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CFHRO SE CS LODR 216/2025
26/07/2025

ONLINE SUBMISSION

National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra East Mumbai – 400 051 NSE Scrip Code: CANFINHOME	**BSE Limited** Corporate Relationship Department 25th Floor, P J Towers Dalal Street, Fort, Mumbai – 400 001 BSE Scrip Code: 511196

Dear Sir/Madam,

Sub: Transcript of Q1 FY26 Earnings Conference Call
Ref:
1. **Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**
2. **Our letter no. CFHRO SE CS LODR 209/2025 dated July 21, 2025**

In continuation to above referred letter, please find attached the Transcript of Q1 FY26 Earnings Conference Call held on July 21, 2025.

The aforesaid Transcript is also available on the website of the Company www.canfinhomes.com

This is for your kind information and record.

Thanking you,

Yours faithfully,
For Can Fin Homes limited
NILESH JAIN
Digitally signed by NILESH JAIN
Date: 2025.07.26 15:40:02 +05'30'
Nilesh Jain
DGM & Company Secretary

Encl: as above

"Can Fin Homes Limited Earnings Update Call"

July 21, 2025

MANAGEMENT: **MR. SURESH IYER – MANAGING DIRECTOR AND CEO, CAN FIN HOMES LIMITED**
MR. VIKRAM SAHA – DEPUTY MANAGING DIRECTOR, CAN FIN HOMES LIMITED
MR. PRAKASH – PRESIDENT, CAN FIN HOMES LIMITED
MR. ABHISHEK MISHRA – CHIEF FINANCIAL OFFICER, CAN FIN HOMES LIMITED

MODERATOR: **MR. NIDHESH JAIN – INVESTEC CAPITAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Earnings Update of Can Fin Homes Limited, hosted by Investec India. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr Nidhesh Jain from Investec India. Thank you, and over to you, sir.

Nidhesh Jain: Hi, thank you, Avirath. Good afternoon, everyone. Welcome to the Q1 FY '26 Earnings Conference Call of Can Fin Homes Limited to discuss the financial performance of Can Fin Homes and to address your queries, we have with us Mr Suresh Iyer, MD and CEO; Mr Vikram Saha, Deputy MD; Mr Prakash, President; and Mr Abhishek Mishra, CFO of Can Fin Homes Limited.

I would now like to hand over the call to Mr Suresh Iyer for his opening comments. Over to you, sir.

Suresh Iyer: Thank you and welcome to everyone for today's earnings call for the first-quarter results of Can Fin Homes. As just informed, we just want to first of all introduce that we have our new CFO, Mr Abhishek Mishra, who has joined and he is also present in this call today. He has just joined on 30th of June. And as you would recollect that in the month of December, we had put up the notice regarding the resignation of our previous CFO.

And thereafter he, you know, his last day was on 19th of March. So now we have the new CFO, Mr. Abhishek Mishra joining. Now to the certain points about the business. For the first time first of all we discuss few positive points or a few positive things about this quarter. First is that in terms of the disbursement, this is the first time in Can Fin history that we have in the first-quarter crossed the figure of INR 2,000 crores disbursement. So it's a 9% growth in terms of disbursement.

To break it down further into the zone-wise performance, we have the zones of North, West and Tamil Nadu, which continue to carry-on the momentum from where they left off last year and they are continuing to be in the positive. North zone is upwards of 40% positive in Q1 compared to-Q1 last year, 35% plus is for Tamil Nadu and West zone continues to at 15%. Additionally, we have the East zone, which was flat last year, which has also this quarter got into the positive mode and is doing at about more than 40% growth in terms of the disbursement.

In terms of the two other major zones and state key areas where we have business that is Karnataka and Telangana, Telangana for us has not shown any major turnaround or anything in terms of business and continues to have a negative growth. Karnataka, on the other side is almost flattish. We are still doing about INR200 crores of disbursement, mainly because of the e-khata issues pertaining to the panchayat areas and development authority areas continue.

However, on the positive side, the state government had announced that they would be taking some decisions and would be trying to resolve this issue in July. And just a few days back, there was such an announcement that the state will be allowing the b-khata properties to be converted to a-khata. So that is one development.

The second development is that yesterday itself, just yesterday for that matter, the state government has released a full-page advertisement wherein they have indicated that customers or can get the e-khata for their properties from the Seva Kendras by paying INR45 and they've also come out with a self-help app or a tool which people can download, which will help them on online registration of e-khata that can be done.

So the state government has trying to promote and trying to streamline the issues. So hopefully, in this quarter, we should definitely see a positive. In terms of the business in Karnataka, we have had good inquiries, but we are not able to log-in because we are facing issues of e-khata.

Incidentally, in terms of recovery also, we have had almost close to INR1.5 crores plus of properties where we have done the SARFAESI sale-in Karnataka, but we are not able to execute this sales certificate only because of the e-khata issue. So it's no, that also is there. Otherwise additional INR1.5 crores of collections would have come.

Second, in terms of the second positive in terms of the collection is that the total delinquency that is SMA-0 plus SMA-1 plus SMA-2 and NPA put together for the two positives here. One is that for the first time that in the Q1 results, the delinquency, which normally always goes up, has actually come down from the March number.

In fact, last year in Q1, there was increase in the total delinquency by about INR360 crores from March '24 number, whereas in this quarter compared to March '25 number, the total delinquency has come down by INR280 crores. And the second positive in terms of the collections is that this is the lowest delinquency percentage in the last five quarters that the company has registered. So these are in terms of this.

However, while the total delinquency has come down, there is increase in the total NPA, which is actually a sequential thing because I mean every year in the first-quarter, there is a spike in the total NPA. Last year in Q1 last year, there was an increase by about INR39 crores, the year before that by about INR32 crores. In this year, it is about INR45 crores.

However, in fact, additional point this quarter is that we have, as part of our analysis of recovery, we have identified 96 specific accounts which are very, very sticky and totaling to about INR13.90 crores, which we have allowed to flow to NPA so that we can recover during the remaining nine months through our actions.

So this is in terms of our disbursement and collections aspects. For coming back to the disbursement portion, we have last two years opened 29 branches. This Year, we are planning to open 15 branches for which all the 15 branches, the efforts have already been initiated so that in the first-half that is by September 30 itself, we can open all these 15 branches.

The other point in terms of disbursement or the mass existing is the sales, which we had started last year with about 39 odd people. During the year, that is effective 1st of July, we have added or increased the strength of the sales team and taken it to 100 people by adding another 63 people. So therefore, that is the major thing.

We saw the additional branches which will be added during the coming quarters as well as the increase in the sales staff is what we expect to help in pushing business in the coming quarters. Already in this quarter compared to last year where the sales team was contributing to about 4% of the total business -- incremental business, in this quarter, the percentage has increased to 5%.

So the same team of, 37-39 people has been able to contribute a little higher in terms of the business. Now to other areas of, the key aspect, of course, is the cost of borrowing because we've had a three back-to-back-to-back reductions in the repo rate. So we have already had a reduction in the repo rate which is visible in our cost of borrowing.

However, the actual going-forward rate of cost of borrowing is further lower because what has been experienced is what we have experienced for part of the quarter. Going-forward, therefore, the incremental cost of borrowing which was around 7.55 is closer to 7.3. Therefore, we have already announced a further 15 basis-points cut in our rate for existing and new housing customers. So we had already passed on 10 bps in the month of May.

Additionally, from July, we have passed on additional 15 basis-points to our existing and new housing customers. So totally taking it up to about 25 basis-points of rate cut for our customers. Additionally, going-forward, we still have about INR2,500 to INR3,000 crore worth of bank term loans where we expect further reduction because we are yet to receive that 50 basis-points cut of the repo rate of June in those INR2,500 plus crore of bank borrowings.

