

Transcript of SBI life insurance

Management:

Transparency point of view and minority investors benefit from it. So, yeah, now basically this last 2 years, as you know, we had all the control -- internal control issues and all those things which we have tightened, internal processes which we have introduced. So, this year the focus is purely on the business and this.

So, this quarter, first quarter actually four of the, we have six zones basically. Four of the zones that is the north zone, west zone, Tamil Nadu and east zone. All four are doing very, very good in terms of disbursement, have been very positive. North zone and east zone both have been, in fact last year east zone was almost flattish the whole of last year. It was down and then little bit picked up in the last two quarters.

So, by the end of the year we just ended absolutely flat, 0.75% growth only. But this year the momentum is continuing, particularly the positivity after the change of government. So, east zone which is mainly Andhra Pradesh for us, that as well as the north have grown at more than 40%. Tamil Nadu has been at 35% and west zone like last year has continued to grow at 15%.

So, the only two zones which are yet, one is Telangana and other is Karnataka. Karnataka also actually May, April, August was actually a slow month, but May we have crossed INR200 crores. June, July also we have almost INR225 crores plus we have been doing. So, we are almost flattish in terms of Karnataka.

We are still waiting for the things to improve whereby the growth can come back. Because once it picks up we will be back to INR275 crores, INR300 crores in Karnataka because that is what we were doing last year also before the Ekatha issue. Telangana we had last year they solved the problem, but now it is noticed looking up. And at least month-on-month although we are still negative, but month-on-month the positivity and the business is increasing.

And so at least by the end of this quarter we hope to be positive or at least be breaking kind of equal even and next 6 months we will definitely cover up and positive that 20% positive, 15% to 20% positive in Telangana that we are talking about is also definitely on the cards that is what it is looking. So, basically by the end of the year we expect to have all the six zones in the positive. Four are already positive the momentum has continued from where they were. One of the zones turned around also East and these two states.

The other positive is now that all the issues of the delinquency in Telangana and all little bit that had gone up. All those have also -- so in the last two quarters if you see December compared to December our March delinquency was lower. Compared to over March our June delinquency was further lower.

So, for two consecutive quarters our delinquencies have actually come down. In fact in the second -- this first quarter of this year the delinquency reduction that we have seen has been across all the zones. It is not that any one zone has reduced others have increased or something. All the six zones have a delinquency in absolute value lower than the March figure.

So, this is the first time that two things have happened. One is first time that in the first quarter itself we have crossed INR2,000 crores disbursement mark. This is for the first time. And second thing is first time normally Q1 is a quarter where the delinquencies go up. But this time in our delinquency has further come down from March because March normally you can say that it is a final quarter. So, everybody puts their effort and the delinquencies normally are little bit lower.

But this is in the first quarter also it has come down and in fact in July also it has actually come down below June number also. So, the delinquency is definitely under control. We are now brought down even our SMA-2 that is first quarter and last year most of the reduction was mainly in SMA-0.

Whereas the other two numbers were kind of almost there. But this we have also seen a reduction in our SMA-1 and 2 in our -- this quarter. So, even in July if you see our SMA-2 numbers have also come down by a good number. So, the delinquency part is definitely coming on track or rather it was never that it was a cause for worry. But even from whatever level we were we have further brought it down. And in terms of disbursement we are on track for the kind of growth.

So, this quarter in July we have already crossed INR800 crores number disbursement. So, the 2,500 that we are talking about that we have guided for in Q2 is definitely looking very much possible. Because this is now the -- slowly the business also is picking up across all the zones. So, that is a positive.

Telangana month-on-month is showing a better number than the previous month. Same also for Karnataka. So, that is why and in Karnataka one more thing that is happened is on the 20th of July that is immediately it was a Sunday. The day after our results the state has come out with a full page ad. They mentioned about how you know they are going to make it easy for the customers to get the e-Khata.

They have also launched an app. So, customers can download that app, register and submit the documents and get the e-Khata. They have also said that even in this Seva Kendras customers can go with the documents and can get it. So, it is not only the sub-register offices. So, they have done something for the corporation limits and all. It is -- it should slowly start moving. So, this is what is the picture.

Again municipal corporation limits anyway had started. But the majority is in that size where they are further trying to streamline the process and make it faster. So, slowly that sentiment seems to be reflected on the ground because month-on-month we are seeing some improvement in disbursements also.

Questioner:

Okay. Okay. So, just wanted to understand. If you look at the housing market as a whole, is Karnataka, Telangana the biggest or why is it biggest for us? And little bit worry comes because you mentioned about East-North growing. It is fine. I agree with you. But we wanted Karnataka and Telangana to grow because that is a bigger pie for us.

Management:

For us it is a bigger one.

Questioner: So, just wanted to understand when you mentioned that they have simplified the e-Khata structure and all that, are we concentrating more on the other regions for us to grow? When you mentioned North-East has grown 40%. Or is it that we will think that maybe in the future it may not grow as much as we think.

