter. But it was based, it was not in one shot, I think we increased in two slots, 25 and 20 bps. We do it once in a month. I think we did 25 bps in August and 20 bps in September.

Moderator: Our next question is from the line of Dev from Haitong Securities. We have a question from the line of Rajiv Mehta.

Rajiv Mehta: Yes, sir. So I had a question on growth. So we see growth coming back. We see disbursement going up at a run rate on a monthly basis also. So what is enabling this growth? I would want to understand what would be enabling changes done in the operations at the branch level? Maybe in terms of external channels of sourcing like DSA, DST, what has changed in terms of operations, which is bringing this organic momentum of growth and which we are confident about further accelerating in the coming quarters?

K. Swaminathan: Thanks, Rajiv. See, it was more a micro level management. One, we thought that the branch level branch officers, branch staff everybody needs to be endorse. So this whatever is incentive that we are giving, it was informed well in advance saying that you can achieve this much, you will get this much of incentive, that actually activated the fleet, that will attractive I would say. Second one is we decentralized our sanction process where even the regional officers are now sanctioning up to INR 35 lakhs.

So this is one where the tax becomes less, so the branches are more confident and coming to the customer, the time limit within which those loans can be sanctioned. Now the loans are sanctioned even within hour, even within hours from the time which is logged into the system, this is second.

Third one, we simplified the processes, see some legal, some duplication were there in our processes, we simplified these processes. So it's a cumulative setup of various things. In addition to that, our day-to-day way we manage how many files are being locked and how many files are getting sanctioned and all that. These are all the ways, this micro management has helped us in the overall picture.

So branch manager is now becoming more strengthened what will be the likelihood of a loan being sanctioned, what is the likelihood of interest and all that. So he is able to convey to the customer with more certainty and that helps. So we get new customers, we get repeat customers and all. And I am seeing the enthusiasm across board in specific locations across board. So this is giving us confidence that going forward, things will improve still further.

Rajiv Mehta: So sir, when I look at your geographical drivers of growth, Tamil Nadu as a proportion has gone up, maybe even AP has kind of slightly inched up. But the other geographies have not grown or as a proportion have come down, implying that they have not contributed much to growth. So I was just wondering that ideally, as you said that at most locations, ideally, we should have seen more activation towards growth, but it is only happening in Tamil Nadu and AP right now. So is it also a function of the underlying market? Has it also come into play? And would we see more multi-locational growth going ahead there?

K. Swaminathan: In Tamil Nadu, AP are new centers, Karnataka is also doing well, but Karnataka, it is slightly competitive, you know the industry is slightly competitive in Karnataka, that is why the AUM growth is little less in Karnataka. But South is our forte, so that is where our growth is happening, but we have activated places like Pune, Gujarat and all that. So going forward, these places also will contribute to the growth numbers.

Rajiv Mehta: So the new policies and the new processes are activated in all the branches and all locations.

K. Swaminathan: Yes. Maybe this decentralization has not happened in one or two centers, but that will all happen.

Rajiv Mehta: Sir, what are our average ticket sizes in home equity and home loan?

K. Swaminathan: As of now, it is around INR 19 lakhs, if it is a new sanction, it is INR 19 lakhs.

Rajiv Mehta: New sanctions is INR 19 lakhs for home loans.

Moderator: Sir, I'm sorry, we were not able to hear you clearly. Can you repeat the last statement...

K. Swaminathan: The incremental ticket rate that you saw for the quarter is 18.5% average, home loan and home equity and all that, but overall, including the existing book and all that, it is around 14.8%.

Rajiv Mehta: And sir, any shift in focus in terms of property profile because we are trying to grow. So are we trying to also fund some properties which are, say, slightly outside municipal limits...

K. Swaminathan: I think you are not audible, sir. Voice breaking.

Rajiv Mehta: Yes. Sir, any shift in property focus or any shift in customer focus. When I say property focus, are we looking at funding properties outside municipal limits also now? And when I say customer focus, are you looking at slightly more formal customer segment so as to get growth and for improving branch productivity?

K. Swaminathan: We have not overhead our standard, I'll -- point to make it clear, we have not overhead our standard for growth. That is one thing. We have not changed our policies as far as going to the customers. Whatever is the existing policies, we continue to maintain, we have not overhead, that is one. Second, because of our interest rates, since it is being competitive vis-a-vis the peers in the group, there is a possibility that some of these high ticket customers, some of the good quality customers are also coming to us who were not there with us earlier.

See, that is one of the reason maybe there is a slight improvement in the organic segment in our book. But it is not totally visible, but we are seeing some traction in that particular group. But otherwise, I'd like to tell you that there has been no change in the positive working growth. We continue to maintain the same standards, which we used to have. In fact, we have made some stricter standards. For high ticket sizes, we have made additional conditions whereby our people go visit the places and all that before disbursement.

Rajiv Mehta: Sure, sure. Just one last question, sir, from my side. We were thinking about introducing that new product for top-up loans, which would also help us in retaining customers who typically go out for an additional loan. And for good customers, have you kind of got that product in the branches now, the top-up loan product? And how are we offering it?

K. Swaminathan: Thanks for reminding. Yes, we have already introduced. It was already there, only thing is, we have simplified, we have reduced interest rates for such customers comparatively. So this is one reason why our BTs are slightly coming down.

