

Questioner: Yes. Sir, so just to start off with, there are lots of points, but the first one is on disbursements. Disbursement if you look at, not just this year, but compare what we did this year to let us say even '22, '23, it seems like we are stuck in that 2200 to 2300 or 2400 band. And while these state-specific issues will be there, but somehow the dependence on DSAs and the fact that we are geographically more concentrated and so we are more exposed to issues.

And also the fact that we possibly charge a little high, maybe all of this leads us to slightly lower disbursements because now we are down to sort of single-digit growth on an AUM basis. And even within that, if you split your home loan versus non-home loan, home loan is much weaker at I think 6%.

So how do you push your growth up from, let's say 6% home loan to double-digit 12%, 13%, 15% and how do you solve for the fact that whenever you slow down on disbursements from the DSAs, AUM growth automatically slows down, so how do you solve for this structural issue of being very heavily reliant on DSAs for business origination?

Management: See, I agree there is this concentration issue which is basically and the main problem because last year we were mainly hit by the fact that both the major geographies where we are present were impacted. Otherwise, as you rightly say, if we are equally spread out, there will be one area which will not be doing well, others will be doing much better and so on. So we can cover up. So that is one thing.

But for that, last 2 years, in fact, we have already, if you see in our vision 2020 document which we have drawn up, this was one of the issues which we have already identified as one of the things we need to resolve. So last 2 years, we have opened about 39 branches.

We also closed down 10 or merged a few of them. That is why net-net is about 29 branches but otherwise 39 branches that we have opened last 2 years, 13 of them are in north zone and 14 in west zone. So basically, we have tried to push the expansion in these 2 zones so that eventually we are able to...

Questioner: You said 39? Out of that, how many are in north?

Management: 13 branches are in the north zone which is basically; Punjab, Haryana, Himachal, Delhi NCR, UP, there we have opened 13 branches. We also have west zone which is; Rajasthan, MP, Gujarat and Maharashtra where we opened 14 branches. So that is one thing which we are looking at to slightly modify.

So that is our reliance basically and all the 39 branches, we have not opened a single branch in Karnataka or in Telangana.

Questioner: So west zone, how many branches? Sorry?

Management: 14. So 27 branches between the north and west zone.

Questioner: So in these branches, what is productivity trending like and what is the sourcing mix? Just to understand and maybe then we will get to the other states.

Management: Now coming back to your point on DSA, yes, that is in fact, it is a slight worry because we have not been able to bring it down to the level that we would have wanted. There also we wanted to make it from 85% which was our DSA sourcing in Q4 of 2023. We wanted to bring it down to 60% by FY20. Now that we have been able to bring down only to 80%.

So therefore, that journey has been a little slower and we have found a lot of resistance because obviously the people are quite used to just sitting and getting business and so the comfort of getting the ready-made files is definitely there.

Questioner: Resistance from your branch employees?

Management: From the staff, yes. Because they are obviously, when the DSAs are already bringing the files, they are already comfortable with that. So whenever we have tried to become overtight with the DSAs, our business has also been impacted.

So the only thing is that we will have to very quickly improve the business of our direct sourcing. So last year we started with 39 people or rather we started with about 18 people in June 2024 and slowly started building our own sales team. So by the end of the year, the sales team became a team of 39 people and the entire year they sourced about INR179 crores.

So basically it's not still a very large number but at least the fact that by March they were able to reach up to 4% of incremental business comes from them, from this channel and that is what we are planning to increase again further this year, so that at least we can take it up to around 6% to 7% by end of this year or a little more closer to 10% as much as we can, that the business can come from our direct sales team because only when we have our own sales team, we can tighten or loosen or be tough with the DSA channel also. So that is one thing we will have to do, that is one movement.

And last year along with this DSA we also said we will do a tie-up with APFs. So we had set a target for 75 APF projects by end of the year, we ended up with around 80 and this year we plan to take up this APF tie-ups to around 250 by end of this year. So that will also give us some direct flows and more visibility and where our teams and sales teams can also get business from these projects.

So that is one challenge which we are working on to see that this reliance on DSA channel can slightly reduce because the objective is to bring it down to about 60% for which we need to have a very strong internal sales team also.

Questioner: APF is basically the...

Management: Project tie-ups. We give the approval, legal and title clearance everything we do, we do the valuation and the viability of the project and we give the approval. So once the customer enquires then we do not have to do the technical, legal and all those things again.

Questioner: But in the new branches, what would be your disbursement mix today in terms of resource versus DSA source? In the last 2 years?

Management: In the last 2 years that we do not have that, I mean I have not spoken up but your previous question about what is the kind of growth path that the new branches are taking. So the branches which were opened in FY23-24, there they have reached almost an average of about INR75 lakhs per month per branch, that level they have reached. Per month per branch. Okay.

Questioner: In the last 2 years whatever you have opened?

Management: No, what we opened in '23-'24, that is basically somewhere around Q3-Q4 of FY24 that we opened, they have now reached a level that they are doing about INR75 lakh per month per branch and the new ones which we opened, all of them practically were opened in the Q4 only. So they are not at a very low level right now.

But next year the same INR75 lakhs should reach about INR1.5 crores, the ones which were opened in 23-24, they should double and these branches which were opened again should reach about INR75 lakhs. So this one -- these branches that we opened in the last 2 years, they have contributed about INR115 crores in the last year, which next year we are expecting it to be more than INR300 crores.

