

RHFL/SE/66/2024-25

19th November, 2024

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

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

Dear Sir/Madam,

Sub: Transcript of Analyst/Investor Conference Call held on 13th November, 2024

Ref: Our letter No. RHFL/SE/57/2024-25 dated 7th November, 2024 and Our letter No. RHFL/SE/65/2024-25 dated 13th November, 2024

In continuation to our above referred letters, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on 13th November, 2024.

The aforesaid Transcript will also be made available on the Company's website www.repcohome.com.

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is submitted for your information and records.

Thanking You,
Yours Faithfully,
For Repco Home Finance Limited

Ankush Tiwari
Company Secretary & Chief Compliance Officer



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“Repco Home Finance Limited
Q2 FY '25 Earnings Conference Call”

November 13, 2024



MANAGEMENT:

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

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

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

**MR. P.K. VAIDYANATHAN -- CHIEF
DEVELOPMENT OFFICER – REPCO HOME
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MODERATOR:

MR. RAJIV MEHTA – YES SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Repco Home Finance Q2 FY '25 Earnings Conference Call hosted by YES Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Rajiv Mehta: Yes. Good evening, everyone. Welcome to the second quarter FY '25 earnings call of Repco Home Finance. We thank the management for giving us the opportunity to hold them once again. From the company, we are joined by Mr. K. Swaminathan, MD and CEO; Mr. T. Karunakaran, Chief Operating Officer; Mr. P.K. Vaidyanathan, Chief Development Officer; and Mr. M. Raja, Chief Business Officer.

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

K. Swaminathan: Thank you, Mr. Rajiv. We would like to welcome you all for the earnings call of Repco Home Finance Limited for the quarter ended September 30, 2024. We are happy to announce that the growth momentum seen in the last few quarters has continued in Q2 FY '25 as well. The company is progressing on its business parameters and is positive of meeting its guideline numbers. The profitability parameters have improved steadily in the second quarter compared to the period year ago.

The structural changes that have been brought in the process across the organization, like delegation of powers, implementation of new software, verticalization, etcetera, are yielding results. And we are confident that we would be able to see the combined effect of all these changes in the months or years to come. Business updates. We have disbursed INR867 crores in Q2 FY '25 against INR797 crores in Q2 FY '24 and INR680 crores in the previous quarter.

Our sanctions stood at INR926 crores in this quarter as compared to INR860 crores in Q2 FY '24 and INR727 crores in the previous quarter. The overall loan book at INR13,964 crores at the end of September 30, 2024, as against INR12,922 crores a year back, registering a growth of 8.1%. The ratio of exposure between non-salary and salaried segment stood at 52% and 48%, respectively. The share of non-housing loan that is home equity stood at about 26% of the loan book and housing loans contributed about 74% of the book.

Quality of the Book. GNPA amounted to INR552 crores as of September 30, 2024, as against INR636 crores as of September 30, 2023, and INR583 crores as of June 30, 2024. Net NPA stood at INR217 crores at 1.6%. We have a total provision of INR489 crores with a provision coverage of 61% for Stage 3 assets. Our systematic and relentless action on NPA accounts is yielding results.

As of September 30, 2024, we hold INR485 crores of restructured portfolio outstanding of which approximately INR154 crores are in Stage 3 and remaining in Stage 1 and 2. Profitability, our NIM for Q2 FY '25 was at 5.1% against 5.4% in Q2 FY '24. The company has been able to maintain a spread of 3.4% by raising yields to 12%, despite facing stiff competition at our pricing levels.

The net profit grew 15% for Y-o-Y amounting to INR113 crores for Q2 FY '25 as against INR98 crores for Q2 FY '24 and INR105 crores for Q1 FY '25, respectively. Our ROA stood at 3.3% and ROE at 16% for Q2 FY '25 as against the respective figures of 3.1% and 16.1% in the previous -- in the year end other quarter.

Cost to income ratio for the quarter stood at 26.4% as against 23.6% of the previous quarter. New software. Phase 1 of the project, comprising of LLMS and EGL is stabilized. Phase 2 of the project comprising software relating to support functions are in various stages of implementation and testing.

A total of approximately INR27 crores have been spent so far on the new software. As of September 30, 2024, we have 227 touch points across 12 states and 1 union territory comprising of 184 branches and 43 satellite centers with additional 2 asset recovery branches. We will be touching approximately 250 outlets by March 2025.