Plus NHB also has indicated to us that the regulator will also be reviewing its PLR because it has not done so-far in the last six to eight months. So we are expecting a rate cut coming from NHB also. So going-forward also, there will be some impact. Of course, as and when we experience post that we will be passing on our rate cut to our customers.

In terms of the asset side, we have about -- because one key aspect is, if you would recall it, we had in January 2024 moved from an annual reset to a quarterly reset. So all new customers who are onboarded from 1st of January 2024 are on quarterly reset and we also offer the option to customers to shift from annual to quarterly reset.

As of 31st of March, we had about 72% of the customers who are still on annual reset in -- by the end of 30th June, we have about 67%, so only 5% of the customers, including the new customers have actually moved from annual to quarterly.

So as on 30th of June, we still have about 67% or two-thirds of our portfolio, which still continues to be at annual reset. So we are sending customers information about this shift. So as and when they come, they will be able to do it. However, those who remain on annual reset will continue to get the benefit as and when their reset dates are approaching. So there could be some this 15 and 10 bps also that we have passed on.

There could be some lag in the way it is passed on to our customers. Now coming to the cost-to-income ratio, the other two major aspects during the financial performance is the cost-to-income ratio. There are basically two reasons why compared to this, the cost-to-income ratio is slightly elevated.

One is because we opted to for a salary revision for our staff to align with the market salary packages. So that is one thing which we came at a very fag end-of-the quarter, but we have given the impact from 1st of April. That is one of the reasons. And because of this one-time change, there is an impact of about INR4.5 crores in the actuarial calculation also that has come here.

Going-forward, since no further increase is obviously there, this actuarial valuation will slightly even out may not be as much in the coming quarters. So therefore the -- this cost-to-income ratio on that aspect will get evened out. So as compared to the first-quarter results, there is also a 16.5% increase in the staff count because of which some of the increase is there.

However, if you compare the cost -- salary cost compared to our March numbers or the Q 4 the Q4 numbers of last year, the increase is not as much. It is mainly because of the salary hike that is there. The second aspect on cost where the increase is witnessed is the rent and taxes, mainly because of that 25 branches we opened last year and the six zonal offices because last year you would recollect, we had added an extra layer to improve the monitoring and the oversight of the branches, which was the zonal offices with adequate staffing.

So the six zonal offices were also opened after June of last year, which the entire impact has witnessed. And we have also expanded the office space in our corporate office. So mainly the reasons for rent and tax increase is because of this. Going-forward in terms of credit cost, the guidance of 15 basis-points will continue.

We have had a credit cost or the ECL calculation for this quarter. But the way we are looking at the reduction in our overall delinquency going-forward, we are -- we feel that there would be a further reduction expected in the overall delinquency even in the second-quarter. Therefore, credit cost impact will not be as much.

Going-forward, our guidance for credit cost ratio continues at 15 basis-points. Last year, excluding the management overlay, it was 13 basis-points only. So we continue to the guide -- to give a guidance of 15 basis-points, whereas actually it could be lower than that. Disbursement wise in Q2 with Karnataka showing some improvement and other zones also doing there.

We expect that the -- internally we are pushing for INR2,600 crores plus disbursement in Q2. However, as a guidance, we would say it would be around INR2,500 crores plus in terms of Q2 disbursement. NIM and spread, the guidance continues at 3.5% for NIM and 2.5% for spread. And ROA, ROE also of 2.2% and 17%.

And so overall, in terms of the overall disbursement, we are quite confident about the INR10,500 crores disbursement figure for FY '26 that we have been guiding. And we feel in the second-quarter onwards, the disbursement will further pick-up. So in short, that's the summary of all the aspects. I hope I've covered everything. I now throw it open for any queries. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Param Vora from Trinetra Asset Managers. Please go ahead.

Param Vora: Good afternoon, sir. One thing I wanted to ask was what is the progress on the planned means you described the progress on the planned 15 new branch openings. So what are the geographical focus on this expansion and what is the target number of branches by financial year '28?

Suresh Iyer: Okay. Yes, for this current year, we are looking at additional 15 branches. We have 234 branches as of 31st March and we are looking at 15 branches, majorly in the West and North geographies and that will take our strength to 49 by end of FY '26. And for FY '28, we have a number of 300 branches that we have been targeting.

Param Vora: Okay, sir. And one more thing what I wanted to ask was, are you planning to enter any entirely new state or union territory or will the expansion focus will be on the geographies which you already have presence in?

Suresh Iyer: See, we are -- sorry, we are already present in 21 states. So by and large, we have at least a small presence or a larger presence depending on the state. We are already there. So we are not planning to open in any new geography or any new state, but existing states, we will definitely be expanding only there.

Param Vora: Okay, sir. Understood. Thank you.

Suresh Iyer: Thank you.

Moderator: Thank you. The next question is from the line of Siddhant from Goodwill Capital. Please go ahead.

Siddhant: Yes. I wanted to know about the competition we are facing from PSU Banks? Does it -- is that -- has it intensified or is it at similar levels? And are our customers asking for EBLR?

Suresh Iyer: Just basically from PSU Banks, we are having -- obviously, they have reduced the rates and passed on the entire 1% repo rate cut to all the customers. However, most of the PSU Banks, if you see are in the higher-ticket sized segment, at least the active ones like SBI and Bank of Boroda and all.

So we are not facing so much in case of our segment, which is mainly below 25 lakhs. Our average ticket size is 24 lakhs for housing and 14 lakhs for non-housing. So we are not so-far facing. And anyway what is happening is the rate cut also has put a lot of pressure on the margins.

So the aggression which is otherwise there is not coming more -- in fact, it is -- the inquiries are coming more from the customers, not from the banks actually pushing it on-the-ground. So that is there. Second, as regards the customers asking for EBLR, well, first of all, there is no requirement of EBLR.

So customers are asking for a rate cut. So they are not much aware about EBLR or this other. They are generally looking at repo rate and saying you also pass some benefit to us. And as mentioned, we have passed on 25 bps to our customer. Just to give you an idea, today, I believe there is only LIC, Housing Finance and us who have actually passed on some rate benefit to our existing and new customers.

And LIC also, if I'm -- if I'm if my knowledge goes right, it's about 25 basis-points, the same as us, whereas other players in the housing finance segment or NBFCs have not reduced it for existing customers nor the private sector banks for existing customers.

Siddhant: Okay. When do you think we'll be able to pass-on?

Suresh Iyer: So as I said, we have already passed on 25 basis-points to our customers. 25, we've already done 10 basis-points effective May and additional 15 points effective July. But as I explained in my initial message that this will pass-on to the customers as per their quarterly or annual reset plan and also as per on the month-on which they have taken the disbursement.

Siddhant: Okay. And what would be our average CIBIL score for our customers just to get an idea?

Suresh Iyer: So today, actually about 80% plus of our customers are hiring a CIBIL score of 700 plus and about 9% of our customers are having us are new to credit.

Siddhant: Okay, that's great. Which quarter are we going to have our tech update hit? Is it in Q2 as planned, Q3?

Suresh Iyer: Sorry, sorry, I didn't get your which quarter…

Siddhant: The tech upgrade?

Suresh Iyer: Yes. So see the tech upgrade is planned in two phases. The first one will be in September -- in August and September, where we'll be moving the borrowings and ALM and that plan because that is something which is not currently linked to our normal LOS LMS.

So we'll be moving our ALM borrowings and that plan treasury module in the month of August and September. But the core, which is the LOS, LMS, the DMS and the deposits will move-in the month of November, which is in the Q3.