Questioner: Okay. But here again, do you look at what is the sourcing mix? I mean, because essentially in a longer date environment, we have now seen that the banks have obviously again become not more or the delta between you and the PSU banks in terms of pricing has gone up and anything which is DSSOs obviously is at a risk of moving out, at least in this environment where the delta is going up?

So do you track, do you have a system or a mechanism to track in terms of let us say on an incremental basis it is there but in terms of at least the newer branches that you are opening is the new model of?

Management: Yes, we have that actually. Of course, it is there. I do not have the data right now. But we have the data because branch wise we know how much has been sourced through DSAs, how much has been sourced from direct.

Questioner: What exactly will be the steps that you are taking for this 80 to come down to 60, because December we saw that a margin and then again back to DSAs?

Management: As I said, the resistance is the main challenge that, if we become too tight on the DSAs and then I mean too tight as in I mean if we push more and do not give the incentives or anything then it does become an issue. So we have to keep doing that in whatever incentivization or whatever regular meetings, DSA promotions and all those things we have to continue. If we slow down on that then obviously the DSAs will shift.

Once the DSA moves to some competition then they do not come back. So that of course, once the comfort is established with somebody there then they just continue with the same organization. So that is one. So the only way we can do it is through having our own sales team

doing more and more. That is the only way. We have to promote sales and we have to do our own sourcing.

Questioner: So this 18 people got added in June 24 or sales. Is this a branch wise you add one or region wise you add one sales individual to source or how does sales?

Management: No, initially when we started this 18 we were all of them were basically internal staff who we pulled out from their respective responsibilities and put them up to sales. Obviously, there was not many of them were successful because they are mostly used to doing the processing the files and credit and all those things and not sales and field work.

Subsequently, the additional people that we added are mainly from the market. We are doing lateral hiring for this marketing because, as I said the existing staff they are very comfortable with the office jobs and with processing and credit and all those things and field work is something which is not. So it is basically a cultural issue which is what is will have to change.

Questioner: Okay, so for DSA sourcing to come down to 60 you will add more lateral hires and they will start?

Management: Yes, so already what we have done is when people are leaving whatever reasons people are resigning we are replacing them with people with who got a sales experience.

Questioner: So in the 200, 220 right the branch count is?

Management: 234 now.

Questioner: Yes, 234. So the average number of employees who are working with that old structure would be how many like per branch or the tenured guys who are more accustomed to just being like operational...

Management: Last year our headcount was around 105 or something around 1050 or something was the count. We have had some resignations and we went of course not all of them are in the some of them are typical head of the staff that they are in for a specific reason and all those things. So roughly we would have added about 75 to 100 people from the market in the branch just last year.

Questioner: So on an average typically a branch would have about 3 to 4 people?

Management: We have a graded structure so depending on the AUM of the branch. So if it is more than INR500 crores AUM then we have 9 people and then if it is more than INR350 crores then it is a little less and finally the new branches or the branches which are less than INR100 crore AUM they operate with 3 people.

Questioner: 1 people and 2 people?

Management: 2 people. Yes.

Questioner: And what are the KPIs of these branch employees the old ones and the new ones because the old ones would be more rigid in terms of the way they work. So what are the KPIs or is it just a tenured job every year you get a certificate?

Management: No. So most of the old guys they do everything, so other than only for sales because there was no sales outreach we have now carved out a separate team which is the lateral hires and the new some of the people whom we have transferred, where they are purely into marketing otherwise the rest of the staff which would be almost today we are about 1150-odd about 1050, 1075 would be those who are purely into doing everything else in the branch which is attending to customers, data entry.

Questioner: And just stationed in the branch?

Management: Mostly in the branch they would be doing technical visits they would be doing all those kind of things and recovery but the field work would be about 7500.

Questioner: But the legal technical you obviously would be working with the outsourced agencies?

Management: We do have outsourced agencies, like for the first disbursement 2 valuations are done by the unless it is a single shot disbursement of the last case. Otherwise 2 valuations are done by the external empanelled valuers. But in between every time we do disbursements in multiple stages so there our people only visit.

Questioner: So for these branch employees there is no KPI so there is no evaluation of their performance when?

Management: There is in the sense that we have targets, obviously there are targets we have an incentive that is almost 35% to 40% weightage on the disbursement similar 30%, 35%, 40% weightage on recovery and then rest on audit and compliance and back office and all those things.

Questioner: For all the employees?

Management: For all the employees it is there.

Questioner: But they are okay to forego?

Management: But then, no it is not they are okay to forego, but it is obviously even if the DSA gets the case their targets are achieved. The whole thing it is about disbursements even if the DSAs get the business it is the branch target in terms of disbursement or whatever is getting complied.

Questioner: So there is no distinction between a branch employee sourcing file on his own versus getting it through a DSA. So unless there is a distinction there is no incentive for them to work harder?

Management: It is correct. So rather than having a separate target for both we have been incentivizing people for if you direct business and all we are trying to push that -- but prior with the typical culture is that we are getting the salary so the extra incentive yes we are comfortable with that as long as they are in the office.

So that culture is definitely was there and continues to haunt a little bit. Till that culture changes that culture is going to be a little slightly longer term issue maybe 2, 3 years it will take for people to change.

Questioner: All the workforce is retired. So it is very difficult to imagine somebody who has worked in a certain way sitting in the office for 30 years and suddenly going out and...

Management: We will have to churn.

Questioner: Yes, [inaudible 14:12] would you be able to give some split of this much is in operations, this much is technical, this much?

Management: No, we do not have that. There is no such this thing of separate only for marketing we have started with this. We do not have that verticalization concept. It is still a branch concept.

