

RHFL/SE/86/2024-25

17th February, 2025

National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai-400 051
NSE Symbol: REPCOHOME
Kind Attn: Listing Department

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
BSE Security Code: 535322

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 13th February, 2025

Ref: Our letter No. RHFL/SE/77/2024-25 dated 3rd February, 2025 and Our letter No. RHFL/SE/84/2024-25 dated 13th February, 2025

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 13th February, 2025.

The aforesaid transcript will also 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.

This is submitted for your information and records.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

Ankush Tiwari
Company Secretary & Compliance Officer



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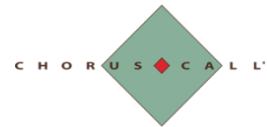
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“Repco Home Finance Limited
Q3 FY '25 Earnings Conference Call”

February 13, 2025



MANAGEMENT:

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

**MR. T. KARUNAKARAN – CHIEF OPERATING
OFFICER – REPCO HOME FINANCE LIMITED**

**MR. M. RAJA – CHIEF BUSINESS OFFICER –
REPCO HOME FINANCE LIMITED**

**MR. P.K. VAIDYANATHAN – CHIEF
DEVELOPMENT OFFICER – REPCO HOME
FINANCE LIMITED**

**MS. SHANTHI SRIKANTH – CHIEF FINANCIAL
OFFICER – REPCO HOME FINANCE LIMITED**

MODERATOR:

MR. RAJIV MEHTA – YES SECURITIES

Moderator:

Ladies and gentlemen, good day, and welcome to the Repco Home Finance Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Rajiv Mehta from YES Securities. Thank you, and over to you, sir.

Rajiv Mehta:

Good evening, everyone. Welcome to the Q3 FY '25 earnings call of Repco Home Finance. We thank the management for giving us the opportunity to host them once again. From the company, we are joined by Mr. K. Swaminathan, MD and CEO; Mr. T. Karunakaran, Chief Operating Officer; Mr. P.K. Vaidyanathan, Chief Development Officer; Mr. M. Raja, Chief Business Officer; Ms. Shanthi Srikanth, Chief Financial Officer.

I would request Mr. Swaminathan to give us an overview on the company's performance, post which we'll open for Q&A. Over to you, sir.

K. Swaminathan:

Thanks, Rajiv. Hope I am audible. Good evening, everybody. We welcome you all to the earnings call of Repco Home Finance Limited for the quarter ended December 31, 2024. Thank you once again for joining on this call. We are happy to announce that we have been able to maintain the growth trend seen in the last few quarters in Q3 '25 as well.

The company is progressing satisfactorily on its business parameters. The structural changes that have been in process across the organization, like delegation of powers, implementation of new software, etc., are yielding results. We were able to achieve disbursements of INR761 crores against INR759 crores in Q3 FY '24. Our sanctions stood at INR806 crores as compared to INR777 crores in Q3 FY '24, registering a growth of 4% Y-o-Y.

Our AUM stands at INR14,155 crores, an increase of 7.35% Y-o-Y. We acknowledge that the disbursement numbers could have been better Y-o-Y, but for our preference towards more housing loans than non-housing loans. The changes in regulations in Karnataka led to a drop in our business in that region. We also did some process changes in our underwriting, which had some disruptions.

With the likely settling of the pending issues and with the additional sales force taking initiations, we are confident of improved performance in coming quarters. Capital adequacy ratio of the company remains strong with 32.5%. The ratio of exposure between non-salaried and salaried segment stood at 52.1% and 47.9%, respectively.

The share of non-housing loan that is home equity stood about 26.5% of loan book and housing loans contributed to about 73.5% of the book. Book quality. We were able to reduce the GNPA from INR552 crores in Q2 to INR546 crores in Q3, which is 3.9% of our AUM and net NPA stood at INR209 crores at 1.5%. GNPA numbers have come down by INR72 crores Y-o-Y organically.

We have a total provision of INR489 crores with a provision coverage ratio of 61.8% for Stage 3 assets. Our systematic and relentless action on NPA accounts would continue. As of December 31, 2024, we hold INR468 crores of restructured portfolio outstanding, of which approximately INR149 crores are in Stage 3 and the remaining are in Stage 1 and 2.

