INDOSTAR

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07 May 2024

BSE Limited
Listing Department, 1st Floor,
P J Towers, Dalal Street, Fort,
Mumbai - 400 001

Scrip Code: 541336

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Symbol: INDOSTAR

Sub.: Transcript of analyst(s) / institutional investor(s) call held on 30 April 2024 at 12:00 p.m. (IST)

Dear Sir / Madam,

Please find enclosed herewith transcript of analyst(s) / institutional investor(s) call held on Tuesday, 30 April 2024 at 12:00 p.m. IST, pertaining to the Audited Financial Results of the Company for quarter and financial year ended 31 March 2024.

The transcript is also available on the website of the Company at www.indostarcapital.com.

Request you to kindly take the above on record and disseminate the same on your website.

Thanking you,

Yours faithfully,

For **IndoStar Capital Finance Limited**

SHIKHA JAIN

Digitally signed by SHIKHA JAIN
Date: 2024.05.07 18:08:23 +05'30'

Shikha Jain
Company Secretary & Compliance Officer
(Membership No. A59686)

Encl: a/a

"IndoStar Capital Finance Limited

Q4 FY '24 Earnings Conference Call"

April 30, 2024

MANAGEMENT: MR. KARTHIKEYAN SRINIVASAN – CHIEF EXECUTIVE OFFICER – INDOSTAR CAPITAL FINANCE LIMITED
MR. VINODKUMAR PANICKER – CHIEF FINANCIAL OFFICER – INDOSTAR CAPITAL FINANCE LIMITED
MR. SHREEJIT MENON –CHIEF EXECUTIVE OFFICER – INDOSTAR HOME FINANCE PRIVATE LIMITED
MR. PUSHKAR JOSHI – CHIEF FINANCIAL OFFICER – INDOSTAR HOME FINANCE

MODERATOR: MR. VIRAL SANKLECHA – ORIENT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '24 Earnings Conference Call of IndoStar Capital Finance Limited. 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Viral Sanklecha, from Orient Capital. Thank you, and over to you, sir.

Viral Sanklecha: Thank you, Manuja. Good afternoon, ladies and gentlemen. I welcome you for the Q4 and FY '24 Earnings Conference Call of IndoStar Capital Finance Ltd. To discuss this quarter's performance, we have Mr. Karthikeyan Srinivasan, Chief Executive Officer; Mr. Vinodkumar Panicker, Chief Financial Officer; Mr. Shreejit Menon, CEO of IndoStar Home Finance Private Limited; and Mr. Pushkar Joshi, CFO, IndoStar Home Finance Private Limited.

Before we proceed with this call, I would like to mention that some of the statements made in todays call may be forward-looking in nature and may involve risks and uncertainties. For more details, refer to the investor presentation and other filings that can be found on the company's website.

Without further ado, I would like to hand over the call to the management for their opening remarks, and then we will open the floor for Q&A. Thank you, and over to you, Karthik sir.

Karthikeyan Srinivasan: Yes. Thank you. Good afternoon, everyone. I'm Karthikeyan Srinivasan, and I extend a warm welcome to all of you for running our Q4 and FY '24 earnings call to discuss the financial performance of IndoStar Capital. I hope all of you had a chance to review our financial results and investor presentation, which are available on the stock exchanges and on our website.

I'm deeply grateful to all of you for being part of our journey. Joining me today are Mr. Vinod Panicker, our CFO; Mr. Shreejit Menon, CEO of IndoStar Home Finance; and Mr. Pushkar Joshi, CFO of IndoStar Home Finance.

Before diving into our business update, let's touch upon the macroeconomic factors of last quarter. The Indian economy has been on a positive trajectory, buoyed by increased government spending and growth in manufacturing and services. GST collections saw a notable 111.7% increase in FY '23/'24, while both manufacturing and services PMI remained in the growth territory.

Consumer demand has been robust driving growth across sectors. The RBI maintained its interest rate at 6.5%, with a focus on withdrawing support while slightly revising its inflation forecast. Looking ahead, India's GDP growth for FY '25 has been revised upward to 6.8%, solidifying its position as one of the fastest-growing major economies globally.

The CV industry, which is a reflection of the economy, has witnessed the peak of the cycle and the rise of high tonnage vehicles, is poised for integration in '25/'26. The demand for M&HCVs rebounded last year, driven by predominantly infrastructure growth and replacement demand.

Regulatory tightening and pre-buying strategies and anticipated price hikes underscore the industry caution and adaptation. Market dynamics are influenced by GST challenges for large fleet operators and the shift towards cost-efficient at tonnage vehicles.

Sector-specific demands, especially from the infrastructure-related industry, drive growth in the concrete mixtures as is the multi-axle tippers. Looking ahead, expectations for FY '25/'26 foresee minimal growth without significant volume uptick. Transitioning to the used car segment, consumer preferences lean towards used cars, reflecting rising aspirations and cost-effectiveness. The market, although historically unorganised, is becoming more structured with around 70% of used cars becoming organised. Dealer expansions into Tier-2 and Tier-3 cities and online platforms enhance accessibility.