I will summarize the key financial highlights before opening the floor for Q&A. The loan book stood at INR13,964 crores. PAT for the quarter was INR113 crores, which is 15% increase Y-o-Y. ROA and ROE for the quarter stood at 3.3% and 16%, respectively. The core profitability has remained strong with a solid spread and margin of 3.4% and 5.1%, respectively. Gross NPA is at 3.96%, with a stage 3 coverage of 61% of the principal.

And the net NPA is at 1.6%. Way forward, we have recruited people with experience in sales and collection verticals. With this additional strength our focus would be on taking the growth numbers to the next level and reducing our overdue numbers. And that we are quite positive on this. The company is geared up on achieving the target set for FY25 in terms of profitability, GNPA reduction, disbursements, and the AUM.

We thank each and every one of you for evincing interest in our company's growth story. Thank you once again. And we now open for the question-and-answer session.

Moderator:

We take the first question from the line of Vikas Kasturi from Focus Capital.

Vikas Kasturi:

Sir, I have 2 questions. Sir, I have 2 questions. So one is in the presentation that you shared, could you also start sharing some color on how the old portfolio that is prior to FY '22 is performing and the new portfolio, which is being written after FY '22, right? So I think you have already disbursed about INR7,500 crores plus in the last 2.5 years.

So it would be good to know how the 2 parts of the portfolio performing so that's one request. And the second one is in the month of May, you had shared some goals for this particular financial year with respect to the AUM of INR15,000 crores, 250 outlets, INR3,800 crores of

disbursements and GNPA below 3%. So could you just share your perspective on how are we faring vis-a-vis the goals? Are we to likely to reach our goals, overshoot our goals, some color on that, sir.

K. Swaminathan:

See, out of the INR7000 and odd crores we have disbursed INR50 crores is the NPA of the last 3 years, '22, '23 and '24, INR50 crores approximately is the NPA numbers. So NPA percentages around less than 1% so the new book. As far as NPA is concerned, it's performing reasonably well. As regards to those, we have also discussed internally. So we still maintain our guidance as far as disbursement is concerned.

We have told between INR3,600 to INR3,800 crores. We still maintain that number as far as disbursement is concerned. But on AUM, as of now because of the repayment or the run rate that is going up, maybe instead of INR15,000 crores, maybe there is a likelihood that we may fall short. Maybe instead of INR15,000 crores, we may be around INR14,800 or something.

This is our expectation. That too this is an organic growth. If at all we come across any book buying or any DA transaction that we may encounter during the next 2 quarters. Definitely, that is added still we will be reaching the AUM number. GNPA, we have total INR450 crores as a GNPA number, we'll still maintain that.

As far as number of outlets are concerned, we have given a guidance of INR250 crores. I think we have already have 227 outlets. We have already opened 2 branches this quarter. So we are hopeful that by the year-end, we will be anywhere near to INR250 crores.

Vikas Kasturi:

And if I may ask one more question, sir. On the liability side, we seem to have a majority of our borrowings from commercial banks. In the future, is there any plans to add a securitization also as one of the means of raising funds. Could you just throw some light on that, sir?

K. Swaminathan:

Okay. Maybe as of now, liability, we are also approaching NHB. So the NHB proposal is in the pipeline. So maybe we may get some NHB loans during this current year. We are also – we are tapping the market as to our NCD routes and all. We have got approvals from AGM as well as our Board. So if time is favourable to us, definitely, we will tap the NCD market.

We have not got any fixed plans as far as securitization is concerned. Of course, DA may not be there. We can see any PTC transaction if at all anything is coming by. We will have a look. But as of now, we do not have anything on the table.

Moderator:

We take the next question from the line of Raghav Madhavan from Kotak Mahindra Bank Limited.

Raghav Madhavan:

Sir, I would like to understand in very similar length of the previous question. So if you can just pick out the last 2 years cohorts and in that, what are the early bounces and delinquency, say part 30, what is the part 30 in the last 2 years for cohort?

