

Management: We are also recording all the meetings and uploading our transcripts on our website. From February onwards it is there, so you will already find all the meetings, last meetings.

Questioner: So then next time if there are two meetings before us, we will not have to meet because most of the questions would have been answered.

Management: Many questions are very common. I think in terms of transparency also it is very interesting.

Questioner: Sir, thank you for your time. Obviously the questions are quite obvious in this context and it is a relatively easy company. Sir, just to understand from your point, FY26 looks, at least to start with, looks okay, considering the second half last year, the challenges of Karnataka and Tamil Nadu. Karnataka was broadly taken care of.

Sorry, not Tamil Nadu, Telangana. Telangana was, when you met last time on the concall, you mentioned that you broadly reached some normalcy, right? Karnataka is fully normal is what I am assuming.

Management: Karnataka, yes. It is picking up should be there. We are aiming at around INR275 crore average business in Karnataka this year. So slowly it has been picking up. Q3 was bad. But after that, Q4 was much better and that consistency has continued. So we are quite -- much, you know, comfortable in Karnataka.

Questioner: And where are we in Telangana?

Management: Telangana, it was already a small base.

Questioner: We had INR200 crores we were doing. We had reached 100 because of the issue. And now we are like climbing back to...

Management: We are climbing back and we, I mean, should be there. We are also making some internal changes and all those things. So I think by end of the year, we will be there.

Questioner: Got it. Sir, just on taking a step back, in terms of competitive intensity, right? Like whenever interest rates fall, banks become reasonably aggressive. This is a very obvious product where rates get passed on very, very quickly, right? And when I see my interest rate with SBI or BOB, 8% is where they have come about. And I think the second record is still not factored in some sense.

And they started to cut TD rates. So technically, it's very clear that this 8% will become 7%, sorry, 7.5% or 8% in that range is where the rates will settle is the view with the rate cut. How do we, like what happens when such events happen, right? How do we behave in terms of competitive intensity?

Do we cut rates or do we keep our rates at a reasonable level and take whatever business comes to us and maybe take some business out of those, some other NDFCs which are maybe doing business at a higher rate than us? So what happens in the market?

Management: See, in our case, we are very clear. We will be passing on the rates to our customers to the extent that we actually experience on our liability side. And in fact, on 5th of May, we already cut our rates to about 10 bps because that's what we experienced in our books.

Okay, because the February rate cut got translated and we started getting the benefit and it was approximately about 10 bps, so we did it. Same will be the philosophy going forward also that we will pass on whatever we experience on the liability side.

On the competitive intensity side, yes, banks have become, obviously, they have offered because they are purely on EBLR kind of a structure, so they have to pass on the benefit of whatever the repo rate is there, whatever is the external benchmark, they have to pass on.

But on the NBFC and this side, only Bajaj has spoken about some reduction and LIC Housing Finance. Okay, and therefore, from our side, the business competition is mainly from these players only.

We will have some impact because of this rate. But again, that is more of an invitation price that they have offered of 8% which they have offered. The 8% that LIC has announced is mainly for women customers who are in the 800 plus CIBIL score. Obviously, that is a very, very small kind of a percentage. Eventually, the rate will not be, what they will be passing on will not be that much.

So initially, it is more of that and initially, there was a kind of a major threat, all my branches called up and all, then we said, wait, this is what is the real price. So now, we have explained and that is how we have told our customers also. Initially, when it was 8%, immediately, some of the DSAs also started coming back and on.

But I think they have all come back to us saying that okay, that was only for a very small segment. Our customers are not getting that rate. So, it is fine.

Questioner: What is our incremental?

Management: We have passed on 10 bps to our customers.

Questioner: So, what is the price that we are charging?

Management: So now, our best rate is 8.85%.

Questioner: 8.85%, that is the best rate. That is the best rate. So, but average will be closer to 9%.

Management: No, incrementally, it will be a little more than 9% also. Because what we are offering, this is for our started customers, who are having a CIBIL score of 750 plus, which is earlier, who are getting 8.85% -- 9.5%, they are getting 8.85%.

Questioner: Correct. And the remaining are like 9%, 9.5%?

Management: And across the Board, we have done for existing customers as well as for our new customers.

Questioner: But this segment will be very little, in the sense, out of 100 customers we lend, this 750 CIBIL score will be...

Management: Our incremental lending yield on a blended basis was around 9.9%. 9.9%. for incremental lending earlier, which now will be around 9.8%.

Questioner: So, that is broadly about it. That is fair.