Siddhant: Okay. The last question is our dividend policy, is it going to be around tech upgrade this year.

Suresh Iyer: I think last year, our average dividend payout was around 18% or something. So I guess 20% is something we would be in the range of about, 18% 20% is what we would be maintaining.

Siddhant: Okay, perfect.

Moderator: Thank you. The next question is from the line of Shweta Daptardar from Elara Capital. Please go ahead.

Shweta Daptardar: Sir, couple of questions. Sir, for Telangana, in particular, we had mentioned that positive Qs are emerging and now we are seeing no major turnaround. So what has changed between Q4 and Q1? That's question number-one.

Second is, so are DSA dependence reduction strategy have not yet met up a reasonable success, right? So how is the sort of way forward there? And lastly, so while you did mention that sizable amount of transmission on the yields front have already happened and maybe around 15 bps or

10 to 15 bps is around the corner. So any scope of further improvement of margins, say, beyond 3.5%? So yes, those are the three questions?

Suresh Iyer: Sure. See, in Telangana, as I was saying, this quarter we have not seen much of a change. However, the overall reduction in delinquency that we had seen has been witnessed across the board in all the six zones. It is not that some zone. So there is one thing where the pressure of the -- so delinquency is one positive.

And second thing is that in Telangana, we have also made some changes in the teams and also in terms of the micro focus and micro analysis also we have done. So I think we should now start seeing something going-forward in terms of disbursement. We have already started witnessing and that thing in terms of our delinquencies.

As regards the main reason why Telangana was not doing well was the Hydra project. And off-late, the demolitions, as I had mentioned in the last quarter also, somewhere in the Q4 somewhere, the government came out with announcement that they will not make any further demolition.

So at least I believe now for the last six months or something, there have been no demolitions under this Hydra. And so that's why slowly the confidence is also building up in the developer segment and in the people also. Therefore, this is one thing which is slowly now kind of changing things. Because once demolitions happen or all those things, in fact, it also affects the price.

Now that there is no risk of demolition and all, slowly the prices also are kind of stabilizing and therefore, you know the customer confidence is also improving. So basically that is what has changed in Telangana. Second, as regards the DSA dependence, it has marginally further come down. We were at 85% in -- if I were to say in Q4 of FY '23, okay. From there, it has consistently reduced to 82% last year to 80%. In this quarter, it has reduced to 79%.

And as I mentioned earlier, two things. One, this additional sales stuff that we are doing, that is something which is going to bring in more direct business and will slowly help in reducing the DSA focus. And second impact, which I miss to mention is that we have had last year 80 APF proposals. And this year also we've added additional APF proposals.

So now initially it was more of enrolling the APF proposals or just getting ourselves enrolled as an approved lender. But now with regular contact and everything, we have started getting good inquiries from the APF projects also directly from the builders or from the sales teams of the project sites. So basically these are the two reasons why this would slowly emerge.

But as long as the DSAs are there, it is not that we want to reduce the amount of dependence or we want to reduce the DSA number or you want to stop doing DSA business, but it is just that our direct business as it increases, the percentage of DSA business will slowly come down. And the last part as regards margins, I guess we are already at 3.64, which is above our guidance that we have been consistently giving up 3.5.

So we have maintained that we will be about 3.5 and in this quarter also from 3.57, it has increased to 3.64. So I guess that will -- what will continue that we will continue to keep it about

3.5%. Now 4% and all, I'm not sure it is possible anytime now. I think it is -- we also have to be cognizant that we have to offer attractive rates to get a better quality customer. So that is one thing. So that's about it.

Moderator: The next question is from the line of Shubhranshu Mishra from PhillipCapital.

Shubhranshu Mishra: Sir, I'll just talk on four questions. So given the fact that we are facing the issues in growth, are we thinking of having any co-lending arrangements with other HFCs or banks, first? Second is, I see a housing CRE segmentation around 11% of our AUM. So is that the construction finance or is it the APF sales?

And related to this, are we -- do we have any plans to have a construction finance vertical, LRD vertical to prop up the growth? And given the fact that we are optimistic about the second quarter and second half in general, what is the number of home loan contracts we would onboard on a monthly basis? What are we budgeting for?

And most of the HFCs have a separate subsidiary for cost measures to onboard the sales staff, like I'm sure you'd be aware of it, for example, HDFC sales was there. So do we have plans to have a similar subsidiary?

Suresh Iyer: Shubhranshu, I'll just respond one-by-one. See, as regards co-lending and everything, we have not -- definitely not with the banks because today we don't have any pressure of -- so we will actually have to be the majority of the primary lender. So the 80% has to come to us if it is there. So obviously, we cannot have a co-lending arrangements with banks because they would want to be the major partner. Here we will have to, if at all, do it with the smaller players where we can get 80% of the portfolio out of the pool. And the origination happens at the other end.

As of now, we don't have any policy for DA or for portfolio buying or co-lending. So we will -- we are actually open to it, but we will take it as we -- once you know this -- post this IT implementation or something, we will take it because right now one after the other we are handing other issues. So we will be taking it up probably after that.

As for CF, currently, we don't have a CF position and we don't intend to also start direct lending to developers. We will be more purely into the retail segment only as of the moment. Now the next question is about the number of contracts, we are doing approximately about 4,000 to 4,200 contracts a month, which is approximately around 48,000 to 50,000 in a year is what we are doing.

In fact, this number has been a little kind of very steady for the last few years and the growth whatever has come has mainly come from the ticket size increase because we were about 20 lakhs and moved to 22 lakhs and now at around 24 lakhs, 25 lakhs. So basically the number of contracts per month have remained the same, which is something we know with direct sourcing will be expected to increase.

Third, as we got sales staff, there are two points. One, definitely not a subsidiary. We already have a lot of reportings at the top as part of the conglomerate and Canara Bank group entity, but we don't intend to have any other subsidiary under us. That is one. But as regards the sales staff, I think you also mentioned there is a cost angle to the sales.

So you are right in one sense, but there is one option where most players are going for a DSP route or DME route whatever, where the fixed cost is just about INR15,000 to INR18,000 and the remaining is entirely on a variable pace.

But that we explored rather than we said it is still okay from the cost point to take people on-road rather than take it on this kind of a model because when people are taken on this INR15,000, INR18,000 thing, the attrition rate is very, very high. In fact, the minimum rate that we understand prevailing in the market for these kind of arrangements is about 60% to 65%. That is the minimum attrition rate.

There are players who are even experiencing 100% attrition in this kind of a model. So we chose to have a model where we will have them full on the role and they will be coming with whatever lowest -- even if they come at the lowest entry level, it will be around INR35,000, INR38,000 fixed salary. That's the kind of structure we are opting for. So I hope I've answered your queries.

Shubhranshu Mishra: Just one part, Suresh, this housing CRE versus what APF sales, what is this number?

Suresh Iyer: Sorry, I didn't understand. Can you come again?

Shubhranshu Mishra: So on Slide number 19, we've got housing CRE. These are the APF sales, isn't it?

Suresh Iyer: No, no, no, CRE, that is different. See, if it is a third house of a person -- person buying a third housing and they are already having two residential units, then the third will not enjoy the same kind of a risk weightage as the first two. So those will be classified as a CRE, the third and subsequently.

Same way like in Karnataka, there is a particular trend that people may put a house with two floors and they give the first and second floor on rent and there are three kitchens. So those also technically are qualified as CRE, because there is also a part element of income generation from these assets.

So this is basically CRE housing only, it is dwelling unit only, but they classify for a different risk category, risk weightage. So that's the CRE. The housing, as I mentioned, we don't have a developer finance. And whatever we get from the APS projects, they are normal housing. And if it is a third house of a person, it will be classified as a CRE.

