REPCO HOME FINANCE LIMITED.
(Promoted by REPCO Bank - Govt of India Enterprise)
CIN : L65922TN2000PLC044655

RHFL/SE/75/2022-23 **20th February, 2023**

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

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

Kind Attn: Listing Department

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 15th February, 2023

Ref: Our letter No. RHFL/SE/72/2022-23 dated 13th February, 2023 and RHFL/SE/74/2022-23 dated 15th February, 2023

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 15th February, 2023.

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.

This is submitted for your information and records.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

ANKUSH TIWARI
Digitally signed by ANKUSH TIWARI
Date: 2023.02.20 16:47:11 +05'30'

Ankush Tiwari
Company Secretary & Compliance Office

Repco Home Finance Ltd. Corporate Office Chennai

"Repco Home Finance Limited Q3 Earnings Conference Call"

February 15, 2023

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. N. BALASUBRAMANIAN -- CHIEF DEVELOPMENT OFFICER, REPCO HOME FINANCE LIMITED** **MS. POONAM SEN -- CHIEF GENERAL MANAGER, REPCO HOME FINANCE LIMITED** **MS. K. LAKSHMI -- CHIEF FINANCIAL OFFICER, REPCO HOME FINANCE LIMITED** **MR. SUBRAMANIAN BALAGANAPATHY -- DEPUTY GENERAL MANAGER, REPCO HOME FINANCE LIMITED**
MODERATOR:	**MR. RAJIV MEHTA -- YES SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Repco Home Finance Q3 FY '23 Earnings Conference Call hosted by Yes Securities.

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 "*" then "0" 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, sir.

Rajiv Mehta: Yes. Thank you, Raju. Good afternoon, everyone, and thank you for joining the Repco Home Finance's Q3 FY '23 Earnings Call. Firstly, I would like to thank the management for giving us this opportunity to host them.

We have with us the entire top management team, Mr. Swaminathan, MD and CEO; Mr. T. Karunakaran, Chief Operating Officer; Mr. N Balasubramanian, Chief Development Officer; Ms. Poonam Sen, Chief General Manager; Ms. K. Lakshmi, Chief Financial Officer; and Mr. Subramanian Balaganapathy – Deputy General Manager.

Now, I would like to hand over the call to Mr. Swaminathan for his opening remarks on the Company's performance, post which we will open the floor for questions. Over to you, Swaminathan, sir.

K. Swaminathan: Thank you. Thank you, Mr. Rajiv. And welcome to the Repco Home Finance earnings conference call for this December quarter and for the 9 months ended December 31, 2022. I would like to extend a warm welcome to all of you for joining our conference call today.

First, I would like to recall the priorities of the current year, mainly bringing back book growth momentum and bringing asset quality under control for this Company. Notwithstanding some challenges, nine months hence, I am happy to announce that we have carried the momentum gained in the previous quarter forward. In addition to the business momentum, we had also planned to bring positive changes in business processes, systems during the current year so that the next year onwards, the Company will be able to take leverage of the base.

We are happy to announce that, as we speak, the Company's branch-level operation have totally moved to a new IT platform. The migration process started from the third quarter and will stabilize by this quarter end. Because of some disruptions because of the IT changes, there was an impact of about Rs. 50 crores in our disbursement approximately. Considering this point as well as Q3 being a seasonally weak quarter, we think the disbursement run rate remained resilient in Q3 when compared sequentially. I have data for about 6, 7 years for this Company. In all the 7 years except for 1 year, the December quarter performance of Rs. 696 crores is the highest for this Company.

We have set up a small team at HO to track the customers who have applied for a loan elsewhere so that the BT outs are being monitored. Despite that, we are happy that we are able to increase our AUM by around 2% this quarter. We should also mention that there was a subsidy repayment of CLSS subsidy from NHB that have also contributed to a small decline in our AUM.

Notwithstanding these issues, the loan sanctions and disbursements recorded a robust year-on-year growth. Loan sanctions increased 51% year-on-year to Rs. 745 crores from Rs. 495 crores in Q3. Disbursements increased 57% in the same period to Rs. 696 crores as compared to Rs. 444 crores, in Q3 FY '23. Starting July '22 until January '23 in 7 months, we have taken a rate hike of 110 basis points on our starting ROI. We call it as MLR. As a result, the average yield on loan sanctioned rose about 70 basis points from June to 10.7%. We reported loan spreads and margins of 3.3% and 4.8% during Q3, above our guided levels of 3% and 4.3%, respectively. We will continue to monitor the movement in our cost of borrowings and strive to pass on the change if any to our customers as well as having quick control on our other costs.