Our Stage 2 numbers overall is at 11%, which would be brought down below 10% by March '25. Borrowings. The cost of funds for the company is 8.7% and is in line with the similar rated HFCs. The borrowing mix remained at 82% from bank and 9% each from NHB and Repco Bank. We have got a sanction from NHB this year after a gap of 3 years, which will be availed next quarter.

Our NIM for Q3 FY '25 is at 5.5%, up from 5.3% in Q3 FY '24. The company has been able to maintain a spread of 3.7% for the quarter by raising yields to 12.6% despite facing stiff competition at our pricing levels. The dip in the profitability Q-o-Q is due to the benefits we had in the last quarter like dividend income and the reversal of provisions.

The net profit grew 7% Y-o-Y amounted to INR107 crores for Q3 as against INR99 crores for Q3 FY '24 and INR113 crores for Q2 FY '25. Our ROA and ROE stood at 3.1% and 14.6%, respectively, for Q3 FY '25 as against respective figures of 3.3% and 16%. Cost-to-income ratio for the quarter reduced marginally to 26% as against 26.4% of the previous quarter. The credit cost till December 2024 is minus 0.14%.

New software - Phase 1 of the project comprising LLMS and EGL is stabilized. Phase 2 of the project comprising of software relating to support functions are in various stages of implementation and testing. A total of approximately INR28.8 crores have been spent so far on software. As of December 31, 2024, we have 230 touch points across 12 states and 1 union entity comprising of 186 branches and 44 satellite centers with 2 additional asset quality branches.

We are expanding our branch presence in Karnataka, Andhra Pradesh, Telangana, Maharashtra and fewer regions of Tamil Nadu. We will be touching 235 outlets by March 2025. I will summarize the key financial highlights for the quarter before opening the floor. The loan book stood at INR14155 crores, registering 7.35% Y-o-Y growth.

PAT for the quarter was INR107 crores. ROA and ROE are at 3.1% and 14.6%, respectively. The core profitability has remained strong with a solid spread and margin of 3.7% and 5.5%, respectively. The gross NPA has shrunk to 3.9% with a provision coverage ratio of 61.8% and net NPA of 1.5%.

Way forward - The company is on track on its profitability figures. In the last quarter, that is the March quarter, our focus will be on improving the growth numbers substantially and the reduction in NPA numbers. Going by the current trend, we are likely to surpass INR3,300 crores organically on the disbursement front and an AUM of approximately INR14,600 crores by March 2025.

Our GNPA numbers are likely to be at around INR520 crores. We thank each and every one of you for evincing interest in our company's growth story. On a personal front, my tenure as MD

and CEO of this company will be over next week, and I thank all of you for the continued interest you showed on this company.

I open the call for any clarifications that may come from all of you. Thank you all and thanks Rajiv.

Moderator: Thank you very much, sir. We will now begin with the question and answer session. We take the first question from the line of Rishikesh from RoboCapital.

Rishikesh: Sir, what is our disbursement and loan book target for FY '26...

K. Swaminathan: FY '26 still not yet finalized. There will be a special Board meeting next month where all these numbers will be finalized. It is still in discussion stage.

Rishikesh: Any internal target we have that we currently are disbursing INR800 crores per quarter. If I'm not wrong earlier, we had a target of incrementally disbursing INR500 crores more every quarter. So, could you throw light on this number, please?

K. Swaminathan: Mr. Rishikesh, unless we are with the numbers, I will not be able to reveal. But definitely, we will be targeting a far better number than what we are now doing.

Rishikesh: Okay. And from our current disbursement number, what is the split between branches and DSAs?

K. Swaminathan: Last quarter, DSA performance was 42%. They contributed 42% DST 2%. Our sales force who joined, they have contributed 25% and the branch direct disbursement is 31%.

Rishikesh: And any credit cost guidance that you have for FY '25 and FY '26?

K. Swaminathan: FY '25, there will not be any additional credit cost. That's what I think we will -- we should be able to manage. There will not be any problem as far as FY '25. FY '26 going by the current trend, I think we should be -- that should not be a big hit on credit cost.

Moderator: The next question is from the line of Kaustav Bubna from BMSPL Capital.