However, pricing corrections loom due to high demand and low supply. At IndoStar, our primary focus has always been to enhance the lives of our customers, delivering world-class service and sustainable value to all stakeholders. To uphold this commitment, we have embarked on various new initiatives aimed at bolstering our services and expanding our footprint.

In the current financial year, our goal is to introduce more products to address the entire customer lifecycle comprehensibly. This will enable us to secure funding at competitive rates, reducing dependency on the unorganised market players. Leveraging technology has also been instrumental in driving these efforts, and we anticipate phenomenal results moving forward.

Furthermore, we are committed in our focus on analytics to ensure our model remains agile and scalable. Our approach blends physical and digital touchpoints, catering to customers who are still adapting to evolving technologies. In the last quarter, our company consolidated disbursement amounted to INR 1,767 crores, showing a significant 31% sequential growth.

At the beginning of the year, we set out to decrease our gross NPA numbers, and we have actively pursued this goal. With aggressive collection, excellent credit appraisal and control measures implemented, we have been able to reduce delinquencies, which have been aided by a vibrant economy. We have been able to reduce the GNP on a consolidated basis to 4.1% and in the standalone entity to 4.97%. In FY24, we also successfully executed our strategies of moving towards retailisation by selling a part of our corporate portfolio to an ARC, which is now standing at INR388 crores only.

Additionally, we have reduced our high-ticket SME portfolio to INR485 crores through strategic sales to an ARC, minimising the risk and fortifying our financial position. These initiatives have also contributed to improvement in our NPA ratios. We have been strengthening our financial stability and enhancing our balance sheet quarter after quarter, and this momentum will continue going forward.

We are expanding our retail operations with a particular emphasis on the used commercial vehicle segment, focusing primarily on Tier 3 and Tier 4 markets. We are dedicated to scaling up our operations to drive growth while maintaining asset quality. Our goal is to sustain progress in profitability by steadily increasing our targeted return on total assets.

Looking forward, we anticipate steady growth in the used vehicle segment. With the EMI of new vehicles exceeding INR1 lakh, used vehicle EMIs have become more affordable, leading to a significant rise in the demand for BS-IV vehicles. The transition from BS-IV to BS-VI has further fuelled the demand, with a notable price differential of 25%-30%.

We anticipate the used commercial vehicle pricing to remain at a similar level in FY25-26, particularly with the entry of BS-VI vehicles into the retail market. The introduction of technologies, the introduction of FastTag and the removal of Octroi and Checkpost have expanded the lifespan of assets, consequently increasing the resale value. Moreover, there is a significant uptick in the resale of BS-VI vehicles due to improved technical performance.

We expect robust growth in the used CV space with the entry of these new vehicles in FY25-26, driven by their ability to transport the same volume of goods at a lower ton per cost and reduce downtime. Furthermore, the useful life of CVs has increased, allowing NBFCs like us to fund up to 12-year-old vehicles. Our ability to collect payments has remained exceptionally strong, reinforcing the resilience of our business model and trust the customers have in us.

Our strategic direction remains unchanged and we are actively exploring new products and strategies to enhance returns and generate additional income. Diversifying our product range will ensure we maintain our competitive advantage and constantly deliver to our stakeholders.

Now I'll hand over the call to Mr. Vinod Panicker to present the financial performance.

Vinod Panicker: Good afternoon, everybody. Thank you, Karthikeyan. I sincerely appreciate your presence at this conference call today. I will intend to take you through the financial performance for the quarter ended and the full year of FY '24.

On a consolidated basis, we generated total revenue of INR474 crores in the fourth quarter, as against INR285 crores in the same quarter last year and INR306 crores in the immediately preceding quarter. The operating expenses incurred were at about INR139 crores in the fourth quarter as against INR66 crores in the same quarter last year. and INR119 crores in the immediately preceding quarter.

The disbursements were at INR1,767 crores, as highlighted by Karthik in the -- for the fourth quarter, as against INR898 crores at the same time last year and INR1,345 crores in the immediately preceding quarter. At the consolidated level -- at a consolidated level, the AUM was at about INR8,763 crores as of March '24, as against INR7,813 crores in March '23. And it was at about INR8,037 crores as of December '23. On a standalone basis, we have generated a total revenue of INR391 crores for the fourth quarter as against INR236 crores in the same quarter last year and INR238 crores in immediately preceding quarter.

So operating expenses were at INR112 crores for the fourth quarter as against INR45 crores for the fourth quarter last year and INR91 crores immediately preceding quarter. This INR45 crores in the same quarter last year was net of a INR50 crores reversal of ESOP, which we had mentioned at that point of time.