The profit grew 14% sequentially to Rs. 80.8 crores driven by stable margins and lower credit cost. We earned ROA of 2.7% as against 2.4% in Q2 and an ROE of 14.7% as against 13.3% in Q2. We attribute the improvement in the profitable ratios to our relentless recovery efforts and strong risk-based pricing.

The gross nonperforming asset, GNPA, declined 36 basis points sequentially to 6.15%. The net NPA fell about 40 basis points and now stands at 3.4%. The GNPA provision coverage ratio registered a 3% sequential improvement to 46%. ECL provisions remained stable at 4.2% of the loan book. The balance between our exposure to the self-employed and the salaried segment stood at 50.9% and 49.1%, respectively. The share of Non-housing loans, that is LAP, stood about 20.1% of the loan book.

Our distribution network was at 185, comprising of 160 branches and 25 satellite centers. The liquidity position has remained comfortable as we carried around Rs. 300 crores in cash and cash equivalents. In addition, we had Rs. 1,400 crores of unutilized lines of credit from banks and NHB.

I will summarize the key financial highlights for the 9 months ended December '22, before opening the floor for questions and answers. The loan book stood at Rs. 12,196 crores, registering about 3.5% year-on-year growth. PAT for the 9 months surged 43% to Rs. 214 crores. ROA and ROE stood at 2.4% and 13.3%, respectively. The core profitability has remained strong with a solid spread and margins of 3.4% and 4.8%, respectively. The gross NPA stood at 6.15%, with a coverage ratio of 46%.

Thanks to all of you for joining this call. I'll be happy, along with our team, to answer all your questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Amit Mehendale from RoboCapital. Please go ahead.

Amit Mehendale: Sir, what do you expect the loan book growth to be for next year FY'24 and '25?

K. Swaminathan: Okay. Is that all?

Amit Mehendale: Sir, I was looking for loan book growth for the next couple of years.

K. Swaminathan: See, interestingly, we are planning to grow around 25% in our disbursement next year, that is '24 and '25 and a 15% AUM growth. This is rather tentative. We have informed our Board, which once this is approved, more or less, we will be announcing in the next conference call. But tentatively, 15% for next year.

Amit Mehendale: Sir, I mean, with regard to disbursement, right, the disbursements are growing at a healthy rate, but it looks like the repayment ratio continues to remain significantly high and also maybe the BT outs are also higher. I mean just to quote your numbers, right, the disbursement and AUM growth are not in sync. So, is there a management-level strategy to tackle this issue?

K. Swaminathan: See, let us admit further because we are in a competitive environment, and that too our spread has been 3%, and we are competing with the best in the industry. Some BT outflow is totally inevitable, okay?

Despite this, we have taken some measures to curtail this BT outflow growth. We have tie-up with some agencies to give us some inputs about our customers who are likely to opt out, and we are trying to contact these customers to prevent such BT outflows. Second, we plan to increase our disbursements as much as possible, including what I was just telling you, next year we are targeting 25%, that itself will be a good growth. So, notwithstanding the BT outflow, we will still be able to manage a good growth in AUM.

Moderator: Next question comes from the line of Venkat Raja, an individual investor. Please go ahead.

Venkat Raja: First of all, congrats to Repco team for the spectacular Q3 performance and it's all-around improvement in all the parameters. As a retail investor, I have some concerns. See, in spite of spectacular performance, the stock price is not reflecting that at all, okay? If the entire market or entire sector or entire industry is like that, we will not have much concern. But only Repco is being depressed so much in the market, okay? I'm not even comparing with the new-age housing finance companies, where there is no problem of old legacy problems whereas I am comparing only with LIC Housing Finance or Indiabulls or GIC Housing Finance or PNB or Can Fin Homes. Compared to all these companies, only Repco is staying at very low ROE or even very low adjustable price loan book value. So, my request to you is even though it is not in your control, can you please appraise FII or domestic institutes or HNIs and onboard them so that the share price will be stable going forward?

K. Swaminathan: Thank you, Mr.Venkat Raja for your compliments. As you yourself stated, see, we are not here to monitor the movement and manage the price movements and we are not there. And we are definitely confident that the market will understand us based on the steps that is being taken by the present management. Hopefully, in the months and years to come, the market will take a cue and will respond.

Moderator: Next question comes from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, first question is on the loan book growth. So, I think our earlier guidance for FY '23 by you was Rs. 13,000 crores. So, that was around a 10% sort of an increase versus that in 9 months, we have only been able to reach like 2%, 3% from March. So, do we still stand by our guidance of Rs. 13,000 crores? And what are the key reasons, sir? Of course, we can understand BT out, but BT out had become less of a problem in the previous quarters. It seems like we had arrested that problem. And now it seems that it has again become a problem for us. So, given that sort of a constant sort of a threat of customers moving out, how do we even plan to sort of grow the AUM by 15-odd percent next year? So, if you can throw some light on these matters, sir.

