

Date: August 18, 2022

Scrip Code - 535789

BSE Limited

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Dalal Street,

MUMBAI – 400 001

IBULHSGFIN/EQ

National Stock Exchange of India Limited

“Exchange Plaza”, Bandra-Kurla Complex,
Bandra (East),

MUMBAI – 400 051

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended - transcript of conference call – financial results for the quarter ended June 30, 2022

Dear Sirs,

We refer to our intimation dated August 10, 2022, informing that the Company has uploaded the audio recording of the conference call hosted by it on August 10, 2022 to discuss the financial results of the Company for the quarter ended June 30, 2022, on its website.

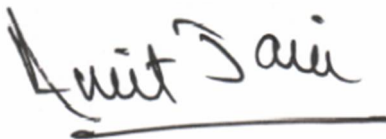
In this connection, pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 notified by SEBI on May 5, 2021, please find enclosed the transcript of the said conference call. The said transcript is also being uploaded on the website of the Company.

Please take the aforesaid intimation on record.

Thanking you,

Yours truly,

for **Indiabulls Housing Finance Limited**



Amit Jain

Company Secretary

Enclosure: as above

CC:

Luxembourg Stock Exchange, Luxembourg

Singapore Exchange Securities Trading Limited, Singapore



“Indiabulls Housing Finance Limited
Q1FY23 Earnings Conference Call”

August 10, 2022



MANAGEMENT:

**MR. GAGAN BANGA - VICE CHAIRMAN, MD AND CEO,
INDIABULLS HOUSING FINANCE LIMITED**
**MR. ASHWINI HOODA - DEPUTY MANAGING DIRECTOR,
INDIABULLS HOUSING FINANCE LIMITED**
**MR. SACHIN CHAUDHARY - CHIEF OPERATING OFFICER,
INDIABULLS HOUSING FINANCE LIMITED**
**MR. MUKESH GARG - CHIEF FINANCIAL OFFICER, INDIABULLS
HOUSING FINANCE LIMITED**
**MR. ASHWIN MALICK - HEAD TREASURY, INDIABULLS HOUSING
FINANCE LIMITED**
**MR. RAMNATH SHENOY - HEAD IR, INDIABULLS HOUSING
FINANCE LIMITED**
**MR. VEEKESH GANDHI - HEAD MARKET, INDIABULLS HOUSING
FINANCE LIMITED**
**MR. HEMAL ZAVERI - HEAD BANKING, INDIABULLS HOUSING
FINANCE LIMITED**

MODERATOR:

MR. BHUVNESH GARG - INVESTEC

Moderator: Ladies and gentlemen. Good day, and welcome to the Indiabulls Housing Finance Limited Q1 FY'23 Earnings Conference Call hosted by Investec. 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. Bhuvnesh from Investec. Thank you, and over to you, Sir.

Bhuvnesh Garg: Yes. Thank you. Good evening, everyone. To discuss the financial performance for Q1 FY '23 and to address your queries, we have with us today Mr. Gagan Banga; Vice Chairman, MD, and CEO, Mr. Ashwini Hooda; Deputy Managing Director, Mr. Sachin Chaudhary; Chief Operating Officer, Mr. Mukesh Garg; Chief Financial Officer, Mr. Ashwin Mallick; Head Treasury, Mr. Ramnath Shenoy; Head IR, Mr. Veekesh Gandhi; Head Markets, and Mr. Hemal Zaveri; Head Banking.

I would now hand over the call to Mr. Gagan Banga for his opening comments. Over to you, Sir.

Gagan Banga: Thank you. A very good day to all of you and welcome to the quarter one fiscal '22-'23 earnings call. I hope all of you and your families are doing well and are safe. Before we get into the numbers for the quarter, I will briefly give you an update on our operational performance.