The disbursements were at INR1,465 crores for the standalone entity for the fourth quarter as against INR750 crores in the same quarter last year and INR1121 crores in the immediately preceding quarter. Against the same quarter last year, the growth has been at almost doubled or more than doubled. Our interest margin for the quarter was at about 5.4%. And for the full year, we have about 5.5%.

The revenues of the standalone includes a onetime gain of about INR96.6 crores on account of sale of SRs in the fourth quarter, the proceeds of which was utilized for strengthening the balance sheet by creating additional provision on the loan book and the SRs. The revenue also has a new component, which is revenue from cross-sell of insurance for which we have got a corporate agency license in February 2024. We are confident that this will help us generate significant income in the quarters and the years to come.

On a full year basis, the overall revenue at INR1,104 crores was higher than the INR968 crores in the immediately -- in the last -- compared to the last year. The disbursement was that on a overall basis was INR4,560 crores against INR1,612 crores, a growth of about 183%. The AUM at INR6,493 crores as of March '24 was after its sale -- after sales of the corporate book, which Karthik mentioned and the SME book, both the delinquent one and also the standard book.

The delinquent one overall was at about INR1,175 crores and separately in SME standard portfolio of about INR143 crores was sold to another NBFC. All these steps were taken to ensure that the balance sheet becomes clean, the business yields go up and we get more and more retailised as we go forward. The finance cost for the quarter at INR161.9 crores was against INR134 crores in the same quarter last year and INR145 crores in the immediately preceding quarter.

Turning to the operating expenses, it stood at about INR112.3 crores in Q4 FY '24, as it is INR45.8 crores in Q4 FY '23 and INR91.2 crores in Q3 FY '24. As I mentioned earlier, the Q4 FY '23 cost at a reversal of INR50.5 crores, which was a onetime impact. On a full year basis, operating cost was at about INR389 crores versus the INR327 crores that we reported in FY '23.

The operating expenses are seeing some increases mainly on account of the company ramping up the number of branches and also the number of employees to drive the growth in the CV and the HFC. Our profit after tax for the fourth quarter, the standalone stood at INR19.6 crores and on a full year basis stood at about INR71.6 crores.

We achieved total collection of INR700 crores for the current quarter as against INR632 crores for the immediately preceding quarter. Our collection efficiency, including all due, reached 101% in the current quarter. showcasing our commitment to highest credit standards and highest operational efficiencies. Our focus on portfolio quality has led to a decrease in the gross stage three assets to 4.97% at the end of Q4 FY '24. Furthermore, our net stage three has gone down to 2.1%. Again, demonstrating the effectiveness of our credit risk management strategy, an improvement from 2.8% in December '23.

The reduction in the GNPA number is on account of the robust collections that we have seen on the loan book and the aggressive settlement that we have done on the old book, that is the book which was generated prior to April '22. This will ensure that the lower stress book will also lead to better, I would say, funding in the coming quarters. The credit cost stood at about INR102 crores, which was mainly on account of additional provisions that we've created for SRs and on the loan book.

In terms of funding, we have made a steady progress in improving the liquidity position by raising the incremental funding in the fourth quarter by about INR1,609 crores. As of 31st March '24, we maintained a cash and cash equivalent of about INR836 crores. The change in the mix over the last two quarters has helped us reduce the cost significantly as we move from an incremental borrowing cost of 12.7% in Q2 FY '24 to 10.6% in Q3 and 10.9% in Q4. With the improved GNPA numbers that we mentioned about, we are confident that cost will continue to go down further.

Our capital adequacy of 28.9% and the debt equity ratio of 2.3 gives us ample headroom for further future growth. And we are confident in driving profitable growth in the quarters and years to come. Our assets under management of INR6,493 crores as compared to INR5,991 crores of -- in the immediately preceding quarter shows that the recent increase. The increased disbursement of INR1,465 crores versus the INR1,121 crores of the preceding quarter can be attributable to our strong focus on retail segment. Retailization will continue in favourable results, and we are confident of our steady profitable growth in the quarters to come.

In the Vehicle Finance segment, our AUM at the end of the fourth quarter stood at INR5,594 crores, marking a 15% increase over the immediately preceding quarter. As previously mentioned, our emphasis remains on growing the used CV segment, and we are experiencing significant growth in the AUM, which we expect to continue.

Now I would like to invite my colleague, Shreejit Menon, to provide further insight into our housing finance business, which is another key area, a key focus area of our business. Over to you, Shreejit.

Shreejit Menon: Thank you, Vinod. Good afternoon, ladies and gentlemen. I would like to start by taking you through the key highlights that illustrate our accomplishments during the quarter and year ended March 31st 2024. The financial year gone by has been a period of remarkable growth for us. We are delighted to report that we witnessed strong momentum across most of our business metrics.

