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CFHRO SE CS LODR 180/2024
July 26, 2024

ONLINE SUBMISSION

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

Sub: Transcript of Q1 FY25 Earnings Conference Call

Ref.: Our letter CFHRO SE CS LODR 177/2024 dated July 22, 2024.

In continuation to our above referred letter, please find attached the Transcript of Analyst/ Investor conference call/earnings call held on, July 22, 2024.

The aforesaid Transcript is also available in the Company's website i.e., <https://www.canfinhomes.com/pages/analystmeet>

This intimation is submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same on the record.

Thanking you,

Yours faithfully,
For Can Fin Homes Limited

Nilesh Jain
DGM & Company Secretary

Encl: As above.



“Can Fin Homes Limited
Q1 FY'25 Earnings Conference Call”

July 22, 2024



MANAGEMENT: **MR. SURESH IYER – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CAN FIN HOMES LIMITED**
MR. PRAKASH SHANBHOGUE – GENERAL MANAGER – CAN FIN HOMES LIMITED
MR. APURAV AGARWAL – CHIEF FINANCIAL OFFICER – CAN FIN HOMES LIMITED
MR. VIKRAM SAHA - DEPUTY MANAGING DIRECTOR – CAN FIN HOMES LIMITED
MR. PRASHANTH JOISHY – DEPUTY GENERAL MANAGER – CAN FIN HOMES LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Can Fin Homes Limited Q1 FY'25 Conference Call hosted by Investec Capital Services. As a reminder, all the 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 any assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Nidhesh Jain: Thank you, and. Good afternoon, everyone. Welcome to the Q1 FY'25 Earnings Conference Call of Can Fin Homes Limited to discuss the financial performance of Can Fin Homes Limited and to address your queries, we have with us Mr. Suresh Iyer, MD and CEO; Mr. Vikram Saha, Deputy Managing Director; Mr. Apurav Agarwal, CFO; Mr. Prakash Shanbhogue, General Manager; and Mr. Prashanth Joishy, Deputy General Manager from 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: Good afternoon. Thank you, Nidhesh, and I welcome all of you to the earnings call of Can Fin Homes Limited for the first quarter results. Before we get into the questions and answers, I would just like to give a brief on the critical highlights and points on the performance of the first quarter.

As you all know, this quarter was an election quarter. So April and May was a little low for us where we began slow and there was a little flatness in terms of the disbursement. We are quite hopeful of picking it up in the coming months; however, in spite of June being the second-best month in terms of disbursement in the last 15 months, still we could not cover up for the shortfall of April and May. So we ended up with a 6% negative in terms of disbursement.

However, the positive we'll take from this is that the negative growth has been coming down from 9% in Q4 of last year and looking to the disbursement that we have had in the month of June, which, as I mentioned, is the second-best month and the only month where we've done better than June '24 is March '24.

So considering that and the way we've opened in this month of July as well, we are confident that we should be able to touch around INR2,500 crores disbursement in Q2. Another small impact that we had was in terms of our Andhra Pradesh and Telangana where post the change in the state governments, there has been some impact in terms of the registrations in the Sub-Registrar offices. Other than these two states, in fact, across all the other states, we've had a positive growth compared to Q1 of last year.

Coming to the second point, which is recovery. Of course, the recovery has deteriorated a bit, but it is a little cyclical as we have seen in the previous years as well, wherein Q1, there's always a slight increase in terms of the gross NPA. Q1 FY'24, there was an increase of INR31 crores against this in Q1 FY'25, the increase has been to the tune of INR39 crores, which we are hopeful

and confident that we should be able to bring down as the quarters pass and by end of the year, we are still projecting and continue to hold our guidance as regards to the gross NPA to come down to below 0.8%.

In terms of the third point, which is the spread, we had -- some of the increase in spread because of the higher rate borrowing that we had in Q4 of last year, where the rates were slightly on the higher side. Compared to that, which was carried forward and only at the time of the replacement, we will be able to bring down by the end of the second quarter. So in about 7% of our borrowing, which is particularly the CP borrowing, we have had a benefit in terms of the repricing in this quarter, which will be impacted going forward of about 30 to 40 bps.

The second thing in terms of the borrowing cost, it may be noted that in FY'24 as well as in Q1 of FY'25, we have not raised any borrowing from NHB, which we hope to borrow once in the budget tomorrow, regarding some positives in terms of the affordable housing fund. We've also had some discussions with the NHB and all, so we are quite hopeful that some announcements should come and there, we will be able to draw at that point in time, lower-cost funds from the NHB under the Affordable Housing Fund.

But having said that, Q4 of last year, we had incremental borrowing at the end - over 7.58%, which has continued in this quarter as the overall rate, and we believe that this 2.55% to 2.6% will be the new normal in terms of the spread that we are looking at.

In terms of the expenses, there has been an increase, mainly as we had witnessed in Q4 last year also where to the extent of the IT expenses we have gone for an upgradation of our existing package with the incremental cost of about INR3 crores. INR2 crores to INR3 crores is cash compared to Q1 of last year. And also, there is INR1 crore additional provision that we have made this year because of the increase in the CSR budget for this year.

So this INR1 crore, obviously, will be increased every year -- every quarter because last year, we had a total CSR budget of INR13.8 crores, which this year is INR16 crores plus. So that additional INR3.5 crores to INR4 crores, we will be spreading out over each of the quarters. So this is the main reason for increase in the expenses.

With all these four points, we are still confident that we continue to hold the same guidance as we have given in the beginning of the year i.e. we are confident of doing our disbursement of INR10,500 crores. As we had indicated in Q2, we are targeting INR2,500 crores, which will be stepped up by INR300 crores to INR350 crores every quarter going forward. So that will help us reach the INR10,500 crores figure, and we are quite confident about that.

In terms of the GNPA, we had indicated, this is a cyclical trend, and we are confident that we should be able to continue to hold the guidance of 0.8% gross NPA by the end of the year. Credit cost, of course, this has been a little front-ended because of the increase in the gross NPA absolute figure but our coverage remains the same. That is our ECL requirement continues to be.

In fact, it was 49% in Q4 last year, which is now against 47% in this quarter. So that as an absolute value of NPAs also will come down and we bring it to 0.8%. We are hopeful that by

the end of the year, the actual costs will be around 12 bps or thereabouts only in terms of the credit cost. And in terms of ROA and ROE, we continue to hold the same guidance of about 2.1% in terms of ROA and 17% in terms of our ROE. So that I guess is the gist of the performance and the guidance that we have to hold for the coming quarters as well.