So -- and the kind of little bit of trouble in the competition, especially in one company. Are we here to take some benefits of that to grow our business? Because sometimes it happens that if the competitor is concentrating on other things, maybe the market is available for us. Are we here to grab that opportunity?

Management: So, first, I would say that this focus on North and West is more of a strategy because -- decision, because in -- and in '23 when we drew up our Vision 2020 and document 5-year strategy paper, we had identified that the focus on the South is very large and we need to diversify to reduce the geographical concentration risk. Because at that time we were doing almost 50% in just the two states of Karnataka.

Questioner: Yeah, yeah.

Management: And all South put together we were 72%.

Questioner: How is the market -- housing loan market?

Management: Housing loan market actually, if you see the highest housing loan business maximum happens in the state of Maharashtra. That is the number one. Then...

Questioner: Is it because of value or is it number of units?

Management: It is -- value wise also it is there. But number also because state wise it is a very well developed kind of a state.

Questioner: Number also Maharashtra?

Management: Yes. And second is normally Tamil Nadu. Of course, a recent report which showed that Gujarat was second. But otherwise, generally Tamil Nadu is the number two in terms of the market, in terms of the number of players, in terms of the total business and outstanding portfolio. So then that is in. Third is Gujarat. Karnataka comes third, fourth, third, fourth. And then comes Telangana and erstwhile Andhra Pradesh.

Questioner: Okay.

Management: That is the fourth. This is the numbers which have been there. Then of course the other states. Of late Rajasthan of course has picked up and Maharashtra. Then of course fifth would be Delhi. Then followed by Rajasthan and MP.

Questioner: Okay.

Management: These are the -- I would say the numbers in terms of the housing penetration and the housing market size. So we were actually a little less in terms of Gujarat and Maharashtra. Because we

had only 14 branches in Maharashtra. We had only six branches in Gujarat. When we started off in '23, when we dropped the strategy paper. And UP as a market is growing now very fast.

In fact, the recent study shows that UP is number three in terms of the disbursement. Because after this government, a huge amount of development, a lot of construction activity is happening. Lot of cities also even in the eastern side of normally it used to be only on the areas next to Delhi, which used to be the Noida and all those areas. But now even the other belts in UP are also doing quite well.

So the recent one shows that Maharashtra, Gujarat and UP was third at the sheer number of volume. But otherwise UP was overall size it is still to pick up on the size. Although incrementally they may be doing well. So the whole idea was that we wanted to make it a kind of a 60-40 by FY '28. It is a part of our strategy, one of the four pillars that we had identified. That we want to slightly reduce it from 70 to 28 to 60-40 by the end of FY '28. So in that direction, all the -- most of the branch openings that we have done have been in the north.

We opened 39 branches in FY '24 and FY '25 altogether. Out of that, 27 branches are in north and west. 13 in north and 14 in west. So 13 and 14 in north and west kind of thing. So it was more of a conscious decision to diversify the geographical concentration risk. Otherwise also as a state, both states, there is no reason.

In fact, if the e-Khata is taken off and the problem is resolved, then in that case we will definitely be doing -- we would have been doing INR300 crores per month in Karnataka. As for why we are strong in the south is obviously because we are mainly a south-based, we were promoted by Canara Bank. So our headquarters is there and maximum we expanded and everything happened in the south.

So even when we were initially sending people in the opening in the other states, the people used to go from Karnataka or somewhere to those states initially to set up. So that is why our main focus, our core of this thing is in the south, which obviously would still continue by FY '28 also even if we move to 60-40. So that is what it is.

And anyway, if you look at it, the top 5-6 states, if you see, you have Karnataka, Tamil Nadu and Andhra. So that way also we are quite in the midst of where the business is. As for the competition and some of the things happening, see, I have personally been saying this for the last 2 years that affordable housing is going to slow down because the CLS has been withdrawn. In fact, this new avatar of PMAY, which has come, PMAY 2.0, we have had a very poor response so far in that PMAY.

Questioner: Affordable?

Management: Affordable housing because one, they have reduced the number of cities. Second, the subsidy which was earlier being given up front has now been spread over 5 years in equal, five equal installments. And third is they have also made some more, some of the requirements tighter. Like for example, earlier a family unit used to be, even if within the family father is there and the children are about the age of 18 and earning, they can also avail for a separate subsidy under the PMAY.

Now in that case, the entire family is considered as one. So even if one of the brother has taken, the other brother cannot take. If the father has taken, the children cannot take. Something like that. So those kind of things have happened.

Questioner: They have tightened up.

Management: They have tightened the norms. So the -- so far, we have had only about 70, 75 enquiries which are doable. Plus they have changed the process. You have to upfront upload all the data. They will verify from all the, across the various schemes, say whether the customer is eligible. And then only you can process it under the PMAY.