During the quarter four, we reached an important milestone by achieving a monthly disposal run rate of INR100 crores for the first time. The total disposal for Q4 FY '24 amounted to INR301 crores, contributing to a total disposal disbursement of INR937 crores for the full financial year. Our assets under management reached INR2,269 crores, representing a robust growth of 40% year-on-year and 11% over Q3 FY '24. Our loan book stood at INR1,817 crores. Our customer base now stands at more than 28,000 depicting the granular nature of our assets with an average ticket size of INR9 lakhs. Tamil Nadu, AP, Telangana and Maharashtra continue to remain our core geographies accounting for more than 85% of our portfolio.

To enhance operational efficiency and embrace digital transformation we undertook the rationalization of our brand structure with introduction of a 3-tiered, full-fledged integrated and digital brand structure. This has resulted in a more efficient branch operations from both volume and cost perspective. We converted 10 of our physical branches into digital locations during last quarter. Hence, at the end of the financial year our total branch count now stands at 124.

I'm also pleased to inform that at IndoStar Home Finance we've always believed in maintaining excellent asset quality and that remains a cornerstone of our operations. Our 90-plus days past due portfolio now stands at 0.83% and our 1 plus DPD stood at 3.02%. Furthermore, our GNPA decreased to 1.13% as of March 31, '24, down by 0.12% compared to the previous year.

We are proud to announce the achievement of a significant milestone in our digital journey. In Q4, we completed the transition to 100% digital and paperless loan journey culminating the journey that we embarked upon from Q2 last year. With the implementation of the automated loan kit, our entire loan process is now paperless making it hassle free from a customer experience perspective.

On the liability side, we successfully raised INR1,150 crores during the financial year across our various funding channels. We added 9 new lenders stoke investors into our going program. We are pleased to report a strong liquidity position with INR220 crores in cash on the balance sheet and an additional INR165 crores of undrawn sanctions.

Now moving on to our financial performance. Our total income stood at INR290 crores with interest income at INR182 crores compared to INR209 crores and INR144 crores, respectively, in the previous year. Pre-provision operating profit increased to INR63 crores from INR51 crores last year. Profit after tax rose to INR44 crores from INR38 crores last year. Our return on assets stood at 2.9%. We maintain a strong capital adequacy of 57.4% and a debt-to-equity ratio of 2.6x.

In conclusion, our commitment to innovation, efficiency and maintaining high asset quality continues to drive our success. Looking ahead, we remain focused on executing our strategic initiatives to further enhance operational excellence, expand our customer base and explore opportunities for growth. We are indeed optimistic about the future and remain dedicated to delivering sustained value to our investors and stakeholders.

Thank you once again for your continued support and participation. With this, I hand over the call to the moderator for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Khudania from DSP Asset Manager. Please go ahead.

Vivek Ramakrishnan: This is Vivek Ramakrishnan. I have three questions. One is on the -- on your sale where you security receipts to ARCs. So I want to know how much is cash because you mentioned INR143 crores in cash to an NBFC via assignment. And how much was in terms of security receipts? And whether in any of the security receipts in the past either in the corporate or the SME portfolio you started getting recoveries. That's question number one.

Question number two is that if I see the liability profile the bank loans have not increased significantly, it still remains a small percentage. And that somehow seems to be linked to your credit ratings, so there's still a AA minus with a negative outlook from one of the rating agencies. So please comment on that? And lastly, there was this ICICI CV portfolio that was causing some volatility in GNPA, whether that issue has been completely settled. Those are my questions.

Vinod Panicker: I will possibly try and address the first two points and I will request Karthikeyan to look at or respond on the third point. There were two separate transactions. One is sale of SR. Now that was for a total of INR100 crores of which INR60 crores was in the form of cash, INR40 crores in the form of SR on which we have made a provision separately in our books.

On the INR143 crores which I mentioned about that is a DA transaction which is in a 100-ratio wherein we have sold the SME portfolio to another NBFC. And the entire amount the INR143 crores, has come to us by way of cash. You mentioned about the liability profile. Yes, definitely banks have not come to us in a full way but then we are very confident that based on the number of proposals which are there in the pipeline which are in the final stages. We are confident that in this quarter the bank proposals will come.

Definitely, the negative outlook of CRISIL is an issue, but then I thought that having some amount of discomfort basis the GNPAs that we were reporting. So that we are sub-5% and NNPA at very close to 2%. We are perfectly confident that we will be able to give that additional comfort to the lenders including the banks.

Karthikeyan Srinivasan: Vivek, Karthik here. On the ICICI piece we have only a INR114 crores book remaining. We have tightened our -- last time I explained, we have strengthened our collection processes. Now our monitoring has started from the one DPD bucket. So the amount of flow that is coming into us has quite reduced. And now the -- whatever is remaining in the books of ICICI is a quite matured book. So we don't see any challenges going forward. It should keep reducing.

The quarter probably a INR10 crores increment should come not beyond that on the GNPA front. That's why the ICICI portfolio. Overall, we are very comfortable with the collection. Last quarter, in ICICI, we were having a collection of stage 1 of around 87%. So we don't see any major challenges coming in that book.