Management: We are around 9.8%.

Questioner: Yes. And this is, you are talking about home loan.

Management: No, blended is for the entire company.

Questioner: It includes LAP as well?

Management: Yes.

Questioner: And in terms of housing alone, we have two initiatives. One is at APF, having tie-up with builders. That is one thing we started. And second, you wanted to maybe move up...

Management: Our sales team.

Questioner: Correct. Sales team.

Management: Right.

Questioner: So, you added some 30 people is what I remember.

Management: 30, yes.

Questioner: Last year, you wanted to become 50. Where are we in that journey? Have we reached 50?

Management: No, we are around 39 people. And we did about INR41 crore in the month of March. So, it is approximately about 4% of the incremental business has come from that segment. And that has sustained in the month of April also.

Questioner: But if I remember right, the number you wanted to take it to 7500. -- Is that right? You were at like INR10 crores. Yes. You wanted to be 70. You have 100. You are at 75. So, it is a gradual...

Management: No, that is for the APF we are talking about. APF, we said we will touch 75. We actually ended up with around 80 projects as on 31st March. And this year, the target is 250. 250 APF projects we will have by the end of FY26. That is the target.

Questioner: And monthly run rates will be how much?

Management: Monthly, we will add about 20, 30. We will surely have...

Questioner: Meaning, absolute rupees crores disbursement.

Management: In terms of crores disbursement, this time we are setting a target of about INR500 crores plus. Last time, for the sales team, see APF is more of a tie-up where we have presence. Now, not necessarily...

Questioner: APF is builder tie-ups.

Management: Okay. Now, we will not have every business coming through our own team. Because what is happening, once we approve a tie-up, what happens, even the DSAs come and make a, put up a stall there or visit the builders and they also get business from the APF projects. So, APF project is more from the tie-up, from the point of view of giving a convenience to the customers.

And having a presence, having more of a -- therefore our marketing, visibility will also improve, but that, all the business will not come only through our marketing team. Some of it will come through a DSA.

Our own marketing team, last year, we did almost about INR179 or something was the business that our marketing team sourced, which we want to increase it to INR500 crores plus in the current year. Our own sales team, which we are doing, which was last year a team of 39 people, we will take it, that team also up to about 75 to 100, anywhere between 75 to 100, you know, because there will be some churn also, 75 to 100 will be the kind of size we will have and we expect that team to contribute more than INR500 crores from the current financial year.

And APF projects, in a standalone basis, we will be touching around 250 projects by the end of the year.

Questioner: And INR500 crores per year?

Management: Disbursement, as I said, will be, some of it will be through DSA, some of it will be, so we will not be able to, I don't have the figure right now.

Questioner: Okay, fair point. But sir, just again, to understand from a long-term perspective, right, like we are at INR10,000 crores disbursement, INR2,000 crores to INR1,500 crores per quarter kind of run rate, right? A lot of these smaller HFCs like Aadhaar are also almost touching there. Not exactly there, but touching closer to INR20,000 crores...

Management: Aadhaar is almost kind of reaching there. Aadhaar is reaching there, not ours. Aadhaar is, yes.

Questioner: Aadhaar is there at INR1500 crores to INR1800 crores, closer to INR2000 crores, you are at INR2500 crores. How do we leapfrog from this INR2500 crores? Can we become like a INR5000 crores disbursement company? Is it like a problem of our distribution and reach? Or do you think it's a problem of the market where the segment that we are operating in, the competitive intensity is so high that to reach that INR5000 crore number per quarter is a very, very tall task?

Management: It is not that. It is purely a matter of reach and how much we are able to add people and do it. And we have been going a little more on a steady manner, where we started with a small pilot project, we did about 39 people were there on the first March.

And we are slowly, gradually ramping it up. In fact, if we are able to do it very fast, obviously, it's subject to Board approvals and all those things, then we will be definitely able to get the benefit of it. Because what business DSAs are getting, they continue to get that business.

And therefore, the delta has to come either if we add our DSA numbers, or if we add our own people. Now with the kind of team that we already have, 80% is already coming from DSAs in which we are not very comfortable.

We actually want to bring it down. Therefore, which means we'll have to add to ramp up the second part of it, which is our own team. Faster. That is the way we'll have to do it. How much we do it, how fast our approvals and all come. That is the only thing. Where we'll have to...

Questioner: So is that a big process in terms of approval to add people? Because 30 to 39 has been like 6 months?