Shubhranshu Mishra: Okay. So what is the risk-weight on this?

Suresh Iyer: The risk weightage is higher. I'll share the exact risk weightage for CRE separately. I'm immediately not…

Moderator: The next question is from the line of Anusha Raheja from Dalal & Broacha.

Anusha Raheja: From the spread side, sorry, sir, I'm being repetitive, you said that till the time it gets affected to the customers who are on an annual reset and that share is closer to around 72% all. So can we expect in the near-term margins of the Stage to increase?

Suresh Iyer: Currently it is 67%, 72% was in March. So I said only 5% have moved. But Yes, actually, what we have seen a slight improvement in margin is mainly because of the delay or the lag effect of the PLR benefit is going to the customers because after we experienced -- say when we experienced 10 basis points, we took out after the February rate cut, when we experienced it by 31st of March, we had in the April ALCO, we witnessed the 10 basis points, which we passed on effective May.

Obviously, now we have already experienced it in our liability side and then when it goes to the customers, it will pass in maybe next month or two months later or six months later or eight months depending on the things. So that is where this increase in spread has likely happened.

So going forward also this 15 basis points plus any subsequent rate cut that we offer will also go with a slight lag effect. So maybe it can be possible that a little bit of increase in spread might be there going-forward also. But I'll not be able to quantify it, but I guess it is possible. Yes, you're right.

Anusha Raheja: And secondly, what is the incremental cost of borrowing currently? And assume that if there is any further reduction expected over the next six months' time, so will that also be passed on to the customers?

Suresh Iyer: See, incremental cost, of course, different, different products have a different. So it depends on which segment we would want to go to. Like for example, we are getting bank borrowings at around 7.25, anywhere between 7 to 7.25. NCD rates are also at the same rate. CPs are below 6 for us actually.

In fact, today only we've raised at around 5.92, that is a 90-day CP. NHB, as I said, going forward, where the reduction is expected is that, one, we have certain term loans where that 50 basis point reduction which happened in June is yet to be passed on. So that amount is around INR2,500 crores to INR3,000 crores of between that. That term loans will experience a reduction in the coming couple of weeks.

Another thing is NHB, which is about 15% to 17% of our entire borrowing pool, there no reduction has happened and the regulator has not announced any reduction in the PLR. So as and when that is announced, we will also start getting that benefit. So there is some further reduction possible in our borrowing cost.

As I mentioned today, the mix is such that today, we are right now taking mainly from the banks and also a little bit out there. But NCDs will mostly take after August because we have also extinguished our approval limit that our shareholders have given for the last year about INR4,000 crores. So when we get the new limit, we'll again go for NCDs, which again could be a little lower than banks also possibly.

Anusha Raheja: And what would be the quantum of benefit that we might get in terms of -- on the term loans and NHB, you said that there can be rate benefits. So both put together is -- can you quantify on this?

Suresh Iyer: See, our total NHB borrowing is already given in our presentation. So on that, we don't know how much is a rate cut that NHB will announce and what are the terms, whether that will be immediate, whether that will be on a quarterly basis or whether they will immediately impact it because already it's been more than 6 months that the rate cuts have started, but they have not done anything.

So I will not be able to quantify as of the moment. It all depends on how much NHB passes on and on what terms it passes on to us. But I would say if at all it comes today 50% of the NHB or I think about 45%, 40%, 45% of the NHB borrowings are on fixed-rate because these are under the special AHF line of funding where the rate is fixed.

So even if at all we get, it will be again on the balance about INR3,500 crores kind of thing that we will get. Currently, our NHB refinance is INR5,800 crores, about 40% of this, as I said, is fixed at the AHF. So the remaining 60%, which is around INR3,000 crores INR3,200 crores or something is where we will get the rate benefit when NHB passes.

Anusha Raheja: So my thought process, I mean, your thought process here is that we will continue to have a 3.5% margins. So irrespective, if we get higher benefit, that will be passed on to the customers. Is that the thought process?

Suresh Iyer: Yes. I mean, we have been very transparent in that sense that whenever we experience a benefit, we do pass-on to our customers. And of course, when it increase also, we are passing on to it. So that is the answer.

Anusha Raheja: And sir and on the IT transformation, what is the status currently? Where are we?

Suresh Iyer: In the IT transformation project, as I mentioned, there are two phases in which we are going to be implementing. So on both the things, we have our governance structure where we have a daily stand-up meeting, we have a weekly and fortnightly meetings and all and once in 45 days meeting for update to our IT Strategy Committee.

As of now, the project schedules are going as per the timelines which were given or drawn up at the beginning. So we are very much on course for a August end implementation of our ALM and treasury modules and borrowing module and November first week for our LOS, LMS, DMS and everything

Anusha Raheja: And if I'm not mistaken, the quantum is around INR35 odd crores subjective projected for year?

Moderator: We have the management line reconnected. Ms. Anusha, please go ahead with you question.

Suresh Iyer: We had a small issue here. Yes, I guess I was just mentioning that, Shubhranshu to your last question, the CRE risk weightage is 100%. Hello.

Moderator: Anusha, please go-ahead with your question.

Anusha Raheja: Yes. Yes, just one last question from my end. Sir, can we expect the assets growth to pick-up the pace or we can push the pedal there more once IP transformation is done. I hope I was audible.

Moderator: Yes, sir, please go ahead.

Suresh Iyer: Yes. Yes, AUM growth I think you were asking for. So yes, going-forward, definitely with the increase in our growth, disbursement growth, the AUM growth should also pick-up. Normally it comes with a lag. So this year if we are doing about INR10,500 crores, at the current rate, we should be able to add about INR5,000 crores to the AUM, which should be around 12% to 13% approximately growth in the AUM. And with the same kind of growth in the coming year in terms of disbursement, the next year growth should actually increase our move-up to around 15%.

Anusha Raheja: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Pavan Kumar from RatnaTraya Capital. Please go-ahead.

Pavan Kumar: So one thing I wanted to check was non-employee expenses, there has been almost like a INR10 crores decrease. So I just wanted to understand what is it and is that sustainable? And secondly, to what are the kind of growth drivers we are looking at going forward? What will change for us to actually achieve this particular growth, because, yes.

Suresh Iyer: So as I mentioned, I think other than the salary cost, the major area where the cost has gone up is mainly the rent and taxes because last year, whatever we added the 25 branches, as well as the 6 zonal offices and extra that space that we have taken or increase in our head office, all that has come post-June. So in the first-quarter, all these expenses were not there. So that is actually quite a large component.

The second component is about a INR1 crores additional in this same provision we made-for our CSR expenses because with the increase, last year, we had a CSR target our budget of INR16.12 crores. This year it is INR19 crores plus. So therefore, about INR75 lakhs is the extra CSR portioning that has happened in this quarter. So these are the two major expense on the expense side.

As regards growth drivers, one, of course, is the branch expansion that we are doing. The last, in fact, 29 branches that we have opened net in the last 2 years. In fact, they have also started contributing. Last year the total additional business that these 29 branches brought were about INR101 crores, mainly from the 14 branches that we opened in FY '25 because the -- sorry, FY '24, because FY '25 branches were mostly opened in the last quarter, therefore could not actually have not contributed much last year.

So this year again the entire all these 29 branches will be there, plus this year we are front-ending the branch expansion. And then by 30th September itself, we plan to open all the additional 15 branches operational. So branch expansion is one area which we'll bring. The second growth driver, of course, is the sales team. Last year, we got about 39 odd people to -- in a sales team and they were able to contribute about by in Q4 about 4% of the incremental business.

