

**Management:** So, how do we start?

**Questioner:** I guess we can start.

**Management:** We start with our performance for the June quarter. We had done a disbursement growth of INR2,000 crores, 2005. And this was the first time that for the June quarter our company could reach this INR2,000 benchmark. And year-on-year growth, we have grown our AUM book by 9%. And our disbursement by around 5% and we are projecting 10,500 disbursements by the end of this financial year.

We expect that we will notch up 2,500 for this September quarter. For the December quarter also we expect to do around 2,500. Logically, it should have been a higher side, but as we are going for IT transformation and that implementation will take place in the month of November. So, we are factoring some disruptions, but we see that it is minimized. We cannot say that it will be absolutely nil, but we will get it minimized.

And the remaining amount we will be doing it in the month of March. And our delinquency levels are going down quarter-on-quarter. If you see in our investor presentation, also in Page Number 30, our movement of delinquency pool is also going down. And in quarter 1 of our FY25, it was 3675.

Unfortunately, in quarter 3 where we have the maximum problems of FY25, we have touched 4886, but it is going down. And in quarter 4 of FY25, it was 4265. Now, for quarter 1, it is 3979. Normally, if you see that the first month of the quarter, usually we have higher delinquencies, but we have brought it down to 3,900 levels. And it is further going down. And there will be further improvements.

Our plan of growth is that we will be going by this geographic branch expansion. We will be opening 15 branches, and we expect to open these branches by this quarter end. Those branches are mostly in the North and West, except three branches, which we are opening in Andhra Pradesh. And we expect our marketing team also, from 39 we have increased the size to around 100.

And we expect them to contribute quite a good amount. If you see, last year we had a transition or rather there was a change in our organizational structure. Earlier, we were in a two-tier structure, that is branch and head office. From there, we introduced another layer, that is a zonal layer. So, six zones were opened. One in Karnataka, Tamil Nadu, Telangana.

Then, Andhra Pradesh and East, North and West. Tamil Nadu caters to Tamil Nadu state, Kerala state and Pondicherry. In Pondicherry, we have one branch and in Kerala, four branches and the remaining around 40 branches in Tamil Nadu. Similarly, in Karnataka, it covers two states, that is Goa and Karnataka. In Goa, we have one branch, and in Karnataka, we are having around 44, 43, 40 plus branches.

Similarly, in Telangana, we are having 19 branches. Of that, 16 branches are at Hyderabad. Sorry, 13 branches are at Hyderabad and the remaining outside Hyderabad, the remaining 6

branches. Regarding AP and East, Andhra Pradesh we are having 29 branches. 19 are at Andhra Pradesh and the rest 10 are spread over the four states of Odisha, Chhattisgarh, Bihar and West Bengal. In West Bengal, we have only one branch.

And North we are covering the states of Punjab, Haryana. Chandigarh, we are having one branch. Then, NCR area, Delhi and then Uttar Pradesh, Uttarakhand. Similarly, in the West, we are covering four states that is very widespread, that is Rajasthan, Gujarat, Maharashtra. So, there was a positive growth year-on-year of our four zones. That is North, Tamil Nadu, West, and AP and East.

In fact, North has grown the highest, with 50-plus percentage growth year-on-year. Similarly, Tamil Nadu has grown around 35-plus percentage growth. And West, it was doing 15%, it is still hovering around that 15% range. AP and East, there has been a change. In fact, it is a very positive trend. Earlier, the growth was around 1% or 2%. This quarter, year-on-year growth was 40% plus. AP and East. Andhra Pradesh and the remaining four states.

However, we had a negative growth in the state of Karnataka and Telangana. For the last one year, we were struggling with Telangana, but again green shoots are visible now. Telangana is turning over. In fact, the highest delinquencies we used to face in the two zones that is Telangana state and the Western zone. But for the month of June, there was not a single flow to NPA from these two states from these two zones.

