Date: **August 13, 2024**

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

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

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that the transcript of the earnings conference call for the quarter ended June 30, 2024, held on August 08, 2024 is available on the website of the Company.

The transcripts can be accessed from the link given below.

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

Further, we confirm that no unpublished price sensitive information was shared/discussed in the meeting.

You are requested to take the same on record.

Thanking you.
Yours faithfully,

For India Shelter Finance Corporation Limited

MUKTI CHAPLOT Digitally signed by MUKTI CHAPLOT Date: 2024.08.13 16:49:29 +05'30'

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

“India Shelter Finance Corporation Limited Q1FY25 Earnings Conference Call”

August 08, 2024

MANAGEMENT: **MR. RUPINDER SINGH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. ASHISH GUPTA – CHIEF FINANCIAL OFFICER –
MR. RAHUL RAJAGOPALAN – HEAD INVESTOR RELATIONS

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

This is a transcription of the earnings call conducted on 8th August 2024. The audio recording can be accessed using the following link, https://www.indiashelter.in/investor-relations

DISCLAIMER:

Transcript may contain transcription errors. The transcript has been edited for clarity, readability, etc. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. In case of discrepancy, the audio recording will prevail.

Moderator: Ladies and gentlemen, good day and welcome to India Shelter Q1FY25 Earnings Conference Call hosted by ICICI 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 star then zero on your touchtone phone. Please note that this conference has been recorded.

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

Renish Bhuva: Yes, thanks Sumit. Hello, good evening, everyone and welcome to Q1FY25 India Shelter Earnings Call. I would like to thank the India Shelter management team for giving us the opportunity to host this call. I will now hand over the call to Rahul. Over to you, Rahul.

Rahul Rajagopalan: Thank you, Renish. Good evening, everyone. I take this opportunity to thank ICICI Securities for hosting our call today. I extend a warm welcome to all participants on the Q1FY25 Earnings Conference Call. With me today, I have Mr. Rupinder Singh, MD and CEO, Mr. Ashish Gupta, CFO and myself, Rahul Rajagopalan. I now request Mr. Rupinder Singh, our MD and CEO, to brief you all about the company's performance. Thank you and over to you, sir.

Rupinder Singh: Thank you. Very good evening, everyone. On behalf of the company, I extend a warm welcome to all of you. Thank you for joining us on the call today. We delivered another quarter of consistent performance with sustainable growth in our AUM. The continued performance in this quarter is on the back of volume growth, improved productivity, consistent margins, stable credit costs, and improved return ratios.

I would like to start with the budgetary highlights impacting the affordable housing sector. PMAY was introduced in 2015 with the aim of providing affordable housing. The increase in the target by three core houses in this budget goes well for those who wish to avail the benefits of the scheme, particularly in EWS and LIG. The reintroduction of credit-linked subsidy schemes is expected to support housing loan growth as well. The scheme provides subsidized home loans to buyers of affordable homes under PMAY. We are waiting for fine prints, which is expected in some days.

Some of the key operational highlights includes:

- India Shelter AUM crossed Rs. 6,500 crores
- We have 86,000 plus customers on our book
- We continue to source internally with in-house sourcing at 98%
- 100% of our book is secured.
- Basis our conservative approach, LTV on the book is 52%
- 90% of our AUM is from Tier 2 and Tier 3 cities
- More than 72% of our customers are self-employed

Moving to the result of the quarter, we are pleased to report an AUM growth of 37% year-on-year to Rs. 6,509 crores, supported by a disbursement growth of 23% year-on-year to Rs. 715 crores.

As discussed during the previous call, we plan to add 40-42 branches during the year. On that note, we have added 30 new branches during the quarter. In this quarter, we added three branches each in Rajasthan, Uttar Pradesh, and South, followed by two branches in Haryana and one branch each in Uttarakhand and Maharashtra.

Moving on to the liability side, liquidity pipeline continues to be strong with positive ALM. The company has access to diversified and cost-effective long-term borrowings. In a rising interest rate environment, our cost of funds was maintained at 8.8%.