Management: It's more of a, the Board has generally been not very comfortable with adding people. So that is the only, headcount is the main issue here. And somewhere we'll have to make that investment and put headcount. And you can't say that, the chicken or egg, you'll have to say that, once you put people, it will take a little while for it to come. You can't overnight see there is a success. So that convincing is what is going to be required.

Questioner: And in terms of even distribution, right? Like you said, you're adding 15 odd branches, obviously cutting down on 7, 8, 10 branches that are not performing, right?

Management: No, so last time we opened 25 branches and closed down to 10. So net debt was 15.

Questioner: So next year every year we'll have 5, 10 branches that we'll have to cut down because they're not scalable, right? We'll obviously have. So you'll continue to add that 15 odd net branches every year, is that? Net branches. That also you can't superimpose?

Management: We can increase it. So we'll look at, this year we have targeted 15, we may, internally we have identified more than that. But of course there is a process, we'll have to look at the markets, we'll have to look at the credit, how the market, how the credit quality is there of the sourcing and all. And then we will look at it. So 15 is definite, it could be a little more also.

But 15 is what we are projecting, is the number we are giving. That is, yes. But it could be more also. We have identified more branches actually. Then we'll see how many we are able to do it.

Questioner: Correct. And in terms of this 39-odd people in marketing that you've had, right, how is the productivity level? Is that like, can they do like two, three files per month or generally it takes more time for them to scale up? Like when will the Board see, suppose 39 does X number of business and the quality of business is good, generally asset quality is not a challenge, right? And if you can maintain your spreads in a certain way, will the Board, will you have more credibility in terms of to show the board that at least 40 are doing it?

Management: So last time we started with about 18 people in the first month in June. Yes. And they did about, a little more than about, they did about INR4 crores or something. So approximately it was

coming to INR20 lakh business per month, per staff per month, okay. In March, the same, the team also went up from 18 to 39. And in the month of March, we were able to do about INR41 crores, which means about INR1 crores per staff.

Okay. So we have definitely demonstrated that it is possible. Now, if the board is convinced and is able to give, we will definitely be able to replicate that. Maybe not be a tINR1 crores because obviously, this thing, but on a sustainable basis, at least INR75 lakh per staff is definitely something which is possible.

Questioner: Which is 3 files, right? Which is 3 to 4 files? Which is reasonable, like 1 file a week is good enough for you to utilize...

Management: Yes, for 3 files also to happen, they will have to meet about 20 to more than that number of people in the market to be able to get this kind of files.

Questioner: That is a reasonable number. So 3 to 4 files per month is not a bad number to start with. And then if at all the market improves, I think whichever affordable housing company we say they do 1 or 2 files per month?

Management: And this is, I am talking about the average. There are people who have done 5 and 7 also.

Questioner: Depending on the market?

Management: And there are a few who have just started and still are doing 1 or 2 only.

Questioner: Correct. And sir, your thoughts on, like you also have started to maybe pilot at 18 odd centers where you were trying to do affordable housing, right? Because you have done that in the past, in GRUH, at GRUH. How easy or difficult, and your peers, some of them have scaled up the business very quickly, right? Like one of your peers is doing INR5000 crores, in like 1.5 years they have scaled up the book.

From your perspective, how are you thinking about it? Do you think that you can reach a, like 10% of your business which you have now lapped, right? Another 10% can come from affordable housing. And how difficult or easy is it to build a house?

Management: So, right now we have had a purely salaried kind of a process. And even for the self-employed, we were doing only those where the ITRs are being filed. So, we have launched now a product we are launching which is, wherein we will be looking at people who do not have this ITRs but who have steady income which is reflected by way of UPI payments and everything coming into their bank account.

So, based on that, or else, people who are like, these housemates and stuff like that, who are having a regular income coming in by way of, and now all of them take by way of, transfer, UPI transfer only. We do not make a cash payment, directly we transfer to the account. So, those proofs are available for that segment. So, either in the form of a salaried or in the form of people who are having business and have UPI.

So, for that segment, based on that supporting document, we are looking at a product which we are launching. And that also should get a sum. So, that will give us a little higher yield plus it will give us, a new segment which we have not yet so far done.

Questioner: But do we have the presence to reach there? Because we need some branches to do that, right? Maybe specialized people, branches, something has to be done?

Management: Since it is based on this and we will have, we are directly able to get the bank statements where we can verify the transactions which are coming in. I think that is a segment which we can do it. Now, if it had been for some segment where there is no income proof, no supporting and we have to go based on appraised, purely appraised income, then I think that will require a different skill set, specialization skill set also.

Vb .