- K. Swaminathan:** Raghav, I do not have the numbers right away. Maybe we'll be able to share. But to my understanding, the percentage is lesser than the order book. To that extent I can say, but the exact number, I do not have.
- Raghav Madhavan:** Okay. Sir, if not some guidance on -- typically after what period of time in your loans you would see increase in stress levels coming up. And some guidance for that, that be possible?
- K. Swaminathan:** Raghav, I am not seeing anything alarming in the new book, nothing alarming. Of course, over dues are there. But comparatively, as I said comparatively the percentage of over dues are lesser than the older book. But still, as you would say, that should be at 3-year seasoning before we can straight away call that the book is holding well.
- The previous period is still not over. But as of now, there's nothing alarming. I think there is not much of a serious NPAs or early mortalities in this.
- Raghav Madhavan:** Sir, no, definitely put in the same question. So what percentage of your existing NPA in your NPA -- from your NPA, the recent 3 years NPA will be part of your book or the legacy portfolio, a small percentage of that.
- K. Swaminathan:** That's what I was saying about the INR552 crores, INR50 crores is of the last 3 years -- last 3 years book. So remaining INR502 crores are the old ones. So out of INR7,000 crores, I do not know what is exact outstanding today because some repayments also would have happened of the disbursement that we have made in the last 3 years. So I do not know the exact outstanding present book outstanding of this INR7000-odd crores, we have disbursed in the last 3 years.
- Assuming that some INR1,000 crores have been repaid. So INR50, and INR6,000 crores of outstanding in the NPA percentage of the last years.
- Raghav Madhavan:** On this stage, what is the total write-off sir for the last 12 months?
- K. Swaminathan:** INR13 crores in the last 1 year is INR13 crores. The entire history of this INR13 crores is only a technical write off. Entire history of the company actual write off may be less than INR15 or INR20 crores.
- Moderator:** The next question is from the line of Aniket Kulkarni from BMSPL Capital.
- Aniket Kulkarni:** So to reach our targets of INR3,700 crores disbursement for FY '25 as a whole, you have to grow about 30% in the second half on a year-on-year basis, right? So now given the company's track record on the growth front in the previous quarters, this seems an unachievable. So if you can give us the growth target for the second half and why -- if you can tell why are we finding it tough to grow in double-digits where other NBFCs are reporting such strong growth numbers, which you can explain.
- K. Swaminathan:** I could not understand the second part of your question. But if the question is related to whether we will be able to reach the number, whether the second half will be better than the first half as well as disbursement, yes, definitely. 2 or 3 reasons. One is, we have started recruiting people for the sales vertical. Those people have started joining and some people are in the pipeline.

So these new salespeople, we call them BSM, if new salespeople will be able to deliver because we have recruited them from the market. That is the confidence that we are getting for the improvement in numbers. And historically, this company, the second half will always be far better than the first half, especially the first quarter of year will not be on that good.

But the third and fourth quarter should be reasonably good. So based on that and based on the new initiatives that the management has taken, we are quite confident that we will be able to do around INR2000-odd crores of disbursement in the second half.

Moderator:

We take the next question from the line of Rudransh Kalra from MB Investments.

Rudransh Kalra:

My question to you is, what is your strategy going forward? There are so many competitors like Aadhar, Aavas and there is NBFC and small finance banks, MFIs everyone is getting into the housing finance affordable, particularly affording housing finance. And what will -- what is your vote? And how do you differentiate yourself from these companies?

I would like to possibly mean what the growth is for Repco against Aadhar, say, Aptus and the other affordable housing finance companies? Thank you.

K. Swaminathan:

The names that you have mentioned, I think the profile of the customers they are targeting is slightly different from our customers. You would have seen most of our customers I think 50% -- more than 50% are all documented income customers. And our CIBIL score on an average is itself is around 750 on the new borrowers.

So that way, we are totally different. On the interest rate front, yes, of course, these companies -- the names that you have mentioned, their interest rates are higher than ours. So we are in between pure call it -- prime housing finance companies and the companies that you have mentioned. So our average rate is around 10.

Minimum lending rate is around 10.10% as of now compared to the interest rates of the other two ends. So this is differentiated between our company and the other companies.

Rudransh Kalra:

The other question is particularly towards your business development head all sales head. You guys have said that 15% would be the disbursements around that. But I don't think -- I'm not sure if I'm wrong. But I don't think it's at 15% as of now. So if you could shed light on the strategy and what is -- how are you going to go about and reach to the 15% number or somewhere close to that. That will be really nice.

K. Swaminathan:

I will ask Mr. Raja, our Chief Business Officer, to answer this because the points I have already mentioned, what are the strategies and all. Anyhow, to reiterate myself -- Mr. Raja will also add.

M. Raja:

Mr. Raja here. Traditionally speaking in our organization, the H2 numbers have always been higher than H1 numbers. So even I think though my H1 is not 50%. We normally expect a better business in Q3 and Q4. That is one part of it. The other part, we are already in the process of recruiting persons and resourcing the hard-core salespersons in the market. So they are all joined, or they are all expected this quarter.