So now we would have done more than 250 to 300 enquiries we would have received. We would have uploaded. But only about 70, 75 have been approved. So the remaining have got rejected either because they are not within those cities, approved cities. Or they are either claimed elsewhere in some other scheme or not eligible as per their other income documents.

Questioner: So, I mean, now I think then the organic way only it has to grow. Like salaried people who can afford, etcetera, etcetera. So there is no push from government side?

Management: Government side push is a little less, I would say. Because last many years there were a lot of incentives in the form of either in the form of reduction of the increase in the tax limit for exemption, or in terms of reduction in this -- increase in the ticket size or this thing for affordable and all those things. CLSS was one of them. Now, slowly it is kind of changing.

Questioner: And the characteristic of housing market itself is changing. Isn't that high value ticket like more than INR8 crores, INR10 crores is growing much more than or maybe in terms of value it is adding for the growth much more than the affordable? Can I say that?

Management: That is true because prime and particularly super prime where COVID was suddenly picked up. Now super prime is slowly tapering off. But it is still growing.

Questioner: Super prime is what? INR4 crores to INR6 crores?

Management: Very high, yes. 4 BHK more than INR3crores kind of thing. So, about INR1 crores to INR3 crores or something category is still happening. But one thing which again my feeling is that, today in the metro cities for the common man it is absolutely unaffordable. Like Bangalore the way I am taking and I am sure Bombay also you will see. Today you don't get less than INR1 crores kind of properties.

Bangalore also INR1 crores up on this. So, now which means people have to either go 20-25 kilometers outside the city and for the outskirts of the city and travel 20-25 kilometers to their workplace. Or they will have to look at building a house in. So, Tier 2 towns we are seeing a lot of Alt Tier 1 towns we are seeing a lot of good activity.

Affordability is still there. And we are still getting the properties in that 15 to 75 lakh or 20 to 50 lakh kind of segment which is very much affordable. So, even if we have a decently entry level 30-35 year old per person, they are able to afford a house.

Questioner: And we have as a strategy gone more towards non-housing loan. Slightly, slightly slowly, slowly.

Management: No, little bit. Because again that -- so basically there are four parts to the strategy. One was that we will, this geographical that we mentioned. The second was that we had 72% salaried and 28% was self-employed or 73-27 as on that. That we said we are okay to go up to 65-35. 65 salaried and 35 self-employed by FY '28.

Today we are at 70-30. So, on that direction we have slightly moved. The other thing was that we said we were 89% was housing and only 11% was non-housing. Non-housing includes a lap, top up loans, personal loans and plot loans. We said that also we are okay to reduce it to 80-20. So, these are the 4 pillars on which we are working on.

And of course the other thing was that we want to reduce our DSA focus from 85% to 60%. So, the DSA sourcing has to reduce to 60%. There it has been a little slower than our, what we would have liked. From 85 we have only been able to bring it down to 79.

Questioner: Okay. So, I mean, yeah, you mentioned a little bit about you are adding to that team to source on your own.

Management: Yes, yes, yes.

Questioner: And you are also going a little bit into the builders to help you out in terms of sourcing, which was not earlier possibly happening. Okay. okay.

Management: On the Karnataka issue, if we can highlight, let's say, pre this issue of E-Khata, how many sanctions were we doing on a daily basis versus what is the current run rate?

Management: On a daily, I wouldn't be able to tell you. But I think in a month we were touching INR275 crores disbursement average. Like I said, this happened on 27th September '24, '27 the 28th September 2024. So, in Q2 of FY '25, we were doing average INR275 crores disbursement in Karnataka. Which today if I look at June, July, we have done 225, 225. And 225 is the average which we were doing in the year before that.

So, we had shown the growth was coming and we had from INR225 crores average in FY24, we had increased it to INR275 crores average in FY '25 QH1. But then immediately this problem happened, it went down. In Q3 of last year, we did about INR150 crores what we were doing the run rate in the first three months after that. And we slightly tweaked the strategy. We started doing a little more of lap and top-up loans for our customers in the fourth quarter. And we are able to slightly increase it to 200 plus in Q4.

So, average eventually came down to back to INR225 crores for last year. We did again the same 2,600 and something crores, INR2,700 crores only what we did in FY '25 in Karnataka, which is approximately INR225 crores per month. That is what we did.

Questioner: Let's say, is it fair to assume that INR260 crores or 270 crores per year, it would have gone by 10%-15%, it should have really...

Management: That is what I am saying.

Questioner: Versus that, you are sitting right now at 220-230. So, still there is almost 20% kind of lag there.

Management: Yes. So, that is, I mean, if the e-Khata issues are resolved, we should immediately be able to -- we should quickly be able to take it up to INR300 crores disbursement.

Questioner: And what is our understanding, let's say, by when we can expect complete normalcy?

Management: Complete normalcy will take some time, because I think the backlog, now they have even stopped publishing their backlog. The last they published was that there were some 12 lakh applications in Bangalore and less than a 1 lakh or some 60,000-70,000 only something of that number was what was issued. After that, they have stopped publishing the numbers.