Questioner: And what use will you judge?

Management: We are looking at 11.5% plus because that is a segment where we believe it can be on a fixed rate. So, we are proposing to the Board that it will be fixed rate only, 11.5% to 12.5% because once that is also the segment where I think if you want to have a refinance, there is also a cap that you cannot take more than 4%, 5%. So, keeping that in mind, we are also looking at tying up with the credit guarantee for this.

So, there also there is a cap that you cannot have more than I think 7% or 9% something, 7% or something is the cap above the repo rate. So, you cannot charge more than 13 currently. Considering that the repo rate is again may see another 50 bps cut. So, that is why we are kept it between 11.5% to 12.5%.

Questioner: And overall this segment, because it will be obviously growing at a faster rate. So, overall you would want to cap it at what level?

Management: Right now, we are saying that initially we will look at the first about INR50 crores or something. Then we will go back to the board for the next round. So, we will start with INR50 crores which will go out first 2500 files. Let us see if in 6 months if we are able to touch that, we may be able to once again go back to the board.

Questioner: But have we started this already?

Management: We have just got the board approval. We had some feedback. So, I think there was some feedback like credit guarantee and everything. So, we are again going back to the board with that. Otherwise, initially there was an in-principle approval for it. But they had some feedback like credit guarantee. Now we have done that. So, I think it should get done.

Questioner: In our case, board is very active. Like it is extremely like compared to say our smoker competitor. Like is this sort of, it might have a very strong advantage in terms of risk management. Does it really create some problem in terms of decision making?

Management: There is no problem. There is a lot of value addition. So, obviously, there is a lot of discussion. There is a lot of views which come in the board which is very supportive. I think you have to look at it from the point of view that that is one of the reasons why our credit quality is also so well-maintained. Like for example, we should go with a credit guarantee which is actually a very supportive thing.

Questioner: But the credit quality, whether it will come at the cost of growth because...

Management: No, I think the board is supportive. They also want, I mean, at least when it comes to growth, yes. Now, it is like whether you want to overnight grow at 20%-30%. I don't think that is the...

Questioner: No, really comfortable. I think as a management also you are not comfortable...

Management: So, unlike, you know, maybe a PSU which wants always 20-plus kind of a growth. They don't want. They are okay with, you know, even if the market is growing at 12%-14%. They are okay with 15%. But not in a way.

Questioner: Take a measured risk and still deliver above market growth. That is a broader objective. So, 15, like the hedge is a similar point. That is what I wanted to come at. So, the board seems to be like very careful about how you add people, how you add distribution, right?

And we have seen a lot of other larger NBFCs and even these affordable housing, they add like 50 and 70 branches every year, right? Because they are going deeper into the country. So, just wanted to understand, when will the Board, in your best estimate, be okay to let you maybe open more branches? Or you yourself think, let's go 15, net 15?

Management: The board has not put up restrictions. There is no...

Questioner: But you yourself think it's...

Management: Yes. So, last time, we tried with 25. We said we will go with 15. But we also realized 15, 10 odd branches, we have to merge or close down. So, effectively, we opened up 25 branches. And now, obviously, this year also, therefore, the capacity has been tested. We have demonstrated that we can open 25 branches. So, we will be looking at about, 15 is the number we are seeing. But we can open, maybe we may end up opening 20 also. But right now, we are seeing 15 is what we will open.

Questioner: 15 is more realistic in nature. 20 can be the upside. We may find better locations. And most of these 15, 20, 15 will be in what kind of locations? It will be more south-based or we will try to...

Management: Let me just tell you, last two years, '23, '24 and '24, '25, you opened 39 branches. Okay. Because 14 and 15 net. So, but basically, we opened the 39 branches and we closed 10. That's why the number is 24. So, sorry, 29. Now, the breakup of these 39 branches is, we had 13 branches in north and 14 in the west. So, majority of them has been in these two regions. 13 in the north. And 14 in the west. We opened 39, right? Yes, we opened 39. Okay.

We opened 13 plus 27. We have four branches in the east. East including AP and all. And we didn't open a single branch in Karnataka or Telangana where we were already very heavy. So, out of these 39, not a single one is in these two.

Questioner: And similar, like in the future also, you will have similar outcomes?

Management: No, we may look at a couple of more, maybe a few more good centres are there. It's not that we can't open it. North and west. You see. But primarily, it will be north-west. North-west. And the remaining also, we opened in Tamil Nadu where we have seen a good growth.