Questioner: So everyone does everything?

Management: By and large yes we have people who are stronger, who are better at recovery, who are better at things so that we have that differentiation. But by and large it is like everybody is doing everything.

Questioner: Just one question is being having this much pool large proportion source from DSS how do you keep control on credit cost is it?

Management: On term of credit cost?

Questioner: On collections etc. Ideally if it is enough source then it makes sense that who sourced it, who did that, who has ownership of that disbursed amount and therefore they control our credit cost. Here is an outsourced sales but still you have a very good...

Management: No, it is still the responsibility of the branch manager to verify everything. So the DSA basically will give the file and the responsibilities to complete the file and give a complete file by and large. But whether the sanction is there, processes are complied, whether it is meeting all the requirements that is purely a branch manager's call.

So if at all a case goes where the branch manager is only going to be held responsible unless it is a so if there is a mistake in the lending or process violation, policy violation it will be the branch manager only who will be questioned. So the branch managers know that they have to take care that is why the quality is still maintained.

Questioner: So just to get some further context on the branch employee typically how much do they earn and what is the incentive as percentage of whatever they earn on a fixed basis like is the incentive material enough for them to really?

Management: No, we have increased the incentive amount last year a little bit but still it is, I mean as a percentage if you look at it, it would be about 15% of the, so the salary is already there. This will be about 1.5 months of salary, you can say probably 1.5 or 2 months of equivalent would

be the incentive and the highest grade they can get which is not a small amount by any standard actually.

Questioner: So this is the highest that they can earn?

Management: That is the highest. So it is an incentive, it is not the incentive like you have for the sales target, there is a kicker and that incentive plan because we do not have a separate sales team.

Questioner: But is it possible for you to bring in because the biggest issue today with the firm is the moderation and disbursement growth and the over reliance on DSAs. This is trying to understand that the sales people addition is a long grown process, because if you add let us say 100 people not all 100 would be as productive and even the productivity graph will only ends up in a few years from now?

So is there anything that you can do with the existing workforce that you have to push up business volumes or that is something that will eventually try it out and eventually when you replace those people with employees from the market or fresh talent from the market only then you can see an improvement in this?

Management: Actually if you ask me what are the steps we have taken, earlier it was a purely everybody was you know same thing. There was no you know in the sense that there was no tough this thing for non-performance. So even if you are doing this you may not get an incentive but you will still hold your job.

That kind of performance evaluation process we have implemented like now earlier there was no concept of kind of firing people but now we are also giving letters and we have done that, that has started. To that extent if you see that you know last year our attrition has also actually gone up. Earlier it used to be around 9% or 10%.

Last year it is close to I think 14%-15% is the kind of attrition. Also because you know a lot of people we have you know been pushing them when non-performers to move on. Otherwise that non-performers moving out the non-performers was not a kind of a thing.

That is something which we have started. It is affecting your attrition but still it is slowly you know that sensitivity on the performance on the thing is definitely coming in. That is one thing. Second is incentive increase so that you know there is at least something more otherwise the incentive was not even one month salary. Therefore, there was no reason for anybody to drive for it.

Now that we have increased it so that is there. Third is you know we have also started an ESOP for the higher management. Last year we introduced ESOPs. So that way you know that is also there that you know that will also bring in that performance at a higher level that is the managerial qualities also.

So these are some of the steps that we have done. We have also obviously now that we are having these letters and putting people for questioning their performance. So that is the PEP and the Performance Enhancement Program. Those also have been introduced last year. So these are the

things we are doing. This is to bring about a churn or to bring about a change in the mindset and the culture. So that is something which as I said will be a 2 to 3 year kind of journey will have to be done.

Questioner: Do you think pricing is also a reason why? Because when we compare your yields, because you fall somewhere in between an affordable player and a prime player like an LIC and banks. But the profile that you get at who is closer to a prime customer than to an affordable housing customer.

Even the ticket sizes, the geographies which is you know urban towns and their periphery. So it's closer to a prime customer than it is to an affordable customer. But still there is a meaningful delta that you are able to get. So is that something that is essentially the protection of your ROA? Is that something that has led to a slowdown in terms of your AUM and disbursement growth?

Management: I don't think that is so much there because our spreads if you see I still feel are the lowest in the industry today. Because you know we have been pricing aggressively on it.

Questioner: Sir how do you say spreads are lowest in the industry?

Management: Because our spread is around 2.5%. If you look at you know maybe the only other player who has got a lower spread would probably be I think we are among the listed ones we have verified the spread. So I think would be probably the lowest spread in terms of spread.

Questioner: But you are comparing to the affordable players who obviously do much lower ticket sizes.

Management: No we have also compared. So basically we only have the data for the listed companies which includes LIC, Bajaj, PNB Housing, Aadhaar, Aavaz, HFFC, Repco. I can imagine you will say Aadhaar, Aavaz, HFFC, Repco maybe they are not comparable. But yes we have also compared with you know Bajaj and PNB and this.

Questioner: But Bajaj is maxing out the business mix to sort of manage the ROEs. Bajaj is only 50% pure home loans.

Management: That is the whole point.

Questioner: Yes, but that is why I am saying for a pure home loan your spreads are obviously higher than anybody else except the affordable players.

Management: No, I mean somewhat similar would be LIC also.

Questioner: No, no. LIC is materially lower than you. LIC is materially lower than you.

Management: Yield on the loans for LIC is around 9.8, Aavas is 10.1. Bajaj is 9.8, we are 10.1.