And obviously, the demand is still there. People are still doing for it. And earlier like for example, any small thing now you want to do, you want to get the e-Khata. So, eventually this, I am sure this 12 lakh would now have probably gone up to 20 lakh. This is the number of applications for e-Khata. And probably this number would have gone up to about, say, about 4 lakh or something.

So, I don't think the -- this thing has reduced as much. But what we are concerned about is not the entire 20 lakh, because some of them would be purely people who want to just perfect their title and get their paperwork clean. So, they would have applied for it. If you eliminate that also, I would say there was still quite a bit of a number where we still have to cover up to do it.

Lot of cases where there is a demand is there. People are still waiting, but because of this, I mean, just to show, even our own, one of our own existing customer loans where we have sold the property, we have received the full payment of the -- from the surface, you say, close to INR1.5 crores. But we have not booked it as a sale and it is still showing as an NP in our books or because we have not been able to register the property.

The customer is trying to get the e-Khata and all those things. Till we don't execute the sale certificate, we will not take it in our books and we will not [inaudible 0:20:59]. So, it is still showing as an NP although we have received full INR1.5 crores approximately. So, this problem is there. It will take a while.

Questioner: So, full year maybe this '26, we will have this problem of e-Khata...?

Management: I mean, it will improve. The numbers will improve because the state is definitely trying to do it and it is a big revenue loss for them also. Things will improve. The numbers may go up from 225 to -- we are expecting that by end of the year, we will definitely pick up and 10% to 15% growth will be possible because we are already at 225. In 240, 250 also, we start doing, we will get some growth and we should be able to get 10% to 15% growth in Karnataka by the end of the year.

Questioner: Sir, how confident are you in terms of this growth? See, typically, if you look at last year, first quarter, there were more of election period, etcetera. So, we have done 1966. Against that, we

have done 2015. So, what I am trying to say is, should I see it as a good big growth or should I see it as an okay kind of a growth? Considering the fact that last year was maybe lower base because of elections.

Management: Last year, I think we did 1853 or 1859. That was 1966. Probably, were the sanctions. Disbursement is, I think...

Questioner: The disbursement number may be...

Management: Which quarter?

Questioner: I think it is disbursement, sir. That's okay.

Management: 1853, sir. 1853, yeah. 1966 was the approvals. 1853 was the first quarter of number. So, it is a 9%...

Questioner: If it is 1853, then it is correct. 2015 is a good growth. But my search for disbursement was...

Management: It is 1853.

Questioner: Okay. Which period, sir?

Management: June quarter.

Questioner: I am talking about first quarter of 24. The reported number is 1966.

Management: That is the sanctions. Absolutely. The sanction is 2071.

Questioner: No problem. Okay. Yeah. Second is, sir, in terms of -- you see, when there is always an IT ramp-up, typically, we have also experienced this in one of the companies in Rajasthan. So, there is a lot of changes, this I want it, I don't want it. So, entire organization kind of suffers in terms of growth. Because we are used to one way of working, where the DSA brings the proposal, that 30 get signed, and whole process is set.

When you say you are doing this IT ramp-up, complete revamp of the entire structure, how is it that we are looking at -- we should not hurt the growth at all. How are we going to pass through this hump, ensure that it is all digitized, at the same time, growth is not hampered. This is the question that...

Management: Sure. No, I actually appreciate. See, the thing is in Bandhan also, when I was there, we had this IT transformation. And there also the same problem I was, just about exiting, I was doing the exit period that this implementation happened. And I know that the main problem was mainly because there was a connect between two different systems. The LOS was different, LMS was different. And there were the maximum issues happened because it was whether the connectivity between the LOS and LMS had issues.

I think the other transformation you are talking about had the same issue, that the LOS was different, LMS was different. And incidentally, both of them had the same combination of LOS and LMS.

Questioner: Sorry, sir, I don't know what is LOS and LMS.

Management: The loan origination system varies up to the initiation, up to the loan, up to the sanction comes into the LOS. And the LMS is the entire back-end processing afterwards, and then the disbursement.

Questioner: Loan management?

Management: Loan management system. So, there again the same. So, the disbursements from here, origination was there, when it came to disbursement, the data was not connected. So, those issues were mainly issues. So, that was for learning for us. So, in our RFP, we made it very clear that the LOS and LMS have to be from the same service provider.

Questioner: Okay.

Management: So, in our case, IBM, which has finally won the contract, is bringing in Pennant. Pennant has the LOS and Pennant has the LMS, which is already functional and operational in LIC housing and also at Bajaj Finance.

Questioner: Okay. So, we have selected the top vendor?

Management: And that also the same vendor, so that there is no question of, the LOS and the LMS are different. So, the data doesn't move from one to the other and the integration issues are not required here. The entire -- that integration angle which is required from -- between the two systems is not required here. So, that is one major learning and which we implemented and we have done it.

The second thing, of course, is...