Kaustav Bubna: I just wanted to understand because over the last few calls, you stated that your sort of target for disbursements at the end of this year was around INR3,700 crores. If I just go by the numbers that we've been posting, you'd be missing your estimate by around 15% and disbursements would be close to flat versus last year?

So, what did we get wrong in our estimates? Why were we so confident of growing handsomely over FY '24 and we are only going to end flat. What was -- and moving ahead, when I've spoken to you, you said that -- so this is the second part of the question, then my question answered. That's the first part?

My second part is when we had met in the past and spoken, you spoke about how you should be cautious when giving loans because you don't want to have the possibility of another NPA cycle because of irresponsible lending. But now you're leaving and new -- and someone else is coming

in charge. So, what is -- we would love to hear from him. What is he as cautious as you? Will he be more growth-oriented? So, I just wanted to understand these points?

K. Swaminathan:

So, growth is flattish for this current year. Of course, there were some external factors like this Karnataka thing that I have been telling you. But more importantly, we felt that we should grow more on the home loan front, not on the non-home loan front. So consciously, we took a call that we will reduce our disbursement on the non-home loan.

Maybe because had we loosened that particular thing, maybe we would have done another INR100 crores to INR200 crores like last year. So that was one of the reasons why it is more or less flat. That is the main reason. In fact, from NHB side also, we are getting information that we should grow more on home loan being a housing finance company, even though we are still below the 40% benchmark that the regulator has given.

But still we have been told not to increase our non-home loan portfolio. So consciously, we are concentrating on more and more of home loan numbers. In fact, the last quarters, our home loan was 64% disbursement of home loan was 64% as against 60% year-on-year or even the previous quarter.

So consciously, this stress on home loans or importance being given to home loan compared to nonhome loan is one of the reasons why our numbers are not growing. And of course, there are some extend reasons, which I already explained in my initial remarks. The second one, I do not want to say we are cautious. We want to be careful that the cycle should not get repeated.

That is the only thing. I think we have also given a slide in this particular thing of what is the number as far as Stage 3 and Stage 1 and 2 of the recent book vis-a-vis the old book. You would have seen the new book that is right from April 2022, it is performing highly satisfactorily. We want to maintain so that this company is on a firmer stronger path going forward.

So, whether I am there or the new person is there, the structurals are in place. I'm quite confident that whoever takes up this particular assignment with the team already moved towards cautious growth. I will not even say cautious growth, stronger growth, definitely, the company will be going better and going stronger.

Moderator:

The next question is from the line of Anand Mundra from Soar Wealth.

Anand Mundra:

I wanted to check how much loan is sanctioned by the National Housing Bank, sir?

K. Swaminathan:

INR150 crores.

Anand Mundra:

INR150 crores. And, how much disbursement was impacted because of Karnataka issues, in absolute amount?

K. Swaminathan:

I'm unable to quantify. It can be anywhere around INR50 crores at least.

Anand Mundra:

And has that resolved now, sir, this will continue in March quarter also?