Operating efficiency continues to play out as our opex to AUM remains stable at 4.4%.

In terms of asset quality, Gross Stage 3 came in at 1.1%, 30-plus inched up to 3.5%.

On profitability metrics, PAT came in at Rs. 83.5 crores, registering a growth of 77% year-on-year. ROE improved to 14.3% from 13.9% in Q3FY24, that is the period when we did our capital raise and got listed.

Business environment continues to be the same as witnessed during the last four quarters. We continue to maintain our guidance, what we indicated during the last call.

- Branch addition of around 40-42 for the year
- Maintain margins at around 6%
- Credit cost of around 40 bps,
- Loan growth of around 30%-35%

With this, I would like to hand over the call to Mr. Ashish Gupta, our CFO, to take you through financial metrics. Over to Ashish.

Ashish Gupta: Thanks, Rupinderji. Good evening, friends. Let me take you through the key financial numbers. AUM as on June 24 is at Rs. 6,509 crores. Year-on-year growth in AUM is at 37%. Quarter-on-quarter growth in AUM is at 7%. Total income for quarter is up by 39%, driven by increase in AUM and improvement in yields. Quarter-on-quarter it is up by 7%. We have concluded a DA transaction of Rs. 137 crores during the quarter. DA as percentage of AUM is stable at 16%. Portfolio yield is at 14.9%, year-on-year up by 20 bps, in spite of improvement in HL share in AUM from 57% to 59%. Quarter-on-quarter yield is stable. Disbursement yield for Q1 is at 15%.

We have diversified source of borrowing with more than 30 counterparties. Quarter-on-quarter cost of fund is stable at 8.8%. Our marginal cost of fund is also at 8.8%. During the quarter, CARE rating has upgraded our credit rating from A+ to AA-, this will help us to bring down our cost of fund by 25 to 30 bps over the medium term. Our lending margins are stable at 6.1% quarter-on-quarter, in line with our guidance of 6% for the medium term. Opex for the quarter has grown by 27% year-on-year, as against 37% growth in AUM and 39% growth in income. Opex to AUM for the quarter is at 4.4%, down by 40 bps year-on-year, with improvement in scale. Quarter-on-quarter it is stable at 4.4%. Cost-to-income for the quarter is at 38%, which is stable quarter-on-quarter. Year-on-year it is down by 800 business points.

Credit cost for the quarter at 40 bps, which is in line with our guidance. DPD 30 is at 3.5% and Stage 3 is at 1.1%. Marginal uptick is on account of seasonal factors. PCR for stage 3 assets is stable at 25%. Our total ECL is Rs. 51 crores against the regulatory threshold of Rs. 31 crores. So, there is adequate provision buffer is in place.

PAT for the quarter is Rs. 83.5 crores, year-on-year up by 77%, quarter-on-quarter up by 7%. ROE for the quarter is at 5.4%, quarter-on-quarter up by 20 bps. ROE for the quarter is 14.3%, at a leverage of 2.6x. It is up by 40 bps quarter-on-quarter.

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

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

Raghav Garg: Hi, thanks for the opportunity. My first question is on the on-book yield. There seems to be a quarter-on-quarter decline of about 30 to 40 business points in your on-book yield. That is your interest income divided by on-book loan. Why is that happening in this quarter?

Ashish Gupta: That may be purely on account of averages that you may be looking at in terms of P&L divided by average AUM. Otherwise, there is no movement in the yield assets. Broadly, we are stable at 14.9% in terms of portfolio yield. Our DA to AUM ratio is similar at around 16%. That may be purely because of averages.

Raghav Garg: I think the one that we are looking at in 4Q, that is probably an inflated number. Is that understanding, correct?

Ashish Gupta: I do not see an inflated number. But there may be some aberrations in the averages of the denominator that you are using.

Raghav Garg: Understood. And on your cost of funds, you are stable at 8.8%. But when I look at the borrowing, the share of NHB has gone up by about 300 business points. So, it seems that there has not been really any benefit of higher NHB borrowing. Why is that? And also, can you give us the marginal cost of funds without NHB borrowing?