Rajiv Mehta: And these top-ups, can you just elaborate what is the average ticket size of these top-ups? And what is the eligibility for the customer? And what kind of customers you would want to kind of retain through top-ups?

K. Swaminathan: I do not have a specific number, right, this is home improvement. See top-ups is normally around 50%, if I remember, right, around 50%. But here too, we also see this score and all that. It's not for everybody we are giving that thing, existing customer with a good track record with a good CIBIL score and all, we offer top-up with an interest rate concession, that's all, as simple as that. The existing portfolio with interesting property, they have top-up offer... by around 100 basis points.

Moderator: Our next question is from the line of Dev Shah from Haitong.

Dev Shah: So I just have one question. I wanted to ask you that since you all will be repricing your book and you'll have significantly repriced your book up to 8.6% and now 8.8% in October. In the next few quarters, do you still see the same kind of traction in loan disbursement as well as increase in loan book?

K. Swaminathan: I'm unable to get the question. See, we reprice based on our costs. Okay. We have more or less passed on whatever was the cost, we have more or less passed on to the customers. And today, our rates are competitive vis-a-vis our peers. So this is one reason which we feel that help us in increasing our loan book. I don't know that I have answered all your issues, but this is the basic thing. Our interest rates today are competitive because it's more MCLR-based borrowing. So our reset of our costs are also taking in stages. So we are also passing new stages. There is a lag effect between RBI's interest rates, RBI repo rate, and our interest rates, but we are able to pass on to the customer, and customer is taking it.

Moderator: Our next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: I think it is related to the previous question. So basically, like compared to the repo rate increase of around almost 2%, and most of the home loans given by banks have been increased by almost 2% in the last six, eight months, compared to that, your rates have only increased by 50 basis points. So you're right, the competitiveness of your loan rates have increased, which would have positively contributed to your disbursements in the past six months. So the question is that now that your repricing will also happen, do you see some moderation in your disbursement growth because of that because you were more competitive than banks because of very less increase in the interest rate that you had in your interest rates?

K. Swaminathan: Sarvesh, none of our borrowings are repo based, there's nothing are like, all are based in our any of our borrowings. Most of our borrowings are MCLR-based, that too repricing of our borrowings take place quarterly, some yearly, some half yearly and all that, okay. See, that is the advantage we have in our cost thing. That's why there is a transmission lag in all of our interest getting passed on to the customer.

So going forward, our customer profile, they don't mind an increase of 0.1% or 0. 2% because our profile is like that, it's not totally salaried segment of a high income criteria. So our people do not mind an 8.8% or 9% vis-a-vis the others. I don't feel that this interest rate will be an issue for our growth, I think, especially when on the others in the industry, they are also growing and they are also increasing and they are also increasing then and there. And that be the case, I don't find that this will be a limiting factor in our growth efforts.

Moderator: Our next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain: Some of data point questions, what is the incremental yield on housing loan and LAPs books, for Q2?

K. Swaminathan: Incremental yield in Q2, housing loan is...

Moderator: The line for the management is reconnected.

K. Swaminathan: Yes. Sorry Nidhesh, sorry for the delay. See, the incremental yield on our sanctions, I used say only sanctions, its 9.4% for home loans and 11.8% for home equity, average is 10.1%.

Nidhesh Jain: 10.1%, okay. So overall book yield is around 10.8%. So on the back book, the yield is slightly higher?

K. Swaminathan: 10.3%, no, book yield is 10.3%.

Nidhesh Jain: 10.3%. Okay. So we are broadly...

K. Swaminathan: 9.7% for home loan and 12.7% for on entire book.

Nidhesh Jain: Sure, sir. And secondly, sir, the restructuring book that we had when the restructured book start billing, how many months has the book billed?

K. Swaminathan: Three months.

Nidhesh Jain: Three months, only for these three months.

K. Swaminathan: Somewhat started in April, that means somewhat six months. So as far as the Stage II accounts are concerned, at least three months as they have paid.

Nidhesh Jain: And lastly, what is the BT out rate in this quarter and last quarter, what percentage of book has BT'd out in Q2 and...

K. Swaminathan: Around INR 80 crores.

Nidhesh Jain: Each in Q1 and Q2?

K. Swaminathan: Including, the BT is around INR 80 crores per month.

Nidhesh Jain: INR 80 crores per month. Okay. And then that run rate has come down or…

K. Swaminathan: We are taking in INR 30 crores.

Nidhesh Jain: INR 30 crores is BT out.

K. Swaminathan: BT in is around INR 30 crores approximately.

Nidhesh Jain: And this INR 80 crores number has been stable in the last six months or...

K. Swaminathan: Yes, it is coming down, it was INR 100 and odd crores if you remember in the month of April, it has come down to around 80, and it is -- the trajectory is going down.

Moderator: Thank you very much. Ladies and gentlemen, we take that as the last question. I now hand the conference over to the management for closing comments.

K. Swaminathan: Thank you. Thank you, Mr. Rajiv. Thank you, everybody, for all your support. We continue to expect your support for this organization. Going forward, we expect to maintain whatever is the details that we have already given. Thank you very much for the patience in hearing us. Thank you.

Moderator: Thank you very much, members of the management team and Mr. Mehta. Ladies and gentlemen, on behalf of Yes Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.