So our sourcing would get better, and we are also adding multiple sourcing channels like our corporate DSAs, DSAs, my connectors, my traditional walk-ins. So we are focusing on all the sourcing channels. So we believe and we are sure that our business would be better in Q3 and Q4 so that we can meet the committed numbers.

Rudransh Kalra: Okay. Just a follow-up on that. And this is just -- also being done by the other affordable housing finance companies? I'm sure pretty much they must also be doing this.

M. Raja: See, more than we comparing with others, I'm giving out my strategy. Just everybody would be aggressive, and it is a general trend that Q3 and Q4 would be the -- and I hope so.

Moderator: We take the next question from the line of Bunty Chawla from IDBI.

Bunty Chawla: Sorry, I joined late, if I'm repetitive for that. In this quarter, what we observed there has been a higher repayment rate or repayment ratio as compared to last few quarters. If you can explain that part what is driving this? And how one should see this rate going forward for next 2 quarters?

K. Swaminathan: This is a valid point Mr. Bunty. Unfortunately, Nobody else, the others have not asked this particular question. I agree with you, I concur with you. The repayment rate has actually gone up. We are now getting a repayment of around INR200 crores approximately per month. It was around INR150 crores one year back something per month.

This includes a normal repayment of around INR50 to INR55 crores as well as prepayments and takeovers. Comparatively, the BTOs are slightly increasing on the higher side, especially in the second quarter, it is on the higher side, maybe because of the competition, especially from bank side. The bank's rate, we are unable to compete at the rates that we are being offered by banks.

That is one reason. BTOs, in our view, is inevitable because the rate differential between our rates and the bank rate is too much for us to match such rates. What if the strategy is one, we have to increase our BT-Ins, that is one thing. We have to increase our disbursement numbers so that net-to-net we are a gainer. These are all the strategies. How we are increasing, I think this has already been answered.

The layout is how to prevent beyond a point we cannot prevent. We have got a strategy of calling them, retaining the customers, having our own way of, through a cibil check, we are finding out which are the customers likely to go out, meeting them, trying to see whether it is possible for us to reduce interest rates so that they retain with us. All these strategies we are adopting.

Despite that, I should admit that some portion of our repayments are BTOs, and we have limited, and we have to increase our disbursement to match.

Bunty Chawla: Okay. So in that case, our target was INR15,000 crores reached by FY '25 AUM. Is it achievable now?

K. Swaminathan: That is what I said in the initial question. So, maybe if the same rate of repayments happen and if you are going to do only around INR3,600 crores, I do agree. Maybe we may fall short by around INR100 to INR200 crores of our INR15,000 crores of AUM that we have given.

But this is only if it is only INR2,000 crores. If for some reason we are able to increase, say for example, the government has announced the new housing finance scheme. So, if we are able to get good numbers through this scheme or by opening new branches, the new branches are contributing more or things like that, we may be able to even surpass.

Again, these are all organic growth. There is also possibility that we may come across any inorganic book buying, DA transaction and all that. That may also add to our things that we may reach.

Worst scenario, if we go only on this trend and if the repayments are also at this level, maybe we may fall short by around INR100 to INR200 crores as far as AUM is concerned. But disbursements, we have discussed with the team also. The team is also confident that we will be doing around INR3,600 to INR3,800 crores.

Bunty Chawla: Okay. So that was very helpful. Lastly, on the margin front, if there is a -- though currently does not seem to be a rate cut situation. But if the rate cut happens, what will be the impact on our margins for us?

K. Swaminathan: Okay. See, as far as the current rate is concerned, we have also been passing mostly. In fact, we have increased our MLR by 10 bps from this month. So already one increase we have done in the month of May. So 20 bps, we have already increased in the current year. In case it starts falling, we expect that -- we do not expect that to happen immediately. In case it has falling, I do not see any outflow immediately. And not only that we are also repricing every quarter so any downward movement also will get repriced in the -- within 3 months. So the customer will be given an assurance that such rate cuts will also be passed on to him. So that he will also get that benefit.

Moderator: We take the next question from the line of Anand Mundra from Soar Wealth.

Anand Mundra: Sir, congratulations on good results. Sir one request, can we give the breakup of GNPA on old book and new book as part of quarterly presentation?

K. Swaminathan: Yes, Anand, yes, yes. Suggestion is taken Sir. we will take -- but what is new book, what is old book is -- how to decide?

Anand Mundra: Pre COVID, post COVID or when your tenure started whatever. Because, sir, old GNPA is actually giving a wrong picture with respect to NPA profile of the company. Second question was -- is there any possibility of writing of GNPA? Though, I know it's recoverable, but -- so that the headline GNPA number reduces, and we may have -- we may get better credit rating?