Vivek Ramakrishnan: Excellent sir. Sir, just one balanced question was in terms of the security receipts from the past in terms of corporate portfolio or the -- whether there any settlements expected shortly?

Vinod Panicker : Yes, I will split into three. One is the CV portfolio. There is collections which were coming and they continue to come. So that is the CV portfolio both of them are pretty old. One was done in '20, other in '21.

On the corporate portfolio which is the largest chunk which was at about INR686 crores against which we had made a provisioning earlier of 15% subsequently. Now we have made a provision of 20%. On that, we have started getting collections. I think we have overall reduced the SR from about INR686 crores to about INR644 crores. So collections are coming in.

And we have actually in one of the cases, we actually -- I mean the ARCs actually signed the agreement with one of the borrower to actually collect the entire amount by the end of the current financial year by February '25. So we are seeing a lot of collections happening on the SR. The

SME that the third piece is something which actually happened only in December. We expect the collections or the redemption of those SRs to start only from maybe January of 2025.

Moderator: The next question is from the line of Shubranshu Mishra from Phillip Capital. Please go ahead.

Shubranshu Mishra: **Good Afternoon,** I have three questions. The first one is on our recent fundraiser, QIP, despite being adequately capitalized, what was the need of the QIP and where do we think we are going to deploy the incremental monies that we have got? The second is on the SR, do we expect any kind of harmonization of regulations around SRs with banks and would we have to provide for the SRs or have we already provided for the SRs that we are carrying? That's the second.

And third, we spoke about used vehicles, so what are the specific applications in terms of SRTOs and slightly larger fleet operators that we cater to and what would be a no-go territory for us in terms of SRTOs? Any specific applications like maybe alcohol industry or something? Thanks.

Karthikeyan Srinivasan: Yes, I will start off with the third question, the industry question. See, we are predominantly funding the market load operators who depend on agri-good movement. India is a large agrarian country where the movement of agriculture forms the most important transportation across. Plus, there is a lot of FCA goods that get moved, with the government of India providing free grains to most of the people who are below the poverty line.

Trucks become a most important aspect of distribution between hubs to hubs and the products which we fund, like the light commercial vehicles or the small commercial vehicle, take it to the last mile. So, that's the most important territory which we are focusing on. We are not in the fleet operator segment, so we hardly do any deals on the fleet operator segment. Our pure profiles are retail FPU who are doing only retail operations or into open-good transportation. A few of the operators will also be in the local infrastructure segment, say like somebody who is attaching a tipper to the local road contractor who is moving, who is doing some activity. That's the major core focus area of us.

In terms of no-go, typically these kind of operators don't get contracts from alcohol or other things. So, we don't see any major challenge in terms of industry or anything coming here. There are challenges for these operators around the pollution that happens in Delhi around October, November. So during that period, there are markets of North India where all the trucks get banned. That's not a specific issue to my borrower. That's an industry issue. So, that's on the third question.

Vinod Panicker: On the first and second question, Shubranshu, actually I will take the first question. It was not a QIP, it was a preferential allotment to one of the investors that was Florintree. There was an investment which they wanted to do and a name like Florintree, when they want to invest in the company, when they take interest in the company, they felt that it's worth getting such a big name into the company as a shareholder. Definitely, there are a lot of things that we can learn from them. That's one thing.

So, when they were to do the investment, Brookfield felt that if somebody else comes in, their stake goes below the 56.2% that they were currently holding. So they also came in. Definitely, while we are adequately capitalized, we believe that this additional capital will give a lot of comfort to the lenders. And today, our intention is to ensure that the lenders are comfortable with whatever we are doing.

And definitely, Brookfield by putting in that additional amount, they are showing the commitment that they have for the entity. Number two, a new investor coming in actually gives a lot of comfort to the lenders and other investors also. Because it shows that people who have looked at the company, did due diligence and then invested into the company, that gives a lot of comfort. That's on the first point.

Second point you mentioned specifically about SR. In my previous response to Vivek, I think I had mentioned about the collections against the SRs that have started. And we have been able to recover funds, the monies against the CVSRs and also the SRs of the corporate loan.

Your question on whether we are adequately provisioned, we believe that we are adequately provisioned. And like I mentioned possibly in my initial commentary, that the gain that we got, the one-time gain that we got, we actually used it for creating additional provisioning. We created about an additional INR75 crores. And today, the total provisioning on the SRs on an overall basis is at about 31%, which we believe is significant.

Subranshu Mishra: Just one last question. Actually, it's a follow-up question. Basically, if I have to infer from your SRTO categorization, we don't have a negative category of customer pin code or geography at all. We would just about lend to anyone. Is that a fair assessment?

Karthikeyan Srinivasan: I'm not saying that. I didn't say that -- sorry, I said like we typically fund market load operators. There are geographies, there are pin codes where we don't fund the profile, all profiles. So, that's a part of the credit appraisal process, depending on our past delinquencies, depending on the kind of vehicles which will not sell there. We have a model, wherein, say, suppose a particular location, a particular vehicle is going to give me high delinquencies, we are not going to fund there at all.