Telangana is also turning around, and we expect that and Karnataka also for the month of July, we have done 800 plus. And the trends are very encouraging for us. And we expect to -- whatever guidance that we have given, we expect to honor that guidance. And in fact, our whole team is driving around. We have one IT transformation that will be taking place. We have onboarded IBM as a system integrator. All our points that our target is to achieve this by the month of November and more or less, all those connections are well in place, and we expect to honor the timelines.

And our IT team, along with IBM are meeting on a daily basis. And from the highest management level, we sit to the meetings on a fortnightly basis, and it is on time. So we also expect that to happen within the month of November. We kept it as month of November because we wanted to do it in the last month of the quarter. Otherwise, it will affect our business, and it will be a big bang approach from day one, but again a lot of things are being taken place, and we expect that everything will go well.

**Questioner:** Transformation would help us more in faster decision making and such things?

**Management:** The most important reason why we are going for an IT transformation is we are using a package which was implemented in 2011. More than the business growth, it was high time that we switched over. And obviously, once this state-of-the-art and the latest packages that we will be having, it will positively impact our MIS and our business also. And I will just explain what are the components there. The LOS and LMS is by Pennant, same vendor. Our HRMS is from Work line. Our GL is from Infor. And our treasury and risk management packages are getting provided by our Knight Fintech.

**Questioner:** How do you think about growth and competition?

**Management:** See, I have just explained that our AUM growth will be around 12% to 13% year-on-year. And like we said that we will be touching around 10,500 disbursement growth by the end of this fiscal. And first quarter we have done around 2,000 plus thing. This was the first time we have reached the 2,000 mark for the June quarter. Usually, the June quarter business is usually on the lower side, but we are gradually picking up.

July also is usually what happens is the last month of the quarter and the first month of the succeeding quarter. The first month's business usually is less than the last month of the preceding quarter. So here also we have done 800 plus. So we expect it to do well. And in fact, we are on track. So 10,500 at the break-up is 2,000 in the first quarter. 2,500 in the second quarter. 2,500 again in the third quarter. And the remaining amount in the last quarter.

**Questioner:** So the issue of LAP and housing?

**Management:** Basically see our funding that we do is of the housing loans only. We don't have any builder finance. Around 85 plus percentage is of housing loan and the remaining is of our non-housing loans. The LAP was slightly increased by 2% if you go to our thing.

**Questioner:** The thought process of the growth part when you have to – do you think you will have to explain it on the other aspect?

**Management:** See, our average ticket size is around 24 to 25 lakhs, and this is our space. If you go for a higher ticket size, you'll have to compete with banks. We may not be able to match the rates that banks are offering. Banks are offering around 7.4 to 7.5. We are at around 8.7 is our lowest rate. So we'll not be competing in that space. We are mostly into Tier 2, Tier 3 towns, mostly cities on the peripheries of the big cities.

And if you see our funding thing that we do mostly a plot plus construction, which is around 60% to 65%. And our business sourcing model is presently we are at 79% of our business is from our DSA. So we are gradually and consciously – we will be gradually reducing our dependence on the DSA. Ideally, we have a plan that by 2028, we should be able to touch a 60-40 relationship.

The way we are going to do it is that we have now created a separate vertical, a marketing vertical. Earlier, last year, it was an experiment. Around 39 people were there, and they have contributed around, let me see they were doing around, say, 60 lakhs per month, average. Now we have increased the team size to 100. And we expect around INR500 crores from them for this fiscal.

And from branches also, we are expecting around, say, 15 branches. We are opening this month by the end of this quarter. And from there also, they will be contributing around, say, INR200 crores within this month. So gradually, we will be going there. From 80% earlier in 2023, our dependence on DSA was around 85%. From there, it has come down to 79%. So our ideal configuration is that we should be getting around 60% from the DSA, not by reducing the DSAs, but increasing our marketing team and we are on that journey. Let us see.