As a leader, there is no greater joy than to witness optimal execution of strategy towards desired results. Almost three years back, the management of the company took the decision to pivot its business model in a completely different direction. From having grown our balance sheet at a CAGR of over 20% for over a decade, we decided to shift to a balance sheet light model. We were amongst the first few companies to stick our neck out and declare that an asset-light model, a combination of co-lending and portfolio sell down, in partnerships with banks, is the future for non-banks. While at that time we were met with naysayers, now the point of view and commentary of businesses, lenders, investors, as well as research analysts seems to have completely changed. Every non-bank lender today is looking to increase co-lending partnerships to take advantage of an equity-light model. Not only non-banks, even the banks have realized the benefit of this model and are vying to increase their partnerships as well as are investing monies in implementing the technology platform for the solution.

IBH has been a huge beneficiary of taking steps early and is clearly ahead of its peers in the space. By the beginning of fiscal 2022, the company had already tied up its intended co-lending partnerships and had started ramping up disbursements under the model from quarter two, fiscal 2022. With the partnerships maturing over the year and through its established 'originate and securitize' model, the company reached a quarterly disbursement run rate of ₹ 1,500 crore through the asset light business model in the second half of fiscal 2022.

Normally the first quarter is comparatively weaker for businesses than the fourth quarter. In spite of that, in quarter one fiscal 2023, the company has scaled up its disbursements under the asset-light model to ₹ 2,260 crores. We have completed our co-lending tech integration with three partners and expect to complete the tech integration with the remaining four partners within the current financial year itself. As tech integrations are completed, the pace of disbursements will scale up further. Total retail disbursements for the company in quarter one were at ₹ 3,000 crores. Our digital lending platform will help us expand our reach to Tier 3 and 4 towns through lean branches and aid in our target of adding 250,000 retail customers between fiscal 2023 and 2025. Technology backed underwriting will also help increase our efficiency and reduce our turnaround time of disbursing a loan. Overall, we are confident and on track to achieving our targeted retail disbursements of ₹ 15,000 crore during fiscal 2023.

Another point of delight for the management is that in line with our guidance, the AUM of the company is now on the right trajectory. We ended quarter one fiscal 2023 with an AUM of a little over ₹ 73,000 crore, and we are now on track to grow it at about 10% for fiscal 2023. As I had guided in the past, under the asset-light model, our AUM will keep compounding, while our balance sheet size and on-balance sheet loan book will stay flat or marginally reduce.

The macro for residential real estate is, also as a backdrop, continuing to show growth momentum. As per a recent Knight Frank report, housing sales in the top eight Indian cities recorded approximately 60% Y-o-Y growth in H1 calendar year 2022, and approximately 19% growth compared to H2 calendar year 2021. By volume, housing sales in the first half of calendar 2022 reached a nine year high in terms of half yearly sales. Residential project launches too showed growth momentum, witnessing an approximate 56% Y-o-Y growth in H1 calendar 2022 and 25% sequential growth.

As I mentioned during the last quarter's earnings call, we are continuing to scale up our capacity by adding manpower and opening new branches. In quarter one fiscal 2023, on a gross basis, we added 657 new people to our workforce and opened nine new branches. We are currently at a run rate of approximately ₹1,000 crore of loans per month. As employees get trained and productivity improves with vintage, we are on track to disburse and increase this number to about ₹1,500 crore by the end of the fiscal without significant proportionate increase in manpower.

The commercial real estate market too has started showing strong growth momentum. In the first half of calendar 2022, commercial office space absorption registered a growth of 107% Y-o-Y, with 25.3 million square feet office space getting transacted. New completions too picked up significantly with 24.1 million square feet space getting delivered in the first half of calendar 2022 which is a growth of 61%. This is an opportune time for us to recommence doing our wholesale loan business. As I had mentioned in my last earnings call, we've already received SEBI approval for one of our AIF funds through which we intend to disburse wholesale loans. For this fund, we've already finalized our first disbursement of ₹ 200 crore to a leading developer in North India. ₹ 200 crore per loan is the sweet spot that we see for the fund. The documentation for the said disbursement is underway and we expect the disbursement to happen within August 2022. We also aim to launch and operationalize two more AIF funds within the current year, subject to receipt of regulatory approvals. Overall, the goal is to get to about ₹ 10,000 crore of annual disbursements through these three AIF funds.