I give it back to Nidhesh. Maybe we can now take questions. Thank you.

Moderator: The first question is from the line of Maharukh Adajaniya from Nuvama.

Maharukh Adajaniya: So just in terms of July, how has the disbursement trend been in July, or would it pick up after the budget? And in terms of NPLs, is there any geographic concentration where collections have been weak or it's in general at the national level only?

Suresh Iyer: Yes. Thank you, Maharukh. See, the first point about the disbursements in July. In fact, in July itself, as I had mentioned, that July is similar to the performance in June, where we've had a good month of June. So in July also, the trend is looking positive. So in fact, if at all something comes in the budget and there's a further pick up, that will be an additional to it. So without considering anything coming from the budget, we are targeting INR2,500 crores for Q2.

And second thing, as regards to your corrections and whether there's a geography -- whether any particular geographies affected, well, no, in fact, across the board, there has been a minor increase in every cluster, every region. There has been some increase every state. So there is nothing specific to any particular state or anything. Only in terms of disbursements, as I mentioned, that our Telangana and AP disbursements have been slightly affected and that is the only geographical color that I can give. Otherwise, in terms of recovery, there is nothing.

Maharukh Adajaniya: Okay. But the recovery would have been affected by what in the first quarter because there is always a seasonality in first quarter, but it's usually not this sharp?

Suresh Iyer: No, as I indicated in Q1 last year also, the increase was INR31 crores and this quarter also it is about INR39 crores. So roughly, it is in that range of about INR30 crores to INR40 crores. Even last quarter, it was there last year, first quarter. This year also, first quarter, it has been on similar lines.

Moderator: The next question is from the line of Shreepal Doshi from Equirus.

Shreepal Doshi: The question was pertaining to the sharp increase in cost of fund and the impact on the margins, which is the same. So I mean, what led to the increase in cost of fund? And how do you see it trending for the rest of the year now?

Suresh Iyer: Coming to the cost of funds, in fact, last year itself, we had a gradual increase in the cost of funds. But since it was spread out over the quarters; therefore, this did not impact. Like, for example, if I have to just share with you, last year we began the year with a 7.32%. And incrementally, if you see our second quarter last year, incremental funds that we raised in Q2 was 7.46%, but because it was spread over 2 quarters, the 7.32% almost remained somewhat similar. Q3, again, it went up. Q4, it went up to a by 7.58%. But again because the cost of funds, it was spread out over the 4 quarters, end of the year, it was 7.40%.

Whereas in Q1, obviously because the cost of funds that we raised particularly in CP, where we are raising today, we are getting at around 7.2%, we were raising as high as 7.7% also. So therefore, there was also a higher cost of borrowing in Q4, which obviously will get changed or replaced only when the repricing happens or when the 90-day period gets over. So those about 6% to 7% of our borrowing that comes from a CP, we have already repriced at around 7.2% and thereabouts. So this is mainly the main reason why it has happened.

Last year, it got evened out over the period, but 7.58% is what it is. Maybe going forward, as I said, we have repriced the CP. So in Q2, we'll get the benefit of that 30, 40 bps for the CP component, which is about 7% of our borrowing. So effectively about 1 to 2 bps or something further can improve going forward.

Second, as I mentioned in the beginning itself, we did not raise any NHB funds last year; therefore, the borrowing was mainly from NCD and banks, where the rates were slightly higher. If we had raised the NHB fund, it would have probably come down and we would have got the benefit of the lower cost this year.

But having said that, we are hopeful that something will come up in the budget and we are hopeful we'll be able to raise something quickly in this quarter also. So that will again further help us bring down the cost. So right now this is what we expect in terms of our borrowing costs.

Shreepal Doshi:

Sir, just one bit on the NHB front, so why did we not go for that raising funds to NHB? Like were we exhausted with our limits or what was the reason? And just one follow-up there. You said that you are expecting in the budget on something on the affordable housing fund side, so some color if you could give here on this front.

Suresh Iyer:

Sure. See, if you see our presentation, we have put one slide on our CLSS scope. And also in that, we have mentioned that throughout the last 6 years, we raised about INR 3,783 crores under the Affordable Housing Fund. Under the Affordable Housing Fund, the NHB gives refinance at a very low rates for lending to some specific affordable housing segments. And we are allowed to price around 3.5% to 4% above the rate at which they lend to us.

Now this particular fund comes through budgetary allocations from the government. And last year, the budgetary allocation was very low because of which normally the NHB would give us a ratio of 50-50. So 50% we could raise under the AHF, which would be coming at around 4.5% earlier. And we could also raise the remaining 50%, which would be refinanced from the NHB, at a normal rate, which would be around 8%, 8.25% and thereabouts.

So effectively, we would have got a rate benefit of about 6.5%, which is the NHB funding throughout. But last year, the budgetary allocation, which the NHB got under the AHF was not there. So therefore, the NHB was -- although we got a refinance sanction of INR1,500 crores from NHB, we chose not to pick up that fund because there was no component of AHF in it. In fact, there was a very, very small component instead of 50-50, it was 10-90 or max, max, if we would have negotiated, they would made it 20-80. So because of that, the blended cost for the refinance last year if we had raised, would have still been higher than the rate at which we are raising from banks or from CP and all.

So therefore, we chose not to pick up those funds and we let the refinance lie. So we have a refinance of INR1,500 crores, which we got sanctioned last year, but we did not pick it up. So that was the main thing. And now this year, if we get the refinance, I mean, the AHF is again NHB, again, we'll get the key funds, which will be -- which will help us give a blended cost, which will be lower than our other borrowing avenues. So that is when we will pick up the funds and we will utilize the sanction that we have. So that is the thing.

Now coming to your second question about the budget. See, we've had some discussions with the NHB and all. I guess it's also been mentioned in the various press articles that there is a likelihood of a AHF fund again being reintroduced, so that housing finance companies can get cheaper funds. So that allocation is something we can expect tomorrow, or we are hopeful that will come tomorrow some announcement. And if all the discussions that have been conducted, if they are fruitful, then we will get something in the coming budget where we can get some -- expect to get some secured funds. And once that comes, as I said, we will be drawing this sanction that we have of INR1,500 crores.

Moderator: The next question is from the line of Mr. Rajiv Mehta from YES Securities.