K. Swaminathan: See, for the current year, let me be very clear. Sir, even though we said Rs. 13,000 crores, our intention was more to **(Inaudible) 13:09** Rs. 13,000 crores may be difficult, let me be very frank, it may be difficult. But this fourth quarter will be an important quarter for us. We plan to do not less than around Rs. 800 crores of disbursement this quarter and that is the minimum, that too an organic disbursement of around Rs. 800 crores. Based on that, we expect the book to move around Rs. 12,500 crores to Rs. 12,600 crores, let me be very clear.

But as far as next year is concerned, now that the new IT platform is there, we are confident that we will be able to do better both digitally as well as organically. See, in organization also, we may be doing some changes. Maybe some of the resources may be given exclusively for sales mobilization and all that. And now that I'm 1 year old, experienced in this particular industry and the Company, we are fairly confident that we will be able to have the growth that we set, mainly 15% growth, I think, in the industry, that too in a favorable environment that is there in the whole economy, we are confident that we will be able to have this 15% growth. We are pretty confident, let me be very clear. This particular quarter, maybe we may not be able to reach Rs. 13,000 crores, let me be frank. But definitely, Rs. 12,500 crores to Rs. 12,600 crores is a possibility.

Sarvesh Gupta: And can you explain, sir, BT out because in the previous quarters, it looked like it has become less of a problem and now it seems that again, that problem has come for us? Because as someone also alluded to that disbursement growth is very strong. But despite that, our AUM has not meaningfully increased.

K. Swaminathan: See, BT out, actually it's not all that much. The last quarter, that is the October to December quarter, our problem was somewhere because of the CLSS subsidy. CLSS subsidy of around Rs. 40 crores, Rs. 50 crores came during last quarter. Let me also say that the same problem is prevailing this quarter as well. So, the BT out, maybe it should be less, I do not have the number exactly now, I'll get you the number during the course of this. But definitely, BT out is under control. And as I told to the previous questioner, see, some BT out is inevitable for this Company, let us be very clear, because at a 3% spread and I am competing with the best in the industry as well as the banks who are also in the same bracket, so some BT out is inevitable. Notwithstanding the BT outs, this can be managed if our disbursement is increased to a larger extent. That, we are trying. Definitely, in the coming quarters and coming years, definitely, this will happen. That will more than offset the expected BT outs.

Sarvesh Gupta: Sir, second point, where we have suffered this year majorly is cost to income, sir, where both your employee cost and OpEx is increasing at a disproportionate pace vis-à-vis your loan book growth, which is very, very small, like 2%, 3% growth versus 20%, 30%, 40% growth. So, how do you sort of think about this problem wherein ideally you should bring it down, but instead of that, it's actually inching up?

K. Swaminathan: Thanks, Sarvesh, for bringing out this. See, let us first understand. See, as far as the base effect is concerned, there were COVID-related issues in the previous year, okay? So, some of the costs like traveling and all that, were not there in the previous year, whereas this year, this has increased. And we are moving people out not only for business but also for recovery, that is one. We also evaluate what are all the areas where our costs have gone up. One such thing is on sales. See, for example, DSA business has improved, I think that is **(Inaudible) 17:08**. So, DSA increase is one issue. We've also done a branding exercise, especially in the South, if you see, more branding exercise is there. So, we are expecting better businesses in the years to come, second.

Third one on recovery. Let me say, nearly some 2,500 notices have been issued in the last 9 months itself. So, there is a legal cost that has increased at the quarter compared to the previous year. At least, 200% to 300% increase in the legal cost. See, all these are inevitable because we are trying to control our NPAs to the maximum, trying to bring down the NPAs to the maximum, so such things are unavoidable.

As far as employee cost is concerned, let me also say this, employee cost also includes the incentives that we are paying to our people. See, the incentives we are paying only because of which the book is also growing, which were not there earlier. We are incentivizing our staff, so, the book is growing.

So, these are all areas which will have a result over a period. Maybe for the current year, it will be more. But definitely, the Company will reap the benefits over a period. And I'm confident that these things will happen. And for the current quarter, that is this October to December quarter, there were some small issues like consultancy fee payments and all. See, I was telling you that the IT platform started implementing in the last quarter. So, we had to make some small payments to the IT consultants and the testing agencies and all that.

So, these are all some onetime expenses. We could have capitalized, but we prefer to take it to our P&L. So, these are all some onetime cost. These things may not be there in the next year. So, the cost to thing is under control. For your information, we also have a specific budget under each and every head. Each and every department is asked before spending anything, they are supposed to get clearance before spending. So, we are having a tight leash on the cost. Hopefully, when the numbers start increasing, this cost-to-income ratio percentage also will come down. That much, we are confident.