Ashish Gupta: We have drawn down NHB funding under the regular refinance this time. Because we have already drawn down under the AHF scheme in the month of November last year. So, the residual drawdown of around Rs. 210 crores that we have done in this quarter is on regular refinance scheme, wherein the interest arbitrage is limited to around 30-40 bps. And having said this, either we draw in HF scheme or in the regular refinance scheme, it does not impact our margin as such. So, in case we draw in AHF scheme, our cost of fund you may see coming down, but parallelly our yield will also come down. Technically, we endeavour to make about 6% margin over the cost of fund that we have.

Raghav Garg: Understood. That's all from my side. Thanks a lot.

Moderator: Thank you. The next question is on the line of Nischint from Kotak Institutional Equities. Please go ahead.

Nischint: Hi. I think I am just kind of going back to the question on margins. If I look at your NII growth on a sequential basis, it's around 1.7%. Your loan growth on a sequential basis is somewhere close to around 7%. So, definitely, I think there is something which is not adding up. If your spreads are stable, then your NII growth should ideally be equal to your AUM growth.

Ashish Gupta: So, NII growth is, I don't know how you are looking at, NII is better than the previous quarter that we have.

Nischint: I am looking at sequential quarter-on-quarter NII growth and quarter-on-quarter loan growth to get a sense of how the spreads have moved sequentially because optically it looks like your NII growth on a sequential basis was just around 1.8%, 1.7%. And obviously, your loan growth has been much more than that.

Ashish Gupta: We'll have a look at it and come back to you after this.

Nischint: No problem. The other thing is, I think there was another question on your incremental cost of funds. I am not sure if you answered that. What is your incremental cost of funds today?

Ashish Gupta: Incremental cost of fund is, if you talk about the non-NHB source, it is running at around 8.9% versus about 9% in Q4. And if you include the NHB funding as well, then our marginal cost of fund is at 8.8%.

Nischint: That is not incrementally making any difference. And any view or outlook in terms of where you see this cost of funding heading? Do you see this really heading up? Are you diversifying because of which the cost of funding is going up? Or do you have any MCLR kind of transition?

Ashish Gupta: So, even if we assume the market rate of interest remains stable and RBI does not reduce the repo rate, we are seeing pressure on the cost of funds from the bank side. You are aware that what is happening with the bank CASA. So, we are seeing some pressure coming from the MCLR linked borrowings that we have. But having said this, we have our rating upgrade in place. So, that will help us to maintain our cost of funds. So, we believe that in spite of MCLR adjustment that will happen over the next nine months, our rating upgrade should help us to reduce our cost of funds by about 10 basis point this financial year.

Nischint: You know, in the sense of spread over MCLR is kind of going up. Is that what you are trying to address?

Ashish Gupta: So, spread over MCLR is gradually coming down. With the improvement in our credit rating, we have been able to negotiate lower spreads with our lenders. So, though the MCLR will go up, we will be able to negotiate lower spreads, resulting in overall lower marginal cost of fund than like what we have currently.

Nischint: Sure. The second question is on disbursements. We are kind of somewhere closer to 23% for this quarter. Is that what we would probably look at for the next nine months or if you could give some color on that?

Rupinder Singh: Well, quarter one is normally a little low on the disbursement side. This has been the trend with most of the financial institutions in this segment. This time we have shown 23% growth, we believe that there is still a lot of scope going forward and normally upticks happen in H2 and quarter two is actually also helpful sometimes. So, we are optimistic about that and this percentage growth what you are looking on year on year basis of 23%, 24%, it has a little uptick over that side. But if you want the exact number, I think I can only give the optimistic picture on that side.

Our guidance remains constant in the range of 30%-35% of AUM growth. 1% here and there can always happen. But yes, we are optimistic about these things.

Nischint: And just on the business mix, we have kind of growing home loans faster. So is 60-40 is the optimal mix of what we are looking at or do you think we sort of really exceed that as well?