Questioner: And in north and west, you are comfortable with the quality of business that you are underwriting, because generally what we see is, you also see, southern companies, when they move northwards, they end up having challenges, right? Because the culture is very different in terms of...

Management: No, last year, I will tell you, in absolute value, our NPA in north came down. Okay. In absolute value. In terms of percentage, even Tamil Nadu, our percentage NPA came down. Correct. Even in Karnataka, our percentage NPA came down. In absolute value, there was a marginal increase both in Karnataka and Tamil Nadu. And east also, there was a marginal increase only in absolute value. And percentage-wise, it has come down.

Only, you know, last year, our NPA in percentage terms went up slightly in Telangana. And west, but that also mainly in the four branches of Mumbai. So, we saw some little stress only in these two pockets. One is in Mumbai and one is in Telangana.

Questioner: I was trying to understand early warning indicators, spreads. The quality of business that you are write – underwriting...

Management: No. So, check balance ratios have been very stable.

Questioner: Across the country. Overall, when you look at the competitive environment around us, you know, many of them are aggressive players backed by private equity. So, they have a very different way of doing business.

So, are you really seeing, kind of, on the ground level, like competition is becoming higher and higher and tougher and tougher, in the sense that that can create some challenges and how we would want to navigate through those?

Management: I will put it a little differently. Last two years, in fact, while growth has happened and many of them have been very, very, aggressive. But, there have been huge amount of regulatory changes also which have come in.

And one thing I can say is, you know, this, whatever regulatory changes have come, barring that one small blip that we had because of this advance we cannot carry, that was the only one where slightly we were impacted. Other than that, I have not had one single sleepless night because of regulation.

Questioner: Which one is this?

Management: We had that one issue in October. They said that advance EMI you cannot, no, advance EMI you cannot. We were taking some amount as advance EMI. Customers would pay 17,200, they would pay 18,000. So, that 800 were. So, because of that, sometimes, this cheque bounces would happen inadvertently because of some, one pay gap.

So, in Q3, we had a, our SMA went up from almost by some INR770 crores at indicator. So, that we had an impact because we could not carry that advance. Otherwise, INR700, INR800, INR1000, INR2000 advance would lie, less than one EMI would lie in some accounts because of this. That also we transferred to the principal. As soon as any amount comes excess, we would put it to the principal.

Questioner: You would have the principal's interest for that customer.

Management: Yes, yes, yes. So, that was the only one which had a small impact which also we corrected in Q4. Other than that, PBC criteria has come in, we have not had a problem. Insurance people have been mis-selling or excess selling, huge non-interest income, that we have not had a problem because we do not compel our customers. We have had issues of, wrong classification of loans.

We have not had a problem of that. We have had issues of people not having, doing advance disbursement and valuation issues. We have not had that problem. Other than that, LCR was a problem. Liquidity also is there. We have not had any issues on any of those fronts and of course, small observations.

In fact, our March 24 inspection was conducted by NHB in May, June, last year May, June and then whatever query, our March 24 audit also is observation is also closed. There is nothing pending, no issues. Obviously, now March 25, they will now only come. In fact, they should be coming now only after we give them the printed balance sheet only then they will come. That obviously will be waiting till the AGM, maybe July or something, after that they will come.

Questioner: Board meetings, the topic of like so I will take the name. So, for example, PNB housing is something like bank branched out, similar kind of issue. So, like when the board is benchmarking our performance with institutions like that, so what are the plus and minuses we see in that kind of strategies, what is the scope?

Management: I will tell you frankly, we do peer comparison with about 10 or listed companies, over there we at least get the data. So, we have been doing that peer comparison and, yes, the names, normal, all the listed companies there are about 10 of them. So, we do look at it. Now, what happens is yes, in terms of the growth, definitely we are obviously not in that same league as some of the other players.

But when it comes to profitability, when it comes to credit cost, when it comes to ratios such as ROE and all those things, definitely we are in the top 1st and 2nd. So, that definitely is what we project and the board also appreciates.

Questioner: The board is very clearly identified, these are our strengths, we have to focus on that.

Management: We have to focus on the same.

Questioner: [inaudible 26:30] growth profitability without diluting basically?

Management: Because today you have growth, but then you have like when our cost-to-income ratio definitely we are regime. Our cost of borrowing, our credit costs, our non-interest expense, everything. So, that is definitely there. Now, we do benchmark. Obviously, there are questions why and why not. That is where the product differentiation, the product and segment and all those things and their marketing.