Combined, through the retail asset light model and the AIF model for wholesale loans, we should be able to grow our AUM by the guided 10% in fiscal 2023. While we pursue both the tracks, we will continue with the exercise of de-risking the balance sheet through reduction of the legacy wholesale book. We are on track to reduce it further by 20% by the end of the calendar year from March 2022 levels.

As an important track on the institutionalization of the company, the de-promoterisation of Mr. Gehlaut, the founder of the company, and its group companies have been approved by the lead lender of our working capital consortium. This was a key step in the overall process. We expect the complete process of de-promoterisation to be completed within the current calendar subject to receipt of other requisite approvals.

I will now quickly cover the headline numbers for the quarter.

Will request you to please refer to Slide #3.

- As at the end of June 2022, our assets under management stood at ₹ 73,047 crore while loan book stood at ₹ 60,194 crore.
- Since September 2018, on gross basis, IBH has successfully repaid over ₹ 1 trillion to the system. As we did this, our net gearing has reduced from 7x in fiscal 2018 to just 2.5x now. As I had mentioned during the last quarter, the net gearing will stabilize at

the current 2.5x level, as incremental business will be done in an asset-light model and the AUM should grow by about 10% in the current year.

- Our capital adequacy at the consolidated level stands comfortably at 34.0% of which Tier 1 capital is 27.5%.
- With the increase in repo rate by the RBI and in line with our industry peers, we raised our reference rate on our retail products by 140 basis points, and on the wholesale product by 160 basis points. Of the total, 40 basis points of rate increase was passed on through the first quarter and the rest is being passed on in the current quarter. The raise increase resulted in our book spread expanding marginally by 30 basis points at the end of quarter one fiscal 2023. Our cost of funds on book is standing at 8.1% and book yield at 10.8%. An increasing interest rate cycle is always beneficial for our spreads, as over 99% of our advances are on floating rate basis, wherein we pass on the rate increase almost instantaneously, whereas a large part of our funding mix, that from NCDs, is on a fixed rate basis. The rate increases will thus help us to maintain our spreads or marginally improve it and also maintain/ improve our net interest margins going ahead
- Our net interest margin on loan book for quarter one fiscal 2023 was at 3.75%
- Our PAT registered a Y-o-Y growth of about 2% and came in at ₹ 287 crore versus ₹ 282 crore last year

We continue to work diligently on maintaining a fortress balance sheet through the pillars of strong capital adequacy, low gearing, high liquidity, and robust provisioning, which provides a strong base for growth in fiscal 2023 and beyond.

Now, please refer to Slide #6 of the earnings update for an update on asset quality.

As at the end of June 2022, our gross NPAs stood at ₹ 2,159 crore, down from ₹ 2,318 crore in the previous quarter. Our net NPA stood at 1.71%. Our Stage 3 provision cover stands at 42% compared to 41% in the previous quarter.

Our total provisions at ₹ 2,080 crore are at a healthy 3.5% of loan book, which is 2.8x times of the regulatory requirement and 96% of gross NPAs. High provision cushion places the portfolio in a strong position to negotiate any macroeconomic uncertainties and provide a strong base for growth.

On the back of strong pickup in the real estate sector, the company has seen strong recoveries in the last few quarters. Loans restructured under the restructuring framework 1.0 and 2.0 of the RBI have now reduced to just ₹ 74 crore from ₹ 155 crore, while loans given under ECLGS have run down to ₹ 176 crore from ₹ 217 crore disbursed. We expect this trend to continue in the coming quarters as well. As such, these numbers are extremely, extremely small.

Our retail collection efficiency too has normalized to pre-COVID levels and stood at 98.7% for quarter one fiscal 2023.

The pristine quality of retail assets churned out by Indiabulls has been the primary reason for its sell down relationships to have remained strong and have grown over the years. We started disbursements under our asset-light model from fiscal 2022 and the asset quality of these assets too has impressed our partners. Since fiscal 2022, we have disbursed retail loans of ₹ 5,500 crore under the asset-light model and 90 plus delinquencies today stand at a very low number of 0.10% for these ₹ 5,500 crore of disbursements that we have done.