Sarvesh Gupta: And on the NPA side, sir, I think there we have been able to achieve the guidance. I think we had guided for Rs. 700-odd crores, and we are at Rs. 750-odd crores right now. Any thoughts on these? Of course, Q4, I'm sure that you would be able to sort of bring it down to the guidance number. But beyond that next year, how are we looking at the gross NPA profile that we have? Do we expect a significant lowering? Or are there some chunky NPAs out there? So, how are we looking at our NPA profile and recoveries?

K. Swaminathan: See, on the NPA front, as you have yourself said, thank you for that, we are doing very well. Definitely, we are confident that we will be able to reach the number of Rs. 700 crores for this quarter, and the NPA percentage is below 6% or 5.5%, 5.6%, that is possible. As far as next year is concerned, this same fight against NPA will start increasing. We will see to it the percentage goes below 4% or something by March 2024. We are pretty confident.

See, please also understand that this particular year, in addition to our existing NPA stock, we also had a problem of this framework accounts getting added. Nearly some Rs. 700-odd crores got added during this current year. Despite that, we were able to bring down the NPA numbers as well as NPA percentage. We feel that is a good achievement as far as this Company is concerned on the NPA side.

Going forward, we do not have a fear or the sword that is hanging over head in the form of **framework accounts. Framework accounts** are being monitored almost on a weekly basis by the entire top management. Yes, there may be over-dues in the **framework accounts**, but the payments are coming. Slowly, the NPA numbers under the framework is coming down as well as the overdues and numbers are also coming down. So, in the next year, definitely, there can be percentage as well as the quantum, will definitely be very much within manageable levels and in line with our peers.

Moderator: Next question comes from the line of Amish Thakkar from Singular Guff India Advisers Private Limited. Please go ahead.

Amish Thakkar: Sir, I just want to talk about AUM growth. In your investor presentation, you mentioned that you've not acquired any loan pools during the quarter. So, is there a strategy to do that going forward given that BT out is going to be a problem in a competitive industry? So, how do we think about acquiring loan pools from other players?

K. Swaminathan: See, Amish, it will be a commercial call, we will take if rates and the quantum and all are fulfilled, we will take a call. We have not clearly decided whether we should go ahead or not. But if opportunities are there and if rates are favorable, definitely, we will have a look.

Amish Thakkar: But there's no guidance in terms of --

K. Swaminathan: I don't want to give a wrong guidance. Definitely, based on commercials, we will take a call.

Amish Thakkar: In terms of GNPA, sir, for the quarter, what are the fresh slippages and recovery for the quarter?

K. Swaminathan: For the quarter, the slippages are around Rs. 88 crores, and we had recovered Rs 124 crores.

Moderator: Next question comes from the line Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: If you can share the restructured assets number because it is not visible in the presentation, if it is any outstanding standard restructured assets? And also, how they are performing? Is the moratorium over for all the borrowers?

K. Swaminathan: See, as of now, there is nothing like a restructured asset, all these restructured assets have also been impacted. Either they have been declared NPA or overdue. We do not have any more restructured assets in our book, technically speaking. So, the restructured assets, that is those assets which have not been taken as either NPA or not.

As of December quarter, the total book is around Rs. 645 crores, of which, the NPA is around Rs. 190 crores in the restructured portfolio. In fact, the NPAs have come down compared to the previous quarter. And there has been an improvement also in the total restructured book compared to the previous quarter.

Bunty Chawla: And sir, if you can share Stage-1 and Stage-2 number. You have given the joint gross Stage-1 and gross Stage-2 number.

K. Swaminathan: Stage-1, I do not have. Stage-2 had come down around Rs. 100 crores. See, we were around Rs. 1,600 crores in the previous quarter. Now the number should be around Rs. 1,500 crores.

Bunty Chawla: And sir, can you share your outlook on the net interest margin as the cost of funds seems to be rising every quarter?

K. Swaminathan: I think we will be able to maintain our guidance, 4.5. **(Inaudible) 24:28** So, definitely, we will be able to maintain that.

Bunty Chawla: And sir, lastly, in the presentation, Slide 15, you have shared the movement in the borrowing cost. Sir, it says that the weighted average borrowing rate has increased from 7.2% to 7.7% from September to December. But if I see the cost of borrowing made, so my sense is that incremental credit cost or incremental cost of borrowing, which we are doing has not much changed from 7.2% to just 7.3%. So, how come the movement in the weighted average has increased by 40, 50 bps kind of a thing? Any specific reason behind that?