Questioner: No, this is come, this vendor is selected. I thought Deloitte is going to help you in terms of selecting a vendor?

Management: No, no. IBM, so all the six vendors were selected at IBM. All six of them came with their entire set of vendors.

Questioner: Okay.

Management: So, when we did the evaluation, part A, part B, part C, in part B, we also evaluated each of the OEMs.

Questioner: Okay.

Management: which they were bringing in. So, these people had brought in Pennant for LOS, LMS. For DMS, there was Nugen. For GL, there is -- in four packages. Whereas, somebody else came with other package of -- came with Nugen for both LOS, LMS. Somebody came with some other package

and stuff like that. So, in our case, finally, after evaluating everything, we got IBM as the L1D1 bidder. So, finally, the contract was given to.

Questioner: IBM will implement?

Management: IBM is the implementing partner. And they are going to bring all these players, that is, Pennant, Kia, Infor, Nugen, Work line, and so on.

Questioner: Okay. So, there are different vendors.

Management: So, each package. So, there is a package. But LOS, LMS, which is the core of this whole thing, which is the entire lending part of it, like in...

Questioner: That is supplied by Pennant?

Management: That is supplied by the single vendor. Kia, Workline is for the HRMS, our HR package. Kia is our deposit package. And Nugen is...

Questioner: So, where are we now in terms of this entire journey? Are we in the migration side?

Management: It is parallel going on. Right now, the scheduled implementation date is November 2025.

Questioner: Okay.

Management: And right now, there are different, different things are going in the time. We are having a fortnightly review meeting, fortnightly review meeting. And as of now, things are going as per the schedule. And on all the tracks. So, we are doing track-wise. So, for LOS, LMS, where it is each of the when was the UAT to when was the SAT, when was the UAT, when was the sign-off to be done, when was the SAT, when was the UAT. That is being monitored by. And BWC has been the consultant who is managing our PMO, Project Management Office.

Questioner: Okay. And they are doing the monitoring and supporting us.

Management: Okay.

Prerak Goel: So, as of now, it is going on track. There are two phase implementations. The first phase, which is going to be our, ALM, borrowing, treasury, and LCR modules. All that is going to be implemented in the month of August and September. That is almost, for -- even the report testing and all stages. We have reached up to that stage. It is going as per that.

And so, we are on track to implement it in September. So, the September balance sheet for these two things will all happen on that package, on the new package. For the LOS, LMS and deposits, we will be implementing in the month of November. And that is how it is going. So, we have already initiated. The second pain point for any implementation is the training and this thing. So, and the fact that we have to draw people from the field to work on this project.

Questioner: Okay.

- Management:** These are the other two pain points. So, what we have done is, last year itself, we carved out a separate project implementation team. The project implementation team, we pulled out people from existing departments, head office department, and also a few people from the branches to come in. We have given a separate premises. They are sitting there and doing the entire work. So, the retail offices currently, as we speak, till the month of October, they are not going to be touched.
- This team only is going to do the testing, they are going to do the migration, they are going to do the review, user requirements, UAT testing. Everything is going to be done by this project implementation team, which is already having a sizable member team pulled out from the branches as well as from the head office. So, branches will only come into the picture when we go for the implementation or before that when we start the training in the month of October and implementation in November.
- So, that is the only time when the branches will be impacted. Otherwise, they can continue. Absolutely no impact for them because of this project implementation. Right now, so whatever is happening, the branches are not at all impacted by this work that is going on.
- Questioner:** So, I should not be worried that the growth will take in a kind of a slower pace because of the implementation. That we are cognizant of the fact.
- Management:** We have taken all the steps to minimize that risk or that hiccup that can happen. But in November, obviously, we have to have some shutdown of a few days when we do the transition and all. And we are trying to see that the training and everything is done in a manner whereby in small-small branches of 20-25, so that even the business does not get affected. We will start from October.
- Questioner:** I understand that IBM will look at this implementation, but how many vendors are there? And is this combination the same combination that Bajaj Housing type of company has?
- Management:** Not entirely. Maybe, Pennant, obviously, is the main one. That is already there. Maybe they may have taken, there are other options. Probably even the DMS, they would have taken Nugen because that is a market leader. But maybe in case of deposits or work line, they may have taken some other package.
- Questioner:** And are we having this cloud-based or..,
- Management:** Everything is cloud-based. We are going with the AWS?
- Questioner:** You are migrating? And technically, how much is [inaudible 0:31:44] expenditure here?
- Management:** The total project cost is INR297 crores, and of which INR200 crores is the., it is a seven unlike a normal IT transformation project which is 5 years. Here it is 7 years. So 12 months is the implementation phase. 3 months is the hand-holding. And 5 years, 9 months is the total actual project. So basically the INR200 crores is the opex which will be spread over 5 years, 9 months.