As communicated last quarter, we expect our overall gross NPAs to remain in the range of 3.0% to 3.5% for some time. As the AUM starts to grow, we expect stability in our gross and net NPAs. For fiscal 2023, we expect credit costs to remain at between 100 to 150 basis points and from fiscal 2024 onwards, credit cost should reduce substantially from these levels.

Moving on to the next important pillar of our operations, liquidity and ALM management.

As at the end of June 2022, we had a liquidity buffer of ₹ 5,765 crore, which is approximately 10% of our loan book. Given the improving business environment and the relatively stable asset quality and funding access, the company has rationalized its liquidity buffer to minimize the negative carry and has utilized the liquidity for business development.

Coming to the topic of ALM management.

As we've been discussing over the past few earnings calls, we had voluntarily created reserve fund for repayment of the \$350 million worth of dollar bonds, which became due on 28 May, 2022. On the due date, the dollar bonds were successfully repaid, utilizing the proceeds of the voluntarily refunded fixed deposits.

We have repeatedly provided reassurance to all our debt investors that the Company has a conservative approach to ALM management and we plan well ahead for repayments. As mentioned, since September 2018, we have repaid over ₹ 1 trillion to the system. The company's ALM management and liquidity planning does not assume refinance of domestic or international borrowings or term loans.

IBH will continue to maintain a strong capital and liquidity position to provide comfort and confidence to its bondholders and other debt providers. In line with this principle, the company has decided that it will be setting up a similar voluntary pre-funding arrangement for its ECB loan repayments due in fiscal 2024 and FCCB repayments in fiscal 2024 and 2025. Next week itself, we will create the first tranche of pre-funded fixed deposits for the ECB loan repayments coming due in fiscal 2024.

As per RBI's master directions for housing finance companies, introduced in February 2021, Indiabulls Housing was required to maintain a liquidity buffer in terms of liquidity coverage ratio of 50%. Against this requirement, the company's LCR stood comfortably at 246% as at the end of June 2022. Please note that the liquidity coverage ratio is only basis the high quality liquid assets maintained as defined by the Reserve Bank of India. The actual liquidity with IBH was actually higher.

Our ALM as at the end of June 2022 is published on Slide #7.

The ALM is shown on a cumulative basis up to each bucket. We are positive across all buckets and will have a positive net cash of approximately ₹ 14,000 crore at the end of the first year. Our detailed 10-year quarterly ALM is in the appendix slide of the earnings update on Slide 16 to 20.

This was the update for the quarter.

Our situation today reminds me of 2011 when our retail disbursements were in the same handle as today. Our ratings too were at the same AA level, and we at that time used to rely heavily on portfolio securitization to raise funds. The home loan lending rate at that time was between 9.5% to 10% and the real estate cycle was in an uptrend. While most of the things are the same, we are today at a significantly advantageous position. The home loan lending rate are still in the corridor of 7.5% to 8%, and affordability has vastly improved on account of steady wage inflation and stable real estate prices. But most importantly, Indiabulls today has a team which has a rich experience of over a decade in scaling up this product. This is the same team which took Indiabulls from being a new entrant in 2009 to being the 3rd largest mortgage originator in the non-bank space and that's the position that we continue to hold onto. The team is now fully geared to repeat that performance and take Indiabulls to, again, not only remaining the 3rd largest mortgage originator but becoming a multiple of the 4th and the 5th in terms of disbursements. The vast experience of the team will enable it to achieve this feat in lesser time than what we took during our first leg of growth.

I remember a couple of years back, I was part of a panel discussion at a conference where the panelists had asked me my thoughts on the future of non-banks given the liquidity constraints being faced by the sector post the IMF crisis. I had given a cricket analogy at that time that considering this as a test match, the non-banks were in the period of the first 10 to 20 overs of the first day of the match, wherein the pitch assists the fast bowlers. There is swing and uneven bounce for the bowlers and the batsman has to carefully play out these overs. Well, I can now say that we have very ably navigated those initial overs and the batsmen are all well set. The sun is now shining bright and the ball is coming nicely onto the bat. All we have to do now is to create a partnership and put on a good score on the board. Similarly, all macro indicators are shining bright for the housing finance space and for Indiabulls, and all we have to do now is scale up our set asset-light model to bounce back to our glory days. As we do so, I am confident that all our stakeholders viz. shareholders, lenders, as well as employees will be duly rewarded for the faith that they have reposed in the company's management, and its long-term growth journey.