**Questioner:** Collection is not direct?

**Management:** Collection is direct.

**Questioner:** And how much commission will pay to DSA?

**Management:** DSA would pay; average commission is 0.45%.

**Questioner:** Sir, what marketing activities are you doing right now?

**Management:** This year we are going to builders, mostly Cat B, Cat C builders. Cat A builders, banks will already be having. Since we are not doing any builder finance, so that means that say, whatever proposals that a builder will get, he will first offer it to the financial institution who have financed them. So we will be getting, even if we are getting one proposal or two proposals from each builder, that is okay with us. We have a target of 75 APF approvals, approved project files.

So we could do 80 of these in the last fiscal year. We expect to do around, say, 300 APFs, 400 APFs. And even if we are getting one or two proposals from each APF, we can do, but our concentration mostly will be of Cat B, Cat C builders small ones, not the big ones.

**Questioner:** Sir, given we are in a declining rate cycle and more than, like, sorry, I won't say that. [inaudible 0:15:03] of our loans are from banks, right, on the borrowing side. So how are you viewing it in Q2 in terms of our cost of funds reduction? How many basis points do you expect to have to contract?

**Management:** So in terms of cost of funds right now on the books, our cost of funds is around 7.55%. And last year itself we have moved to the repo linked loans. So we have got the benefit and on the liability side we have got the benefit of all the rate cuts.

**Questioner:** But how much do you think that will be, sir because 7.55% was Q4 FY25. Q1 was, I think, another 8 bps contraction, how much more further and all that?

**Management:** I think 7.27% we have come down to it.

**Management:** I will come to that point only because we are giving the benefit to the customers on the asset side only after we experience the benefit in our books. And 67% of our books is on annual receipts. So it will take time. Gradually it will take time to pass on the benefit. Till now we have passed on the benefit of around 25 basis points to the customers.

**Questioner:** So you all are re-pricing immediately when you get it, there is no time lag effect because one would think in a declining rate cycle, if you re-price with a lag, we have seen generally the NIM increases and the spread increases quite substantially. So do you expect that to happen with you all like it is happening with some other NBFCs?

**Management:** No, for us it will be gradual, a little bit gradual. 37 or 30 odd percentage books we have given the benefit, which are in quarterly receipts and 67% will happen every month. So it is not that there will be a sudden surprise or a sudden jump or increase there, but what we expect is in the

next quarter we will have some benefit, some benefit of the timing lag. Maybe right now our spread is at around 2.5. We can experience a spread of 2.6 from 15 basis points.

**Questioner:** No sir, I think Q1 you are at 2.6, so by Q2 end you would think it would be higher than that also?

**Management:** Just little bit higher.

**Questioner:** 15, 20 basis points you would think?

**Management:** 2.6, 7 basis points.

**Questioner:** Not much?

**Management:** Not much.

**Questioner:** And sir then the rest of this annual resets, in what frequency, which part of the year generally does that happen in terms of your reset on the borrowing side?

**Management:** So, on the borrowing side?

**Questioner:** Yes, on your borrowing side.

**Management:** So, on the borrowing side we have got all the benefits, all the major. It is already factored in. One large borrower who has loan of around INR2500 crores, that also has given the benefit in July, by the end of this month. So we will experience that in the subsequent month.

**Questioner:** And sir, collections from what feedback we have got from the industry, I mean not -- I am saying generally from another like larger borrower also, I would say. They had mentioned that May and June, there was a slight dip in collection efficiency for a number of reasons. July they said they saw a good bounce back. Is that concurrent with what you all had seen, or you all are studying collections across?

**Management:** So, in our case we have crossed, it was a good quarter for us in terms of volume and collections as well. Because we have seen for the first time that our delinquencies have reduced as compared to Q4.

**Questioner:** And let us give you the figures. For quarter 2 of FY25 we had delinquency level of 4205, 4200. It went up in the quarter 3 to 4886, of course, and then in quarter 4 it came down to 4265. And in fact it has further come down in our first quarter to 3979. And for the month of July it has come down to the 3,900 levels also. So, we expected further reduction. We have not faced much of a problem, rather it is coming down. Percentage wise also, if you want that SMA, I can give you that just hold on?

**Management:** As compared to last quarter, it is down by 1%.

**Questioner:** The reason I asked you was more that collection efficiency ratio. Generally, what would you see I couldn't unless I missed it in the presentation?