- K. Swaminathan:** That is beyond my capacity I'm unable to tell you. But hopefully, I think it should be over by this year. Yes, It is still there. It will take some time because they want to convert everything electronically, the entire database into an electronic form. You can imagine a city like Bangalore, including its area around Bangalore city, if all the land to be converted in electronic mode, I think it will take quite some time.
- Anand Mundra:** Okay. Understood. Sir, one more reason, in Gujarat also, the year-on-year growth is very less, 2% Kerala also 2%. Karnataka, 5%, that's okay because there is some problem. So what is the reason for lower growth in Gujarat and Kerala, sir?
- K. Swaminathan:** Kerala consciously, we are not giving big ticket and all that, Kerala. But Gujarat should not be a problem. Gujarat because there were some earlier problems in Gujarat in our company. But now there is no issue. Gujarat will grow. We have put a state head there. So we are now recruiting. Gujarat will not be a problem.
- Anand Mundra:** And as earlier participant was saying, we are missing our guidance big time. And till last quarter, we were very confident that we would be able to meet the INR3,700 crore disbursement target. Suddenly, things have changed so much that we are reporting flat numbers in next quarter also I'm not sure what guidance you want to give for next quarter, sir, or current quarter, sir?
- K. Swaminathan:** I am leaving this office in a week, so it will not be right on my part to give some guidance numbers. But going by the present trend and based on the discussions we have with our business verticals; we are confident of reaching anywhere between INR950 crores to INR1,000 crores.
- Anand Mundra:** But sir, our new CEO is also there, sir, on the conference call. He can give some guidance, sir because he has to -- he and Mr. Raja is also there.
- K. Swaminathan:** Yes, current quarter, he's in line with me. So anywhere between INR950 crores to INR1,000 crores of disbursement we can expect this quarter. We are seeing some positive trends. That is hope, barring any unforeseen circumstances, I think we should be in a position.
- Anand Mundra:** Our cost of debt is very high average cost. So, it's very difficult to -- because our NIMs are very good, our cost is very high. What actions we are taking to reduce the cost?
- K. Swaminathan:** See, for the present AA- rating, I don't think we should be -- we will be in a position to reduce further. Only thing is because of the recent RBI rate cut, yes, we will also be benefited that will help us in reducing our cost. Otherwise, with the concentration of bank borrowing, this NHB borrowing may help us a bit. So, all this put together, there may be a reduction. Repo rate cut and the NHB will help us in that cut. But for this, I think at the rate that we are borrowing, I think it's quite competitive for AA- NBFC.
- Moderator:** The next question is from the line of Saurabh Dhole from True Beacon Investment Advisors.
- Saurabh Dhole:** Mr. Swaminathan, I think it's in your tenure. So, in the last 1.5 years, you've kind of upped the headcount by almost 50%. We've added quite a few numbers of branches compared to what the trend was in the past. I'm just curious as to how will this or at what point in time will this start reflecting in loan book growth as well because -- it's been a while since the expansion, the

company came into this expansion mode and we have not seen any uptick, any material uptick in the loan book size, right? So how do you see that going forward?

K. Swaminathan: I can give you as far as the new branches are concerned, especially the branches in Tamil Nadu have started contributing, okay? Maybe branches outside Tamil Nadu, it is taking time to increase the numbers. The loan book growth, not in tandem with the branch expansion is not only because of this, but also because of the BT outs that is happening, bulk repayments that are happening. These are all factors which is affecting our book.

Saurabh Dhole: And just a follow-up. Now parallelly, what we are seeing at least in some of the other players who are obviously not there in housing, but let's say, micro finance, they're seeing a very rapid attrition. So, what is the risk that individuals who were part of microfinance players or microfinance companies, what is the risk that they might have joined Repco and a housing finance company like yours and who might not have any knowledge about the home finance business? So, how selective have we been in recruiting because the expansion has been pretty rapid? How are we protecting against that? And what kind of people are we recruiting?

K. Swaminathan: Mostly, we are recruiting especially in the sales as well as the collection front. We are recruiting people who have got experience in housing finance. So, microfinance is a different ballgame. So, whenever we recruit in our core areas, we recruit people only with experience in housing. So, this micro financing issue will not have an impact in our recruitment.

Moderator: The next question is from the line of Rudransh Kalra from MB Investment.

Rudransh Kalra: My question is the recent Repo rate. So, what part of our book is the Repo rate linked and the fixed interest rate? And my second question is embedded in the first question that what is better for us for the company and for the clients and for the customers that the rate further gets cut? Or should it be more along the lines of the fixed rate interest?

K. Swaminathan: See, as far as the liability side is concerned, 90% of our loans are MCLR linked. Only around 10% is Repo link EBLR external benchmark. So, only when the banks change their MCLR, we will have the rate will be passed on to us on the liability side. On the asset side, almost our entire book is floating. So as and when this MCLR reduction is passed on to us by the bank, we will be taking a view, we'll be passing on. We will try to maintain the present spread of around 3.3%. We do not have much of fixed lending.

Moderator: The next question is from the line of Mehul Pathak, an Independent Investor.

Mehul Pathak: I have 2 questions to ask you. First is, the loan-to-asset value for all your lending is 50%. So, I have a fundamental question. Historically, if you go last 10, 15 years, eventually, what is the write-off? Because if 50% is the margin of safety you have on your loans, whatever you book as NPAs should not worry an investor. Would you not be recovering 100%?

K. Swaminathan: I could not get you. Your point is what should be -- what will be the write-off eventually? Is it right?

Mehul Pathak:

Yes. My point is that if loan-to-asset value is 50%. And if you are retaining that policy of loan to asset value of 50% what is the eventual historical write-off we should assume for the company?