This quarter the same team has done about 5% of the incremental business and effective 1st of July, we have increased the strength from 37, two people left. So 37 plus we have added 63 people. So as of now, we have 63 plus 37, that is 100 and we plan to add a few more in the coming weeks. So these are the two major drivers for growth.

Of course, there will be a little bit of increase in the ticket size. And actually Karnataka and Telangana both are zones where actually our ticket sizes are little higher than our overall company average. And these two markets are presently also slightly weak for us. So as and when they pick-up also the ticket size over there will also pick-up. So basically, it is the branch expansion and our sales team.

Pavan Kumar: Can you also just give me an idea of what do you expect the cost-to-income be this year and next year?

Suresh Iyer: See, this year it will -- we expect, as I mentioned, there is an actual impact, which has come entirely in the Q1. In the next 3 years -- quarters, the actual impact may be a little more subdued. Therefore, by end-of-the year, I guess our cost-income ratio should stabilize around 18%.

Pavan Kumar: Okay.

Suresh Iyer: Next year with the IT cost coming in, I think it will be around closer to 19% because earlier we had expected it to be 17% and 18%, but with the salary hike, which is almost impacted by 1%, we revised our targets to 18% for current year and 19% for next year.

Pavan Kumar: Okay. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Siraj Khan from Ascendant Capital. Please go-ahead.

Siraj Khan: Thank you very much. A couple of clarifications before I ask my question. The FY '28 target for branches was 300 branches. Was that right?

Suresh Iyer: Yes, that is correct, 300 by FY '28.

Siraj Khan: Okay. And the 80 that you mentioned to responding to the previous question, for HL, it is INR24 lakhs and NHL it is INR14 lakhs. Was that correct?

Suresh Iyer: Yes, average ticket size is 24 for HL and 14 for non-HL.

Siraj Khan: Yes. Thank you. So now coming to the questions. Firstly, I'm just seeing that there is a trend of increasing share in the more than INR30 lakhs ticket size in our AUM and that is coming at the cost of the INR20 lakhs and lower taking a back seat. So the question here is, are we seeing a higher demand or a better demand in the upper bracket and-or more competition in the lower bracket and therefore it not being that attractive. How is that dynamic in this ticket size brackets?

Suresh Iyer: See, actually in the less than INR20 lakh or larger, less than INR15 lakh, which was mainly a large chunk for us earlier. There definitely the supply issues are there and I've been saying that affordable housing is slightly going down. And now in fact, it is also reflected in all the numbers. So that is definitely there.

But yes, this 20 lakh to INR30 lakh segment is something which this quarter we have gone down is something which we have to worry for us. We will work on it this quarter. Definitely, we will be working on that because that is definitely not the intention. Our average, our core constituency is definitely INR20 lakh or INR15 lakhs to INR50 lakhs. So definitely this INR20 lakh to INR30 lakh segment which has gone slightly been affected that we will correct going-forward.

Siraj Khan: Understood, because I think that is where you would get the better yields. So that's coming from that.

Suresh Iyer: Yes. But coming to your question, it is not because of any demand issue or something. I think we have this APF and all those focus has slightly shifted the focus. I think we would like to also focus on this 20 to 30, we will definitely see the correction in the coming quarters.

Siraj Khan: Understood. And what is the average LTV of the portfolio as a whole, just as a statistic?

Suresh Iyer: Average rating?

Siraj Khan: LTV, LTV, loan to value.

Suresh Iyer: LTV, ours is roughly if you look at the -- we give up to 80% of the cost, but if you -- we also have this thing of taking our valuation at the time of the loan. And obviously, the realizable value and market values are higher. So if you look at the realizable value, it would be -- I would be somewhere closer to 60%.

Siraj Khan: Understood, understood. Now coming to the login growth, so our approvals have been kind of 4.6% growth Y-o-Y to 2060 and the disbursement -- the disbursement ratio, the approvals to the disbursement ratio is 98%, so it's at one of the highest levels. Wanted to know with respect to the logins, what is the login number and how is that improving? Are we seeing better traction in the login?

Suresh Iyer: See, firstly, one thing I would like to share that in the logins, we have a 30-day validity for the sanctions. So automatically, the sanctions which are done get, you know, if they are not disbursed in the 30 days period, then the sanctions lapse. That is one thing. And second thing is particularly now in the recent a couple of quarters, because of this Karnataka issue, our login slightly in Karnataka.

We have not been logging in because unless we get the e-khata because otherwise it is unnecessarily taking the processing fee from the customer, but we have not been logging it. So these are the two issues, I would say. But otherwise, generally because our 80% business comes from a DSA.

I would say the actual percentage that you have calculated will not be a correct representation because many cases which the DSAs bring, if they are not doable, they are not logged-in also because the DSAs already know that what kind of cases are doable. Therefore, we don't get all the inquiries that are coming are actually not logged-in also.

So that is one small -- this thing, which once the IT thing comes in and we come up with a CRM module, we will be changing that. So that will, I think give a better and more clearer picture. I would assume that in the industry, the login to sanction and sanction to disbursement, the funnel, that should be at least a 20% fallout in the login to sanction, which is not reflective in our numbers because of this DSA focus.

Siraj Khan: I understand. Sir, I was actually looking at the NHB data, so I was just wanted a statistic with respect to the IHL book, what is our individual housing loan outstanding as in 30th June if that could be shared?

Suresh Iyer: Individual housing loan?

Siraj Khan: Yes, individual housing loan book because the NHB publishes the data points. I was just wanting to know what is our specific number?

Suresh Iyer: I'll give you the breakup, our pure housing loan -- and we'll be able to give you the breakup separately, but if you look at it excluding CRE, today it is 74% is our housing.

Siraj Khan: Okay. So would -- so of the total book, what would be the approximate percentage, the ballpark number of individual housing loans? A ballpark would also suffice?

Suresh Iyer: No, I see in our -- okay, I'll give you the breakup of housing, non-housing everything separately, but today our -- first of all, we don't have any corporate book. So everything is retail. Non-housing, I will give you the separate numbers. I'll just give me…

Siraj Khan: No worries. Thank you. And just finally on the book rundown, so we've been under 4% for the last 5 quarters and annualized it comes around to 15%-odd. What would be BT out of this, like what would be the annualized BT out that we are targeting and the overall annualized a rundown rate for the year?

Suresh Iyer: Sure. See, annually, if you look at it, the 15% that you're talking about, 15% to 15.5%, out of that less than 4% is the BT out because we have about 3.75% is the amortization, then we have a huge amount of part payments coming in which is almost around 8% or thereabouts, where people only make part payment, but the case is still live. So which is basically just to reduce their liability or reduce their EMI, they just look at it. So our actual BT out or loan closures is only about 4% a little out-of-the total.

Siraj Khan: Okay. Thank you. I'll join back-in the queue.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go-ahead.

Shreepal Doshi: Hi, sir, thank you for giving me the opportunity. Sir, my first question was on what percentage of our borrowings -- bank borrowing is linked to T-bills and repo.

Suresh Iyer: Sorry, can you come again? What is the…

Shreepal Doshi: What percentage of our bank borrowing is linked to T-bills and repo?

Suresh Iyer: Approximately 20%, so 80% is linked to repo and 20% linked to T-bills.

Shreepal Doshi: Okay. So, we do not have anything like -- we do not have MCLR linked. So entire bank borrowing is shifted towards T-bills and repo, is it?

Suresh Iyer: Yes.

Shreepal Doshi: Okay. And sir, you were highlighting about NCD borrowing. So, what was our incremental borrowing rate during the quarter for NCDs?