- Management:** So, collection efficiency is around 94.76%.
- Questioner:** Collection efficiency ratio was not mentioned, but we have a separate. If you require the details, we can send it to you?
- Management:** No, sir verbally you confirm that.
- Questioner:** And sir, now, how do you think about competition because the segment is getting where SBI is also aggressive?
- Management:** See, we are not competing with them. Our ticket size is around 24 lakhs, 25 lakhs. Their average ticket size itself is around 35 lakhs, 40 lakhs. We are not going into that. Of course, in Bangalore city, we are having an average ticket size of 40 lakhs to 45 lakhs, but still we will be going out to the peripheries of that area. We will be mostly financing plot-less construction, not the direct purchase of the high-end flats. We do have it, but it is on a very, very much lesser side. We are not competing with banks.
- Questioner:** See is that maybe 7 years, 8 years back or 10 years back we were looking at the same ticket size, inflationary also do you expect that now you will have to shift to a 35 lakh, 40 lakh or something?
- Management:** See that to be considered because now what flats we are getting at around 20 lakhs, 25 lakhs or the sweet spot which we are talking about, 10 years back that was a different spot. So, we have to gradually evolve along with the market. Now, 30 lakhs, 34 lakhs is again a very low price, I would say.
- Questioner:** Yes. So that is why I am asking you are saying you would have like the other place so guys [inaudible 0:21:32]?
- Management:** So, we are not entering into their space. So the prices are changing. So, the ticket size will increase based on the inflation.
- Management:** At the time of that because our clientele base will be there only. We may not be able to match the rates of the banking sector. In fact, I think the banks are having a 74%, 75% stake.
- Management:** 130 basis points the gap between our rate and the rate at which they can offer because earlier, first time now the banks have moved out of that EBLR rate. So now, after the rate cut, there were so many rate cuts in the recent past. So, earlier the gap between our rates and the rates at which PSUs were operating was around 55 basis points. Now, it has moved to 130 basis points because of rate cuts. So, the only thing which is not helping our business is that our target segment is a little different. They are not getting that aggressive to go and do those things.
- Questioner:** Sir your competition is more to do with PNB Housing?
- Management:** Yes.
- Questioner:** Because their projects obviously is doing pretty well, even at the lower base they are growing that book pretty well. So that shows your competition should be with them, right?

**Management:** See, our competitors are LIC Housing, PNB housing and Bajaj Housing basically the Pan-India, if you say. Of course, local pockets it may be a little bit different, but they are our major competitors. But again, if you see our BT out rates, it will be around 3.5% to less than 3.5%. It will be below that. So, that's not much of a concern for us right now.

**Questioner:** So, competitive intensity is not such a concern?

**Management:** Not at all. I think we have furnished those details also. If you see Page 25 of our investor presentation, there we have mentioned it also. In the last quarter, June quarter we had this run down as 3.81. So, that includes everything, the BT out also. So, we are expecting around 3% will be our BT out.

**Questioner:** And these BTs are more to go with these companies like PNB and LIC?

**Management:** Yes. Another thing is we are having a dependence of around 79% of our business is getting sourced through DSA. So, DSA will churn their portfolios. They will try to take out customers. This is also one of the reasons why we want to gradually shift our dependency on the DSA channel to our own marketing channel. At least, stickiness of those people will be with us.

**Questioner:** So, this gap is 55 to 180. Delta has increased from 55 to 180, is that it?

**Management:** 130.

**Questioner:** 130.

**Management:** With the PSU banks.

**Questioner:** PSU banks. That's what I was wondering. Why has it increased that much. It's banks, right?

**Management:** Banks. PSU banks because they have got the benefit.

**Questioner:** Yes and they are getting aggressive on the pricing.

**Management:** Yes, correct. While they are aggressive on the pricing, but they are not aggressive on the ticket size and the type of customers which we are funding into. So, that's why it is not impacting our business as of yet and we don't see that impact in the upcoming quarters as well.