With this, the IBH management team is now open for questions. Thank you.

Moderator: Our first question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Congratulations for good set of numbers. You mentioned that the liquidity buffer stands at around ₹ 5,700 crore. May I ask why this is a bit different from say the cash and investments of around ₹ 7,000 crore mentioned in the presentation on Slide 16? Is that sort of difference in terms of some cash being restricted and the second thing is you mentioned that you will be setting up sort of similar arrangements for your other external borrowings, which are coming due in FY2024 and FY2025, obviously, there are a long way away, but could you just give us some color on the timeline for the same?

Gagan Banga: Sure. So there are three types of liquidity buffers that we track. There is one which is the regulatory buffer, which is high quality liquid assets, which are defined by the RBI, where we have to maintain 50%. And as I mentioned, we are at over 250% there. Then there is an internal working, where we look at all of our cash and investments and strip those to what is going to be available to us on a T+1 basis. So ₹ 5,700 crore is our investments, which will be available to us on T+1 basis. These would be fixed deposits, investments in high-grade bonds, government securities, so on and so forth. There would be other investments, which would be stickier, which would appear in the line of investments, but can't really be liquidated on a T+1 basis. This could be inventories and stuff like that, which are not considered as part of our liquidity buffer, and therefore we exclude that and that's the differential, I believe, between the ₹ 7,000 and the ₹ 5,700. Ramnath, correct me if I've answered this correctly or not, and if you have anything else to add, then please do.

Ramnath Shenoy: Yes, that's fine.

Gagan Banga: As far as the repayments are concerned, we are particularly sensitive to overseas stakeholders. We have quarterly repayments, which come up. The chunkiness of repayments have largely evened out. That said, there would be some ECB loans which are dollar loans, which are lent to us by banks which are overseas and then there are foreign currency convertible bonds, we've done two tranches of those. Again, those are invested by overseas investors. We believe the line of sight that local banks have on cash etc. makes them a lot more privy to information versus overseas lenders/ investors. So, for all of our overseas borrowings, we will follow a principle, much like we did in our dollar bond repayment, which is one year before the repayments coming due, on a quarterly basis, we will set aside 25% in terms of fixed deposits such that that fixed deposit, four tranches of that can automatically convert into the repayment on the due date. The first such maturity will be of some dollar loans for which we'll be setting aside approximately ₹ 500 crore per quarter, give or take, that number is roughly ₹ 2,000 crore in about year's time from now and starting next week, we will keep setting aside ₹ 500 crore a quarter such that one year from now, that ₹ 2,000 crore, which is not a very large sum of money from a repayment perspective, but to give comfort to overseas lenders/ investors, we will continue to follow this factors for all of our overseas borrowings.