So those are all internal models, which typically we use for negotiating LTV with the customer, ensuring that the bad book doesn't come to us. What we don't do is specialized assets, some SRTO coming in for a specialized asset. Say, somebody wants to fund a bullet tanker, I may not fund. But if he comes for a market load operator in a good geography and the LTV which I prefer, I will surely fund.

Moderator: The next question is from the line of Saptarshee Chatterjee from Groww AMC. Please go ahead.

Saptarshee Chatterjee: My first question is on the SRTO. You already mentioned that overall provision is around 31%. If you can give a bifurcation across both the PV, corporate and SME, what is the total amount outstanding and the provision amount against those?

Vinod Panicker : Saptarshee, thanks for being on the call. On PV, the provisioning is at about 60%. And on SME, SME and the corporate is at about 20%. And the last transaction that we did, which is again a CV, it's a recent transaction, so there the provisioning is at about 30%.

Saptarshee Chatterjee: But do you expect that over the quarters, like as we proceed on next year, there will be devaluation of the SR book? There can be volatility in terms of further provisioning in the SRB?

Vinod Panicker : We don't see the need for any additional provisioning. But then -- I also mentioned that there are collections coming from the SRs, and therefore we don't see any challenge going forward. We may not need to make any additional provision.

Saptarshee Chatterjee: Understood. Very helpful. My last question is that you have mentioned we are also focused on new products that are coming in the coming years. Can you somewhat elaborate on those that what are the new products? And on the SME part, like you were mentioning that we will be launching SME in a new avatar, and like what are the capabilities that you have built against that front? Thank you.

Karthikeyan Srinivasan: See, on the -- thanks, Saptarshee. See, on the new products, the allied products of CV-like tyre, the kind of maintenance funding that is required, these are all in the pipeline, because we have a large base of customers who are doing well, who are paying me on time. So those kind of customers, we will start our tyre financing.

The new line of business on SME, we are in the planning stages. We should launch it shortly. It will be a loan against property at rural markets, tyre 3 and tyre 4 markets, at a lower ticket size. Probably by the next call, I will give you a detailed thing on what is that we have brought into the market.

Moderator: The next question is from the line of Devansh from Safe Enterprises.

Devansh: Sir, can you elaborate more on the liability profile? Average customer borrowing was of individual borrowers. How do you see that mix going forward? Because you are confident in bank borrowing significantly this quarter, which hasn't translated yet. So also you can share their output condition?

Vinod Panicker : Can you repeat because the voice is not very clear, if you don't mind.

Devansh: Yes. Sir, on the borrowing side, will you have it on the cost of borrowing of CP and NCD banks? And how do you see the mix shaping up over the next 1 to 2 years?

Vinod Panicker : See, over the last couple of quarters, we have changed our mix. We have brought in PTC and commercial papers. And therefore, our overall cost of funds has actually, the incremental borrowing cost has gone down. Like I mentioned in my initial remarks that from 12.7% in Q2, which was incremental borrowing costs, it went down to 10.6% and 10.9% in the last two quarters.

We are expecting -- I also mentioned that with the company starting to do very well with NPA going down significantly. We are expecting many more banks to come to us. We are expecting many other lenders to come to us. And therefore, we expect the overall cost to go down. We are expecting some amount of, I would say, funding from banks in the current quarter and in the quarters going forward.

We expect the cost to come down. I would not want to possibly give a number to it. But then definitely, what we have seen in the last couple of quarters, where the incremental costs have gone down, that will continue to keep going down. We, too, maybe kickstart the business at the beginning of the last financial year FY '23, '24. We actually borrowed from through in the form of NCDs. And that can bank had not come to us.

So our role was to ensure that -- now our job was to ensure that we get funds and we kick start the business, to run the business. And therefore, now whatever we wanted to achieve, we have achieved. And therefore, now we feel that the banks will come. The PSU banks, normally, they insist on 2 years of profitability. Now that we have the 8 quarters crossed showing profitability. Last 2 years has been profitable. We are confident that banks and many more banks will actually come, too.

Devansh: Okay. And as on Q4, what is the cost of borrowing for banks, CP and NCDs on a blended basis for individuals?

Vinod Panicker: On A blended basis, the overall cost of borrowing was at about 11.4%, down from about 11.7% in the immediately preceding quarter.

Devansh: So what I'm trying to ask is like for the bank exposure, what was the cost of borrwing posting for the NCD, what is your cost for borrowing. For CPs, what are the cost of borrowing. On marginal basis, what are the cost of borrowing for individuals?

Vinod Panicker : We think we can possibly get on to a call separately, where we can possibly get into and integrate it.

Moderator: The next question is from the line of Rikesh Parikh from Rockstud Capital LLP.

Rikesh Parikh: Sir, just a couple of questions. One is what is the amount of security receipt we hold on our books? And I understand you have 31% provision. So any collections or recovery in this quarter from that book?