K. Swaminathan:

Okay. See, this loan to asset value of 50% that you are mentioning is an average one. So, our new book, we are giving loans as per norms. -- less than INR30 lakh means 90% or 80%, whatever is the regulatory norms as far as home loan is concerned. Of course, non-home loans we maintain a higher margin.

So, this 50% that you are talking is an average one. As far as actual write-off is concerned, this company so far would not have written off more than INR10 crores or INR15 crores. Very, very small number only has been write-off of principal. Maybe we would have sacrificed some of our interest. But as far as principal is concerned, we are very conservative in all our NPA things, we do not write off much of principal.

Mehul Pathak:

What should we assume historical when you based on your experience, what will be the eventual write-off after recovering and all the efforts?

K. Swaminathan

Maybe it should be very less. INR545 crores is our percent NPA. Even by the worst-case scenario, I think we will have a hand of maybe 10% to 15% -- unless the future, we take some aggressive stand of cleaning up our entire book by selling to some ARC and all that.

If we go by the same way that we are now trading, especially by going for auction or entering into some sort of an OTS agreement with the borrower, in all these agreements as far as all auction sales, our principle is kept intact. So if the same trend continues in the future also, the company may not have a big hit on the principle. Worst scenario INR40 crores, INR50 crores of book write-off.

Mehul Pathak:

So that is roughly around 8% is what you are telling of GNPA.

K. Swaminathan:

GNPA. And if you take the AUM, it will be negligible, not even 1%.

Mehul Pathak:

Okay. My second question is that the net worth of the company in 2018 was INR1,325 crores. Today, it is March '24, it is around INR3,000 crores. Now 2018 -- the total debt of the company was INR8,000 crores. Today, it is INR2,000 crores. So what has happened is that while by retaining dividends, the shareholder funds have gone up close to INR1,600 crores?

But the debt in your book has not gone up. It has gone up from INR8,000 crores to INR10,000 crores, INR10,700 crores. So why are we so conservative? Isn't there scope to sort of borrow more and be more aggressive and lend more?

K. Swaminathan:

Borrow more? Yes, we can keep on borrowing provided our lending the AUM also goes up, we do not mind borrowing. But you should also understand there is a rating agency. If we keep on borrowing more, they will not like to have such a scenario, especially from AA-, especially based on our past track record.

So the rating agencies are also seeing what should be our and all that. Of course, today, our leverage is less. Maybe around 5 or 6 the rating agencies may be comfortable. If you borrow too much, I think that may be issued from the rating agency. This is one side.

Second side on our equity getting bloated up because I think once our disbursements start improving or galloping, which we expect anytime soon, I think this particular thing will get resolved. Whether the equity can come down, whether we can be more liberal of rewarding the investor rewarding the shareholders and all is a call to be taken by the Board.

Mehul Pathak: But my observation is that you are down from -- you were 6.5x levered in 2018. Today, you are levered just 3.5x. So business growth, therefore, if you look at the money that you are retaining is significantly lower.

Management: May you are right, but the situation has also changed post 2019 after COVID and all that. Even lenders are a little more conservative, okay, especially for NBFC. They're also having -- Reserve Bank has increased the risk weight for an NBFC and HFC and all that. So all these reasons also play.

Moderator: The next question is from the line of Pratik Dedhiya an Individual Investor.

Pratik Dedhiya: While you mentioned that your loan growth is constrained, can you throw some light on your asset quality? How are you planning to manage your GNPA's and NPAs going ahead? And my second question is in terms of your point of contact additions, would that also get moderated going ahead until we see loan growth happening?

Management: See, GNPA numbers, I can give you an assurance at least it will keep coming down. You would have also seen steadily the numbers are coming down and the new book is holding well. So if the same trend continues, definitely, when the overdue numbers of, let's say, pre-COVID NPAs are eventually paid or eventually settled and all that, there will be a steep reduction in our GNPA numbers. To that extent, I am confident.

The second point is on point of contact. Yes, we will keep on growing, especially in non-Tamil Nadu area, we will keep growing. Places like Andhra, Telangana, the West, we will keep growing. That is the strategy. And the book will increase based on our number growth based on our point of contact -- increase in the point of contact.