- Moderator:** Our next question is from the line of Hari. Please go ahead.
- Hari Hariharan:** Gagan, thanks for doing the call. They say that the more and more boring investor calls become, the more dependable, consistent, and on-message the management team is and I want to congratulate you because this is getting into a good groove here where you are addressing the same set of issues continuously and you appear to be doing what you're saying and saying what you're doing.
- That said, I have a couple of observations. Number one is, can you tell me what is the size of the legacy loan book which you said you would reduce by a further 20% by the end of calendar? What is left?
- Gagan Banga:** Yes, roughly \$2 billion.
- Hari Hariharan:** Okay. And the reason I ask is, I want to go back to what I mentioned in the previous call. The price-to-book of the company as I speak to you as of close of business today is 0.35. So the company has a market cap now of ₹ 58 billion. Whereas, if it's given one book it should be at ₹ 165 billion. So roughly, there is a ₹108 billion haircut for whatever set of reasons, but if we were to attribute it purely to the concerns about the legacy book etc. So related to that, here's my first question. You said that you accomplished a reduction in this quarter. Can you tell me very roughly what percentage what was the percentage of recoveries? In other words, if you sold ₹ 100 worth of these legacy loans, what are you recovering? Recovering pretty close to ₹ 100 or ₹ 90 or ₹ 80 or how does that compare to the provisions you have in the book?
- Gagan Banga:** So Hari, we carry provisions of approximately ₹ 2,800 crore. This book is worth about ₹ 15,000 crore. So we carry almost like 18% to 20% of this book is provided in some sense. What gets into NPA, we are generally being able to recover anywhere between 70% to 80% of what's going into NPA. This book has been static for a while, and therefore the slippages into NPA are going down on an incremental basis, which is reflected in the stability of the gross NPA, etc. and our recoveries from whatever we've classified in the past as non-performing, that also continues. So I continue to believe, as I've said to you in our previous calls, that the company's valuation today is whopped and cannot be an outcome of the fact that the market expects us to lose ₹ 10,000 crore on this book. The fact of the matter is that if this entire book is, to tomorrow, in theory, become an NPA, despite not having been an NPA while the worst period of the real estate cycle was on, we will lose around ₹ 3,000 crore, which we already keep as provisions. So net-net we will lose nothing, neither on our earnings nor on our capital, and hopefully, that's sort of an extremely worst case that we're speaking about here.
- I believe that the market needed to see some sort of stability in our AUM. This is the first quarter after 15 quarters that the AUM has stabilized and that should give a bit of comfort to the market, and as we grow this AUM now, I am quite hopeful that the price-to-book catch up to at least one time book will happen sooner than later. My belief continues to remain that the overhang on the price is because of lack of buyers. Buyers today are looking for growth. We have finally at least come back to stability and we should hopefully in a quarter or two get back to growth.
- The good news is that for the first time in our history, the influential high net worth investor in India, who is also an opinion maker, these are the type of investors who are now coming in into the stock at these levels, and this is something that we've prominently lacked, which is why the volatility in the stock used to be very, very high. These investors have their ears on the ground. They have access to management, they know exactly how our disbursements are panning out. Their channel checks are that much more easily done and since we are operating in the local environment, it happens. If we are able to continue to create a base of domestic investors, I'm sure this catch-up will happen even faster, and that's what, personally, I am focused on right now, bases advice or well-wishers such as you. So that's how I would like to summarize this.

- Hari Hariharan:** Okay. Now because it seems to me that the more granularity you provided on the fact that the pace and the level at which the amount of recoveries you're getting as you de-risk this book, the discounts should obviously disappear because there is no other reason to believe, even Moody's etc. had commented about quality in the wholesale loan book, and so I think you're on the right track, but it just seems to me that this is a very unjustified haircut to the book value which as the market understands and you provide more granularity, hopefully will go away and get the stock to a much more sensible level.
- I have one other quick question, I think I know the answer, but I want to hear it from you. There's been recent concern about rupee weakness and you do have a certain amount of dollar obligations. My recollection from the past is that you are fully hedged and you're not exposed to the foreign exchange rate, is that correct?
- Gagan Banga:** That is absolutely correct. We are fully hedged and we've hedged, it at pretty sensible levels. Today, in our Board meeting this was also a topic of discussion and we were pleased to inform the Board that our hedges have worked out beautifully for the company. So there is absolutely no risk that we carry, irrespective of the movement of the rupee, and that's the principle we historically follow and we will continue to fall.
- Moderator:** Our next question is from the line of Kayur Asher from PNB MetLife. Please go ahead.
- Kayur Asher:** So my question has been partly answered but, sir, could you throw some light on the plans regarding a potential equity raise or funding via convertible debt? I understand this was also one of the key Board agenda.
- Gagan Banga:** Yes. At this point in time we chose to defer this, there is no immediate plan. This was considered actively at the Board level but given our current capital adequacy at give or take 35%, we feel that equity or convertible is not the way to proceed. That said, if there has to be any sort of dilution, it would happen at least in the near term, I expect it to happen more as an outcome of a strategic discussions that can't ever be taken off the table. That's something that would only provide stability to the company. But aside of that, a typical capital market raise is not something that we're looking to do anytime in the near future. We would want the return on equity to at least double from here before we consider any such corporate action.
- Moderator:** Our next question is from the line of Shabad Thadani from Arkkan Capital. Please go ahead.
- Shabad Thadani:** Congrats on a decent set of numbers. Just a couple of questions from my side. One is on the wholesale book. The reduction of 20% that you talked about, can you just give me a sense of how much of that you expect to be driven by repayments from the borrowers, just given the pricing that you're taking, or how much of that is by virtue of transfer of assets, out to ARC and so on?
- Gagan Banga:** Shabad, all of this will be through actual repayments. There is no transaction structured or any other which we are factoring in. In normal course, there is refinance that some of these borrowers land up doing, but that's a normal course of business, that's more led by the borrower than by us. I do know that there is a \$200 million refinance which is being worked out by one of our large borrowers. So if that is to happen, there would be 50% of our 20% target will be met by just that one transaction. But that is not at our behest, that is at the behest of the borrower. So we expect regular repayments and whatever actions borrowers have to take for this 20% reduction, we are not looking at doing anything out of the normal course of getting our repayments as per the schedule.
- Shabad Thadani:** Okay and then just a follow-up on that. Some of the provisions that you've taken obviously over the last 12 to 24 months has been with respect to that particular portfolio, right? So as those repayment start coming in, would you see an unwind of some of those provisions start flowing back through the income statement?