Rajiv Mehta: Sir, my question is on growth and our guidance. So when I look at the Annual Report also, which was published in July, it is mentioning about reaching INR 41,000 crores loan book by March '25, and that is about 16%, 17% growth on last year's March base. And with this disbursement target of INR 10,500 crores, can we reach this number, or this is more of an aspirational number?

Suresh Iyer: See, we have targeted INR10,500 crores. And if you see our slide where we have given the movement of our book, on an average, in a quarter, we are getting somewhere in the range of about INR 1,250 crores somewhat kind of a repayment plus prepayment everything put together. So going by that, we are expecting somewhere in the range about INR 5,000 crores will come by way of prepayment and repayment.

So if we do about INR10,500 crores, the net addition to the book will be about INR 5,500 crores, which would be just about a little less than INR 41,000. So yes, to some extent, around INR 200 crores, INR300 crores or something, we can say is what we would want to push. But otherwise, with the INR 10,500 crores, we should get a net of somewhere around INR 5,500 crores. And we were at INR 35,000 crores by March '24, so another INR 5,500 crores would be around INR40,500 crores.

Rajiv Mehta: Got it. And sir, I also see that the portfolio yield has improved by 5 basis points on sequential basis. So I believe that the incremental disbursement yield is lower than the portfolio yield. So something has repriced in the back book, so what is this repricing happening and can such repricing benefit still continue on the back book in the coming quarters?

Suresh Iyer: No, it is not that way. Incremental book, what is happening is the incremental disbursements that we are doing, we are also having loans -- you would see that our growth has mainly been in the INR20 lakh to INR30 lakh and INR30 lakh plus segment, where our pricing is also a little on the finer side. So incremental disbursement yield is lower than the overall book on the overall portfolio. So that is one thing which is there, which we will be offsetting, obviously, with some

push in the last book, where we only have about 5%. So that is where we are looking at offsetting that slightly and also with a little more increase in terms of our lending to the SENP segment, where again we are charging about 0.5% higher compared to the target segment.

So these are the two things which will slightly offset the lower yield in the overall book. And obviously, if the affordable housing thing comes, and we -- then obviously our below INR 20 lakh segments will also pick up where also the rates are slightly higher compared to what we are offering to the INR 30 lakh plus segment. So that is the major thing. There is no repricing as such left. And otherwise, we have moved to a quarterly reset strategy, whereas in every quarter, we will be repricing the loan for every customer.

- Rajiv Mehta:** Okay. Just one last thing. How much of our bank loans are linked to repo and EBLR?
- Apurav Agarwal:** Yes. So it's approximately 40% of the bank borrowings
- Rajiv Mehta:** Sorry, Apurav, your voice was a bit low. Can you please repeat?
- Apurav Agarwal:** So around 40% broadly.
- Rajiv Mehta:** Okay. To repo?
- Suresh Iyer:** 40% of our borrowing is aimed to the MCLR basis.
- Moderator:** The next question is from the line of Aditi Loharuka from CD Research.
- Suresh Iyer:** Aditi, we are not able to hear you.
- Aditi Loharuka:** Okay. Sir, my question is that why is the company struggling to grow its loan book for salaried class despite its inherent advantages associated with it?
- Suresh Iyer:** See, Aditi, last year, we had focused more on internal controls. We had a lot of process changes and all. So our disbursement rates have actually been slightly, in the whole of last year, I mean, barring that we won, we've had a negative growth, which you can see from our presentation Slide 20 that Q2 was negative, Q3 was also negative.
- But as we are moving forward, this negative has been reducing and one of the reasons why our growth has slightly gone down from the previous rate of about 15% to 17% is because of our lower disbursements and that is where we are now pushing for disbursements because now all the efforts that we have put for last year in terms of internal controls and all the steps that we have taken have kind of ended and all the processes have stabilized.
- So going forward, we are purely focusing on the business. And this year, our target is for INR10,500 crores, in which case, our growth will end up at around 15% on the AUM compared to Q4 of FY'24.
- Aditi Loharuka:** Okay. So in particular for salaried class also you're aiming for 15%?
- Suresh Iyer:** Sorry. Can you be a little louder, please?

Aditi Loharuka:

In particular, for salaried class also you are aiming for 15% growth?

Suresh Iyer:

Our salaried segment is around 73% of our book. And we -- as I mentioned earlier, are looking at a slightly higher business in the self-employed segment. But having said that also, we probably would be still around 70% plus by the end of this year in salaried segment. And there also, we are not facing any issues. For the last few years, we have been able to manage this 70%-plus salaried segment focus. So that way, we don't see much of a challenge in that segment because there also, we have had quite a stable growth even in the salaried segment.

Aditi Loharuka:

But the growth is around 8% from FY'23 to FY'24, we see the growth is around 9%, and in the last quarter or so year-on-year growth is around 8%. So can you just give us some guidance on that.

Suresh Iyer:

Yes. So as I said earlier also because of our muted last year where we had a negative growth in disbursement, the overall growth in the AUM, which normally lags by a little as we progress, has been coming down now. And with growth, which we are expecting to pick up because now July, June has been a good month. July also the beginning has been quite good and all the changes that we impacted last year has stabilized. So this year, we expect to have a very, very strong performance in terms of disbursement.

We are projecting INR 10,500 crores disbursement in this year. Q2, we are targeting INR 2,500 crores and then INR 300 crores, INR 350 crores plus every additional every quarter thereafter. So with that kind of growth, we should end around INR 10,500 crores, which will result in about INR 5,500 crores or thereabouts addition to our loan book, which will be about 15% growth, AUM growth.

Aditi Loharuka:

What measures are we talking to increase the disbursement?

Suresh Iyer:

See, in terms of the disbursement, we have last year, we had started with a separate marketing team, our sales team, from our staff strength, we have carved out a separate sales team that is actually going to be focusing on direct sourcing. We already have a DSA sourcing, but that DSA sourcing was a very high percentage so about 80%. So along with that we want to strengthen a second channel, which is a direct marketing or direct sourcing channel. So that is something which we have also implemented, and now we are strengthening that team.

Therefore, that is something which will add to our business. We have also started last year digital marketing, which now this quarter, we have this -- the same team will be following up with the leads that we are getting. Our -- the initial leads and all tie-ups that we are beginning to do is also helping us. Last year, we had started on a small basis, the APF marketing also though last year, we did not get much of a success in that.

But this year, we have started the same marketing team is also doing a lot of APF project sourcing. So these are some of the steps that we have taken in terms of pushing the disbursement book. And second, another major thing is also that we had the process changes that disbursements are centralized, and reconciliation was centralized.