Vinod Panicker : Yes. I think, Rikesh, I think I had answered this in a couple of queries earlier also. But maybe I will repeat. The total book of SRs something like INR 1,175 crores, on which we have at 31% provisioning. I also mentioned about collections happening in the CVSRs and also against the corporate loan as well. I mentioned that SME SR collection could possibly start from January '25.

Rikesh Parikh: Yes. Second is on our number of branches, I think that we have now removed any common branches, we have separate branches altogether. One thing what I found is in the home loan side, the number of employees have reduced when the branches have increased. So anything into looking to it as such?

Shreejit Menon : No, actually, on the home loan side, the number of branches have come down. We started the year with 124 branches, and now it is 122. So we have actually reduced branches. We have not increased branches.

Rikesh Parikh: Okay. I might have looked at quarter-on-quarter, so would have come to that. And yes. Lastly, on the -- our gross Stage 1 and 2, if I refer to slide number 15, as such. So we are seeing some amount of increase happening on the gross Stage 1 and 2 although gross Stage 3 is well under control. So anything to look into it over there?

Karthikeyan Srinivasan: Pardon, gross Stage 1 and 2?

Rikesh Parikh: The absolute figures are increasing the quarterly visits. It's at INR5,985 crores gross Stage 1 and 2. So as of Q4...

Karthikeyan Srinivasan: Positive phenomenon only because the portfolio is being able to -- my expenses has come down. I'm able to -- I'm underwriting better credit because I have -- we have induced norms around what should be the same score that should come in. Overall, the market is performing well. So my gross Stage 1 is moving up. So many of the customers who were in Stage 3 also got upgraded. That's why the gross Stage 1 Stage 2 are moving up.

Rikesh Parikh: And we expect this line to improve going forward? So I just wanted to understand that?

Karthikeyan Srinivasan: Yes, we are pushing for a positive gross Stage 1 and Stage 2 number.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, on the opex side, I just wanted to have some understanding. I think this quarter, I think while our opex was close to about INR140 crores. So how do the opex growth in FY '25?

Vinod Panicker: It would be a normal one because I don't think it has gone up significantly versus the last year. Because on a full year basis, one fourth…

Deepak Poddar: So on a full year basis, your opex is up from INR400 crores to around INR490 crores amount?

Vinod Panicker: You are referring to the consolidated?

Deepak Poddar: Absolutely.

Vinod Panicker: Give me a second. Yes. For over INR401 crores to INR492 crores. See, I think in my recent call, had the initial commentary, I think I had mentioned that there was a onetime ESOP approval for last year. That is -- that was some -- on a full year basis, it was INR45 crores. So if you add that, we are then talking about close to INR450 crores. And then the growth is about 10%.

Deepak Poddar: Okay. No. But this quarter, it was about INR140 crores. So is that the base one can look at going forward? Or any FY '25 as we see?

Vinod Panicker : Yes. The base would be broadly that or it will -- you will definitely see some bit of increase because both the CV business and the HFC business they are increasing insights. And therefore, there is a need to ensure that the branches go up, the number of employees go up. So all those things will definitely mean that the opex will go up. may not go up in the same ratio as revenues, which will grow much faster.

Deepak Poddar: So maybe close to about INR600 crores, one can expect on an absolute level?

Vinod Panicker : Yes. You can pay INR550 crores to INR600 crores, that's the range.

Deepak Poddar: Fair enough. And my second question revolves around your growth in ROA that we see for FY'25. So any kind of light you can throw on that?

Karthikeyan Srinivasan: Like I think we have said 2 things maybe over the last 5 quarters that we will do INR4,400 crores of disbursement. Now I'm talking about the standalone business, in the INR4,400 crores. And we'll do INR6,000 crores in the next year. INR4,400 crores is not yet done. We will do about 6,000 crores.

Now that most of the one-offs are away, I believe that -- we believe that ROA will start inching up. So we are pretty confident of the ROA going to -- improving significantly from the 0.9% that we have reported in the current quarter and on the year before.

Deepak Poddar: So I think earlier, we have been less about 2% to 2.5% kind of ROA, right? But that looks difficult, correct? I mean, for FY '25?

Vinod Panicker : To end up 2% would be more of the '26 phenomena. '25, I believe that we would be happy in the 1.3% to 1.6% range. See, one thing that we need to understand is RBI, as I'd actually come up with a circular basis, the interest costs did go up. And that has actually led to some bit of increase in costs, correct? Number one.

Number 2 is we also mentioned about the ARC transaction that we did, which reduced the income that also has an impact on the -- all these have an impact on the ROA. So because of that, the ROA looks to be slightly subdued, but then their numbers which are firm and which will continue to improve as we go forward.

Deepak Poddar: Understood. And on the AUM part, I mean, what is the AUM growth we are looking at? I mean, I think on a consol level, I think we are at about INR8,700 crores, INR8,800 crores, right, FY '24. So what we may look at in FY '25?