Rupinder Singh: So, Nischintji, even in previous call, I mentioned there may be 1%-2% here and there. So our focus remains in the range of 60-40. The 60 can go to 61, 62. That 40 can come down to 38, 37 at the max basically. But ratio of 60-40, which is important to maintain the PBC guidelines will continue to remain in the same range. So irrespective of the mix, I think business was supportive enough to maintain the spreads which we have been guiding of 6%. So this quarter also we maintained the spread of 6.1%.

Nischint: So, just sorry, if I can ask, what proportion of loans are top-ups for us?

Rupinder Singh: Nischintji, we actually are in a segment, which is very low ticket size. And we always keep in mind 2-3 things aspects. First of all, it is a self-employed customer and end use has to be for the business side. We take Udyam Certificate from these customers. Ticket size for us remain around Rs. 10 lakhs. These segments of customer who we charge a rate of average yield of 14.8%-14.9%, rarely come for these kinds of top-ups. Still, if you ask the numbers, it won't be more than 2%-3% of the book.

Nischint: And ticket size, when you say INR10 lakhs, it is on the book or is it on the incremental disbursements?

Rupinder Singh: Both on the book and disbursement remain around the same range.

Nischint: Got it. Thank you very much. Those were my questions. All the best.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So the first question is on collection efficiency. If we look at that number, that's down 300 bps quarter-on-quarter. And even maybe because of the seasonality, when we look at on a year-on-year basis, that's also down almost 80-odd basis points. Sir, any reason for that or any state-specific trend which we are seeing in this collection efficiency? And that has led to slightly higher 30-plus as well at 3.5-odd percent. So how should we rate this?

Rupinder Singh: So if you see the five quarters of trend, there's definitely a seasonality effect which comes into that piece. In fact, quarter three of the last year was also on the same set of number of 3.5% of 30 DPD. And eventually, when we landed into quarter four, we were able to sustain. Obviously, the effect was both. One is quarter four and one is what we, you know, able to deal in terms of collecting it well. We have taken certain initiative in this quarter, particularly more on the digital side. So, you might have noticed that our digital collection, which used to be, say, 93% has gone up to the level of 96% in this quarter particularly. And yes, there's also an impact of certain seasonality. There are many things you can count on, but there's no point of counting things which are leading to drop of collection efficiency. I think we'll be able to cover up in coming quarters. So this is more like a seasonality, and it is very much range-bound as per us, and we'll be able to maintain it.

Kunal Shah: Okay, sure. And secondly, on the fee income side, any one-off element out there? It seems to be quite high, even on a quarter-on-quarter as well as year-on-year. So it doesn't seem to be more volume-related, but there's any one-off.

Ashish Gupta: So in fee income, there are a couple of things. One is that our insurance agency is now active, so that some of the fee income is coming by way of that. Secondly, we have done some tweaking in our fee structure in case of co-lending. So, some part of the additional fees is coming from that structure. In Q1 generally BT is slightly higher by 50 basis points as compared to the previous quarter so some prepayment income coming from that side. So it's a mix of all these three factors, nothing beyond that.

Kunal Shah: Okay, sure. And lastly, with respect to disbursement, the impact of RBI circular, if you were to look at it, how much would that have been in this number which we had reported? Was there any disruption out there because of the cheque circular which has been there? And maybe on a normalized basis, how should we look at the overall disbursements?

Rupinder Singh: Well, quarter one normally is a little leaner than the quarter four of the previous year. This has been a trend with us particularly. But having said so, there's a slight impact of the circular also, which happened with us. If you see per se, there may be a drop of 3%-4% here and there. I think we were quite effective in responding on time. Otherwise, we don't see any impact around that side. Quarter one is normally a little leaner, and this is a trend in our India Shelter history from not one or two years, but from ages.

Kunal Shah: The only thing was maybe in terms of the cheque, how much was the proportion of the cheque issuances versus the online transfer earlier?

Rupinder Singh: So that's what I'm saying, the gap will not be more than 3%-4%.

Kunal Shah: 3%-4%. Okay, got it. Thank you.

Moderator: Thank you. The next question is from the line of Omkar Shinde, an individual investor. Please go ahead.

Omkar Shinde: Hello. Thank you for giving me the opportunity. The point was you had said that you will be adding 40-42 branches in current year. Will this continue for the next two, three years also? So runway for the next two, three years, what would be that?