K. Swaminathan: Yes, we have a calculation. But as you will read that during the current quarter, we had the bank increase the MCLR. See, most of our borrowings are MCLR-based, I don't have the exact numbers under the calculation and all, but during the current quarter, because of the MCLR increase of various banks, our cost of borrowing may go up. And we were able to pass on most of the cost of borrowings. And as I told in the previous conference call also, see, we reset our interest rates every 6 months as far as the bulk of the asset. Around 40,000 and odd accounts, we reset. All other assets, we are resetting every sixth month. So, definitely, all this increase in cost of borrowing will get repriced in our advance portfolio in the coming months. So, the cost increase of this current quarter will get repriced in our book in the coming quarters in full.

Moderator: Next question comes from the line of Sanket Chheda from DAM Capital. Please go ahead.

Sanket Chheda: My question was again on disbursements. One reason that you mentioned, the subsidy that you have received and that amount, sir, if we can repeat that? And what were the other reasons for disbursements to be slightly lower this quarter? Because as far as I see, total drawdowns have not changed. So, maybe narrative to competition is not through last 3 quarters, total drawdown has been around Rs. 550 crores versus Rs. 630 crores in Q4. So, it is mainly because disbursements have slowed down sequentially. So, what led to that other than the subsidy and technology integration that we were doing? And how do we see it in coming quarters?

K. Swaminathan: See, the subsidy was not a factor as far as disbursement is concerned. Subsidy is a factor for our AUM, okay?

Sanket Chheda: So, I'm saying AUM growth is lower. So, one reason was the subsidy that you have received.

K. Swaminathan: See, disbursement growth, I will not say this is bad. See, this Rs. 50 crores or something that I am talking as far as this IT replacement is concerned, is just that thing. At least around ten days there were some disruptions, I think you will admit that. A Company which has 20-year legacy system, slowly when we are moving to a new system overnight, there will be some disruptions because we need to train our staff, we need to train our entire system, all people and there will be some problems when systems get moved and all that. Because of this, there were some disruptions.

Other than that, I don't find any reason. Definitely, we should have done something around at least Rs. 700 crores to Rs. 750 crores. This could be one of the reasons. But as I said, this third quarter is a relatively weak quarter for the Company also. I was telling you know, see, for the last 6 or 7 years, I have data. Except 1 year, in all other years despite of our IT issue, this particular quarter disbursement of Rs. 696 crores is the highest. So, that's not a big issue as far as we are concerned.

Sanket Chheda: And the one-off problems that we were seeing sir, so I suppose it would be baked in when you are guiding now from here on, for not just next quarter, but for say FY '24 as a whole where you're guiding 15%. So, this one of things would be baked in, right, in your estimate while guiding it?

K. Swaminathan: Yes, sir. Sir, you have correctly said. Sir, definitely, this IT platform change will be definitely a game changer in our disbursement in the coming years. And the first year we see, for example, mobile applications, various other additional add-on applications, it will be possible **(Inaudible) 29:26.** So, the Company will definitely benefit because of these things. That's why I'm saying this may be a one-off issue. But next year onwards, definitely, Company will be benefiting both in AUM growth as well as in disbursement.

Sanket Chheda: Okay. And sir, on margins, I didn’t get you clearly. We are currently doing about 4.8% since 2, 3 quarters. You mean it would stay here or maybe a marginal moderation around 4.5% is what you were guiding in terms of margin?

K. Swaminathan: Yes. Now, we are around 4.8%. And we have guided around 4.3%. Definitely, we will be around 4.5%. Definitely, there will not be a big difference as far as the margin is concerned.

Moderator: Next question comes from the line of Uday Pai from Investec. Please go ahead.

Uday Pai: I just missed on the subsidy numbers. So, can you please repeat the subsidy number that you have received?

K. Swaminathan: Subsidy amount was around Rs. 40 crores last quarter. This quarter also, we have received somewhat Rs. 50 crores so far.

Uday Pai: Rs. 50 crores, sir?

K. Swaminathan: Yes. This quarter, that is January to March quarter. This fourth quarter we have already received around Rs. 50 crores.

Moderator: Next question comes from the line of Praveen Kumar from Equitas Capital Advisors. Please go ahead.

Praveen Kumar: In your data on the mix of the loan portfolio, we observed that the proportion of loan against property has gone up from 18.8% last year to about 20% this year. So, my question was, I mean, given your guidance of strong growth for next year, do you expect this proportion of loan against property to grow further from this point onwards, given that your asset quality experience in that segment hasn't been so good?