Questioner: So, Bajaj does it because they do a lot of LAP, they do a lot more LAP, they also do a lot more construction finance. So, Bajaj maxes it out by changing the business mix. But for a pure home loan you obviously would be at the higher end in terms of yield. Spreads is maybe a function of cost of funds.

Management: I agree.

Questioner: But on yields you are possibly at the highest.

Management: No, but I will tell you Bajaj like for example at least I can only talk about the loans which have been taken over by Bajaj from our loan facility. Most of the loans have been with the top up. So, what happens they would effectively they would get a higher, I mean but for a top up they would not have been able to or they may not have taken our loan exclusively.

Questioner: So, today what are the starting interest rates?

Management: For us it is around 9.85 is the best rate we are giving for a home loan customer salary time. Sorry 8.85.

Questioner: And what would this rate have been let us say 6 months back, let us say in December or Jan?

Management: It was 8.95, we have reduced by 10 bps after the because of the rate cut. 10 bps we reduced for effective 5th of May and because we experienced 10 bps benefit in our cost of borrowing, so we passed on to our customers 10 bps for existing customer as well as the new incremental lending.

Questioner: But banks could have reduced more.

Management: Banks have reduced more.

Questioner: So, that is the reason why maybe you because the delta now increases between you and the banks.

Management: Banks have reduced because banks are on EBLR, so when they were offering 8.4 the same banks today have to offer 7.9.

Questioner: No, so one is on the stock which obviously gets repriced onward where HFCs have an arbitrage and that is another matter but on incremental disbursements also now the delta between you and the banks is much higher. So, do you see pressure from that?

Management: I will tell you. So, banks when they reduce, they reduce both for the incremental customer and for the existing customers. We also follow the same policy that we do not differentiate between the new and the existing customer. When our benchmark rates change, the benchmark will change for existing and for new.

So, that way we have that parity. We may offer some discounts or something in the beginning to that may be a small short term you know 6 months or 1 year kind of benefit or something like that. But otherwise, there is a parity between the new and this customer. Now, some of the HFCs, yes they reduce maybe or whatever, but on the new customer there is a different rate. So, different people join at different rates. In our case that is not there because that.

Questioner: So, your S1 that you say would be uniform?

Management: Yes, exactly, you are right, absolutely right.

Questioner: So, there you do not have any distinction between a new customer and an old, the way HFCs?

Management: No, we do give some incrementally, some offer in the first year and all. But otherwise, there is a parity, there will be a small difference, but that would be eventually the same. So, the customer, it is not that a customer who came in 2023 and a customer who came in 2024 are having a different rate. They would be if the rating is the same of S1, both are salaried home loan customer, they both would be at the same rate.

Questioner: But would you at some point want to take a call to balance out both ROE and growth because today you are possibly at the highest ROAs, ROEs at least in the recent past or not the highest, but closer to the highest.

Management: Correct.

Questioner: So, would you want to sort of maybe balance out growth and profitability and lower the rates to push up disbursement volumes?

Management: See, eventually when the growth comes, yes that would slightly moderate, no doubt about it and it is not that we have chosen ROA over growth. No, it is not like that. It is just incidental that in the last couple of years, one because we had a lot of process changes and that happening in FY24 and then 25 and things started looking up in Q2 or Q1, Q2.

Unfortunately, this e-khata thing happened. So, we got affected by that. Otherwise, there is no - it is not that we have chosen to improve our ROA, ROEs and at the cost of growth, that is not the thing. Today, in fact, we have a slightly, if you see our leverage has actually been coming down from 8 times plus, now it is 6.96. So, there is a good scope to in fact borrow and do it and you can do that also, not a problem. We have a scope there also.

Questioner: Yes, but the ROEs are much higher. So, leverage will keep coming down?

Management: So, I am saying that because the growth has not been coming, this has happened, but otherwise we have, the stated thing is that we would like to be somewhere around 7.5 times gearing.

Questioner: So, you are saying pricing is not a factor which has led to slower disbursement?

Management: No, pricing is not the issue. In fact, I will tell you, today our West, North and Tamil Nadu, which are zones where we have not had problems, they were all growing at 15% plus last year. North has grown at 25% plus. Tamil Nadu has also grown at 25, close to 25%. West has grown at 15% plus.

Questioner: Tamil Nadu has grown at?

Management: At 20% plus in disbursements last year.

Questioner: FY25?

Management: FY25. And we are seeing good growth in Tamil Nadu, West and North. Karnataka was also growing very well for us. Around 20% growth was there for Karnataka also, but this E-Khata

issue which came in October onwards, suddenly that completely wiped out all the positives and we had to slow down. Now, slowly it is picking up. So, we should again be, Karnataka also, eventually did end up with 3% growth, but eventually it was 20% which came down to 3%. Had the D-Khata issue not happened, we would have done another INR500 crores, INR600 crores last year.

Questioner: So, which are the weak states because if I look at the last two years, FY24 disbursements were down 7% Y-o-Y. FY25 disbursements were up 5%?

Management: Last year, Telangana had a 31% negative growth in disbursements. That was one major state which has affected. Otherwise, all other regions are positive. As I said, not last year grew by about, but it was a smaller place. Unfortunately, the problem is that 60%, 65% of our business comes from two states which is Karnataka and Telangana. And last year, we had a problem in both.

The year before that, Telangana was still a small issue for us. But it was still taken. Like, I will tell you -- so today the challenge or whatever is only in Telangana, where we have kind of bottomed out from. In FY23, we did about 2,200 and something, 22 something crores, 2,200 and something odd crores in Telangana.