K. Swaminathan: See, credit rating is not only dependent only on GNPA numbers. Credit rating, they analyze various other factors. As far as writing off is concerned, this company has not done any actual write-off. But technical write-off, yes, we have done. Definitely, we will take a view. May not be in the third quarter. In the fourth quarter, we will definitely take a view on the technical write-offs.

- Anand Mundra:** Yes, because there will not be any impact on the P&L, but it will just be a return-off because we already have a provision, sir.
- K. Swaminathan:** Yes, Yes, it is quite possible. Maybe the company will take a view in the fourth quarter.
- Anand Mundra:** Okay, sir. So, third question was, what is the reason for increasing depreciation and amortization expenses in this quarter?
- K. Swaminathan:** There was a small mistake in the first quarter, sir, on the write-off use assets. Okay, that got rectified in the current quarter. That is the only difference. There was a small error that we rectified.
- Anand Mundra:** So, this number is slightly higher than the normal numbers, this quarter numbers.
- K. Swaminathan:** If you average, Yes, Yes, you are right, Anand. But if you average, I think it will be the same. See, 5 plus 5, 50 lakhs was last quarter. I think 2.75 per quarter. I think if you average, it is the same every quarter, more or less same.
- Anand Mundra:** Okay, okay, understood. And sir, what is the guidance on credit cost for this financial year?
- K. Swaminathan:** Credit cost will be marginal or almost nil. It will be very much negligible because of the recoveries we are making. In fact, write-backs will be more this time because we have already estimated a write-back of INR50 crores for the current year. We have done around INR13 crores this quarter. So, actual credit cost may not be much. I think we should be able to absorb any new NPAs.
- Anand Mundra:** Okay, and sir, are there any slippages in NPA in this financial year in the first six months? Because of recovery, it may not be reflecting because...
- K. Swaminathan:** You are right, you are right. See, I do not have for the full year. For the current quarter, I can tell INR37 crores was the slippage, INR67crores was the recovery.
- Anand Mundra:** How much was the slippage of INR67 crores?
- K. Swaminathan:** 37, 37 was the slippage.
- Anand Mundra:** Okay.
- K. Swaminathan:** 67, 67 was the recovery.
- Anand Mundra:** Okay. And sir, your guidance on disbursement for this financial year, you said it can maintain a 3,600, sir?
- K. Swaminathan:** Yes, yes.
- Anand Mundra:** Okay. And sir, any possibility of increasing dividend for the shareholder? The dividend payout ratio is very poor. As such, we have enough capital for growth. So...

- K. Swaminathan:** I think I am not the correct authority to do that. It will be decided in the Board. But I think 30% is a reasonably good dividend in my view. But still, it will be taken by the board.
- Anand Mundra:** Actually, sir, Yes, if you compare it with the EPS, then the percentage number is very low. So, it can be with respect to... if the EPS is much higher. So, with respect to share price, face value, sir, it is 30% is good. But with respect to EPS, the number is very low, sir. So, you can propose this to the Board if at all it is accepted.
- K. Swaminathan:** Your point is taken, sir. When we are proposing, we will say.
- Anand Mundra:** Thanks a lot, sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.
- Abhijit Tibrewal:** Yes. Good evening, everyone. Thank you for taking my question. So, the first question is, again, I am just trying to understand, historically, Q3 disbursements have always been slightly lower than Q2 disbursements. So if you could just explain why that is the case for us? We don't see it in the rest of the mortgage industry.
- So I mean, anything we need to have with regards to geography, Tamil Nadu, Karnataka, where we majorly present? And is that the same expectation that you have for this quarter as well that sequentially, the adjustments might be a little lower than Q2. That is the first question.
- The second one is opex this time was slightly elevated. So I don't know if you've addressed this earlier in the call. Are there any one-off items, which are there, which has led to slightly higher opex for you in this quarter.
- And thirdly, I mean, I'm seeing a very good traction on our non-interest income. Anything that you're doing there structurally, which might improve your fee income or non-interest income profile? Those 3 questions.
- K. Swaminathan:** Thanks Abhijit. This Q3 is slightly lower in the last two three years. I could not get any reason maybe because of floods, especially in the southern parts maybe that could be one of the reasons. Second, festival moment, both October, November, the festive months, October, Navratri, and November Diwali. Luckily, both the festivals ended in October.
- So November and December relatively festival free. So that way, the number should go up this Q3. Second one, flood, of course, that is not in our hands. Let us hope that despite floods, we do better numbers this year. Then opex elevated is solely because of depreciation, which I explained last in the previous caller only because of depreciation that was on the right of use of assets only because of that reason, there is an elevated depreciation in the current quarter.
- Third one, in the non-interest income, luckily, we had some advantages this quarter. One is on the insurance. See insurance commission has gone up, I think you maybe knowing the commission being shared by the insurance companies to finance companies like us, percentage is going up.