So all those things have stabilized and now the branches are very confident and able to face the customer and give us a proper commitment in terms of the handover of the disbursement and everything. And we have also moved from a 2-tier structure to a 3-tier structure. So we have introduced a layer of zonal offices which are handling about maybe 1 or 2, 3 states that way, depending on the geography and the number of branches.

So that layer is also adding an extra support in terms of the disbursement, in terms of the sanctioning power because in the zonal offices, we have now positioned senior people who have a higher sanctioning authority. So that way that has been one of the major reasons why we have been able to push a little bit on disbursement and the inquiries because we are able to have -- sanction higher amount from the local branches itself. I hope it answers your query.

Moderator:

The next question is from the line of Manan Tijoriwala from ICICI Prudential AMC.

Manan Tijoriwala:

I have two questions. One was, do we expect some CLSS kind of scheme as we had earlier because I think you mentioned the Affordable Housing Fund. So you think the budget expectations will be restricted to that? And as the disbursement expectation also get revised, does some scheme comes up either Affordable Housing Fund or the CLSS?

Suresh Iyer:

See, CLSS is definitely also possible. We did have a discussion quite some time back on the CLSS also with the regulator as well as with the ministry. But the recent discussion subsequent to that was on the AHF. So in fact, both the discussions on both aspects, there has been quite a bit of discussion with the ministry and with the regulator. And come to think of it if you look at the way the government is at it, they announced 3 crores houses to be constructed during the year, 2 crores for rural and 1 crores in the urban, so that will bring in the supply.

The second thing would be the AHF, which we had a recent discussion. So if that comes, that would provide the funds to the lending institutions for onward lending to the end customers. So that -- both things are being done, it is quite logical that the government will also come with the CLSS so that there is a spur in demand also. So that would take care of the supply, the demand as well as the funding availability. So I guess, logically speaking, yes, both are possible, the CLSS as well as the AHF. The CLSS was a slightly gated conversation, which we had with the regulator. That is a more recent conversation that we had with the regulator.

Now having said that, our present position of INR10,500 crores is on a regular basis without considering anything, either the AHF or the CLSS. The AHF, obviously, if it comes, will only help us in terms of our funding cost. But the CLSS will definitely give us a push in terms of the business. And if that comes, yes, there's a possibility we can do better than INR10,500 crores as well, also.

Manan Tijoriwala:

Understood, sir. Fair enough. Sir, I just had a technical question. On the standard provisions, I saw that it has gone up quarter-on-quarter. And on the restructured assets, do we expect any more slippages? And what was the number of restructured assets? It was I think INR520 crores at the end of March.?

Suresh Iyer:

See, in terms of the restructured book, we had originally INR670 crores, but now that figure has come down to about 5,081 loan accounts, and I'll just give you the number. So in terms of that

itself there is no specific trend or anything that we see in terms of any further pain in the restructured book. It is just saving just like our normal book is there. So I think restructured book is not any reason for it. It's a normal cyclical reason only for the slight increase in the NPA.

Presently, our portfolio is around -- total NPA and our restructured book, which is about INR106 crores is about 18% of our book. So I guess a reverse calculation. So we have about INR580 crores of restructured portfolio is still in our books approximately. And INR106 crores, which is about 18% is the NPA in that.

Manan Tijoriwala: And any reasoning for the standard provisioning to go up?

Suresh Iyer: No. I think if you look at the coverage, it was 49%. Now it is 47%. So as such there is no -- it's mainly -- I mean, if you look at the percentage, it is remaining the same.

Manan Tijoriwala: I'm asking on the standard provisioning not the NPA provisioning, that I could make up the coverage. But I think on the standard provisioning, the number has gone up?

Suresh Iyer: Nothing major. I don't think there is anything major. Maybe it is just a calculation. It is just a calculation. So you're talking about this, this INR 172 crores, which is as per the ECL model, it is purely based on the ECL model. So there is no any single thing that we would like to -- nothing special about it.

Moderator: The next question is from the line of Shweta from Elara.

Shweta: Yes. Sir, given that we are expecting positive announcements on the budget front and considering our ticket sizes have gone up about INR 20 lakhs, so what percentage of our portfolio on the asset side will be positively impacted?

Suresh Iyer: See, if you look at our AUM, , we have about 47% of our portfolio today is below INR20 lakhs. And in terms of incremental disbursement, close to 40% of our incremental disbursements last year were in the below INR 20 lakh segment. And if you also see a slide on CLSS, the portfolio where the CLSS was offered, the average ticket size is about INR 16.33 lakhs.

So in fact, it is this 40% of the book where the average ticket size is below INR 20 lakhs. I think that 40% of the book incremental portfolio is where we would expect to get an advantage. But having said that, we are also looking at opening branches this year. We have a target of 15 branches this year and we plan to open all these 15 branches in the Tier 2 towns. So those Tier 2 towns, obviously, will also have a ticket size below INR 20 lakhs or INR 25 lakhs. So there that also going forward will help us in terms of our CLSS benefit that we can pass on to the customers.

Shweta: Noted, sir. Sir, secondly, you alluded to the fact that incrementally our focus in the recent periods has been on self-employed customer category as well as we've been pushing LAP. Now this is by design or demand because where I'm coming from is, are we seeing competitive intensities flaring up in our home turf markets and in the home loan space, which is wanting us to slightly change our portfolio mix, although Y-o-Y basis, we have not seen significant change, but going forward, any change in AUM and portfolio mix because of competitive intensity?

Suresh Iyer:

Yes, sure. See Shweta, basically, it is not because of any competitive intensity or anything. Of course, LAP has always been a portfolio where demand has been high, but we consciously had not offered LAP as a product for our customers. Whatever minimal limited 5% business that we have under LAP was only to existing customers in the past. So basically, what we have done is we have only slightly offered it as a separate dedicated product to our customers. That is why we are saying that this LAP might slightly go from about 5% to about 7% in a year or so.

Second, as regards the self-employed segment, see that demand today is obviously increasing because based on our appraisal standards, we have been giving self-employed we don't have a self-employed product for appraised income or for surrogate income categories, okay? So obviously, that was limiting our scope of funding to this segment.

But going forward, with GST, with all those UPI payments and everything, the segment of self-employed, which is filing returns, and which is falling within our eligibility norms has also been increasing. So that is why slightly our self-employed segment has also been going up. And to be very frank, we still don't do products, which are under appraised income or surrogate income categories. But now the government is also targeting a dedicated product based on the UPI collections or the collections received under -- through these online channels and all and also GST.