Suresh Iyer: During the quarter, just a second, I'll give you. NCDs actually we raised one NCD around 7.24%, that was the rate at which we raised for the NCDs.

Shreepal Doshi: Sorry, 7 points?

Suresh Iyer: 7.24% was what we raised the NCDs.

Shreepal Doshi: Okay. Got it. And last quarter, it would be higher, right, like…

Suresh Iyer: Sorry, in last quarter, I'm talking about last quarter, as I said that after that we have exhausted our limit of INR4,000 crores for NCD borrowings from the listings. So, we have not done for the last 1.5 months or something.

Shreepal Doshi: Okay. Got it. And sir…

Suresh Iyer: NCD market after the AGM.

Shreepal Doshi: So now we will be ready in August is what you highlighted, right??

Suresh Iyer: Yes, correct.

Shreepal Doshi: Okay. Sir, just wanted to understand this -- I mean the PMAY and CLSS is 2.0. How is the momentum there for us and how are you seeing that benefiting the industry at large?

Suresh Iyer: See this interest subsidy scheme 2.0 or PMAY 2.0 it is definitely nowhere close to the kind of euphoria that we saw in PMAY 1. In fact, to be very clear, so-far only 70 -- of course, we've received many inquiries for the PMAY 2.0, but the number of cities that are eligible under PMAY 2.0 is substantially reduced compared to PMAY 1.

Second thing is the requirement in terms of the customer credentials like the Aadhaar of all the family members and all those details are such that there is a huge amount of data entry and data capture that is required and basically it is so that the government can based on all that data do an elimination so that customers don't take benefit under multiple schemes of the government.

So, because of that, there is a huge amount of elimination which is happening where customers apply for PMAY, but because they are already in a say not qualifying in the -- one of the 1,100 towns or under the selected pin codes or because some family member, a brother or a father has already taken a benefit under some other scheme of the government.

Therefore, the eliminations are very-high. And as of today, only 70 applications in our case have been -- have become eligible after all these clearances for PMAY 2.0. Okay. And out of that 70 cases, as of today, only 7 cases we have actually got the claim subsidy from the government.

Shreepal Doshi: This is since September last year, right, September 2025 when it got implemented basically?

Suresh Iyer: Yes, actually they implemented it from September, but by the time the portal was ready and everything, it was almost November. But anyway, the point is from September till today, only 70 applications have come.

So that is in a month of -- in about 10 months from 1st September to today, only about 70 applications have cleared and are eligible. Now out of this also customers, some of them could drop out and may not avail the loan, but and only 7 cases we have got the subsidy.

Shreepal Doshi: Okay. And the ticket size here, I mean, of course, it would be the maximum that is been -- the ticket size of these customers would be what?

Suresh Iyer: I will have to check-up for the 7 customers. I am not…

Shreepal Doshi: Okay. Got it, sir. Sir, just the last part was on something that you highlighted that for us, the number of contracts have not seen significant rise in the last few years and the growth has been driven by ticket size broadly. And you also alluded that at system-level growth in affordable housing is seeing some slowdown.

So just wanted to get some more sense on the slowdown in the affordable housing. So, is it very geography centric or is it any ticket size-centric or customer profile-centric or at broad level, you are seeing these trends?

Suresh Iyer: No, it's more of a broad level kind of a thing because incentivization, which was -- the incentives which are there for developers to bring in the supply under this affordable segment is not there. So, like this particular PMAY thing, which was a very major boost for the affordable segment earlier, now is not so very attractive because the customers cannot claim the entire subsidy upfront.

The subsidiary will -- and secondly, as I said, the number of cities have been reduced, the elimination criteria is also there. So, in fact, the actual trickle will be whatever inquiries are there, it becomes quite a bit of a trickle subsequently by the time it is converted. So therefore, the incentive for the developers to come in and construct low-cost housing is not there.

And obviously, compared to premium housing or mid-segment housing, affordable housing is slower-moving products. So, unless the incentives are there, this segment will not see the supply coming in. And that is one of the major reasons I strongly believe that the affordable housing is slowing down across-the-board.

Shreepal Doshi: Got it, sir.

Suresh Iyer: And of course, I would say earlier, if you look at PMAY, the round of PMAY, the maximum the states which we are doing where obviously there were select 5 or 7 states were doing more under PMAY. So there the slowdown would be more pronounced because they were also more active and the supply and the quantum was also much higher in those states.

Shreepal Doshi: So, these states were broadly, I think Gujarat, or if you can just name like the Gujarat, Karnataka belt like?

Suresh Iyer: Correct. The same Gujarat, Maharashtra, Tamil Nadu, Karnataka, MP. MP was also quite strong in this thing, PMAY. So, these are the states where, if the slowdown is -- will definitely be there in affordable.

Shreepal Doshi: Got it, sir. Got it. This is very helpful, sir.

Moderator: The next question is from the line of Vishal from Bandhan Asset Management. Please go ahead.

Vishal: Hi. Thank you for the opportunity. Sir, a couple of questions. Would it be fair to assume that the 25 bps rate cut that is currently that you've implemented, but is practically availed by less than one-third of the borrowers?

Suresh Iyer: Yes. Approximately one-third of the borrowers would have availed it. You are right, because at least that 10 basis points of May would have happened in May, June and July, almost mid July. So at least some rate benefit for all the quarterly customers would definitely have been translated.

For the annual customers also, some of them who have probably fallen -- whose rate reset clause has fallen in the month of May, June or July, they also would have experienced it. But by and large, you can say that, yes, one-third of the customers have got this benefit. The remaining two-thirds are yet to experienced.

Vishal: Fair enough. And on the liability side, could you give us a perspective on the -- what is the kind of decline in cost of funds that you would see, say, by September quarter or by December quarter, what would be the -- if you could say in terms of bps or whichever metric you find feasible?

Suresh Iyer: See, at least as of the moment, I can definitely say that a 50 basis point cut in approximately around INR3,000 crores of book, liability book is definitely on the cards because that is the one portion of the bank portfolio where we have not experienced the rate cut. Other than that, in terms of the entire CP portfolio which was there in the last quarter or in the -- of last financial year or in the last quarter or Q1 of this year.

That anyway is getting repriced as it is and the entire impact has already come into the CP portfolio, NCDs are fixed, so that is not a question. And probably our NCD overall, we had a cost has not changed much. In fact, it has only increased because one of a very low-cost INR750 crores of low-cost NCD which has matured in the Q1. So that is not actually majorly impacting in NCD cost.

And going forward also with the kind of rates that we are seeing, I think it has kind of stabilized, unless there is a further rate cut. So, 7.24% is what we will probably get today also, 7.2%, 7.24 is what we might get today if you go to the market. So that is what is the rate. So NCDs, I don't expect any further rate cut.

As I explained earlier, NHB is definitely likely, but I cannot quantify if at all it comes, it will come on approximately INR3,000 crores to INR3,200 crores of portfolio of NHB, which is under fixed floating-rate. So there some reduction is possible, but that depends on how much NHB reduces.

But -- so as of the moment, the only thing I can say with confidence is that approximately INR300 crores of bank borrowings, a 50 basis point cut is definitely pending and should come in a couple of quarters, a couple of weeks.

Vishal: But sir, I mean, looking at 53% of your borrowing is from banks and 80% of that is linked to repo. So, the quantum of decline that we should see should be much higher, right? I don't know if I'm missing something?

Suresh Iyer: So actually today, if you see the cost of borrowing, which is there in Q1 is 7.42%. But that is because some of the rates we got the benefit in April, some we got in May and some we got in June. So effectively the 7.42% is what we have experienced in the book. However, going-forward, if you look at my liability profile, my current rate -- coupon rate or the -- it would be around 7.3%.