K. Swaminathan: Thank you, Mr. Praveen. See, as far as our internal budgeting is concerned, we can go up to 25% as far as loan against property is concerned. We are just around 20.1% as of now. And let me also make it clear just, because we are moving slightly higher in the loan against portfolio, there will not be any compromise as far as the quality of assets are concerned. See, even for a loan against property, we will see the CIBIL score, we will see the repayment possibilities. All other issues will be taken into consideration before giving sanctioning a loan against property. Even in loan against property, the quantum is also determined. We will not just like that give Rs. 10 crores, Rs. 20 crores and all to **(Inaudible) 32:31**.

So, the quality as well as quantity are being checked, then only it's being given. And even in interest rate, just because its loan against property, I cannot charge anything extraordinary high interest rate and it is not possible also, because the market will not take it. So, all said and done, even in that loan against property, though it may be slightly higher than the salaried segment or the standard segment, it's not that for loan against property, there will be a compromise on quality.

Maybe there is some cross-subsidization happening because as far as the housing loan portfolio is concerned, we are moving more and more to the best quality portfolio. So, there will be some cross-subsidization that we are doing in the loan against property portfolio. But let me make it very clear, even in the loan against property portfolio, we will not be going beyond 25% at any cost.

Praveen Kumar: Thank you. That's good to know. But could you specifically talk about compared to the previous credit cycle when the Company suffered some higher delinquencies in the loan against property segment. What are the things what is the underwriting differences that you are employing this time around to kind of avoid that?

K. Swaminathan: See, all the risks that we had encountered previously, all have been factored in our new platform as well. Like from the quality of customers and the type of customer we're taking, it's not that all customers are being taken out. The CIBIL score, the interest rate, see, just because it is a loan against property, just because the loan is heavy, we will not take the average ticket size. See, for example, even though we have increased our loan against portfolio, our average ticket size remains same. So, that's what I was saying. See, even in the LAP portfolio, we are having tight leash on the quality of the customer before agreeing for that.

And just for your information, the entire quarter, that is the third quarter, there was not even one proposal which went into the **Board level**. Board is above 3 crores. So, we have not taken even one proposal to the Board, which means the quantum of such portfolio is also being monitored. So, I will make it clear. But yes, there is a slight increase in the LAP portfolio compared to the previous quarter. But let us make it very clear that quality is not at all compromised. I do not want to talk about the past, what happened in the past and all that. But present management is very clear on the quality of such portfolios.

Moderator: The next question comes from the line of Amit Mehendale from RoboCapital. Please go ahead.

Amit Mehendale: Sir, I would like to discuss about BT out again. See, typically, a lot of times, a large portion of BT out could be, I mean, several reasons, but it could also be due to data security, where our loan book data is compromised or leaks to outsiders and the competitors may be calling our customers and switching with a lower rate. So, that is one possibility. The other possibility could also be DSAs or employee incentive policy maybe such that minimum holding period is not there or the minimum holding period is lower. So, DSA may give a kind of a file. And then once the incentive is paid out, the same loan book will move out after a year or so, wherein the DSA makes money and the file goes from one NBFC to another every year. So, I mean, some of these things have been prevalent in the market in the past. I would just like to know your views on this for Repco in particular.

K. Swaminathan: See, some of the things are there. See, these are all some environmental issues, we cannot correct like your views on the DSA take outs. I think as an organization, we cannot prevent such things, because it is a commercial call he or she is taking, so that we cannot do. But we are trying to prevent. As far as interests are concerned, we are now somewhat agreeable for any interest rate deduction if the quality of the customer is good. We see the CIBIL score and all that. We have our own parameters. If a particular customer fits within our parameters, we do not mind reducing our interest rate so that the customer doesn't go. That is one issue.

Then also some of the customers move out for some top-up products. So, we are also giving some top-ups for our existing customers so that they do not move out. All these are there and for exceptionally good quality customers, we are also offering interest rates even below our MLR. So, with all this, we are trying to retain our customers the best. But as I was telling, some BT outs are not totally impossible. Some will happen, maybe because of some other reasons, maybe the same property, he will use it for his other business requirements. That things maybe there. Some of the banks with some lower costs, they may be able to entice this customer.

So, such things are there. But despite that, I'm glad to say that these BT outs are under control. We are monitoring it. As I was telling, we got a product, of course with some cost, we have got a product, whereby we know the customers who have a tendency or are likely to move out and all that. So, we ask our people to talk to such customers to see whether it is possible we can retain and all that. So, we are taking our own steps.

Amit Mehendale: Great, sir. My just humble suggestion is that we look at our internal data, we may find some interesting data points on how the files are moving out and then may allow us to take action around that. Thanks for your comments. That's it from me.