So there is a possibility we may also look at the separate product for this particular segment because there is also a push from the government and a more acceptability in terms of the refinance and everything. So that is something, which could happen. But as of now it's more because of a conscious call within rather than because of any competitive pressures.

Shweta:

Noted, sir. Sir, I'll just squeeze in one more question related to your second point. So you have been guiding INR 30 billion of disbursements for Q2 and Q1, we clocked INR19 billion of disbursement. So I understand you have been mentioning this even in your opening remarks. But is it that Q2 is going to be much stronger this year than past 2 years that we are seeing this sharp jump from INR19 billion to INR30 billion because you mentioned June was very good, much better than March and July has been picking up well. So this INR19 billion to INR30 billion sort of strong traction, what would you allude this to?

Suresh Iyer:

No, I mentioned INR 2,500 crores. That is not INR3,000 crores. INR2,500 crores in Q2. And going forward, it will be around INR2,800 crores, INR2,900 crores in Q3 and INR3,200 crores or round about -- thereabout or INR3,300 crores in Q4, that is how we plan to achieve our INR10,500 crores numbers and not INR3,000 crores. So at least in Q2, we are -- from INR1,850 crores, we are moving to INR2,500 crores. And as I said that the INR1,850 crores also is a little subdued because for April and May month, whereas our June definitely gives us the confidence that INR800 crores monthly run rate is definitely possible, looking at what happened was the number in June and what we are looking at for July as well.

Moderator:

The next question is from the line of Pavan Kumar from Ratna Traya Capital.

Pavan Kumar:

Suresh, can you please reiterate your growth guidance for this current year? And also, can you comment on what would be the steady-state spreads from here on?

- Suresh Iyer:** Sorry, can you repeat the second question, please?
- Pavan Kumar:** Spreads and NIMs in the steady state, what do you expect -- where do you expect them to settle down?
- Suresh Iyer:** Yes. See, in terms of the growth guidance, we continue to have the same growth guidance for this year that we plan we are targeting INR10,500 crores disbursement, which will give us our net addition around INR5,500 crores to the book. So around INR40,000 crores to -- between INR40,000 crores and INR41,000 crores is what we are targeting as the end portfolio number, which will give us about a 15% AUM growth.
- In terms of the spread, we had given a guidance of 2.5 plus, and we continue to hold that even now, although our present number is 2.54%, and maybe 2, 3 bps can further go up from here without the NHB refinance, and with NHB refinance, it could further bring down our borrowing costs. But having said that, our guidance will still be 2.5 spread and 3.5 NIM.
- Pavan Kumar:** Okay. And can you also just give us an idea of why were the, I mean, GNPA is higher this particular quarter? Was there any specific reason in the system? Or I mean, what it led to -- because they are seeing across the board, got minor increases. So what has been the cause of this?
- Suresh Iyer:** As I mentioned earlier also, there is no particular reason. I mean, any particular geography or any particular trigger for this. It's more of a cyclical thing where post March pressure and all the recovery focus that we bring in was that you have to give a little breather to the customers. And therefore, this is a bit of a cyclical trend that in Q1, it goes up. Q1 FY'24, it went up by about INR31 crores, and this quarter, it has gone up by about INR39 crores.
- And it is spread across all the geographies, there is no specific trend to it. A little bit here, a little bit there has gone up across. But one thing is that none of the cases are the cases where there is any stress in terms of the customers or anything wherein there is some reason for any default. It is more of an intensified efforts in terms of recovery will definitely bring down like it has normally happened in Q2 onwards.
- Pavan Kumar:** Okay. And can you just give us the NHB incremental borrowing number that you wish to do in FY'25? And what's the...
- Suresh Iyer:** I can share what are the rates at which we are borrowing currently. Okay?
- Pavan Kumar:** Okay. What is the rate?
- Suresh Iyer:** Borrowings are long-term term loans and all, we are getting at 7.95%. And a recent one, we have just got a sanction at 8%. This is in terms of our 10-year long-term bank borrowings that we are raising. In terms of the CP, we are now getting at a 7.2% to 7.25%, and in terms of NCD, the last raise was in the month of March, end of March, which we actually picked up on 3rd of April. That was around 8.18%, INR 900 crores.

So since then in Q1, we have not raised any NCD, we have not raised any NHB refinance, but traditionally NHB refinance, if the AHF comes, we expect the funds to come at around 6.75%, but that's, of course, subject to the approval and everything. So I wouldn't want to comment on this thing. Right now, bank borrowing 7.95% to 8%. Banks are also giving us the short-term lines of credit, very short term, which would be in the range of around 7.4% to 7.5%.

Moderator: The next question is from the line of Vijay Singh Gour from Sharekhan.

Vijay Singh Gour: Yes. Just could you give us some light on credit cost?

Suresh Iyer: Yes. Vijay, see, right now, since this is a onetime spurt and we believe that the NPAs will not go up further from here, so we continued -- the major portion of the provisioning that has happened has been already front-ended. So we still believe that around INR 45 crores or thereabouts will be the final or roughly thereabouts would be the final provisioning for the entire year, if the NPAs go down. So having said that, our credit cost would be in the range of about 12 bps.

Moderator: The next question is from the line of Mohit Jain from Tara Capital.

Mohit Jain: I got disconnected the time when you're discussing about this, so I just wanted to have sir, if my understanding is correct in case of CLSS, the end consumer gets the loan at a very lower rate, and we get correspondingly the interest subsidy from the government. How is this Affordable Home scheme is going to work? Are we going to get the same kind of a differential or is it going to be different from CLSS?

Suresh Iyer: No, no. CLSS is different. See, in case of CLSS, like I mentioned, our portfolio, we have done about INR6,000 odd crores of this thing -- funding we have done under CLSS. And against that we have got total CLSS subsidy claim of about INR975 crores, okay? So what happens is, in case of CLSS, we give loans to our customers like a normal eligibility like a normal loan we give to a customer.

There is no difference in terms of the rate of interest or the product or anything. If the customer qualifies under the criteria for CLSS, that is mainly in terms of the first-time homeowner separate family unit, typical size of the unit size, the family income benchmark and all those things. If all these studies are complied, then we have to submit a claim to the nodal agency which, in our case, will be NHB.

And from there, through the government, the subsidy is released. Now suppose as per our calculation, the average ticket size of the CLSS of the loan given to a CLSS customer was INR16.33 lakhs and the average was INR2.41 lakh was the average subsidy. So if we have given INR16.33 lakhs loan to the customer, then when the subsidy of INR2.41 lakh comes, then we have to directly credit to the customer's principle and the principle of the loan comes down.