**Questioner:** Sir, our entire lending book to customers, I am not sure about this, but is it completely floating or is there an element of fixed also?

**Management:** 99% is floating. 1% is very small, like staff loans and some other issues.

**Questioner:** That's just to...

**Management:** 99% is floating.

**Questioner:** And check bounce rate to eventual NPA, that is getting better and better?

**Management:** Yes.

- Questioner:** Normally, how is that? Check bounce rates and then how do they behave?
- Management:** See, check bounce rate, again, we will have to charge around, I think, INR500 to INR700.
- Questioner:** I think he is talking about the roll back and roll forwards. So, see, normally as you can see, our gross NPA percentage is below 1%, I think 0.98. And whatever is there in Stage 2, we, our SMA 2, we have allowed to flow into NPA in this quarter because we need some 11 months period to work on that to recover those. So, that by the end of the next financial year, we can resolve those issues. So, I don't think check bouncing rate is that high and only those customers where we have stress or something, it moves further to Stage 3, flows into Stage 3.
- Management:** But quarter also, our SMA 0 level, SMA 1 level, SMA 2 level are going down both in absolute numbers and percentage wise also. The delinquency level has come down from, say, 13.15% in quarter 3 of FY25 to 10.26 of quarter 1 of this. And in fact, in the last quarter, that is quarter 4 of our FY25, 11.16.
- Usually, what happens is that in the first quarter of the financial year, these things go up. These delinquency levels go up. The first quarter of the financial year, we usually dealt both in our disbursement growth and our delinquency levels also. So, there is a change this year in the sense that it is coming down for us.
- Management:** Extensive use of call centers, calling the customers, reminding them of the impact. There are October circular also that it will move into NPA. So, we are making the customers aware that they don't want to get into NPAs.
- Questioner:** And how is the issue around land accords?
- Management:** E-Khata, it is getting gradually settled down. Government is also taking it into account. And a lot of government initiatives have come in that you can get your E-Khata from the Seva Kendras, but it has yet to pick up. At least it is not as bad as it was in the month of October, for which our company took a hit. One reason is that if you see our business contribution, Karnataka state, we are getting around 35%.
- The rest, 15%, we are getting from Telangana. In fact, if you go by this AUM size also, around 10,000 plus is from our Karnataka state. And similarly, around 7,000 plus is from our Telangana state. Both the states took a hit last year. Gradually now, if you see, that hit we took in the last quarter of the third quarter of FY25.
- But we again made up for this in the next quarter, that is last quarter. And gradually now, things are getting, though quarter-on-quarter growth of our Karnataka state, Karnataka zone is negative. But again, they are coming back. In fact, we were doing an average of, say, in the first quarter, we did 225.
- Then in second quarter, we touched 275. But again, it went down to 150, where we took a massive hit. And then again they picked up. So, we expect that these e-Khata issues will gradually settle down, and we should be touching 300 per month from our Karnataka state.

Another aspect, if you see the number of branches that we are opening, all the 15 branches, none is getting opened in the state of Karnataka.

That concentration risk we are trying to otherwise by distributing our branches in the North and West. And there also, we are getting like North has grown by 50% plus. West has maintained its level of 15%. AP state, where we are facing a problem, in fact, growth was below sub 1%. There, it is just 40% from year-on-year. There also, we are opening three branches, and we expect to honor the guidance that we have given.

**Questioner:** Sir, how much will Karnataka be currently for us?

**Management:** Karnataka is 34%.

**Questioner:** Sir, it has come down sharply?

**Management:** It is gradually coming down. We don't want to be dependent. For example, the concentration risk was there. That is why 50% of our business was coming from these two zones. So, where we took a hit last year. Gradually, now everything is improving.

**Questioner:** Sir, the disbursement you got on July [inaudible 0:30:38] about 800 crores. What proportion will be Karnataka? Growth will be measuring from the North, I guess?