Pratik Dedhiya: So does it not make sense to slow down your point of contact until you see loan growth happening, because then you keep incurring cost, but then there's no income to it?

Management: I think you want us to reduce the numbers of point of contact.

Pratik Dedhiya: I'm not saying reduce it. I'm saying slowing it down because until you see loan growth happening, you still can manage cost?

Management: It is like a chicken and egg. See, unless I open more and more branches, I cannot have the numbers increasing, especially in areas where there is potential definitely at least for some more years, for 1 or 2 more years, I think our point of contact will keep increasing.

- Pratik Dedhiya:** And one last question I had in terms of the new loan that you disbursed, -- can you throw some light on what kind of yields are you getting currently?
- Management:** We are now around 12%. Average is 12% with a spread of around 3.4%. Maybe going forward, the yield may remain same but spread may be slight contraction in spread.
- Pratik Dedhiya:** And why would that be contraction in spreads?
- Management:** Yes, because we may stress more on the quality of our book. So definitely, there will be a pressure on our yield. To that extent, there may be a contraction. We are doing more and more of housing loans. We will be doing more and more of housing loans. That's too in the salaried or documented segment. Naturally, I cannot increase the price beyond a point.
- Moderator:** The next question is from the line of Anand Mundra from Soar Wealth Managers LLP.
- Anand Mundra:** Sir, when are we going ahead? When are we applying for improving our credit rating, sir?
- Management:** No, it's not like applying. They do a review periodically. So there will be a shorter review every 6 months and an annual review every 1 year. So they did review some 3 months back. Definitely after some time there will be a review. So, based on the numbers, they will take a call.
- Anand Mundra:** And what is the reason for increase in NIM for this quarter, to 5.5%?
- Management:** It's a small thing. I don't think 5.1% to 5.21%, you are saying?
- Anand Mundra:** Okay. Or otherwise, spread is not having leverage benefit. So what is the reason for that if...
- Management:** I could understand. See, we revised MLR sometime in November, okay, the effect of the increase has happened in November and December, the effect of that 10 bps revision has happened. That is the reason for going up.
- Moderator:** The line for the current question is got disconnected. We will take the next question from the line of Kaustav Bubna from BMSPL Capital.
- Kaustav Bubna:** Yes. What's your guidance on NIMs given that if we assume that the RBI will reduce rates further into the year?
- Management:** The guidance for what, Mr. Kaustav?
- Kaustav Bubna:** Guidance for NIMs? No, factoring in, let's say, 75bps rate cut in this year. if you were to assume that.
- Management:** See, our borrowing also will come down, no?
- Kaustav Bubna:** Yes, if you could give a detailed description of floating versus fixed book and those things?
- Management:** Sir, as far as our company is concerned, see, both sides are more floating. On the liability side, 90% is floating. On the asset side, almost 100% is floating. So any reduction, it will also get passed on. So net to net, there will not be much of an impact. And there will be a lag in our subs

passing. See, today, I get an MCLR reduction by the time we refix our lending rate. It may take some time. So it will be actually beneficial to us.

Moderator: The next question is from the line of Rajiv Mehta from YES Securities.

Rajiv Mehta: I have a few questions. Sir, did you say that the impact from Karnataka issue in Q3 was around INR100-odd crores. Isn't that large in the context of the contribution in the book?

Management: No, I did say that I do not have the numbers. It should be around INR50 crores.

Rajiv Mehta: And this rough guidance that you're giving that you do disbursements of INR950,1000 crores in 4Q. Now while we are also playing around with the mix of home loan and LAP and to really replace a LAP, we need more home loans from a volume perspective. So can you give us more confidence that you would have already done a certain numbers as we speak?

Can you give out some numbers of January, maybe even February so far, what kind of disbursements are already achieved, which will provide us confidence that despite Karnataka being an issue and you navigating from LAP to home loan, your overall volumes are going strong?

Management: I do not know whether I am right in giving those numbers. I do not know about the price sensitivity and all that. But at least February, year-on-year, I'm seeing improvement compared to the last quarter as well as last year. So that is the only confidence that I can give as of now. Hopefully, March, for example, last year, March, we did INR400 crores plus.