So, that is why when we drew up the vision 2021 document, we had basically four or five key areas where the board also pointed, where we discussed and were drawn up. One was that in terms of the product, there is a differentiation is required. We are right now completely focusing on housing because we had including our CRE, housing was including CRE housing was coming to around 89%. They said we can go up to around 80% including CRE.

So, that was one thing. So, from 89, we have already come down to 85 and we are in that journey. In the 2 years from 89, we have come down to 85 and the thing was that we can -- we are comfortable up to 80%, 20% can be non-housing. So, we have already reached, started that journey.

Second thing was that in terms of the segment, we had about 73% was housing, 27% was non-housing. So, there was a scope to slightly improve the yield and strengthen that. So, the board put that cap of 65%. So, it will be 65% housing and 35% non-housing. So, now on that journey from 73 housing, we have come down to 70. So, it is 70-30 now.

So, that also journey is taken. The third thing was on the DSA. In DSA, we were 85% incremental business was coming through DSA. We said we have to bring it down to 60%. There, in fact, slightly there has been a little slower because we would have preferred it to be around 75 by now, but it is still at 80. But there also from 85, we have brought it down to 80.

Vision 20 and document, we have said that we would like to have it around 60%. So, that is another thing. The fourth thing was the geographical concentration we had to slightly modify. There also 39 branches we have opened, 27 are in the North and the West. So, that also if you look at it, in terms of the strategy 5-year plan that we have drawn up, we are progressing in that thing.

Of course, there have been some blips here and there and because of which our business has been affected. And the fifth major pillar was that we want to -- in terms of technology make a major improvement and that is one area where we felt we need to improve. Now, there also we have already tied up with IBM. The IT transformation project is planned. It is already taken off. November 25 is the time when we are expecting that it will be rolled out, the LOS, LMS, DMS and everything full in total.

Questioner: So, that will reduce our turnaround time. We will be able to process things faster and that way increase our competitiveness?

- Management:** But that having said that, even during the period from 23 to 25 in 2 years, we already we have made a lot of changes because we upgraded our existing setup. We have tied up with [Karza 29:38]. So, on the onboarding side, on the legal side, on the technical side, on the back office control and everything, there also a lot of things have already happened, but the last part of it which is the transformation is going to happen by November.
- Questioner:** So, will this, so basically this lower ticket loans which are going to be able to, comparatively like lower 600 people who do not have income purposes. So, there in terms of like risk management and all, so this new system will make it unable like whenever your guy goes for assessment, he has to I think physically go there?
- Management:** No, we will be tying up the account aggregator. So, basically we will directly get the bank statement from the bank instead of the customer having to provide the bank statement. And we already have a tie with Perfios which can do the analysis of the bank statement. So, this will help. So, the month wise analytics of the month wise, UPI payments or UPI receipts and all those things that we can do some analysis.
- Questioner:** And this November 25 that Tech onboard like the going live of LMS, LOS, will that impact anyway our business because we had this one transformation that we did last year, that impacted one or two months of disbursement?
- Management:** One month because November 24 we did it.
- Questioner:** So, will that happen again?
- Management:** So, this is one month we will have some impact, but we have tried to minimize it, we have put additional teams. We have already carved out things. We have got, the board has also approved additional staffing for the transformation. Almost 46 odd people on the IT side we are taking.
- Questioner:** Correct.
- Management:** Not to mention that from the existing teams from every department we have carved out people including from the branches we have pulled out some people to work on this transformation. Training journeys also we have already drawn up. Whereby we can see that training can happen maybe a month or two months before so that it doesn't become all cramped up in that one month.
- Questioner:** And it will happen around October, November.
- Management:** October, November.
- Questioner:** Because that's a season where festive season...
- Management:** Actually, yes. We would have preferred to bring it in September and October. We would have preferred to bring it in September and November.
- Questioner:** When we used to do at the time of Shrad because anyways business does not happen there.