So INR16.33 lakhs will come down by INR2.41 lakh and it will be somewhere in the range of about INR12-point-something lakhs. So the customer's rate of interest will remain the same. Customer's everything will remain the same except that the loan will come down and the immediate benefit will have to be that the EMI of the customer will have to come down.

So say, for example, a customer's income was INR40,000, we have given them a INR16.33 lakh loan, and his EMI was coming to say INR17,000. The moment this INR2.41 lakh is credited, his EMI will come from INR17,000 to around INR14,800 or something. That is how it works, okay?

So in terms of the CLSS, there is no interest rate benefit that we get, except only the customer, he gets the benefit in terms of the subsidy, which is translated in terms of a lower EMI and a lower loan outstanding, whereas the AHF is a little different. AHF is a funding, which is given to the lending institutions at a lower rate of interest for onward lending to customers. So under the AHF, earlier we used to get at a rate of 4.5% or 5% from the government -- from the NHB. And it was coupled with 50% AHF and 50% regular finance, so our blended cost used to be around 6.75% or 6.5% actually.

Whereas now the last discussion that we had, the government will pass on some budgetary allocation to the National Housing Bank for onward lending to institutions like us where we will borrow at 6.75% and we can lend up to a rate of 11.25% with a spread of 4.5%. Earlier, the spread cap was 4% and now the spread cap has been increased and proposed to be increased to 4.5% as per the discussion that we had.

So what it does is it gives us -- first of all, an additional avenue for raising funding. And two, it is a lower cost fund for us, which is lower than the rate at which we normally borrow from the other institutions. So these are the benefits in terms of the AHF. They are completely two different products. The CLSS first demands, the AHF provides capital funding to the lending institutions. One is for demand; the other is for providing the funds.

Mohit Jain: Understood. And sir, any rough idea you have regarding the size, which government can allocate for this AHF?

Suresh Iyer: No, I don't have anything on that. But we are hopeful that I mean, we are praying that it will be a good handsome amount. That's it, nothing beyond that. But it looks from the government side that the government is very, very keen to push the affordable housing, so we are hopeful that it should be some positive number.

Mohit Jain: Okay. And just final to conclude. So you believe it's likely that the push from the AHF side is going to be higher as compared to the CLSS push? Or it's going to be a combination of the two, which one is more likely?

Suresh Iyer: It is preferred to be a combination of both. And as I said, for the supply, the government has done something. So from the demand is the second and the third is the availability of funds. So the CLSS and AHF can provide that gap in terms of the spur on demand and the availability of funds. So if both come that will be an absolute cracker of a decision.

Moderator: The next question is from the line of Gaurav Jani from Prabhudas Lilladher.

Gaurav Jani: Sir, hopping a bit on the CLSS, right? So I assume last year, the disbursements were 0 because the scheme was not continued. We see it as INR1,901 crores for FY'23, but it was 0, right, for '24?

Suresh Iyer: Sorry, I was -- you were a little muffled. Can you be a little clearer, please?

- Gaurav Jani:** Yes, I'll just switch to the handset system. Sir, what I was asking you is last year, the CLSS -- FY'23, the CLSS disbursals are mentioned at INR1,901 crores in the PPT. Last year, it would be 0, right, because the scheme was not continued?
- Suresh Iyer:** No, it is in FY'22-'23. We have not given last year because last year, you are right, there was no -- if you see the graph the year is '22-'23.
- Gaurav Jani:** Correct. Because last year would be zero, right? Just want to clarify that.
- Suresh Iyer:** Yes, last year was zero because the scheme itself was not there.
- Gaurav Jani:** Understood. And hence, sir, on a stock basis, right, so what will be the CLSS-linked AUM?
- Suresh Iyer:** CLSS, we have about 40,000 customers. I will have to check what is the outstanding balance because some of the loans would have got closed and there would be a closing -- this repayments also. And the figure that we have given is INR6,572 crores is...
- Gaurav Jani:** Got sanctioned. So it'll be lower than that, right?
- Suresh Iyer:** It will be much lower because INR974 crores was straight reduced from that the moment we got the credit and passed it on to the customer. But over and above the INR974 crores also, there will be some prepayments. I guess, probably it would be not more than about INR5,000 crores, but I'll still come back to you with the correct figure because it's just offhand return. I'll come back to you, Gaurav.
- Gaurav Jani:** Okay, sure. And sir, just to clarify, how do we define affordable is basically ticket size below INR20 lakhs, right?
- Suresh Iyer:** No. Actually, there were multiple criteria for defining our eligibility under CLSS. One was the income segment was one, wherein for EWS, it was a different segment. For LIG, the income was up to INR6 lakh family monthly annual family income was up to INR6 lakh was LIG. MIG, there were MIG-1 and MIG-2, which was INR6 lakh to INR12 lakh was MIG-1 and INR12 lakh to INR18 lakh was MIG-2. So one of the criteria is family income. The second criteria was the size of the unit, which was 60 square meters. The third criteria was it was only for urban cities.
- So initially, about 4,041 towns were identified. Subsequently, it was increased to around 17,000 towns totally. And the fourth criteria, of course, it has to be the first dwelling unit of the family. So these were, I think, some of the criteria. I might have missed 1 or 2. So these are the broad criteria. This year, therefore, if you look at it, roughly, it comes to INR25 lakhs in other areas and metros, it was INR35 lakhs. That was also the limit in terms of the loan amount. So this year also, we expect that probably the limit will remain the same of INR25 lakhs.
- Gaurav Jani:** Okay. And sir, this INR25 lakhs and INR35 lakhs will be standard across companies? Or it will differ?
- Suresh Iyer:** No, it is across companies, but it is linked to the city. So if it is a metro, then the ticket size can be up to INR35 lakhs. If it is other than the metro, it is INR25 lakhs.