Rupinder Singh: So, Omkarji, we are present in 15 states across country, including North, West, and South. And in these 15 states, we have enough of depth, which we can capture. And I feel 40-42 branches, you know, quite comfortable that we have taken up. So I feel not only two to three years, but beyond that also we'll be in position to maintain that number if we want. Obviously, we have to kick off the productivity aspect also. There may be a little bit change here and there. But largely for next year, at least I can confirm there'll be 40-42 branches...

Omkar Shinde: So, three years, we can assume it is 40-42 branches. What I wanted to understand then, the steady state Opex to AUM that is currently at 4.4%, I think that would remain steady in the current levels, or will we see some impacts of seasoning? So what I want to also understand is once the branch, say, for example, the branches that's opened current year, two, three years down the line, they will season and they will get productivity. So how will that impact going ahead?

Rupinder Singh: So one thing is very important to understand is 40-42 branches were on previous years base of 183 branches. And three years, this 40-42 branches will be on the number of 320, basically, if you add up the number. So automatically, the percentage-wise this opex is bound to come down, because percentage-wise the number of branches which you are adding up is a on the lower side.

Secondly since we have already maintained our supervisory cost very well and what we need to do is only open new branches and that also into Tier 2, Tier 3 branches which is in the same geography largely. So effectively you can easily find out with these impetus maybe 20-30 bps of opex on AUM benefit you're going to get in the next two-three years.

So this year what we started with 4.4%, you will find out we'll be landing somewhere 15-20 bps lower than the previous year and eventually the next two-three years also.

Omkar Shinde: Okay. So on an average we might get 15 to 20 bps operating leverage every year for the next two, three years?

Rupinder Singh: Yes.

Omkar Shinde: Okay. And lastly what are the average number of log-in and the final disbursement? So, for example, what are the number of log-ins per employee? I'm trying to understand per employee productivity because our number of employees have been increasing as we are also expanding per branch. So I'm trying to understand how will that per employee level productivity improve going ahead? So say, for example, what are the number of sanctions files and the number of files that are disbursed that way per employee or even on an overall basis if you can?

Rupinder Singh: So if we see when we drive our business purely 98% of business comes from the self-sourcing. We don't depend upon third-party DSA or channel parts. So per employee last year it was in tune of around 5 to 5.5 this year has reached a level of 6. And obviously as you're driving this productivity, it has to go up in a sequential way. Apart from addition of the people and the branches there'll be some spurt which is coming from the per employee productivity also. So, if we see the trend of last say three years or four years you'll find that every year there's an incremental starting from 4.5 to 5, 5 to 5.5 and now touching around 6 and next level what we'll be targeting for the next year will be around 6.5, 7.

Omkar Shinde: 6.5, 7 will be for FY25, 26. I did not get that?

Rupinder Singh: For 25-26 yes.

Omkar Shinde: 25-26 is 6.5.

Rupinder Singh: Yes.

Omkar Shinde: Thank you. I will join back in the queue.

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

Renish: Sir just two questions from my side. One on this CLSS scheme being announced by the government. Do you foresee any upside risk to our growth targets now being that is just implemented after a lag of two years?

Rupinder Singh: I think any kind of scheme which come is good for the industry. So, in our business plan we have not included any part of the scheme coming around. So whatever growth trajectory which we keep that is irrespective of whether the scheme comes or not, but yes if scheme is coming in right spirit and we are able to implement definitely we'll find some kind of improvement in terms of overall numbers.

Renish: Got it. And sir secondly on this NHB refinance scheme so far we are still waiting for the final papers, but what's the discussion going on?

Rupinder Singh: I think it will be a little hurry to take some indication on that piece. There's a lot of discussion going on, but I'm not in a position to give you the exact idea how it's going to shape up as of now.

Renish: But in whatever form that scheme comes, does that will have any impact on our cost of funds incrementally? I mean, of course, the NHB lines will have impact, but the new scheme do you foresee that will have a material impact on cost of fund going ahead?