So going-forward, my cost will be 10.09%, it will see a reduction. But again, it will not go a point below 2.6 spread. That's the point. I mean, I hope I've explained the difference between what is experienced in the book and what is my coupon rate.

Vishal: Fair enough, sir. So maybe I understand that there is a difference between stock and flow and your focus on the spread. But my question was more from the cost of fund like -- I mean, looking at the way rate cuts have happened and all and your exposure on the liability side, it seemed like the 7.4% instead of 7.3% we thought could be slightly lower than that as well. But -- so 7.3% we should get by December or by?

Suresh Iyer: 7.3% is what we are already having in the books right now. Of course, incrementally, the cost of borrowing will be as I said, NCDs are at 7.24%, bank borrowings are all coming at 7.25% and below. NHB, if at all it comes, it will be in fact sub 7% because last-time when we got it, it was at around 6.5% or something or the average rate 6.5% or something was the total blended cost of the NHB borrowing.

CPs, of course, are coming at sub 6%. So effectively my incremental borrowing cost is definitely below 7.3% plus the fact that on my 7.3% is considering that my INR3,000 crores of bank borrowing is still at a higher rate and 50 basis points is yet to be translated. So, I guess once that INR3,000 crores portfolio also gets repriced by 50 basis points, my cost of borrowing would be around 7.25% or 7.26%, which will be in-line with what the incremental bank borrowing or incremental NCD I might be raising.

Vishal: Okay. Sir, my last question is on the growth plan. I mean,

Moderator: Sorry to interrupt Mr. Vishal. May we request you return to the question queue for a follow-up question as there are several participants waiting for the turn.

Vishal: Thank you.

Moderator: The next question is from the line of Kushan Parikh from Morgan Stanley. Please go ahead.

Kushan Parikh: Thank you for taking my questions. I have two questions. One is on the opex side. If you could just help us understand the differentiation between the recurring and the non-recurring part of the employee cost. So out-of-the INR42 crores, how much should we expect to recur in the next quarter, given the several changes that we have had in terms of team size, etc?

And also the second question is around the asset quality. So, we maintain our 15 basis point credit cost. If you could just elaborate on that as in, where do you see the GNPA ending up at exit F '26 and what is the provision coverage that we would like to maintain? And also, on the sticky accounts that we allowed to slip to NPA, what is the current provisioning against those accounts?

Suresh Iyer: Sure.

Kushan Parikh: Those are my questions.

Suresh Iyer: Yes, sure. In terms of the opex cost, this INR42 crores that you have mentioned, as I said, there is about INR4.5 crores approximately or INR4.5 crores to INR5 crores, which is mainly on account of the actuarial cost, which is almost one-time you can say. Going forward, that may not be there.

Around INR36 crores, INR37 crores is the cost, which is the continuous cost which will be there on the existing -- because approximately INR12.2 crores or something is the annual salary expense that is coming out for us. So, in a quarter that will be around INR36 crores, 37 crores.

So that is the one which will continue in the remaining three quarters as well, barring, of course, the additional which will be for whatever additional staff we will be taking. But by and large, it will be around INR37 crores is the actual fixed cost, which will now continue in the remaining three quarters as well.

Second is as regards 15 basis points credit cost guidance that we have given. So last year when we had about a total of about INR75-odd crores of total provisioning that we did for our NPAs and everything, that was approximately working out around 13 basis points. In this quarter, as you have already seen, we have a INR280 crores reduction in our gross delinquency in absolute value also, INR280 crores.

And going-forward also the some of the steps that we have taken and some of the things that the way that we are experiencing even in this month, we expect that to further come down a little bit. That is in terms of the overall delinquency and particularly in terms of the NPA, which is around INR378 crores.

We expect it to close somewhere around INR0.80 crores by the end-of-the year, because assuming around INR42,000 crores, INR43,000 crores or INR43,000 crores of book that will be there, in which case INR0.80 crores will work-out around INR340 odd crores of NPA, which is another INR38 crores reduction that we are seeing in the remaining three quarters.

This particular INR13.9 crores of sticky accounts that we classified as which we allowed to flow, obviously, as per the ECL model, they are -- the working is there, we have to follow the ECL model. So based on that, the provisioning is coming. And overall, as you know, for Stage 3, our provisioning is roughly around 47%, 48% is what is our normal provisioning percentage.

Kushan Parikh: Got it. So we should not expect any additional provisions coming in for these specific sticky accounts going forward?

Suresh Iyer: No. So as per ECL model, whatever will be the calculation, because it works on a scientific five-year trend of the analysis and all. So if the NPAs are coming down, obviously, there will be some, reduction in the provisioning. Like we had last year in Q4, where about a INR10 crores of reversal was there.

So if actually we are able to bring it down to INR330 crores, INR340 crores kind of an NPA by the end of the year, there will be a quite a bit of the provisioning that will get released in Q3, Q4.

Kushan Parikh: Understood. This is clear. All right.

Moderator: The next question is from the line of Damodaran Kutty from Acuitas Capital.

Damodaran Kutty: Yes. Hello. Thank you for the opportunity. Just one question from my side. On disbursements, can you break out the impact of Karnataka and Telangana in this quarter in terms of absolutely the decline in percentage and the contribution to the overall disbursement?

Suresh Iyer: Sure. See, in terms of disbursements, Karnataka for us is about INR600 approximate crores of disbursements, we should be around 30% growth incrementally. And 55 – Telangana is much less. In fact, the negative over there has been quite higher, closer to 30% like last year and the Telangana has been that much.

Whereas Karnataka has been almost close to INR600 crores is a disbursement in this thing. So about 30% business is from this, whereas Telangana contribute just about, I don't know, one-third of it, just about INR200 crores plus -- INR225 crores or something is the disbursement there.

Damodaran Kutty: Sure. And in terms of the percentage decline for these two states.

Suresh Iyer: As I said, 29% is a decline for the Telangana and Karnataka in this percentage terms is around 12%.

Damodaran Kutty: Sure. Thanks. That's all from my side.

Moderator: The next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Yes. Thank you, sir, for taking my question. Sir, just two clarifications. First thing is, as you said that 67% of the customers are still on an annual reset. Suffice to say, right, that in the next maybe nine months or so, I mean, on a rolling basis, all the customers will get benefited to the extent that we have taken the PLR rate cuts.

Suresh Iyer: Correct, that is correct. There will be a flow. As I mentioned, about 5%, we were 72% there on annual. As on 31st March, now it is around 67%. So there is a 5% reduction. But, yes, more-and-more customers will now -- in fact, I was expecting a higher flow from annual to quarterly, because the repo rate cut has been quite substantial at 1%. So I was expecting it to be higher, but only 5% have converted. But, yes, going-forward, this entire portfolio will also shift -- should shift.

Abhijit Tibrewal: Got it. And sir, the other thing I was just trying to understand, just referring to Slide 25 of your presentations, where -- presentation where you did the rundown ratios every quarter, right? So while I understand we are in a very different rate cut cycle, we are declining rate cut cycle now.

But typically, if you look at that slide, if every Q1, there used to be a dip in the rundown rate compared to Q4. We've seen that consistently for the last three years. This year, it has marginally inched up. So basically, all I'm trying to understand is, is there a rate queue for balance transfers here, because earlier in the call you had shared that out-of-the total rundown of 15%, 15.5%, just about 4% is weekly out.

So what I was just trying to understand is that, sir, 100 basis points repo rate cut has already happened. Most of the PSU banks, right, at least from the bank book has passed on 100 basis points and are also doing similar or a slightly lower cut in the newer disbursements that they are doing.