That is one of the reasons. Other than that, in the current quarter, we had a recovery from technically written off account. It was INR8.43 crores against INR2.83 crores in the last year. Same way, in FD, we had some surplus funds, which we deposited in fixed deposits, that gave us a good income of around INR15 crores this quarter.

Abhijit Tibrewal:

Got it. So just a follow-up on that. So basically, the non-interest income component, which is a combination of insurance commissions and recoveries. They are a little lumpy this quarter and they not recur unless, of course, if we are able to continue the same level of recoveries from written up accounts that we've seen in this quarter.

K. Swaminathan:

See, insurance definitely will go because it is also dependent on the disbursements. So the more disbursement I make, I may get more insurance on to income. So insurance, I don't think there is any reason that may drop. Recovery from technically written off accounts, yes, last two quarters, maybe we had a big recovery in some of the accounts, The same, we still have mainly INR100 crores of technical written off accounts.

So any recoveries we are making in those accounts will help us. So we are quite hopeful that because of the recovery efforts that we are making, we will be able to maintain if not exposed definitely we will be a sizable income from this written off accounts. At fixed deposit, we have now decided as the policy to keep around 1 month -- 1 to 1.5 months of disbursements in fixed deposits. So more or less, the income will continue.

Abhijit Tibrewal:

Got it, sir. And sir, sorry to kind of labor upon this, while you said you explained it to the previous participant, why is the depreciation you said, has moved up from INR4 crores to INR9 crores sequentially?

K. Swaminathan:

I could not get you.

Abhijit Tibrewal:

So you said, right, I mean, the depreciation is higher this time around. So you gave a reason for that. What was that reason?

K. Swaminathan:

That was a mistake. There was an error in the first quarter on the amortization of this Right of Use Assets . So, that got rectified. So the next part there will be a dip in the depreciation. Okay.

Abhijit Tibrewal:

Understood sir. Thank you so much. That is all from my side. All the very best to you.

Operator:

The next question is from the line of Raghav Madhavan from Kotak Mahindra Bank Limited.

Raghav Madhavan:

Thanks again. Sir, I just wanted to have two questions from my side. On the asset quality part, can you give guidance, what percentage of restructured book is at NPA now? And how is the performance of this book? That's one.

And second, in general, I want to understand in the geographies and markets that you present, how do you see the sector evolving considering the larger view on the NBFC sector itself of over leveraging, et cetera. Do you see such similar issues among your borrowers as well?

K. Swaminathan: Okay. See, out of about INR550 crores, the NPA from restructured book is only INR150 crores as of now. Because once upon a time, it was around INR200 –odd crores, it is now only INR150 crores in September '24. Out of this INR550 crores, INR150 crores is from the restructured book. Okay. It is coming down and coming down slowly-- it was INR168 crores in June, it is now INR150 crores.

So on the geography, see, the areas where we operate, competition is tough, I think I need not explain, both in South and the West, almost all the housing finance companies are out there. So competition wise it is okay. It is tough. But as you can see other issues that the industry is facing, especially the NBFC and MFI industry is facing HFCs are not affected, I think you maybe knowing. So the competition will continue as far as HFCs are concerned, since we are the HFC sector. The other these clean loan issues and all that are not applicable for HFCs.

Raghav Madhavan: Thank you, sir, that's it from my side.

K. Swaminathan: Thank you.

Moderator: We take the next question from the line of Rajiv Mehta from YES Securities. Please go-ahead sir.

Rajiv Mehta: Sir, I have a few questions, then I'll just quickly cover them. In terms of sales and collection manpower, can you quantify what is the strength of sales now and collection now? And what is the additional plan in the next 6 months?

K. Swaminathan: Okay. Sales is 172 crores as of now. Collections is 180 crores as of now, sales may go by another 20 to 30 by year end. Collections may not be much.

Rajiv Mehta: Okay. Understood. And you spoke about engaging with DSA corporate, DSA and connectors off-late. What is the current share in disbursement in Q2 disbursement? And what is the aspiration of what share we can become?