K. Swaminathan: Thanks sir. We are monitoring that.

Moderator: Next question comes from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: I just wanted to understand is the new IT system that you had mentioned about, how will that sort of help you gain higher disbursement? And what sort of disbursements are we looking for this quarter? Or is this IT system not yet implemented for this quarter? Or will it be implemented for the next quarter?

K. Swaminathan: See, this new IT system I don't want to name the vendor and all. The new IT system is Oracle based, okay, compared to the previous one, that is one. The second one, as far as this quarter is concerned, there may be some disruptions, which will continue. See, last quarter, we introduced the system, in December month we introduced the system for all new files. From the current performance, that is from February onwards, our existing accounts from the legacy system has also moved in. That is the migration has taken place in full.

So, as far as this quarter is concerned, there might be some disruptions because of this IT system. But next year onwards, because of the new platform, we are trying to use this platform for moving out to the customers. Moving out to end-to-end digitalization, a mobile banking app, which will facilitate the customers to log in from his place itself or facilitating our DSAs to log in the details from his place, of course, so that paperwork will be less, more movement will take place digitally. These are all our plans. So, we will be competing with the best in the IT system in the coming years. That is our plan. With that we hope to increase our numbers as well.

Sarvesh Gupta: Understood. And sir, on the BT out. So, are there any terms and conditions, which we normally put for our loan customers because of which it creates some sort of frictional cost for them to move out? Or is it like for the customer who wants to move out, there is no other sort of fees or any penalty that they have to pay?

K. Swaminathan: As of now, because of our regulatory guidelines, we cannot charge any customer for moving out, okay? This prepayment penalty is not available at all. And as far as our terms and conditions are concerned, it is in line with industry, we are not stipulating any term, which is at variance with our industry practices.

But people move out mainly because of commercial consideration. See, when he comes to our particular Company, his CIBIL score maybe minus 1 or maybe even less than 750 and all that. But based on his payment track record, his CIBIL score will definitely move up. So, based on the new CIBIL score, he gets a better rate from organized institutions including banks and all that. So, that is the main reason why people move out.

That too since we are in a competitive environment with a spread of nearly 3%. So, we are not in a market where competition is less. We're in a market where we are competing with the best. So, that is one of the major reasons why people move out.

Sarvesh Gupta: Sir, on the Board level changes, we have seen quite a lot of changes in the past. So, is it all done? Or there's something left there? Or what's happening if you can throw some more light on that?

K. Swaminathan: Board level changes are all over, sir. We now have a 12-person Board in our thing. Our promoters, they have 5 people, Independent Directors are 6 in our Board. So, we have eminent personalities, including retired MDs of housing finance companies, retired senior executives from banks, from private financial institutions, all people are there in our Board. And the Board is giving good guidance to the present management on how to go about and all that and we benefit a lot from our Board’s composition.

Moderator: Next question comes from the line of Himanshu Taluja from Aditya Birla Sun Life AMC Limited. Please go ahead.

Himanshu Taluja: Most of the questions have been answered. Just a few ones from my end. Sir, on this new tech platform which you have installed, what was the total approximate cost of this? And how one should see the P&L impact of this basically cost? If you can throw some light on this? Also, one should look at your other OpEx basically in the near term. Second is, yes, probably if you can answer this, then I can ask the second one.

K. Swaminathan: See, the total cost we estimate is around Rs. 50 crores, including the IT security costs. The direct cost is around Rs. 40 crores and Rs. 10 crores is the security cost, okay? That is under implementation. Around Rs. 20 crores we have already spent that has been capitalized, okay? I think that answers your question, right?

Himanshu Taluja: Sorry?

K. Swaminathan: See, total cost is Rs. 50 crores, including a security-related cost of Rs. 10 crores. So, Rs. 40 crores is a direct cost for the product. It is still under implementation; payments are being made in stages. So, far we would have paid the vendor around Rs. 20 and odd crores.

Himanshu Taluja: Okay. So, we have taken the P&L impact of Rs. 28 crores, if I understood correctly?

K. Swaminathan: Sir, this Rs. 20 and odd crores is already capitalized. The P&L cost is, see, there are some consultants in the entire process, okay, some of which we have not capitalized. Some of the payments to these consultants or the testing agencies and all, we have not capitalized the payments, which we made during the last quarter, we had not capitalized. It is not that the capital expenditure has not been done.

Himanshu Taluja: Sir, second question is on the asset quality front. On the current stress pool, how one should expect the recovery on this stress pool? And secondly, your provision coverage you've improved from last year, 30% to 46%. At what level you wanted to or what is your endeavor to keep the provision coverage on your stage 3 assets?

K. Swaminathan: Let me assure you because in our view, the worst is over as far as the slippages are concerned. And the provision coverage ratios, we don't have a specific target number. We have got adequate provisions. I think people should be happy that we have a better provision coverage ratio because this is a buffer that we have for any future eventualities.