Questioner: FY23?

Management: FY23.

Questioner: What was this in FY24 and FY25?

Management: In FY24, it came down to 1,750 and in FY25, it has come to 1,200 – 1,198.

Questioner: In FY24, it was 1700?

Management: 1,700. So, both years it has been negative INR500 crores, INR500 crores and that has been one state where the proportion has completely come down. So, today, our Telangana contributes only about 13%, 14% of the incremental business. So, that focus has completely come down.

Questioner: And what is the current run rate in Telangana? So, let's say last year, you were at about INR100 crores run rate on a monthly basis. Today, it will be?

Management: So, from here, we have already bottomed out. We, in fact, at that point reached about almost INR70 crores. We slightly inched up in the other thing. So, now, I think we will be able to do up to INR110 crores, INR115 crores per month in Telangana. So, Telangana from here will grow. I definitely will not go up to INR2,200 and I think that focus is okay.

Questioner: But why has not it at least reached that level where it was?

Management: The sentiment even now is a little weak because the state set up a department called Hydra and lot of construction which the previous government had done in lake beds or in government land and all which were there. They have kind of reviewing all those things. In fact, they started off with a lot of demolitions also.

So, there was a lot of negative sentiment in the market and that activity is still going on slowly, area by area, they are picking up and then reviewing all the things, reviewing the approvals. Basically, customers had taken a property based on an approval by a government authority only. There was a corporation or whatever which had given the approval. But the new government is questioning the same authority's decision also. They demolished something.

So, the sentiment was very negative for a long time. At least now the one thing that has happened is last 4 months to 5 months at least they have not, they took a call, they will not do any more demolitions. They will probably put some impact fee or regularization charges or something, but at least they have not put any, no new demolition in the last 4 to 5 months. So, hopefully this sentiment will improve and come back too. Then we can look at the -- because right now when already this, any time something can happen.

Questioner: But is the construction allowed? Is the construction activity happening or is there?

Management: Construction is still happening, but bookings and all are slightly affected. In fact, we also had some cases where our existing customers were got loan sanctioned and all came for cancellation because they were saying I do not want to go ahead with this property because you never know what will happen.

So, during that time we also had some cancellations. So, I think we have taken the worst is over where from 2,200 it has come down to 1,200 in over 2 years. From here even if it is a slight growth, the growth will come.

Questioner: And ex-Telangana your growth would then be?

Management: Yes, definitely because 500 and odd crores was negative in Telangana.

Questioner: For the year?

Management: For the year, last year.

Questioner: So, 5% impact.

Management: So let us say ex-Telangana would have been 11%.

Questioner: Sir, Telangana, the new government, the impact should be there only in FY25, 23 to 24?.

Management: No, it came in February. It came February 24, it came. So, that we got affected a little bit, but that time, that year we also had some other DSA related issues there which we had removed some DSAs and all those things.

Questioner: We have also seen an inch up in your, consistent inch up in the SMA numbers for the last many quarters. So, any, if you have done any analysis there, sort of what is driving this?

Management: No, SMA 0 was a definite increase. In Q3 that was a considerable spike and at that time we had indicated also in our earnings call that this change in regulation for, change in regulation where the advanced EMI or excess EMI had to be credited to principal, that guideline had changed. So,

suddenly we had to, even any small charges were levied, it would directly have affected the collections.

So, that we, in fact, in Q4, if you see, there was an equivalent drop also back and we were able to bring down the SMA back to, in Q4. So in Q2 of last year whatever we had, in Q3 it went up to 2,593 and that time also in the earnings call had indicated that about INR770 crores is those cases where EMIs have come, but because of some charges up to INR1,000 is spending because of which it is still reflecting in SMA 0.

Earlier the same cases, we would always have some EMI advances and all there which would get adjusted. So, now because we cannot have any EMI advance, this was there. So, then we changed the entire strategy, we kind of followed up with customers, our SMS messaging was different, we changed that, all those things. So, in Q4, again, we were able to bring it down from 2,593 to 1,800 or something.

Questioner: Okay, but SMA 1 and 2 as well. So 18 months back it used to be 2, 2.1, then it was 3. SMA 2 inched up from 1.5% to 2.5%. So, eventually this trend essentially means that we see forward flow into NPAs as well from this pool or you think?

Management: No, because this as is, last time also I have, this is increase in the whatever book size is increased. So, to that extent, the percentage is remaining steady. No, percentage is going up. The other part is only because the restructured portfolio is slowly moving out. But now this restructured portfolio also, the size is coming down, so the impact will not be as much. Because earlier we had a 720 crore restructured book, now prepayments and all also we have started closing the book. Now it is about 480 or of course is what was there on 31st March.

Questioner: And is there any portfolio which is under moratorium?

Management: No, nothing. That is what everything has come out. Whatever moratorium was there, that was up to November of this year.

Questioner: So, no interest or general moratorium? Everything is like that. And do we have any teaser products?

Management: No. For the initial 1, 2 years? 1 year fixed, 2 year fixed, no we do not have.

Questioner: And any discussions with the regulators in terms of them bringing in EBLR kind of a regime for HFCs because it is always been discussed but nothing has come up so far?

Management: No, there is no discussion. In fact, there was this discussion about transmission not happening and therefore whether to go to an external benchmark. But then afterwards what happened was the regulator changed and said that instead of that we will go for an alternate decision wherein they said we will completely waive off the prepayment charges. So now the prepayment charges they removed for all floating rate loans.