I think by the momentum that we are seeing, it should be better. February was also better and almost all the festivals are all off, so not many holidays. So these are all the things which gives us confidence that we should be around INR950 crores to INR1000 crores.

Rajiv Mehta: You also gave out the disbursement mix. You said that DSA is 42% and then you said that the sales force vertical, your own sales force is 25% and then branch directly sources 31%. So the sales force vertical is something that we had set up in the last 1, 1.5 years, right? And that is giving you almost fresh and additional volume of 25%.

And if I were to remove that volume and if I were to even say, remove the DSA volume, then the branch direct sourcing has actually not grown in the last 5, 6 quarters. Would that be right? And why is that the case that the branch productivity is not improving despite all the efforts that you are putting in terms of direct sourcing by branches?

Management: See, what was being told as a branch disbursement in the previous quarter, previous year when this vertical of sales vertical was not available. The same is now being bifurcated between the branch and the sales force. See, earlier there was nobody called us a BSM. The branch sales manager position was not at all there earlier.

Now there is a branch sales manager position. In addition, the branch manager is also doing branch is also doing. Earlier, these both things were done not only by the Branch Head, by all

the other staff who are now in other verticals. Now there is a specific vertical branch sales manager, so we are able to find out what is his contribution, his or her contribution.

Earlier, this 25 plus 31 used to be 50. Now it is around 56 percentage terms. Going forward, I think this sales vertical should contribute that much more. So maybe percentage terms, this direct branch may come down and the BSM thing on percentage terms will go up.

Rajiv Mehta:

I get that. So there is some reclassification. And when you look at it in aggregate terms, then aggregate terms, that's an improvement, including the sales -- the new sales force. I get the point. And this NPL recoveries, the NPL target, the number you spoke was INR520 crores by March. Any difficulties here because I mean, you know that the macro is very tight.

So when you are pursuing recoveries -- so for example, Q3, we had -- that's recoveries it seems, and which is why the NPL reduction was only INR6 crores. In Q4, anything what is the kind of effort that we have lined up so that we're able to reduce the NPA by INR30 crores, INR40 crores despite this very tight macro environment for the borrowers?

Management:

I agree with you compared to last year, yes, the environment is a bit tight, and we are not able to reduce our NPA numbers as fast as we could do last year. But 2 or 3 plus points that we are envisaging for current quarter. See, we are planning to do 2 mega auctions this month. And in fact, tomorrow, there is one and February 28, there is one more where we will be doing something like 300 properties on auction. So we are pressurising the borrowers.

If not success in the auction atleast coming to us for negotiation on all these accounts. This is one point. Second one, in the first and second quarter -- sorry, second and third quarter, we had sanctioned a large number of OTS proposals. Money, these sanctions have not actually materialized. We have already given the sanctions and all that. So people are mobilizing, especially some bulk OTS proposals have been sanctioned.

So we are confident that we will get around INR30 crores to INR40 crores through this particular thing. With all this and taking into account smaller slippages in the fourth quarter, normally, the fourth quarter, the slippages will be very minimal compared to the second and third quarter. So taking all this into account, our recovery section is saying that there will be a net reduction of INR30 crores.

Rajiv Mehta:

Just one clarification, when you talk about OTS proposals of INR30, INR40 crores, generally, when I look at your PCR and ECL coverage on Stage 3, you're holding 62% cover. So what is the kind of waiver, principal waiver or haircut that we are offering to the borrower to come and tackle. To what extent do we offer a haircut?

Management:

I think I answered a similar thing in previous question also. See, principal waiver will be very minimal. A principal haircut is a rarity, except in exceptional circumstances like a death of a borrower, calamity in the family and all that, principal waiver is a very rare thing. Maybe accounts of more than 2,000 days old and all that, we give a normal haircut of maybe 5% or something. Interest, yes, there are 3 components, principal, interest under the Penal income. Penal income and interest, we give, not in principle.

Rajiv Mehta: Understood. So, then this INR30 crores, INR40 crores of settlements will give back provision releases, right, significant provision releases?

Management: Yes. You can do your backup envelope calculations.

Moderator: The next question is from the line of Sanjana from Nuvama.