- Management:** But there are limitations because we have to because the first phase is we are also doing some more infrastructure. That will take some bit of security. So, like we are moving from entire architecture to the SD van. That also takes some time. We are moving, migration also takes time. So, these are some things which we have to provide for.
- Questioner:** And the one bit is on the LAP, which is now becoming 12%, 13% of the business?
- Management:** No, LAP including top up, yes.
- Questioner:** So, LAP and top up they are 12% is all typical home loan.
- Management:** This is around 10 now it will hover about 10%, 12%.
- Questioner:** So, how is it because what I remember from the last conversation is that you charge 50 to 75 which is higher than your normal home loan rate. And generally LAP is considered on the face of it to be a little riskier than what we are charging. So, I am just trying to understand, are we still okay with that 50 basis point, 75 basis point higher yield versus a typical home loan because we must have seen some bit of experience, right, till now because we are doing it for some time now.
- So, are you seeing that 50%, 75% basis point higher than home loan is good enough to manage the risk or you think your experience has been a bit worse off than what you would have started with?
- Management:** No. So far it is too early to look at that and otherwise I think right now we will stick to that half a percent.
- Questioner:** Okay. But you think that should suffice, right and there should not be any challenge in terms of the credit quality turning out to be worse than expected?
- Management:** No. And this LAP and SENP, LAP segment that we are doing, is that still more in because we are doing it from limited number of branches if I remember right. Is it we are still doing it in certain specific geographies or we have like opened it up for the entire country?
- Management:** As such, we have opened it up across, but by and large it is happening a little more in Karnataka because of this e-khata issue. We are already facing problems in the registration. So, in LAP we do not need to do the registration. So, it is likely a little more in Karnataka, yes.
- Questioner:** Correct. And then you will have maybe clients who you already in some sense. So, that might have helped in some sense. And what is the ticket size there 25 lakh, 30 lakhs?
- Management:** It is right now about that only, roughly.
- Questioner:** Okay. And in terms of the real estate market and just because you are lending there, what is happening there? Because we have seen this, the segment of like the affordable housing or mid-tier segment not growing that fast. And if I look at the industry data, the growth is coming from luxury and uber-luxury, right?

Management: The uber-luxury has also started slightly waning off because they are also not, it is a very small market not many people.

Questioner: Exactly yes.

Management: So, that is there, but our 25 approximate that is still steady and affordable definitely there is an issue in affordable.

Questioner: Right. But then how do these companies keep targeting 20% plus growth and most of them are in that good 15,000, 20,000 value or maybe 3 years, 4 years, 5 years back. So, they are not like 5000 crores NBFCs. They are almost reaching 10,000, 15,000, 20,000 crores. How do they manage to deliver 20% plus growth rate?

Management: Yes, some of them are I do agree, it is a little...

Questioner: Difficult. Yes because it is difficult?

Management: 50% on a consistent basis or to say that you will double every 3 years.

Questioner: And the market is not growing. See, the problem is...

Management: And you will double every 3 years. So, you are taking some risk, extra risk, which you may not be aware of now.

Questioner: Correct.

Management: Sometime later. So...

Questioner: And the segment that we are working with, like 25-30,000, sorry, INR25-INR30 lakhs and salary, is there any stress there in the sense, not from an asset quality perspective, from an incremental demand perspective? Because IT is slowing down a bit. Not every sector is doing very well, right? On the ground, FY '25 is a difficult year in some sense.

Are you seeing any signs of slowdown? And even if you look at the housing sector data, right? For banks, like the number has come down to almost 10%-11% versus 15% that we were clocking in FI '24 and previously. Is there any signs of pick-up again? Or you still think it's a bit of a drag?

Management: No, so far, we've not, at least in that segment, not much. But definitely, as I said, affordable and...

Questioner: Higher, higher.

Management: Uber Prime is definitely getting affected. It is slowing down. And so, one thing is, you know, if you have seen, you know, normally, you know, there is some kind of, I won't say irrational, but there is some kind of aggression, particularly for takeovers and all those things which was there...

Questioner: Correct.

Management: Which off late, if you see, has not been there. If you see our presentation also, even Q4, our prepayments and loan closures has been very much in line with Q3, which is very much in line with Q2.

Questioner: Correct.

Management: So, that kind of thing which was there is kind of not as much there.

Questioner: Correct.

Questioner: The new tax regime? Because, you know, whenever we go to new tax regime, many of these breaks are not available. So, have you seen increase in prepayment rate because of that?

Management: No. As I said, right now, it is not much. In fact, all four quarters, you know, it's the same, very much the same.

Questioner: But you do not fear that someday we will like, maybe not this thing.

Management: No, not because of that. But definitely, if, you know, the pricing, some of the competitors drop their prices post this rate cut, then it may slightly go. But otherwise, not because of this. Because, see, first time home buyers, the tax is not their incentive for them to actually make the investment.

Questioner: Correct. But because, see, your customers would generally go to a mid-size private sector bank or a PSU bank, right? We are salaried in nature. Our customers will not be taken over by some NBFC or HFC, right?

Management: Yes, yes.

Questioner: In some sense. It's only PNB housing or Bajaj housing, right? In some sense, the larger.