**Management:** Growth is from North. And out of that, mostly INR800 crores, around 25% is from Karnataka.

**Questioner:** Sir, and this PMAY scheme, how is it shaping right now?

**Management:** PMAY 2.0, I don't think we will be able to do good. We have been able to do only 7 cases out of 300 applications we have received. Around 70 was passed through those filters. And then finally, we could do only 7 cases. In fact, if you see there are a lot of changes between 1.0 and 2.0. Like, there are a lot of restrictions. For example, the concept of family.

If even a single person is getting it from one family, then nobody will be eligible from that. Again, another big factor is that the subsidy. Subsidy, I think, is around 37,000 or 38,000 per year. It was, I think, 2.67 lakhs earlier. So, there is no builder incentive for us. It is more of a supply-side problem rather than a demand-side problem. We are not banking on this PMAY for our business.

**Questioner:** Sir, in this quarter we had a big impact on profits because of the MFI. So, do you think this will continue coming forward?

**Management:** So, as you rightly mentioned, we had an annual salary revision, which also carried the gratuity impact, the actual [inaudible 0:32:35] all in one quarter, which has led to the increase in the cost-to-income ratio of 13%. Going forward, this impact will not be there. Whatever has been absorbed is absorbed.

We see an increase in opex mainly due to the IT revamp cost. So, the overall IT revamp cost is around INR300 crores, out of which INR100 crores is capex and INR200 crores is opex. So,

the INR200 crores opex will be amortized or equally considered in the books or accounts over the next five years.

So, basically, we are seeing overall addition to the opex of around INR40 crores per year, this year and the years going forward. And that will increase our opex to the cost-to-income ratio to around 18.5% to 19%. Maximum 18.5% to 19%. But apart from that, there is no major cost impact.

**Questioner:** So, that will be a sustainable number going ahead also?

**Management:** Sorry?

**Questioner:** 18.5% to 19% will be the number to look out for us?

**Management:** Yes, between 18.5%. Right now, it is 17 point something, 18%, 18.5%.

**Questioner:** Do you hope to reduce that in the coming future in the next coming years any internal targets or something?

**Management:** I think it will be knocked off by the growth which we are having. So, as sir also mentioned, it is not something which is guided by innovation or something. It is more of a requirement now that we were working on a legacy system and with the kind of size and the kind of growth which we are planning, we cannot expect to run the business with that system. So, it is more like which we have to.

**Management:** And what is being done now should have happened much earlier, but anyway it is easy.

**Questioner:** How long will it take, the total ITV?

**Management:** By November, we will be able to complete. So, we are having weekly, fortnightly meetings also. And till now we are on course with, as I hope you remember what I said, there are various components of LOS, LMS, risk and legal, HRMS. So, it is a complete IT revamp for the company. And the risk and treasury part is, I think the target date is 31st August, which will be up and running after 31st August. We are doing a data migration post that. And by November, I think it will be okay.

**Questioner:** Okay. And how much time will it take for employees to get trained to the principle?

**Management:** It is flowing simultaneously.

**Management:** This is one of the disruptions that take place whenever we are migrating to a new system. So, putting in the training system into place was also one of our RFP requirements. And the system integrator has to do it and that is going on simultaneously. And another thing is that all our branch people, most of the branch people are involved in this migration. Suggestions have been taken from them also. And, of course, we have a very established LOS, LMS system from Pennant we check, which is being used by LIC, Bajaj and all. So, they are not new in the market, and it is an established package.

So, some customizations will be there for us also. So, it is an ongoing process. So, especially, we were very, very conscious that whatever migration that will take place should take place with minimum disruptions. So, that is why we have tampered down our group position for this quarter. Instead of hiking it from 2,500, we did not say that we will be exceeding that. We are saying that we will be doing 2,500 for the third quarter also, factoring these disruptions that may happen because of this migration. We have transformation rather than migration, it is transformation.

**Questioner:** So, sir, in the coming quarter, will there be any one-time of the IT expense? You said it will be amortized, but any major one-time?

**Management:** No, there is no such one-time. One off, one time is not getting changed.

**Questioner:** Thank you, sir. Thank you very much. It's a pleasure.

**Management:** Thank you, sir.