Ashish Gupta: So it may have a cost of fund impact, but it will not impact the margins. So like that's what we are saying that even if NHB come out with a AHF scheme wherein we draw the fund at like 5% cost of fund come down by about 20, 30 basis point from that, but parallelly the yield also come down because those schemes will have a capping on the yield rates. So, at the end of the day we target our margins. So, even if NHB is lending us at 8% if we are driving around 6% margin we are happy. In case NHB is lending at 5% and we are driving like 11% yield we are happy with that. So we don't frame our business plan. Basis NHB schemes rather we frame our business plan basis the margins that we target.

Renish: No, completely agree with you, but the limited point is, let's say, whatever the spread cap has been there previously if there is a increase in that spread cap in the new scheme, does that will have impact on our margins is what I am trying to get a sense?

Ashish Gupta: Obviously, in case NHB came out with some scheme wherein cost of fund is lower margins like allowed is higher, obviously that will have a positive impact on the cost of fund.

Renish: Okay. And my second question is to Rupinder Sir. Sir with steady growth what we are expecting over the next couple of years why do you see the opex ratio settling down?

Rupinder Singh: I think, Renish Bhai you assume at least 15 to 20 bps coming down year-on-year that’s how we have been trending.

Renish: From Q1 levels?

Rupinder Singh: Yes.

Renish: And in a steady state business where do you see it settling at around 3% or more than that?

Rupinder Singh: Look there's always scope of improvement. When company is doing a lot of initiative about digitization, the process is getting tweaked, improved. I think we should not get settled at any point of level. Every time there's always a scope of improvement. So, we have not come up with a target that after 3 years we have to be around 3% or 3.5%. We'll continue to work towards reducing it as the time progress. So I think there's still a lot of scope, and we'll continue to keep working towards that.

Renish: Got it. Okay, Sir. That's it from my side.

Moderator: Thank you. The next question is on the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Yes, hi. Thanks for taking my question. A couple of them could you share your 1 DPD number?

Ashish Gupta: Our 1 DPD remains around in the range of 5% to 6% normally. At this point of time it is around 6%.

Jigar Jani: If you look at your off book AUM, could you share this quarter what is the split between DA and co-lending. I have the Q3 numbers, it was about Rs. 82 crores I guess co-lending. Would it be possible to share the Q4 and the Q1 numbers split between DA and co-lending?

Ashish Gupta: So, if we, if you look at the total off-balance sheet portfolio, so DA is considered as off-balance sheet, wherein that, that proportion is around 15.7% for Q1. And if you look at Q4, this was again at 15.6%. So broadly we target ff-balance sheet portfolio as a percentage of AUM at around 16%. If you look at Co-lending, we did about Rs. 52 crores this particular quarter. And at this point of time that is around 2.9% of the total AUM. And in March, it was at around 2.4%.

Jigar Jani: Understood, Sir. And Sir, lastly, could you also share your borrowing absolute numbers in terms of borrowing, total borrowings?

Ashish Gupta: So, if you look at our total borrowings, our total borrowings are in the tune of around Rs. 4,700 crores including direct assignment.

Jigar Jani: And the same number for Q4 could be similar?

Ashish Gupta: Q4 was around Rs. 4,300 crores.

Jigar Jani: Okay. Thank you so much for answering my question. Sorry, just one more. Can you also share what kind of disbursements we had done in the CLSS scheme when it was there last time around? What was the subsidy disbursed under the CLSS scheme?

Rupinder Singh: So, this scheme got discontinued around two years back and effectively the percentage of disbursement which has to happen through this scheme was not more than 7%-8% that time when we are doing it, in that frame of scheme, whatever it was. Today, our AUM in CLSS scheme would be lying somewhere around 4%-5%. Okay.

Jigar Jani: Okay. Thank you so much, sir and best of luck.

Moderator: Thank you. The next question is from the line of Chirag from RatnaTraya Capital. Please go ahead.