And so it was basically to instead of going for EBLR, they said instead we will make it flexible so that there is no prepayment charges. And since then even in the last inspection and all, we

have been seeing that after that regulator every time monitors this, what are the transmission that has happened, whether you have passed on to all the customers, whether it is selectively to customers or to all of them, what efforts you are making to inform the customers to change the rate of interest if at all there is some documentation required.

So they have been monitoring all those things. So I think it would not happen. And in case where the transmission is not happening, the regulator has been pulling up, they may look at something. That is why when we did this thing, we have passed on to all our customers 10 bps effective first, effective May.

Questioner: But versus a repo cut of 15, let us say you only passed 10, the objective as a regulator was to really sort of ensure that the transmission happens. So is there?

Management: No but again the point is the regulator has been doing that, but the NHB itself does not have reduced the rates. In fact, the whole of last year, NHB rates were only going up.

Questioner: There is always a lead lag. So banks also have to take that hit. So, because eventually for you as well, we would see some good of a decline in funding costs, whether it is NHB, bank borrowing, they are starting to come up on market borrowing is already cheaper.

So banks always obviously live with that lead lag, wherein if the rate gets cut, they have to live with that pressure on margins. But given that let us say optically regulator would come up and say that only a 10 basis points reduction for a 50 basis points repo cut in a home loan which is a very sensitive product. So, how do you sort of manage that?

Management: The essential difference between banks and us is that banks basically are into working capital and most of the things are short term. Even deposits, if you see most, nobody puts 10 year deposits, mostly short term deposits and that is the real reason why they are missing it there. So, therefore, it is okay for banks that they go on EBITDA regime.

Whereas in our case, it is a fixed 10 year fixed. NHB gives us 10 year money which does not vary as much. 20%, almost 19% is NHB borrowing. Now the regulator has said that we have to go for 25% of the incremental borrowing has to be by way of market borrowings. The moment that happens, slowly our NCD which is also fixed in nature is going up. So today we have only about 60%-65% of our liability set which is actually on floating rate. So unlike in the banks where almost everything is short term and it is going to get refreshed in short term.

Questioner: So 60% is floating and how much of it would be linked to MCLR and how much would be EBLR for you?

Management: See, NHB borrowing, about 50% of the NHB borrowing is floating. It is linked to their internal rating and it is absolutely opaque. We do not know on what basis.

Questioner: So, 50% of 20%?

Management: 50% is NHB, is the regulator's money. So, we do not have anything. In terms of bank, which is about 50 odd percent, 55% of our entire thing is either 80% of that is linked to repo rate and 20% into PBI.

Questioner: So, you would have seen benefit on 80% or 55%. So, let us say about 40% would have gone down by 50 basis points?

Management: No.

Questioner: So, 20 basis points?

Management: No, in fact, only the first rate cut has been effective. The second rate cut is yet to happen. So we will have to again go back and do another 10-15 basis points, we will reduce again. So we have only seen the April benefit coming to us.

Questioner: So therefore, we have been able to pass on that. Is there a typical reset structure, let us say in a bank borrowing that you have? Every interest payment.

Management: Every time we make an interest payment, which is monthly.

Questioner: Monthly, in some cases quarterly.

Management: In some cases, it is quarterly.

Questioner: And you would have only 20% of your bank borrowings in MCLR.

Management: No MCLR. 20% are T-billing. 80% [inaudible 0:39:49]...

Questioner: So you have no MCLR?

Management: No MCLR. In fact, we initially 1.5 from FY24 and before the rate cuts started happening, we one and a half years, we consciously we moved everything to EBLR. Yes, we had 40% of our bank borrowings came to MCLR. We either regret them or we convince them to move to repo.

Questioner: What will be the rate that you get today from the banks?

Management: See, the last we got was around 7.95, that was before the rate cut. Before the first rate cut. Okay. After that, we had, in March, we had two sanctions. But the February rate cut happened, so we did not raise, we did not draw the money. We were having two bank borrowings. In fact, we had three. One of them refused to rate, so we closed that.

We did not even take any sanction, we just closed that firm. Other two may say we have, they agreed for that to pass on that rate benefit to us. So, we have drawn from them. In this year, I think we are getting around what 7.8, 7.7, 7.8 is what we are getting. So what has happened is we have not drawn it from anything because from banks, we had around 7, our highest cost was between 7.8 to 8.1 was the rate. So those all of them have come down.

So today the highest rate is today 7, 8.10 minus 50 bps. It will be around 7.6 by the end of, whenever this quarter, when the second rate cut benefit also comes to us, it will be around 7.6 will be the highest. The same banks are not ready to give them incremental loan at 7.6. They are negotiating for 7.75 and 7.8.

Questioner: You are talking the market head?

Management: Today, our NCDs, we are getting three NCD rates are, for us is around 7.6.

Questioner: And CP market?

Management: CP, we are getting at 6.6. 90 days. But that is just about 6%-7% of us.

Questioner: Do we have margin benefit this year? How would you give an outlook on NIMS over there?

Management: NIMS, our guidance would be 2.5%, 3.5%, that would continue. Because whatever we get, we will pass on. There will be some lag, obviously, when we experience everything, then we will pass on.

So there may be some missing. But otherwise, by and large, whatever we experience on the liability side, we will pass on to our customers. Otherwise, we will not have been competitive. And as I said, even from the regulation point of view, I mean, we are supposed to have early transmission to the customers.

Questioner: So, spread you are saying, what means?