So approximately about INR40 crores is what will come every year. The second thing is the balance INR100 crores is the capex. That will all be capitalized and we are paying out as per this thing. But everything will be capitalized. And so the effective thing depreciation will start once the project implementation, I mean this 12-month implementation and hand-holding period is over which will be by March 26. So from April onwards, the depreciation will also start on it.

Questioner: And is there any, so this model that this costing is fixed. So there is no linkage to any let us say transactions, number of transactions or any subscription here. So it is fixed at INR40 crores per year. There is fixed going to be amortized over next year.

Management: Yes, so we have actually built in redundancy. We have done the sizing of the requirements, the transaction flows. And we have planned for the peak. And one of the benefits of going for a cloud is that the costing also gives us advantage that we can draw the resources as and when we require it. So at the year-end or the quarter-end or the month-end when we require more space or more computing power, that can also be drawn. And all that has been built into it. That redundancy is already built into it.

Questioner: So in Karnataka, it's been Telangana that operation, that Hydra issues are there?

Management: Hydra, last 6-8 months I think there have been no demolitions. Earlier what happened was demolition. 6-8 months there are no demolitions. So that is now bringing a lot of confidence in the people. Because even if whatever has happened, at least the properties will not be demolished. They may have some impact fee.

They may have to pay. So that is in fact what is bringing the confidence back. Now in fact, immediately after that Hydra, there were many of the places where the property values also went down. Now the property values have stabilized. They are coming back. So there is no issue.

Questioner: What is the level that we have reached in terms of our own business?

Management: We are close to a little below INR100 crores today. We will, in a month and a half it is going. Probably this month we will cross INR100 crores also disbursement.

Questioner: In this geographical expansion, so one of the reasons that markets like Rajasthan or Karnataka, it also gave some benefit in terms of, because the delinquencies were lower in these states. That is why we see these states doing well for many of the companies. But once you start expanding in, let's say, northern region or eastern region, still we are not changing our guidance on, let's say, discrepancies of credit cost. But there is an expectation that once we move out of these states, the delinquency numbers might not be at the similar levels.

Management: See, the product is what is most critical today. We have seen the 2008 crisis. We have seen the 2018 crisis. We have seen a few other, issues, also like floods in places. But what has happened is the product and the segment that we are getting into, the fluctuation is very less. Of course, you can, I would agree to at least that point that when we are moving from a 73% salary to a 65% salary, then we are slightly increasing the risk.

But the geographic risk is not as much because we are still going to be focusing more on the salaried segment where the stability of income is not a problem. Had we moved more for, higher, or we are not even increasing our LAP as much. So, those two cases definitely, you can say that the risk can be a little higher.

But otherwise, because of the segment being the same, mostly salaried segment and that also first-time homebuyers, that risk for that segment is not much, which has reflected or which has been demonstrated even in the previous two issues.

Questioner: Is it compensating us in terms of advances yield for moving down from 73% to 65%?

Management: That is there a little bit and that is one of the -- that also was one of, mainly because we also felt that when we are slightly moving up the ticket size because we were doing at 20 lakh and all those things. We are now around 24 lakhs. So, even if we are around 27 lakhs, we will slightly be moving up, which means we may have to give a little comparative pricing.

Questioner: Right.

Management: So, that is why this is getting offset.

Questioner: Will this hurt because the housing loan interest with the nationalized trends have come down because of the rate cut?

Management: Correct.

Questioner: So, will it also hurt us?

Management: See, technically, yes, because now the difference is much higher. Because earlier when we were, they were, before the rate cycle started in February, the nationalized plans were offering at 8.4. We were offering at 8.95. It was a 55 to 60 basis points difference which we had because, some was -- there was one or two who were also offering at 8.35. So, 55 to 60 basis points was the difference. Now what has happened is they have all cut by 100 basis points, at least the nationalized plans.

Questioner: 7.45?

Management: Now it is 7.4 and all. Whereas we have only been able to reduce by 25 basis points. So, 8.95 has become 8.70 for us. So, now the gap is higher. So, technically, yes, but the thing is, our ticket size of 24 is still a little below the radar of the banks. So, that is not so much of a competition.

Second thing is, this rate cut cycle for the first time has actually happened after the EBLR regime has come. So, then the banks have never experienced a situation where they have had to compulsorily cut without their actually borrowing costs coming down.

Questioner: Yeah.

Management: So, because of this, the margins are getting squeezed for banks. So, they are not -- the rate benefit which has happened is not getting converted into aggression on the field. We are not seeing that

aggression because our repayments are also not coming under pressure. That is there, that it is still around 3 point something only that normally is there. Yes.

Questioner: So, in terms of request, how many requests we are getting for this PT out as well?

Management: ET out is, see, we were a little later when because we first, almost a quarter when the rate cuts happened. So, that point there was a little bit of enquiries had gone up. But now once we have, may we reduced it, so we send the communication to the customer.

Then again from July, we again reduced another 15 basis points. Again we send the communication to the customer. So, at least the customers are getting that confidence that it will come down. It is not that, right now also if you see among all the HFCs, it is only LIC and us who have really reduced quarter basis points.