K. Swaminathan: It's going up. It was around 30% earlier, now it is going up. In the last month, it was 40%. But overall, I think it's -- but we may end up around 40% by year-end...

Rajiv Mehta: For the whole year.

K. Swaminathan: Yes. For the current year, we may have because that percentage is going up because Connectors we have added in the current year. So slowly Connectors percentage is going up and DSAs are also going up. So overall, by year-end, both DSAs, Connectors DSAs all put together, maybe around 40% compared around 30% odd last year.

Rajiv Mehta: Understood. And sir, can you comment on the reduction that we've also seen in Stage 2 in this quarter. So this quarter was not really very conducive, but still we have been able to reduce Stage 2. So how do we look at Stage 2 number because it's still elevated at 10-11% odd. So what is the aspiration of taking the Stage 2 number by this March maybe by next March also. Now that we have added a lot of collection people for the buckets.

- K. Swaminathan:** So our focus now, especially by the collection team is only on Stage 2 rather than even on Stage 3. Stage 3 is separately being followed. So Stage 2 is our focus area. Whatever reduction has happened, in fact, personally, we want to do -- the team wants to do still better. So we are focused. And the 10%, we are confident that we will be able to achieve this 10% of AUM. But still, it is on an elevated level compared to all the other peers in the industry. We are hoping that in the next one or two years, we will be on par.
- Rajiv Mehta:** Sure. And then one last thing on the incremental lending rate. So while you gave out the profile of the customer from a credit score perspective being average 750. So can you give us the incremental lending rate for home loan as well as for home equity and the incremental ticket sizes for both home loans and home equity?
- K. Swaminathan:** Our incremental ticket size, I can say, it is 20%. Interest rate, I'll give you. Home loan is 11.2% in September, home equity 13.8%. Average is 11.8%.
- Rajiv Mehta:** Okay. And incremental ticket as you said, INR20 lakhs for both?
- Arun Mishra:** INR20 lakhs. I do not have separate thing. Overall this is INR20.3 lakhs.
- Rajiv Mehta:** Okay sir. Thanks so much.
- Moderator:** We take the next question from the line of Kamal Mulchandani from Investec Capital Services.
- Kamal Mulchandani:** Sir, just a follow-up question on the previous participant. Did you say that the employees in the sales are only 170?
- K. Swaminathan:** Yes.
- Kamal Mulchandani:** If I'm not wrong, the total employee strength is around 1,325.
- K. Swaminathan:** Yes.
- Kamal Mulchandani:** So can you then give the overall breakup
- K. Swaminathan:** Yes, I can tell you sir. Sales, what we call it salespeople, the foot on street sales team is 170. It is not only they, the branch head is also doing. So branch head is around 200. So 200 plus 170 and is around 370 people are there for sales. sales vertical that is a junior level people who will be in the field is 170. Thus branch head also will do.
- In addition, we also have DSAs for our off-roll that is separate. So all these people will be on sales. Collection is around 180. We also have credit people. We also have operations people. We also have administrative level a data base regional officer. All put together is 1325.
- Kamal Mulchandani:** Okay. So DSTs are some separate numbers. So how many other DSTs?
- K. Swaminathan:** So that is not within this. 40. That is apart from 1325.

- Kamal Mulchandani:** Okay. Got it. Sir, if I may have missed it, but did you just tell what was the BT out rate for the quarter?
- K. Swaminathan:** The quarter, INR65 crores. BT-IN was INR121 crores.
- Kamal Mulchandani:** Okay. Got it. And sir, any specific targets because like you said that you would fall short of INR100 crores, INR200 crores for the AUM guidance of roughly INR15,000 crores. So are there any strategies if you would be able to meet this AUM growth target, maybe or some strategies to reduce the repayment rate, which the team is undertaking?
- K. Swaminathan:** Definitely, sir. So there are so many activities going on to stop this repayment as much as possible. We have engaged there is one CIBIL connect. So we get triggers, we pass it on to branches. So that branches as well as from head office we talk to the customers, keep on engaging with the customers through various call centers and all that we keep on engaging to get their feedback and all to satisfy them.
- And we also have our own redemption policy, thereby interest rate reductions are requested, we are trying to meet as much as possible the request of the borrowers. With all that we are hopeful that the repayment numbers will come down but that said some of the BTOuts are inevitable. So the way out is to increase our disbursement numbers as much as possible to meet the repayments.
- Moderator:** The next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.
- Vikas Kasturi:** Sir, in one of the earlier calls, you had mentioned that the people in Stage 3, you were going to auction the properties, and that is going to force them to come into the repayment. So any updates and progress on that activity sir.
- K. Swaminathan:** So it is an ongoing project. It's not that we will do it only in the quarter. It's an ongoing thing. So whenever any NPA account reaches that auction stage, we will immediately go for auction.
- Management:** I will tell you how many auctions we did last quarter.
- K. Swaminathan:** 490 -- in the current year, so far, we have issued 500 auction notices alone. In addition position notices is just another is 447. So almost 1,000 notices we have issued in the current year itself -- in the current 6 months. In addition to the demand notice of another 1,700. So almost 1,700 notices we have issued in the first half year itself. This is an ongoing thing. It's not that we do it one month and stop next month. And we also plan to do addressably in December, we want to do a mega auction and all that. That way it is happening.
- So as I was telling in the previous call, the auction success is not only how many properties we sell we auction. It will also be dependent on how many borrowers come to as for negotiation and how we are able to negotiate and get the accounts closed. That way if you see the numbers will keep increasing. We have -- the only thing is we have to keep on mounting pressure on the borrowers.