Management: Will be 2.5% plus spread.

Questioner: 2.5%. This growth, additional branches and employees, and probably more incentives to DSAs, will have a negative impact? How much opex, how do you bake in these things?

Management: No, it is not much. Opex is not going to be much. Because I will tell you, branches, all the branches we are opening are on lease basis. We are not taking a percentage. Lease and everything to set up a branch, it is just about INR7 to INR10 lakhs is the cost we have to do on interiors and everything, and staff cost. Staff cost, roughly by the end of one year, they start earning for that also.

And by the end of the second year, all the branches become, the break-even kind of happens in two years. And 15 branches, therefore, is not going to add much of a cost for us in terms of a crore here and there. All that will be there.

Questioner: The incentives for DSAs and what if compared to banks for driving growth?

Management: No, obviously, we do not want to increase the incentive to DSAs. Otherwise, our percentage will not come down. So, that of course, we do not need to look at it. And even otherwise, it is amortized. So, it is not going to make much of an impact.

Questioner: Given that rate differential is stark between a bank and a campaign now, to sustain the momentum, you might have to shell out more. Has it gone up?

Management: No, we have not increased our incentive for DSAs. As I said, rate is not so much of a factor. Yes, banks definitely for higher ticket, but, you know, that INR15 to INR25 lakh, INR30 lakh segment may not be so lucrative for banks. They may not be very keen to do that. It's only the big ticket loans that we will have a problem.

Questioner: There was one comment on one month of business might get disrupted because of IT implementation. Is it completely over or what is pending still? What is...

Management: The implementation is planned to happen in November 2025, our IT transformation. Right now, the IT transformation is just, you know, we have already carved out a separate team. We already have additional IT manpower which has been approved and it is getting recruited.

So, that will be done. Only in the month when we implement it, which will be mostly in November 2025, is when the transition will happen. We are trying to minimize it in the sense that we do the training, scheduling, all those things beforehand so that impact is less.

Questioner: This is in November?

Management: November 2025.

Questioner: And from the same vendor?

Management: No, we are completely moving. IBM has been identified as the system integrator. They are bringing a complete new LOS, LMS, and DMS and accounts package. Because the current package is almost 12 to 13 year old package. We took it in 2011 and it has a lot of limitations and that will not suffice.

Although we have upgraded that also and we have tried to bring in, plug in a lot of third party vendor solutions to cover up for the areas where they are not able to help us. But still, you know, this transformation will be a complete new.

And IBM has brought in, is bringing in a pennant for the LOS and LMS. They are bringing in the new gen for DMS.

Questioner: Generally, some of the affordable housing for health companies during this transition, almost a quarter or two gets lost. So, how do you manage this in a month?

Management: As I said, you know, what we observed in all this transformation was that most of them had a problem because the LOS and LMS service providers are different. So, what happens, you know, there is always a kind of thing, you know, it's not my fault, the LOS has to handle this, LMS has to handle it. So, we were very clear, we will do with a single vendor only who has to bring in.

So, therefore, we are taking the LOS and LMS from the same vendor only. So, there is no integration issue which will come in. That is one of the major points that we have taken care. LOS and LMS will be from the same vendor.

Questioner: What is the disbursement target for the next year and the year after?

Management: This year, we are looking at around 11,000, about 20% plus growth. So, around INR8,500-INR11,000 crore is the disbursement we are planning for this financial year.

Questioner: But is it sort of ambitious because if I look at the last 4 years, 3 years. So, FY '22 was 8,300, FY '23 was 8,900 and FY '24 was 8,200 again. FY '25 is 8,500-8,600. Now, with a month, let's say, getting lost, maybe 1-2 months, 3 months, who knows.

And overall, when we look at NHB data on volume growth for the housing market, that also is not very high. So, you know, moving from this INR8-INR8,500 crore number with maybe 1 or 2 months lost, going to INR11,000 crores, is that sort of too ambitious or is it?

Management: I would say the month is lost because, you know, April, obviously, we have business has been, you know, the same. If you look at all those four zones, it has definitely had a positive growth only. April has been positive compared to last April. So, it's not that positive. But essentially, we are saying that so from 8,500 to 11,000 is almost a 30% plus growth, 30% growth.

Last year, in Q2, which was the second quarter, we did about INR2,400 crores, INR2,381 crores.

Questioner: Sorry.

Management: Q3, because this e-khata suddenly happened, so whatever changes, you know, the growth had started coming back. And then this e-khata issue happened, we pulled down Karnataka. So, we lost around INR300-INR400 crores business in Karnataka in that quarter. So, we were back to INR1,800 crores. Again, Q4, we have done INR2,400 crores, in Q4.

So, INR2,400 crores kind of a run rate has already been done, you know, a couple of times in last year itself. So, that's why INR1,000 crores is something which is anyway built into the system. We are already, you know, adding people also this year, adding branches also this year. We are, you know, some of the changes that we did last year in terms of the manpower for sales, that is going to pick up. So, some growth will come from there.

APF also we have done 80 in this last year. That was the first year we did it. Now, this year that momentum should continue. We are targeting 250. So, definitely, you know, from that 2,400 is already, two of the quarters last year we have already done. So, that capacity and everything is already there.

Questioner: Okay. This entire slow growth in your core housing business and growth being driven by lab, so how do you -- how should we understand the mix going forward? Do you expect a more balanced growth between the two or do you expect that lab will still be more dominant? Which includes basically your lab, plus all other things, top-up, lab, insurance obviously is also a part of it.