- Gaurav Jani:** Sure. Understood. This helps, sir. Just last question, sir, just to clarify, full year basis, we did about a 3.6% margin in FY'24. Assuming you said that spreads would sort of be stable from here. So safe to assume on an average basis, we are looking at 3.5% for FY '25?
- Suresh Iyer:** You're talking about NIM, right, NIM of 3.5%, yes. And spread of 2.5%. Our spread last year was 2.66% ending, and this quarter, it is 2.54%, but our guidance was 2.5% plus, and we continue to hold the same. 2.5% spread for the year and 3.5% NIM for the year.
- Moderator:** The next question is from the line of Anusha Raheja from Dalal & Broacha.
- Anusha Raheja:** Sir, on the affordable loans, what is our share as a percentage of total outstanding loan?
- Suresh Iyer:** Our outstanding portfolio, as I mentioned earlier, we have about 47% of our outstanding portfolio in the ticket size of below INR20 lakhs. I don't have the breakup of INR20 lakhs to INR25 lakhs. I'm giving up to INR20 lakhs. About 47% of our outstanding book. And incrementally, last year, we did about 39% of our incremental disbursements I stand corrected. 34% of the incremental disbursements were in the below INR20 lakh segment. I stand corrected, I'm sorry. And the outstanding portfolio is 45% of the outside book is in the below INR20 lakh segment and 34% in terms of the incremental disbursements is in the below INR20 lakh segment.
- Anusha Raheja:** Okay. And sir, in terms of spreads?
- Suresh Iyer:** In terms of spreads? Hello? Anusha, we lost you. Can you please repeat your question?
- Anusha Raheja:** And sir, in terms of the spreads, we had 2.67% in FY'24, and you're talking about 2.5% for FY'25, right? So you said that you will be having higher NHB drawdowns in this fiscal. So despite that we will see spreads falling down by around 10 to 20 basis points. So what will cause the fall?
- Suresh Iyer:** No, I'm not saying that our spreads will come down. In fact, last year also, our guidance was 2.5%, but our endeavour, obviously, is to churn our portfolio, our borrowings and also avail the best possible rates. So our endeavour is always to keep it better than guided kind of spread as well as NIM; however, as a conservative thing, we have mentioned that it will be 2.5%, but obviously, we expect it to be a little better than that.
- Even as we speak in Q1, it is 2.54%, and we have already repriced some of our commercial paper and everything in the month of June, where we expect to get a benefit of about 30 to 40 bps on that portfolio of about INR2,200 crores of CPs. So I mean 2.5% is a conservative guidance, which we definitely will achieve, but our endeavour will be to do better than that. I'm not saying it will come down to 2.5%.
- Anusha Raheja:** And lastly, sir, on this housing fund, which we're anticipating tomorrow in the budget. So that will be only for the affordable or for other housing loans as well?
- Suresh Iyer:** This is kind of keen to push only affordable housing. So I guess in terms of the shortage also, the shortage of housing is mostly in the segment of EWS and LIG only. So therefore, I expect that the government will probably announce only for the affordable segment.

Moderator: The next question is from the line of Shubranshu Mishra from Phillip Capital.

Shubranshu Mishra: Two questions. The first one is on our sourcing. If I do a reverse calculation of our expected disbursements, which is roughly around INR2,500 crores in second quarter and with the average ticket size, we're doing close to 10,000 loan account disbursements in a quarter, of which roughly around 80% or 8,000 is from the active DSA. So again, when I do it on a per month basis, one DSA is doing close to two loans per month.

And as per our discussions, I think there is one marketing guy in almost every plant. So ballpark each guy, each internal employee loan close to three loans per month. So this boils down to maybe 0.5 or maybe 1 loan per week, also is that supposed to increase this productivity to maybe 2 loans per week, which should itself give us a big runway for growth? That's the first question for both DSAs as well as our own employees.

The second is on CLSS. Of course, we have discussed quite a bit on the CLSS, but like you rightly pointed out this, a problem will be supply itself because CLSS got knocked off some time back. And the supply itself would take some time to fructify it before we actually see the disbursements taking off because the developers themselves will have to align to the new CLSS scheme or whatever it is called. And then the supply will come in and then we'll see the fructification in terms of disbursements. Is that a fair assessment on both?

Suresh Iyer: Yes. I'll just answer one by one. See, in terms of the sourcing, your calculation is absolutely right that we have about rather we've also given the breakup of -- who is the top 20 DSAs or how much they are doing. So that definitely there is always long tail kind of a thing where you have some DSAs who are top 20% doing 80% of the business and the usual trend that continues. There is a possibility to increase the number of cases sold through the DSA and also from our individual staff as well.

See, even otherwise speaking, if you look at our productivity, we have about 800, 850 people on ground at the branches who are sourcing -- who are attending to customers and doing business. So on an average, about 4,000 plus loans that are done, we are having a productivity of about 5 cases per staff half per month, which is, I would say, probably the highest in terms of the productivity among the affordable housing finance companies or mid-sized housing finance companies.

So in terms of productivity, there is obviously on a simple math basis, it is definitely possible, but then also we have to look at the back office, the hygiene part of it, the verifications and all those kind of things, physical property visits, customer residence verification. So there are certain issues because of which there is always or there is also a slight bit of constraint in terms of the manpower that we can deploy at branches. But having said that, that 5 cases per staff per month also, we are among the highest in terms of probably the highest in terms of the productivity of staff? So but there is obviously a scope for improvement, which I do take as a point, is definitely possible.

The second, as regards the CLSS, you are bang on, that in terms of construction and mass housing, it will take time. Because the developers will have to align themselves, will have to

start launching new projects and doing it. However, having said that, today, 60% plus of our business is self-construction, wherein individuals actually do their own construction and can do it.

So that definitely can kick start even now as soon as the CLSS is announced, and people who have got plots of land or people who are buying individual plotted land and everything, can definitely start the construction and some benefit can definitely start accruing immediately also an announcement, but you are and that a mass-based or mass scale construction activity following the CLSS announcement will take about 6 months' time to be grounded.

Shubranshu Mishra: Just one follow-up question on the construction part. So given the fact that you agree that the construction will take some bit of time for the alignment of the developers. In that case, the fructification of disbursement for this new affordable housing fund would be really marginal to this disbursement that we are really calling out, which is INR10,500 crores. It would be really marginal if we are only going to rely on the self-construction part of CLSS because we don't get a huge numbers in that case.

Suresh Iyer: I agree. Because this INR10,500 crores is even before we had any discussions on the CLSS or any indication from the government on the CLSS. So this INR10,500 crores disbursement number is excluding the CLSS. And even if as we discuss, it comes on a mass scale basis with a 6-months lag, probably the benefits will be more visible in the next year only. So this INR10,500 crores, we have also considered excluding the CLSS benefit. But yes, it can help a little bit.

Shubranshu Mishra: Sure. And this would also extend to the entire affordable housing industry, that the fructification of the impact on disbursements would take close to a year, right?