BNB, I think, mentioned they have reduced, but there was no clarity on how much they have reduced and what it is. Whereas, we are not actually clear about it. So, but otherwise, no, none of the other HFCs or NBFCs have reduced or cut their rates for existing borrowers. We have done it for our existing as well as new borrowers. So, now that when we have sent this communication to, so now at least that comfort is coming that some reduction is happening for them as well.

Questioner: Is there any plan to reduce, to take any further rate cuts?

Management: See, we have the entire February rate benefit has come to us. The April rate cut also almost has come to us. The June rate cut, couple of players are yet to pass on to us. So, approximately INR2,500 crores. In fact, they reduced it by some, but we were -- we've asked for a further reduction. So, we are hopeful that that will happen.

Otherwise, we will prepay. Liquidity is not an issue for us. We will make a prepayment and it will reduce it. But since it is a long-term relationship, we have given a little more time for them to come down and reduce it. So, if that happens, plus 1st July onwards, NHB has also reduced its PLR by 30 basis points. So, that also will slowly get reflected on to our books.

So, once we get a little more benefit, today what has happened is our incremental borrowing cost has come down by around 25 bps, 27 bps. So, we have passed on about 25 bps to our customers. A further reduction of about 10 odd bps, if it comes from NHB and from the other lender that I was talking about, then we will be able to probably pass on another 10-15% basis points to our customers. Probably, I mean, initially we said August, but I think we will not do it in this month. It will probably happen next month.

Questioner: So, margins will more or less will be flattened. Will there be any benefit that we get on the liability if the ban is to pass on?

Management: It will pass on, but of course, we first experience and then pass on. And our pass on also will happen with a little lag because it is a quarterly. Some will happen this month, some next month and some so on going forward. And we still have about 67% of the customers who are still on annual resetting. So, then it could be a little more. So, that some benefit because of the lag effect

we may get. So, that 2.62 maybe I am expecting, of course, that may go by about one or two basis points further, 2.65 also is possible.

Questioner: Sir, is there any clarity we get on this, we cannot do the same business that bank does?

Management: No, it is not being discussed much. It is not being discussed.

Questioner: So, we can be a little...

Management: I think we, at least, there is no further discussion on that.

Questioner: Because new guard in RBI, is ...

Management: So this was exactly before the change of guard.

Questioner: Yeah.

Management: And then after that, there has been some statements also given that come forth. And now there is no talk from the organization. In fact, we instantly had our ED, who superannuated and exited from the exit. CD of Canara bank. Bank was on our board. We immediately put up a request to the same. They also, Cantra Bank also has to take a DFS approval.

Management: They immediately got it. And then immediately we put up to RBI, because we are also supposed to get approval from RBI. We got it within 15 days of uploading the DFS approval. And our Board approval, sorry. And so, I do not think, that is as much there. Look.

Questioner: Sir, in terms of quality, you mentioned about the improvement. But what we see is that Stage 2, Stage 3 is 5.95. Last year, first quarter, it has gone up to 6.4. So, in the light of this, how would you highlight the improvement in asset quality?

Management: So, I will just tell you. In our Q3 December number, our total delinquency, including SMA 0, 1, 2 and NPA was around 4.000 --- 4,800 and 86 crores. In March, it came down to 4,265. In June, it has come down to 3,979. So in terms of

Questioner: We are saying 1, 2, 3 together.

Management: 0 DPD put together, yes. So, we have seen a maximum benefit, improvement mainly in the SMA 0. So, that was the kind of thing we had said that we will be cutting from the bottom so that the flow is not happening. And now, in fact, in this month, we have seen in SMA 1 and 2 also. So, hopefully in this quarter, we may be able to show a good reduction in our Stage 2 also.

Questioner: We actually are more worried about 3 and 2. So, there we are seeing the numbers are a little bit worse.

Management: Normally, if you see that for a long period, we had a slight increase because all the impact of this Telangana was coming in and it was going up. But that has kind of now stagnated. And now, in this quarter, we are at least July. if you go by the July also, which is a reflection, we should see some improvement.

Questioner: 2, 3, also?

Management: Yes, yes. And how frequently have you been this ECL refreshed? So, we are converting the ECL every quarter. And as per our policy, 5 years is the time. So, we started doing this in, I think, 18-19. And last year only, we have segmented the portfolio to 12 buckets. So, I have just joined, as you mentioned just now. So, we will be [inaudible 0:44:52].

Management: But as I have said, we change once in 5 years. Otherwise, we are comfortable. I mean, right now, at least there is no this thing last time, there was some improvement. So, we further made it more granular. Earlier, it was a simple housing versus non-housing. Now, we have further made it granular into multiple buckets also. And so, that I think, right now, we will continue for the time being.

I think last time also we discussed this, that we were trying to do this, to decrease our activity on the EPF side. But somehow, the pace has not been that great in the last couple of years in terms of our...