So, when do we see the core homegrown? Because homegrown business as we see is growing at only 6%, which also includes your CRE, which is essentially developer projects and all. So, the core homegrown growth, I believe, would be even lower.

Management: No, developer, we are not doing developer loans.

Questioner: So, is the housing CRE, what is?

Management: So, basically it is housing only, but what happens is if it is for the, not for the second, but for the third house or if there are three units in the same person, like in Bangalore and all, a lot of people, what they do is they have the ground floor, they keep it and then they give for tenant. So, then those kind of categories, they are housing only.

Plan approved is for housing only, but it has to be classified as a CRE, the commercial real estate and it has to be in a higher risk weightage. So, it's basically housing only. If it had been a commercial property, it would not be coming under CRE.

So, today housing plus CRE put together is around, still around, you know, 85%. It is close to 85% today.

Questioner: And does this include slightly larger housing projects that you finance or?

Management: We are not doing construction finance. We are not funding for development.

Questioner: These would still be individuals, but let us say G plus 2, G plus 3.

Management: G plus 3, exactly.

Questioner: Okay, okay. So, do you expect housing growth is bottomed out at 6%?

Management: So, if you are talking about this lab, so one is that, you know, as I said in the beginning itself in '23, when we drew the strategy, we said our 89% is CRE plus everything. We will bring it down to around 80%.

Questioner: 80%.

Management: So, that was a kind of a plan that we will bring it down and stabilize at that kind of a situation.

Questioner: Okay. But one thing is like both growing and then the proportion of housing declining, but what we have seen is that growth itself has slowed down and the home grown growth itself slowing down is sort of leading to that mix turning more in favor of homes.

Management: No, I will check that because we have not done the separate breakout in this, but basically that 10% is, you know, 1% increase in our lab, 5% to 6%, that's it.

Questioner: Okay, okay. So, other than Telangana, today you are seeing heavy trends on disbursement across most states, is that correct?

Management: Yes, that is correct. Even in this current, now also northwest and Tamil Nadu are definitely growing. Karnataka is also growing, but is still there, e-khata it is not 100% solved. But demand and everything is definitely there and it is still picking up month on month. So, we are quite hopeful that that also will be a good 20% for growth should be there at the end of the year.

Questioner: For Karnataka also?

Management: For Karnataka also. So, that is basically Telangana, East anyway is too small a market for us. That is growing, but it does not make a difference.

Questioner: Okay. Going ahead, both housing and lab should grow at similar range?

Management: Both will grow, yes.

Questioner: Any specific asset quality issues in lab?

Management: Not, not. I mean, it is definitely housing is about whatever is there. And LAP, you know in case...

Questioner: So, the LAP space in the last year or second half of last year it has become too overcrowded and now there are lot of banks and then we are just focusing there. So, you see oversupply there and stress building up in LAP?

Management: Frankly speaking, LAP there is a huge market. Okay. You can do as much business as you want, but that's not what we are pushing at. So, that's there. So, when you are giving LAP, I mean, if you open the LAP then you can just keep on doing it. But then end use of that money is definitely not under control.

So, it is, it will be that, that component of LAP which is under this is definitely going to be a little risky.

Questioner: One more question. The segment, all the segments that you are operating are sort of heavily, sort of competed in hotly contested markets. You know [inaudible 54:27] than others So, how are you growing this fast or faster in the market?

Management: We are not growing faster than the market. In fact, our growth is lower than the market rate.

Questioner: But when you grow your disbursements at almost 30%, would the industry also see this kind of growth in disbursements?

Management: You see, in our case, of course, there is a slight issue because of Karnataka. Had Karnataka last year not done this problem, we would have done another, you know, INR500, INR600 crores we lost in Karnataka last year. The way at which we were growing in the Q1, Q2, if we had done, we would have been growing at, our disbursement would have been INR600 crore more. It would have been INR9,200 odd crores.

Questioner: So, on that lower base, it is.

Management: Because last 2 years, at least in terms of the capacity, there has been a capacity building.

Questioner: So, one ancillary question. Is there any regulation on attachment of insurance, etcetera, in this?

Management: There is no regulation as such, but there is definitely a discussion. Regulators are not, have definitely raised this concern that, you know, some of the lenders have been pushing insurance

too much. They are not concerned about insurance per se because property insurance is to secure the asset.

Life insurance, to some extent is okay. But there are companies which they have indicated are compelling the customers to take health insurance, hospitalization insurance, and whatnot. So, basically, insurance income as a percentage of the total income is quite high.

So, they have been talking about putting some cap on the insurance business or the insurance income, 3% or 4% or something like that. Because there are players who, you know, you do a INR10 lakh loan then only INR9,30,000 will be disbursed to the customer and INR70,000 is deducted towards insurance, 7%. So, that is definitely an area of concern which they have highlighted. Although there is no regulation, even now there is no regulation. But that is an area which will come under.

Questioner: This INR10,70,000 lakh taking over is better. If you give a PL of INR70,000 and charge it at a higher interest rate for insurance, that will work out.

Management: That is, I would say better because, you know, one year there is also a conduct issue when you are deducting. There is also a conduct issue because you tell the customer that I am giving you INR10 lakh sanction, but you will only disburse INR9,30,000 to the customer.

Questioner: Typically, what will be the premium life in terms of percentage?

Management: Normally, it is around 3% of the loan amount. The loan amount is normally the life insurance if you are taking it.

Questioner: 3%...

Management: 3% to 3.5% depending on the age and everything.

Questioner: Thank you.

Management: Thank you so much.