And despite that, I mean, across the industry, I'm talking about the HFC industry, A, like you had mentioned earlier, except we and LIC, none of the other HFCs have taken that kind of a PLR cut as yet. And despite that, the balance transfers are not inching up. So how should we read these two things is what I was trying to understand?

Suresh Iyer: See, I would not say that, the balance transfers have not inched up, probably they have and we also do -- if I look at the number of customer requests that are coming for rate reduction, the customers, the branch feedback that I'm taking is regularly, there is a slight increase or a definite increase in the number of customers who are asking for a rate cut.

And so there could be -- have been definitely a slight segment where they would have already moved more than the normal, but it would be more to the PSU banks. But coming back to the PSU banks, as I mentioned, the margins -- their margins are also now getting squeezed. So the pressure would be more from the customers wanting to shift away rather than the bank spend to pull the customers away.

So the pressure is more from the -- like a customer who definitely doesn't want to continue here. So he will go to a bank and make an application rather than a bank now aggressively coming and doing campaigns to poach customers from PSUs. I mean from NBFCs and HFCs. So that is what it is.

But the -- I mean, I guess, this is one of the reason why we have not, because we have at least been able to pass-on 25 bps. And in fact, we have seen that many customers are also understand that, we are the only ones who are at least passed on. So that transparency has helped to some extent in doing it. Maybe if we were to have aggressive BT in strategy, we might probably have been able to pull from other NBFCs and HFCs also, but we don't have any major such strategy.

Abhijit Tibrewal: Got it. And sir, lastly, just trying to understand, you guided for a INR10,500 crores in disbursements, 12%, 13% kind of growth, but that would mean, like you said, right, INR2,500 crores, INR2,600 crores of disbursements in this quarter. So just trying to understand from almost INR2,000 crores in this quarter, I mean, how do we see this run rate improving to INR2,500 crores in the second quarter?

I mean, I acknowledge you spoke about adding another 67%, thereabout direct sales staff. You spoke about APF. So are those things and branch expansions, I think, I recall you said, will be front-ended until December. So are those things you're seeing will help you get to that INR2,500 crores disbursements in the second quarter or are there other things beyond what I just mentioned?

Suresh Iyer: No. Just one other thing I would mention is that, April month particularly is one month where we always see a huge drop, okay. So roughly like around INR800 crores, if we are doing in actually in the month of April, we had less than INR500 crores of disbursement. It's only in May and June that we have picked-up and we have done it, which is a normal thing which happens every year in the month of April, there is a huge drop.

So effectively, if you look at what we have done in the month of June also, it is almost around INR800 crores. It is INR800 crores. So, therefore, that INR800 crores into INR3 crores would have a INR2,400 crores, is something which is built-in. We just have to avoid that, that April is one thing which always is there where the drop happens. So that is why INR2,500 crores plus is what we are targeting for this particular quarter.

Abhijit Tibrewal: Got it. And sir, just one last clarification. During your opening remarks…

Moderator: Abhijit, may we request that you return to the question queue for a follow-up question.

Abhijit Tibrewal: Yes. Sure.

Moderator: The next question is from the line of Siraj Khan from Ascendant Capital.

Siraj Khan: Thank you for the follow-up. Two quick ones. One with respect to the loan asset bifurcation with respect to fixed and floating. How much of the total portfolio is fixed rated? And what are the kind of products, like, are we doing also HL at fixed-rate or is it primarily the PL and other non-natural products?

Suresh Iyer: Currently only 1.3% of our portfolio is fixed, which could be mostly our top loans and stuff like that. Other than that, practically nothing is fixed. We have a -- we have the breakup where, as I said, 67% is approximately annual reset and other 32% is -- 31 point something percent is quarterly reset. And the remaining 1.3% is the one which is not under floating.

Siraj Khan: Understood. And within the AUM share, with respect to the purpose, the slide that is shared on Slide number 19, the mortgage lap and top-up has gone up by 2%. So like are we trying to increase that? And what is the general rate of interest that we get in the -- in this product?

Suresh Iyer: See, actually, we have a strategy where we had in the vision -- five-year strategy paper said that by FY '28, we want to increase the non-housing, which was at that point in time around 11%, take it up to 20%. So 80%, 7%, 80% -- sorry, 89% was at that point in time in FY '23 was housing, including CRE and 79% was core housing, 10% was CRE and the remaining 11% only was non-housing.

So by FY '28, we have taken, I think, that we would be open to taking it up to 20%, that 11% to increase to 20%. So that's why a conscious this thing to slightly increase our top-up and lap.

Siraj Khan: Understood. What would the general interest rate loan in the lap and top-up, sir?

Suresh Iyer: Yes. You asked that. I missed that. So we have about 1 percentage point higher than we charge in case of our LAP. Our LAP card rate start from about 10.75%, 10.7%.

Siraj Khan: 10.7%. Understood. Understood. And just a final one on the branch expansion. In West, I believe you said the branch expansion will be focused more on the West and the North regions. Any specific state are we targeting, because you have a lot of other affordable players and also your other normal HFC agent and NBFC is also present in those regions.

So any specific states and what are we going to try with any differentiated product strategy or any color on with respect to how are we looking to expand in these specific regions and the name of the state, if it is possible?

Suresh Iyer: No. We don't have any specific state, it will be spread across all the states. In fact, in North, we are there in Punjab, we are there in Haryana, Delhi and UP. So we will be opening a couple of branches, one, one, two, two branches in all these states. It is not there any specific. Same also for the West, if you see, we have Gujarat, Maharashtra, MP and Rajasthan.

So all the states will be opening branches, maybe one or two in every state. So that's how it is. There is no specific focus on anything. As for the product strategy, no, we don't have any exclusive new branch. We are going to focus on any new thing, but the same product line will be there.

But yes, North and West generally have a slightly tendency to have a -- and Tamil Nadu for that matter, have a slight tendency to have a higher SENP category. So that would probably be one of the things, would -- which would emerge, but otherwise no specific products that we are going to launch or any special offering we are going to give.

Siraj Khan: Understood. Thank you very much and congratulations on a good set of numbers.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Valentis Advisors.

Rakesh Kumar: Yes. Hi. Sir, just one small question. So of the resources, 17% is from NHB and you said the rate has not been revised there. So that is firstly quite surprising that RBI is using so much of effort in terms of liquidity to reduce the short-term rates. But still, the thing is, I just wanted to understand that as a -- as for the terms of business, do we have any obligation that if the NHB is reducing the rate, we also have to pass on it in the same proportion as soon as possible?

Suresh Iyer: Not in that sense, but there are certain lines of refinance where there is a cap on the spread that we can maintain, something like 4.5% spread above what rate they have lent. So if it is within that spread, then we don't need to pass on or it is our policy to how much we pass on or things like that. But otherwise there is no such back-to-back kind of arrangement or a compulsion or anything.

Having said that, in fact, NHB has not reduced, we have actually gone ahead and reduced 25 basis points for our customers. So even the customers whose loans are -- have been financed by NHB refinance or back-to-back refinance has been taken away from NHB for those loans, those customers have already got a rate reduction, whereas the borrowing for those specific loans from NHB has not come down.

Rakesh Kumar: Got it. Thank you, sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Suresh Iyer: Yes. Thank you to everyone and to Investec for organizing this earnings call and to all the participants for very detailed questions and taking interest. Thank you very much. And in case there are any follow-up questions, you can always contact the Investor Relations that is either to Abhishek Mishra, who is the CFO, or to any of the other members who are present here, the DMD, the President or myself. Thank you so much.

Moderator: Thank you. On behalf of Investec India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Suresh Iyer: Thank you.