- Vikas Kasturi:** Sir, if I may ask - thank you for that explanation -- But a follow-up would be, sir, now a lot of customers would be in the NPA bucket for many years, right? So are they still such people who have been in the NPA bucket for over say two three years?
- K. Swaminathan:** Yes, yes. As I was telling out INR550 crores, the recent NPAs are of only INR50 crores, which means pre COVID is around almost INR500 crores. So these borrowers in addition to the recovery actions that I have already told. We are also offering them some Carrot in the form of special OTA scheme. So in the current year, we have formulated a scheme so that these customers come to us for negotiation they are also getting satisfied that they are getting some discounts in their schemes. In interest we are giving some discounts, penalty waivers, things like that we will do.
- Vikas Kasturi:** Sir, the part that I'm not able to understand is, you said you've sent, so say 1,000 notices so -- and there are still more customers who have been in their NPA bucket for many years. So my question is like what is stopping you from sending notices to all of them, say, increase the number of notices to say, 2,000 or 3,000 depending on how many of them there are cases.
- K. Swaminathan:** Yes, Mr. Vikas see it is a process. See, I cannot expect that today I issue a demand notice, tomorrow, it's a possession notice. There is a timeline under SARFAESI Act. This is one thing.
- So if I issue a demand notice, atleast I need to wait for not less than 60 days. So it may be anywhere three months before I issue the second notice. And another one or two months before I go for an option. This is first part. Second point is there is a possibility that the customers go for any order that is not to get a stay in that. So that way also there is a delay in the process.
- So these are things which are delaying. But despite all that, we are also taking a bit through our lawyers to see that any space and all are getting back so that we go ahead with our recovery action. And auction successes will be more when we take a physical possession okay compared to -- I think you may be knowing, there are 2 things. So physical possession is more effective. So for physical possession, again, we have to go through a different administrative route before we take a physical possession. So that too takes time.
- Moderator:** We'll take the next question from the line of Anand Mundra from Soar Wealth. Please go ahead.
- Anand Mundra:** Sure. Just a follow-up question. I missed the point about the other income. One was the insurance other is the recovery from the write-off assets. Is this correct?
- K. Swaminathan:** Yes, recovery from technical written off assets.
- Anand Mundra:** And what is the amount of technical write off assets, sir? -- what is the total amount estimate approximately.
- K. Swaminathan:** Total technically written off assets approximately INR100 crores today.
- Anand Mundra:** So whenever they are recovering something, it will come as part of other income.
- K. Swaminathan:** Yes, it is correct.

- Operator:** The next question is from the line of Raghav Madhavan from Kotak Mahindra Limited. Please go ahead.
- Raghav Madhavan:** Sorry the restructured book, what will be your stage 2, sir?
- K. Swaminathan:** Raghav Stage 2 is approximately INR200 crores.
- Moderator:** Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to the management for closing comments.
- K. Swaminathan:** Yes. I think almost all the participants, I think the question they have answered, I think it has covered almost all the points. Once again, thank each and every one of you for showing interest in this company. As we told you the initial meeting. The company is on the growth path. We are quite confident in the coming years; the company will reach the heights which was a few years back. I thank each and every one of you. I also thank Yes Securities as well as Chorus for making all the arrangements for this conference call. Thank you, once again.
- Moderator:** Thank you very much, sir. On behalf of YES Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.