Chirag: Hi. Good evening, sir. Thank you for the opportunity. Just one question. The top three states for our top three states, is there any trend that you see in terms of collections or in terms of repayment or in terms of over-leverage of the customers that has been above normal? Is there any trend? That's just a qualitative comment. I understand that it hasn't had any impact on us but in those particular states have you seen any issues? Madhya Pradesh, Maharashtra, Rajasthan. Thank you, sir.

Rupinder Singh: So, Rajasthan is the biggest state and then followed by Maharashtra, Madhya Pradesh and then south state of Karnataka. In every state, there are certain pockets you'll find a little up and down. This obviously happens because of multiple factors. Sometimes local way over collection resources may not be up to date in terms of resource allocation and things around that piece. Overall, if you see, same was the situation when we talked about quarter three last year and when we see the quarter four, we have bounced back. So, normally, I feel it's more of a seasonal factor. It's too early to think about a trend around because within a quarter, it's very difficult to come up with a certain trend. But yes, there are certain pockets in every geography where we always find that there's small challenges that we have to cover up with time. So, Rajasthan, which constitutes 31%, their numbers almost remain intact. Maharashtra, number two, which is 17% there's a little spike in few of the territories. And same is in a couple of more states like that.

Chirag: And Madhya Pradesh, was that also unusual?

Rupinder Singh: Yes, there are certain pockets where delinquency has spiked off, which is not related to the market per se. I think internally, we have seen the people and resources around that that will take time to settle down.

Chirag: Understood. Thank you so much. That was my only question. Thank you.

Moderator: Thank you. The next question is from the line of Omkar Shinde, an individual investor. Please go ahead.

Omkar Shinde: Hello. Thank you for the follow-up. What I wanted to understand the disbursement that we have done split for it with respect to HL, NHL, I think would be the same just a clarification, HL, NHL, home loan and loan against property.

Ashish Gupta: So like home loan disbursement for this particular quarter is at around 61%. And LAP or business loan disbursement is around 39%.

Omkar Shinde: Understood. And with respect to the ticket size, so most of our ticket loans are below Rs. 10 lakhs and that bucket. Are we seeing any trends with respect to other buckets seeing higher growth?

So why I'm asking this at the current size, we are growing good on the lower ticket size and we are getting the benefit of higher yields for the smaller ticket size loan. But as we grow, is there a possibility because one of our peers also is in the same direct sourcing model, so they are facing issues and they are diversifying. So do we see a hurdle beyond which this direct sourcing case will have its limit?

Rupinder Singh: So, Omkarji, we are maintaining this ticket size of approximately Rs. 10 lakhs from last three, four years. And we have an opportunity to deep dive into the locations, geographies where we still exist. So a presence in 15 states gives an opportunity to go deeper into geographies, which leads to manage this ticket size to a large extent. Thankfully the which we are using, which is again supporting and making the process more easier and convenient around that case. So I think for the next couple of years, you'll not find that ticket size spiking up to a certain level. There may be some impact of inflation little bit here and there, 10 can be 10.5 or at the max 11. But we don't have a thought to change this drastically up in the coming time because we feel there's still a lot of juice, a lot of opportunity in these markets. And I think we have enough opportunity to ride over this.

Omkar Shinde: Understood. And I wanted to understand the breakup of our borrowing specifically of the banks. So approximately 53% is banks. How much is linked to external benchmark like repo link? So if the rate cut scenario does start although in RBI meeting today, there was no indication. But can we, can I understand what is the MCLR, EBLR link split?

Ashish Gupta: So like if you look at about 50% of our total borrowing are linked to MCLR or like NHB PLR. And about 35% of the borrowings are linked to external benchmark likes of repo, EBLR. Then about 15% of the borrowing are at fixed rate.

Omkar Shinde: Okay. Fixed rate is how much?

Ashish Gupta: 50% is linked to MCLR. 35% is market linked like T-bill or repo rate. 15% are at fixed rate.

Omkar Shinde: Okay. And the total loan assets that we have, how much is that split? How much is the split of that fixed and floating?