Gagan Banga: Not at least in fiscal 2023, I would say not at least in the next year and a half. We are going to look very hard at the hardening interest rate cycle to see how demand plays out. While one expects that home loan rates should not go beyond 9%, but if they are to go beyond 9%, then does demand come off. If the demand comes off, all the momentum that we're seeing on the real estate portfolio side, does that get affected? So we will wait and watch as to how interest rate transmission happens. There has been 140 basis points hike in just about four months. So we do know that there is going to be some sort of push back as far as home loans are concerned, how big is that pushback, is it a significant value, does it impact the sales cycle on the real estate side? That's something that one would need to watch out over the next six to 12 months before I can take any decision around provisions.

For right now, as I guided, this year, we expect 100 and 150 basis points of credit cost and next year that to come down, but no unwinding per se to happen at least for the next year and a half.

Shabad Thadani: And then just last question. I think last quarter you had guided to about ₹ 2,000 crore to ₹ 3,000 crore of retail NCDs being placed into the market during the course of fiscal 2023. Obviously, market dynamics have changed now. So do you think you need to start looking for replacement channels of financing for that or was that just more gravy that you can run the business?

Gagan Banga: So from what I recollect, I had said that we will do about ₹ 2,000 crore to ₹ 3,000 crore of total bonds. I'd also mentioned that we were going to do one ₹ 500 crore 10-year bond, which we have already done about a month back. We would continue with our quarterly cycle of public issues, each of which should garner anywhere between ₹ 100 crore to ₹ 200 crore. So let's say optimistically ₹ 1,000 crore coming from there and the balance happening through private placements. That's how I would like to look at the bond issuance process.

To that end, I see no reason why we will not be able to achieve this. Now that the results are out, over the course of the next two weeks, we will do our first public issue. We should be able to do four such issues in the full year and garner anywhere around ₹ 800 crore to ₹ 1,000 crore through that. And that should continue any which way. So that number of about ₹ 2,000 crore should happen despite the increase in interest rates or volatility in the bond market.

Moderator: Our next question is from the line of Sanik Ajmani, a shareholder. Please go ahead. Mr. Ajmani, your line has been unmuted.

Sanik Ajmani: Hi Gagan, your results are really good. Just want to check what you're doing, something for the shareholder. We have been holding here right for last three years and this year, sir, all going down. Every quarter we hear a lot of good things, right? The value of the share still if you compare it for last three years, it's been going back to bad.