Management: LIC, PNB, and Bajaj.

Questioner: It's this three. So, all three, have they been very disciplined in terms of charging rates? In the sense, they are not going to that 8% which an SBI, BOB, or a Canara can perform.

Management: LIC is already announced.

Questioner: Yes, LIC housing is there, but you said that it is very specific for a very small sliver. It will not make a difference. It is a marketing gimmick. Nothing from that perspective.

Management: No, no.

Questioner: Which is good.

Management: Nothing.

Questioner: But you think that the rate is going down another 50 basis points or almost 100 basis point rate cut. You think the rates will like again go back to where we were in COVID in terms of home loans or you think it is very difficult? Home loan is 7.5.

Management: It is not possible because, you know, I will tell you what. Today, housing portfolio, the rates coming down is definitely hurting the name for all retailers and banks.

Questioner: Bank, yes.

Management: Okay. So, it is reflected in our borrowing also because earlier whatever we did, before the rate started coming, rate cut started happening, we had moved all our MCLR linked bank borrowings to a repo link.

Questioner: Correct.

Management: So, what our rate was at 7.95, say for example, long term loan, it has come down to 7.45. But the same bank when they are going for a fresh loan, they are not ready to go at 7.45. They are charging 7.7, 7.75 because the pressure is clearly visible. So, that is, so that possibility or the chances of, you know, rate cuts or the aggression coming in because of this will be a little limited.

Questioner: Will be a little limited. And on our borrowing side, anything that we can do differently for us to help our...

Management: Borrowing side, we, last I will tell you, we raised our NCD in March at around 8.18%.

Questioner: Okay.

Management: Okay. Now the same, today when you are looking at a 3-year NCD, we are getting offers at 7.4, 7.5.

Questioner: Wow.

Management: Okay. CBs, we are at 7.4, today we are getting at 6.6. So, definitely...

Questioner: But CB will not go above 7%-8%, right?

Management: Yes, yes.

Questioner: Because it's a short end.

Management: Correct, correct.

Questioner: We are at long end. We have seen a reasonable shift from like last 2 years, we have moved from bank borrowing to NCDs, right, in some sense. So, will that like be of any negative impact because banks generally reprice quicker, right? NCLR is, we take a 3-6 month NCLR. That is 3-year NCD.

Management: No, that is correct. But the thing is, you know, see, there is a regulatory requirement...

Questioner: Yes.

Management: That 2021 circular where we say 25% incremental has to come through market borrowing.

Questioner: Okay.

Management: So, that's why we have gone for it. Last year, we did try for a 5-year, you know, this also. But with the rates coming down, I think it is better to take a shorter term NCD because it's a fixed rate.

Questioner: Correct, correct.

Management: Okay. So, that is why we are again looking at 3-year NCD only. In fact, in March, when we raised, we in fact went for 2 years and some months also.

Questioner: Fair. Fair point. Understood. So, we will be able to maintain the spreads that we are talking about.

Management: Spreads, we are very clear, we will maintain.

Questioner: There is no level of confidence on that. On growth, INR10,000 crores that we are guiding is, disbursement is doable. Anything more than that is a, is something that will aspire but not yet.

Management: Spread, opex and credit cost.

Questioner: These three things we are reasonably stable.

Management: 15 bps credit cost, 17 to 17.5% roughly range in of cost to income ratio and spread maintain at 2.5 and 3.5.

Questioner: So, 2%, 2.2% ROI, IBR17-INR18 million ROI. Reasonable amount of confidence.

Management: Yes.

Questioner: Perfect. This is useful, sir. Thank you. Thank you so much.

Management: Thank you.

Questioner: Sir, lastly, your term, how are you thinking about it? Any, like, any conversations on the board? Because you can stay for longer, right? Here, the bank issue is not there.

Management: No.

Questioner: When does your term end?

Management: The first, I have a 3 plus 2 tenure.

Questioner: Okay.

Management: 3 years plus 2 years. First 3 years is getting over in, will get over in March '26. So, that's the time.

Questioner: March '26 and then you have 2 more years. If you, you and the board decide.

Management: Correct.

Questioner: And at this point, I mean, I am reasonably assuming you are okay. Board also.

Management: Should be. I guess there is no adverts or any kind of a discussion or even about it.

Questioner: And you also want it.

Management: It is important from the investor's point of view.

Questioner: We are betting on you and the board, right? Board, we don't meet.

Management: As of now, no issues.

Questioner: But you are comfortable.

Management: I am fine.

Questioner: Thank you.

Management: Thank you.