Vinod Panicker : We believe that we should be in the -- that the housing finance should do about INR3,000 should be their book. And in case of the standalone, we should be in the range of about 7,500 -- 8500 to 9,000.

Deepak Poddar: So around 11,500 to 12,000 we might target, right? .

Vinod Panicker: Yes, 11.5% to 12%.

Deepak Poddar: Thats it from my side. Thank you so much. All the very best.

Moderator: Thank you. Next question is from the line of Ketan Athavale from Robo Capital. Please go ahead,

Ketan Athavale: Thank you for the opportunity. Sir, I wanted the guidance figure for FY '26 on our AUM, and our guidance is on NIS cost to income and credit costs for the next 2 years?

Vinod Panicker : Ketan, Good afternoon thanks for being on the call. We have said that maybe '26, we will do a disbursement of about INR7500 crores in the standalone. And on an overall basis of about 10500 crores. We may not want to currently give any guidance for any other numbers in relation to FY '26. We would want to see how the year pans out before we start giving any guidance.

Ketan Athavale: Okay. But can you give the figures for FY '25?

Vinod Panicker : No. I think I mentioned about the ROA, it's a good -- I said that it will be in the 1.3% to 1.6% kind of range for the current year. However, it's FY '25.

Ketan Athavale : Got it. Thank you.

Moderator: Thank you. The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi, thank you for taking my question. I was hoping for the standalone, the credit cost that you have shown of INR102 crores, can you break it down between business as usual and your legacy book?

Karthikeyan Srinivasan: The INR102 crores contains the extra provision which we have on the SR also so

Vinod Panicker: INR102 crores is a combination of largely a combination of 2 numbers. Others are, I would say, business as usual. We mentioned about a onetime income gain that we got and that was utilized for creating provisioning for the security receipt. So that was INR75 crores on a conservative basis, we made an additional provision of roughly INR26 crores on the corporate loan book. So that is about INR101 crores. Others would be some pluses and some minuses. But then broadly, that's the number for the fall.

Parikshit Kabra: Got it. So whatever remaining is for the business as usual, the ongoing loans or loan book?

Karthikeyan Srinivasan: Yes. Some reversals happened; some additional provision happened. When we use disbursement, INR1,465 crores of disbursement. So that will take away the amount of Stage 1 provisions is also there. You need to create provisions. So that continues.

Parikshit Kabra: Got it. So now that we still have about INR500 crores SME loan book and a INR400 crores corporate loan book, should we assume that now all overhangs have been acted for or at a later point, we might still want to increase the provisions?

Karthikeyan Srinivasan: See, corporate is all real estate. We have appraised assets and field like there is no further need that will be required to. So that's on the profit. On the SME book, most of it is the DA PTC, which is there, which I'm holding in my balance sheet. So we are adequately provided there. So we don't feel any extra that is coming in.

Vinod Panicker: The INR485 crores approach to INR500 crores of SME. Out of that own book, I would say, which is my own is INR46 crores. On the book, which is including the PTC, it is a total of INR316 crores. So the balance of about INR170-odd crores is the DA, which we report as a part of the AUM, but it's certainly not a part of my book and on which we have no liability as correction.

Parikshit Kabra: Got it. I'm sorry, you answered this question just now. But did you give a guidance for ROA for FY '25, or ROE or ROA, either of them?

Vinod Panicker: I mentioned about we are hope full of a 1.3% to 1.6% ROA.

Parikshit Kabra: For FY '25, right? Perfect, Thank You so much & Good Luck

Karthikeyan Srinivasan: Thank you .

Vinod Panicker: Thank you .

Moderator: The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: I just had 1 question. What is our collection efficiency, excluding the overdue accounts, excluding the expense.

Karthikeyan Srinivasan: EMI to EMI collection on the CD book is at around 93%. We were probably 2 years back, if you had attended the call, we were at around 84%. Now it has moved up to 93%. That's because we have changed the processes. I think the last call, we explained that the detailed process around how we have improved our EMI to EMI collection, we are working on so that this can get into further.

Anant Mundra: So what is the number that we'll be comfortable with we're targeting to get to on the collection opportunity?

Karthikeyan Srinivasan: The file, which we are dealing with, 92 is a good number, but we always keep pushing for a higher fee.

Anant Mundra: Okay. And sir, what would this number be for the housing finance subsidiary?

Shreejit Menon: So on a EMI to EMI basis, it will be about 95%. And including overdues, we would be about 99%.

Moderator: In the interest of time, that will be the last question. I would now like to hand the conference over to Mr. Viral Sanklecha from Orient Capital.

Viral Sanklecha: In the management for taking the timeout for this conference call today and also thanks to all the participants. If you have any query, please feel free to contact us. We are Orient Capital, Investor Relations Adviser to IndoStar Capital Finance Limited. Thank you so much.

Moderator: On behalf of IndoStar Capital Finance Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.