Management: No, no. Last year only, we started this activity. We started in June when we set up our sales team. Last year, we had added that we are looking at about 75 EPF projects to be approved. And FY '26, we will want to take it up to 250. So, last year, we ended with 80 projects as on 31st March against a target of 75. First quarter, we added about 14 more. That made it 94. And this quarter, we have quite a few. In fact, in July also, we have added more than 10. I think we have already crossed 100 plus projects.

Questioner: And what is the volume numbers?

Management: See, volume numbers, we are not even aiming to do the developer finance. So, we are not the first preference. We obviously have the other players. But we have started getting almost 50% of the projects. We have started getting files also. And the files that we are getting from those projects are also of a slightly higher ticket size also. So, that is helping us. I would say probably the average ticket size of the business that we are getting on the EPF projects is 30 plus.

Questioner: But in terms of numbers, still it is not that?

Management: Not a very easy thing. But as sociation itself means, it's a long-term kind of a thing. Because once you get associated with a developer, this project, they may not prefer us as much. Because they already have associations with other vendors. But one or two projects also, they get the comfort. When the next project comes, we will also -- definitely they will carry us along.

And as the numbers grow, we will only have more projects. That's what we are looking at. But in terms of our sales team, which is doing the direct sourcing, last year, Q4, they contributed about 4% of the incremental business. And in this year, Q1, the contribution has increased to 5% of the incremental business. Out of INR1,000 crores, more than INR100 crores, 101 point something crores was what has been sourced by our direct sales team.

And month on month, we are seeing that, the numbers are remaining definitely close to 5 or 5. This month also, we have done almost 49 crores in July as against 800 plus that we have done. So, that is also more than 5%.

Questioner: And how big is that team, sir?

Management: It was, 39 people in March. We had a couple of resignations, so 37. From 1st of July, we have added 63 people. So, from 37 plus 63, we are now a team of 100 people now.

Questioner: So, they basically have to contact the builders and get the...

Management: Or direct leads also, because they can -- they are also ...

Questioner: Direct leads from where?

Management: Means in the market, whenever they are going, it could be any sales team. They would either be, participate in exhibitions or meeting builders or project sites or new launches they would be going to. Even if you don't have an APF, they would be going to new launches.

And we are also started doing this lead sourcing from aggregators. From people who are applying on various websites. From there, the data sharing we are taking. We are also tying up with some places from where we can get leads. Those leads, plus the leads that are coming on our websites are also passed on to our sales teams. They are also being contacted and getting converted.

Questioner: And is there any movement on the rejection side? Has that number recently gone up?

Management: You mean to say in terms of this conversion? No, obviously, yes, because earlier also, as I was saying since our maximum business is coming to our DSAs, they normally bring the files after completely getting it ready. So there are no questions of rejections or, it was not there. Most of the cases where -- they were trained, they knew our processes policy. So they would get the case which were doable only. But now with the sales team coming in, yes, that number has increased. I don't have the exact number, but I think we will get that number.

Questioner: So in terms of, sir, our numbers, despite this transformation, for example, we are sticking to the same...

Management: INR10,500 crores disbursements. So should bring all. 13% kind of from. AEM group. it should bring about AE number.

Questioner: 12%-13% kind of growth.

Management: AUM number, yes. This year.

Questioner: This year. But from next year onwards, we are...

Management: We should reach it up to 15%.

Questioner: 15% growth.

Management: Because normally AUM growth comes with a lag. So this year, if you do INR10,500 crores, that would be actually almost 20% plus growth in disbursements. But the AUM growth will be 12% only. Next year, again, when we do 20%, it will go from 12% to 15% only. So it comes with a little bit of a lag.

Questioner: But you are saying in terms of repayment rates, there is no change. So we take...

Management: Not much, not now, yes. Even today, if you ask me, our... when we talk to the branches, they don't talk much about the PTO to the banks. It is still to the LIC or to Bajaj or PNB. When we see the '22, '23 good market cap. I mean the surprise did well. And technically I saw that the loan growth was good. When we see the 2022-23 market cap, I mean, the stock price did well. And typically, I saw that the loan growth was good. I think 18% or something. '22 and '23, that period. Though we are maintaining the same ROI of 2 even now, we don't get a multiple to our book value. Maybe because the growth is less.

Management: Disbursement growth. Yeah, growth is less. Because on the financials, I think everywhere we have improved. Yes, because in 2023, actually our spread has come down from 2.71 to 2.31. Because that was the time when the rates were going up. So on the liability side, we felt it. But on the asset side, we were having a lag. It was annual reset. But in spite of that, the disbursements were good.

So it didn't show up. But then subsequently, yes. Basically, all the financial parameters have kind of, you can say, been steady or have improved. Mainly that the top line growth, which is the concern, which is what should get addressed this year onwards.

Questioner: Thank you, sir.

Prerak Goel: Thank you so much. Yeah. sir.