Gagan Banga: Thanks for holding onto the shares and thanks for being a shareholder and a supporter. As management, we've had to, over the course of the last three years, recalibrate the entire business. As I had mentioned, three years ago, we started this journey of recalibration and building an asset-light business model. I remember it was early October 2019 that we spoke about this asset-light business model. In around three years, we got it to a reasonable level of scale, and as we get to get past the ₹ 1,000 crore a month to ₹ 1,500 crore a month, just the retail franchise value, 250,000 high value customers, being added. It creates a lot of franchise value which should end up in the catch-up of at least the company going back to 1 - 1.5 times price-to-book, which is where I see us going back in the short term. So I think now that, as I mentioned, a short while back, now that the AUM has sort of stabilized and should grow hopefully for at a rate of about 10% for the year, we should be able to convince some investors on the positive side to look at us as a growth stock, and I think that's the best way to position us and that would be the endeavor of the management besides focus on continuing to perform on a fundamental basis. Markets unfortunately are beyond our direct control. So aside of this, there is very little I can do,

but you have my assurance that we continue to work very, very hard to make sure that we are walking the talk. What we are saying we are doing and what we are doing, we are saying. So that's how we will continue to operate.

Moderator:

Our next question is from the line of Mahendra Kanakiya. Please go ahead.

Mahendra Kanakiya:

My questions are; Company granted stock offer at ₹ 96 at very low price compared to book value, intrinsic value, and even lower than your own word. Low share price baffles me. Why not at the promoter selling price of ₹ 269? Why not at year high? Why not at average price? What price the company repurchased the share and why not at that price? This is a clear-cut case of transfer of shareholder wealth to all the internal shareholder.

Number two; Company was kicked out of NIFTY50, lost AAA, destroyed shareholder wealth by more than 90% from the all-time high. EPS is about one-fourth of all-time high EPS, even though now the capital per share is higher. Currently very low ROE but higher salary and perk to the management and Board. September 3, 2020, slide presentation show that dividend of ₹ 43 for 2023 and ₹ 58 for 2024, but even now earning may not be even that much. Due to all these failure, management and Board, all must resign, as they are on a mission to inflict the pain and destroy the shareholder wealth.

Number three; start paying interim dividend, put the company on sale, start treating shareholder like partner, owner in Warren Buffett terms. Start buying back share and not selling share at ridiculously low price, lower than your own word, low price baffles me. Selling price of less than book value is not acceptable. All you must be realizing now that how bad and shareholders wealth destroying decision were made to sell not one-time, but two times FCCB and paying interest and hedging core, higher than the rate of you are lending the money. So these are my questions.

Gagan Banga:

Sir, you are obviously pained because of the way that the stock has performed and as I'd explained to the previous gentleman who had asked a question that we are trying to recalibrate the Company. The Company's true resources were trying to recalibrate the business, trying to build a granular business. There are hundreds and thousands of employees who are the beneficiaries of these employee stock options. It's not as if the promoter is getting anything, it is professionals who are running the company on a daily basis, who are managing our branches, who are engaging with our customers and are creating the franchise or recreating the franchise, who are benefiting, hopefully. The same employees have also exercised options at ₹ 1,200, and ₹ 1,600 rupees and so on and so forth. So as a retention tool, all financial institutions have to periodically give stock options and those stock options would be based on the price of the day. They can't be offered at a discount, otherwise the hit would come in the P&L. So we are careful that no hit comes on the P&L and that's something that we continue to do.

As far as management is concerned, management had taken through the period of COVID, a very steep salary cut, which was restored only a couple of quarters back and not even restored, even today, I'm earning less than 50% of what I used to earn, same I can say for my other senior colleagues. If we lose talent, we will not get anywhere. That said, we will continue to make efforts towards trying to claim back our glory days as I had mentioned in my comments, and hopefully, the stock will perform and hopefully you will get good returns on your investments. That's the only commitment that I can provide to you at this stage.

With that, I would like to thank everyone for supporting the company. We've had a reasonably good quarter and hopefully we should come back with an even better performance in quarter two. Thanks for your support and look forward to speaking with you again after the quarter two results. Thank you.



*Indiabulls Housing Finance Limited
August 10, 2022*

Moderator:

Thank you very much. Ladies and gentlemen on behalf of Indiabulls Housing Finance Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.