Sanjana: Just a question on BT out. current we are seeing? And what would be the strategy to conclude this BT out? Also, when we had met Mr. T. Karunakaran, I think somewhere in the month of December, he had given a rough guidance of around disbursement target of around INR1,500 crores for FY '26. So are we planning to stick to that level? Or it would be probably lesser looking at the current scenario and the issues which are happening in Karnataka? Yes. So this is it from my side.

Management: As far as BT outs are concerned, I will add BT outs as well as bulk repayments or prepayments, it is now around INR100 crores per month. So we cannot do beyond a point, I don't think it is possible for us to contain unless the environment changes in the corporate lending. See, most of our BT outs are to banks because of their CASA and all that, they are able to offer quite a good rate to our customers at 8.7% or even less than that 8.6%.

So it makes sense for a customer to switch over to a bank from a 10.5 or 11 that we are charging. And we are giving some top-up loans, despite offering some interest concessions and all that, still is difficult for us to contain the BT outs or the bulk prepayments beyond the point. So what is to be done as far as this company is concerned is to match that with an improved galloping disbursements.

That is how we can match BT outs. Similarly, we can also do similar aggressive BT ins. That is happening. In fact, we are matching BT outs with the BT ins. BT ins are also happening around INR100 crores per month. Now coming to your second question, we hope this Karnataka issue will get resolved either by this quarter or at the maximum by first quarter of next year.

So Karnataka will bounce back. We will get the actual numbers. And we have also opened new centers in Karnataka, especially on the outskirts of Bangalore. All these centers are likely to contribute in the 2026.

Moderator: We have a follow-up question from the line of Rajiv Mehta from YES Securities.

Rajiv Mehta: Just last 2 things from my side. Sir, when I look at the employee cost quarterly run rate in the last 2 years, it has gone up by 30%, the quarterly employee cost run rate. But when I look at the employee base, it has gone up by 50%. So what explains this that a lot of new addition has happened at the junior level with lower salaries? Or is there any other angle to read into here?

Management: You're perfectly right. Most of the additions have happened only at the junior level, at the trainee level or at the action manager level or at the executive level. So at the junior level is also happening. Maybe in the sales or the collection front where we have taken some experts from people with some experience from the market, that's the cost increase.

But that is getting offset by people who are gaining. So people with more than 5 years, if they are going out, it is a saving for the company. So, net-net, there is not much of an increase in the establishment costs. Even this quarter, you would have seen there's a small dip in the establishment costs, even though the numbers have gone up.

Rajiv Mehta:

Correct. And just last thing on this push from the NHB to us to do more -- incrementally more home loans and less of LAP. So how far we will have to go in terms of ordering the base? So -- and can you also call out the individual lending -- individual blended incremental lending rates for home loan and LAP and how far the mix needs to be tweaked to satisfy NHB?

Management:

See, NHB has not given us any specific numbers and all. In a general term, they have said housing finance companies, the annual year-on-year growth should be more on home loans than on non-home loans. They say that you cannot keep on increasing your AUM only through non-home loan growth that is not acceptable.

So indirectly, they have indicated not only that, it's also right being a housing finance company, we are here, we are borrowing from NHB and all that. So they expect us to give more and more housing loans. Housing stock should go up. That is the purpose for which NHB has been set up. So it is right, they are also saying that you increase more of your home loans.

Now how we can peak the thing, yes, it's a thing. If you are going to do more and more of home loans, maybe I can reduce the home loan interest rate and increase the non-home loan rate so that the yield remains more or less same. That has to be, I think the new management will take a call on that.

Rajiv Mehta:

And incremental lending rates for blended for home loan and LAP?

Management:

Today, 10.1% is a minimum. And for some exceptionally good borrowers, we evened at 9.5% as far as home loans are concerned. But pure LAP is now around 14% LAP. But see, so it has got a CRE-RH and all that. It comes in between, say, it is around 12.5% and all.

Moderator:

Thank you. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

Management:

Thanks, Seema. Thanks, Rajiv, and thanks for all the participants who took interest in this company and asked all the questions. I'm confident that this company will grow based on the structures that we have created in the last 2 or 3 years. Quite possibly in '26 and '27, this company will reach new heights. I once again thank all the participants as well as the organizers who are in this analyst call.

Moderator:

Thank you, members of the management. On behalf of YES Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.