Himanshu Taluja: So from the next year, now we have the normalized slippages and your provision coverage is also adequate on the current set, so one should expect a normalized credit cost going ahead?

K. Swaminathan: Definitely, sir. That is our expectation.

Moderator: Next question comes from the line of Rajiv Mehta. Please go ahead.

Rajiv Mehta: So, sir, a couple of questions from my side. Firstly, I wanted to get some picture on the disbursement. So, can you give us some flavor in terms of what is the average CIBIL score of the new accounts being onboarded? Has there been any shift in ticket size incrementally from what it was at the portfolio level? Is there any change in property profile being funded now? And lastly, what has been the changes in the sourcing mix? So, if you can just answer the profile of new business in these 3, 4 dimensions.

K. Swaminathan: As far as sourcing is concerned, there is a slight change. The DSA percentage might have gone up from around 20-odd percent, now it will be around 25%. I don't have the exact number now. Maybe I can give you offline. The DSA, that is sourcing through a DSA would have gone up couple of percentages, would have gone up to around 25% overall.

As far as ticket size is concerned, there is not much change quarter-on-quarter. But year-on-year, there is a change. See, quarter-on-quarter, 18.5 was the ticket size, this December quarter it's 18.4 lakhs. Year-on-year, it was early at 15.3, that is for the quarter I'm saying. And now it is 18.4 lakhs, so from 3 lakhs increase is there in the per ticket size. This is for the quarter. Company as a whole, there has not been much change. Company as a whole it is 14.9, is the total. For the incremental portion, it is 18.4 lakhs. Company as a whole, the average ticket is 14.9 as against 14.6 year-on-year.

Rajiv Mehta: And about the credit profile of customers in terms of bureau score?

K. Swaminathan: I think you would have seen in our presentation, as far as the home loan is concerned, we are moving slightly in favor of salaried class. Salaried class is slowly improving compared to non-salaried class. And the CIBIL score is now improved. The incremental CIBIL score is 740 now. So, to that extent our future is safe.

Rajiv Mehta: And in terms of property profile and underwriting, there is no change in policy, right?

K. Swaminathan: No. There is no change.

Moderator: Next question comes from the line of Rupen Shah, an individual investor. Please go ahead.

Rupen Shah: Can I have a provision figure on Stage-2 assets?

K. Swaminathan: Provision on Stage-2, 1 minute. We have Rs. 113 crores, sir.

Rupen Shah: Rs. 113 crores. And how do you see this Stage-2 moving forward now onwards?

K. Swaminathan: Stage-2 is under control. In fact, it is coming down slowly. And we expect it to come down below 10% of our AUM, that is our expectation.

Rupen Shah: Because compared to the rest of the housing finance Company, our Stage-2 are way ahead of those. Your competitors are quoting 2%, gross 2% and 3%, and we are having a 10%, 12% gross in Stage-2.

K. Swaminathan: I'm not here to comment on the competitors. But as far as we are concerned, yes, definitely, we are closely monitoring our overdue portfolio. All the buckets are being monitored almost on a daily basis. And our immediate target is to bring it down to below 10% even by the end of this current financial year. Going forward, it will be in line with the industry. That is for sure.

Rupen Shah: So, now my only worry is now slippage is from Stage-2 to Stage-3, are there any danger of we are not being able to achieve what we want to achieve for FY'24?

K. Swaminathan: Nothing of that sort. Sir, you can have some confidence on the present management. Stage-2 to Stage-3, there will be better numbers.

Rupen Shah: We have been invested for the last 5 years and actually the performance from last 5 years, okay, there was a COVID. But the performance of the management is not up to the mark compared to the competitors. That's why the question. That's it.

K. Swaminathan: So, I do not want to comment on the past, sir. As far as the present management is concerned, the entire management, entire field, everybody is geared up as far as the overdue book is concerned, okay. So, some movement from Stage-2 to Stage-3 may be inevitable, but there will be a higher number from Stage-2 to Stage-1. I can give you that assurance.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Rajiv Mehta for closing comments.

Rajiv Mehta: Thank you, everyone, for joining. Thank you to the management of Repco for giving us this opportunity. And sir, would you like to make any closing remarks before we end it?

K. Swaminathan: Thanks, Rajiv. Thanks all the people who have come to this conference call. I am very much thankful for all the questions raised. The only major assurance I would like to give from the present management, the entire present management as well as the entire field staff, everybody is aware, is geared up and whatever guidance we have given, we are striving our hard best to achieve all the numbers, okay? Thank you very much. Thank you for the opportunity.

Rajiv Mehta: Thank you so much, sir.

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