Suresh Iyer: Kind of. Because actually last time also, initially, when the government had started CLSS, most housing finance companies were availing the credit or putting up for the CLSS benefit subsidy only after the full disbursement. But subsequently, the government enabled its platform to also take part disbursements. So if it's a self-construction or a stage based construction, then also on a per disbursement, we will be able to take the benefit this year also. So it will be gradual, but yes, it can start initially also based on the stage of construction.

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

Abhijit Tibrewal: Sir, just 2 clarifications. One is, you spoke about a INR1,500 crores line from NHB, which we had not availed because the AHF component was much smaller. So just wanted to understand, typically, July to June is the cycle, right, for NHB?

Suresh Iyer: Correct.

Abhijit Tibrewal: So this sanction that we are speaking about, was it for last year? Or is it for this year?

Suresh Iyer: Yes, Abhijit, a very valid point. See the sanction we had already raised last year itself, but we did not avail it because last year the breakup between AHF, because there was no AHF or a very,

very, very, very miniscule AHF funding with account, which NHB had. So therefore, the ratio was not favourable, so we did not avail it, but this INR1,500 crores was for last year.

This year, probably the sanction could be a little higher also because once we have notnot availed this sanction. Plus in the due course, we have also repaid some NHB, which is as per the normal repayment schedule, so the scope to in fact go for a higher sanction is also possible. But of course, this INR1,500 crores is based for the period from July '23 to June '24 sanctions.

Abhijit Tibrewal: Got it. So essentially, sir, now we'll have to apply for a fresh line of sanction?

Suresh Iyer: We may have to apply for it. Yes, it depends. We have not actually received any indication that they have already cancelled that sanction, but in all likelihood, yes, we may have to have some paperwork for that, yes.

Abhijit Tibrewal: Got it. And sir, the second question I wanted to ask you is, I mean, given that you highlighted AP and Telangana actually impacted our disbursements. So when you look at Y-o-Y in 1Q, I mean, how much was AP and Telangana down?

Suresh Iyer: The AP and Telangana both put together were has been in fact a much, much higher impact in Telangana as compared to AP. AP was about 15% down whereas Telangana was much higher because last year, Telangana, in fact, also constituted a very high percentage of our disbursement. It was about 25% to 27% of our Q1 FY'24 disbursement was from Telangana.

It was actually a very fast thing because demand last year was very, very positive over there. And this year, in fact, it has been affected, so it is almost 40% negative in terms of Telangana alone. In spite of all other states being positive, Telangana has been affected because of this and it has pulled down our overall performance, yes.

Abhijit Tibrewal: Got it, sir. Sir, I mean, when you kind of speak to your ground staff in AP and Telangana, are they saying that this is something that they're seeing for all the other peers as well, everyone is getting impacted in AP and Telangana?

Suresh Iyer: See, in fact, I myself, not fully convinced that it is only because of this one reason. So we will be doing a little deep dive on this aspect, to be very frank. Although it could be definitely there because there was some ambiguity and then there has been a government change. So I definitely would like to have a deep dive before I can convincingly give you an answer. But I do believe there has been some impact because of this.

Abhijit Tibrewal: Got it, sir. And just one last follow-up question here, sir, on the same topic. I mean, having seen April, May, June, July as well. I mean, are these 2 markets picking up? Or are they where they were in the month of May and June?

Suresh Iyer: One thing, in fact, even in Telangana and Andhra Pradesh, in fact, across the board May has been better than April, June has been better than May, across the board, including Andhra Pradesh and Telangana in terms of disbursements.

Moderator: The last question for today is from the line of Jigar Jani from B&K Securities.

- Jigar Jani:** Could you share the disbursement number for the month of June?
- Suresh Iyer:** In June, it was close to INR800 crores.
- Jigar Jani:** Okay. And sir, any further slippages you envisage from the restructured book? I know 18% of GNPA, on a restructured book of INR580 crores, do you envisage any further slippages or most of it is done now?
- Suresh Iyer:** It will be the normal course of some account going here and there, but we don't expect much to the restructured book to impact our NPAs much going forward also. I guess, in fact, we may not even start sharing the separate numbers going forward because now it's almost like more than 9 months have passed since the last restructured portfolio has also come out of restructuring.
- So, there is hardly anything now that can further come as a surprise or anything. It has become a normal part of the pool; normal recovery is going on. So, it's just that we have disclosed. Probably one more quarter we may show it separately. So that one full year passes from the time it has actually closed. Otherwise, we see not much of an impact because of the restructured book.
- Jigar Jani:** And how much of this INR580 crores could be in Stage 2 or it is entirely classified in Stage 2, even if it is not like behaviourally in Stage 2.
- Suresh Iyer:** See, whatever has moved to NPA goes into Stage 3, otherwise everything else, even if it is a regular account or SMA-0 account, it's classified as Stage 2 only for classification purposes.
- Jigar Jani:** Understood. And just last question...
- Suresh Iyer:** Stage 2 or Stage 3.
- Jigar Jani:** Okay. But generally, it might be a Stage 0 account or Stage 1 account basically, definitely, right?
- Suresh Iyer:** Even though it is a Stage 1 that is from the restructured pool, we continue to show it as a Stage 2 only in terms of provisioning.
- Jigar Jani:** And sir, lastly, on the cost-to-income ratio guidance. I think last quarter you were guiding for 18% for FY'25, given we have branch expansion and the IT expense that we are going to incur this year, would we still hold to that guidance for FY'25?
- Suresh Iyer:** Yes, we will still hold on to the 18% guidance, but it all depends on when our actual costs pick in, in terms of our second phase of our IT upgradation. Because for Phase 1 of our IT upgradation, we have approximately about INR3 crores increasing every quarter. That has already kicked in from Q4 of last year. From January onwards, our monthly rental cost for all the enhanced version of our CBS has already gone up, and that is already factored into our Q4 of last year and Q1 of this year.
- But the further jump, which we are envisaging from when our second phase of IT upgradation happens, that's it all depends on when it happens. So if it is a little front-ended in this year in the third or fourth quarter, then it will go up. So keeping that in mind, we have guided for 18%. If that doesn't happen, probably it could be a little lower at around 16%, 17% also.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Suresh Iyer: Thank you. Thank you very much. I thank all of you for joining this earnings call for Q1 FY'25 results. And for all the detailed questions and analysis, thank you very much. In case there are any further questions, you are most welcome to get in touch offline as well. Thank you. And thank you to Investec also. Nidhesh, thank you.

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