Ashish Gupta: So you can say about 25% of our total assets are either at a variable or semi-variable rate. And then 75% of our total assets are at fixed rate. Then, but, a significant portion of our total asset at this point of time are also funded by way of equity. And we have started our variable rate of funding about a year back, and gradually it is picking up well. So down the line, 2 years from here, we expect that our variable rate or semi-variable rate book will significantly pick up from here, from 25 to about 40%, 45%. And portion funded by equity will remain around 25%, 30%. So overall residual risk at the portfolio level, interest rate risk will be around 15%, 20% at max.

Omkar Shinde: I was going to ask that same question. Thank you. And finally, to understand the part with respect to your DA, so 22% is approximately borrowing funded from DA. And we are at the brink of the 60, 40 regulatory mark. So whatever DA that we do, I think should be more towards the non-housing. And I think we must be getting good amount of spread from that. And consequently, the DA upfronting income that we see would remain elevated. Will that be understanding correct?

Ashish Gupta: So if I understand your question correct, so we do direct assignment transaction for our LAP portfolio primarily, which is business loans, wherein our yield are slightly higher than our portfolio yield. So that is in the range of around 15% to 16%. So this entire 22% of direct assignment transaction is towards this particular portfolio of LAP, that we try and do to ensure our PBC compliance as per the RBI guidelines, which is 60-40 that you have referred.

Omkar Shinde: So the entire DA transactions are fully LAP, there is no home loan component that is being defined?

Ashish Gupta: Exactly.

Omkar Shinde: Okay. And can you just give me the breakup of the yield in home loan and lab?

Ashish Gupta: Home loan remain in the range of 13.5% to 14%. And LAP remain in the range of 15.5% to 16%.

Omkar Shinde: This is on AUM or disbursement?

Ashish Gupta: This is both at the AUM as well as disbursement.

Omkar Shinde: There is no material difference between the two?

Ashish Gupta: Yes. So 14.9%. So as we have said, 14.9% is our portfolio yield and 15% is our disbursement yield. So mix between the portfolio as well as disbursement is 60, 40 in terms of home loan and lab. So our yield mix is also similar.

Omkar Shinde: Thank you very much. That was very helpful.

Moderator: Thank you. The next question is from the line of Chinmay from Prescient Capital. Please go ahead.

Chinmay: Hi, sir. Good evening. Thank you for taking my questions. Firstly, could you provide some sense around how asset quality differs between LAP and home loan?

Ashish Gupta: If you look at the overall asset quality, our GNPA is at 1.1%. If you split it between home loan and LAP, so home loan, you will have around 0.9% and LAP will have around 1.3%. So that is a broad split between home loan and LAP. But having said this, in case of LAP, we have our LTV at a very conservative level of around 45%. So, if you look at the difference between in terms of credit cost, in terms of home loan and LAP, in terms of credit cost, that is at around 40, 45 business point. There is no difference in the overall credit cost that we incur in home loan and LAP.

Chinmay: Secondly, could you share the SMA1 and SMA2 numbers if you do that?

Ashish Gupta: So, our DPD 30 is at around 3.5% and our NPA is at 1.1%. So you can, arrive at your SMA1 and SMA2 based on this number.

Chinmay: Okay, sure. And the third thing is, do you, from a 3 years to 5 years perspective or from a medium term perspective, what do you think about the leverage and the ROE profile going forward?

Ashish Gupta: So in terms of leverage at this point of time, we are at around 2.6 times. So down the line, 2 years from here, we could easily achieve a number of around 3.5, 4x kind of leverage from here. And we believe that as we touch 4x kind of leverage, we will be delivering around 4% kind of ROA resulting in ROE of around 16%.

Chinmay: And lastly, could you talk about any post-disbursement monitoring processes that you might have? So do you do regular bureau scrubs after your loan dispersals or do you keep a track of if any other, if your customers are taking on any other loans, any microfinance loans, involving in any such activity?

Rupinder Singh: So we do have a due diligence process internally, which is being taken care by a separate data science team through bureaus and other activities which are possible. We keep, identifying the customer who may be in a high risk, medium risk or low risk. And on the basis of that, the strategy is also defined, whether it is, in form of collection and things around that piece.

Chinmay: Okay, sir. Got it. I'll fall back in the queue.

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

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

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