HFFCIL/BSE/NSE/EQ/NCD/97/2026-27 **Date: 03-11-2026**

To, **BSE Limited**, Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400001. Scrip Code - **EQ:543259 NCD:978097**	To, **The National Stock Exchange of India Limited,** The Listing Department, Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai- 400051. Scrip Symbol- **HOMEFIRST**

Sub: Transcript of the earnings conference call for the quarter and half year ended September 30, 2026

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and half year ended September 30, 2026 conducted on Wednesday, October 28, 2026 for your information and records. The Company had referred to publicly available documents for discussions during the call.

The above information is also available on the website of the Company: www.homefirstindia.com

This is for your information and records.

For **Home First Finance Company India Limited**

SHREYANS BACHHAWAT

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Shreyans Bachhawat
Company Secretary, Compliance Officer and Head - Legal
ACS NO: 26700

"Home First Finance Company India Limited Q2 FY27 Earnings Conference Call"

October 28, 2026

MANAGEMENT: **MR. MANOJ VISWANATHAN – MD & CEO**
MR. AJAY KHETAN – DY. CEO AND CBO
MS. RINKOO SOMANI – CFO
MR. SUNIL ANJANA – HEAD, TREASURY AND INVESTOR RELATIONS

This document is a transcription of the conference call conducted on 28th October, 2026.

Click here to listen to the original audio.

Disclaimer: This transcript is edited for factual errors and does not purport to be a verbatim record of the proceedings. The reader is also requested to refer to audio recording of the call uploaded on the company website here on 28th October, 2026. In case of discrepancy, the audio recordings will prevail. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of Home First Finance Company India Limited.

Moderator: Ladies and gentlemen, good day, and welcome to Home First Finance Company India Limited Q2 FY27 Earnings Conference Call. 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 this conference call, please signal an operator by pressing'*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Anjana - Head, Treasury and Investor Relations of Home First Finance Company India Limited. Thank you, and over to you, sir.

Sunil Anjana: Thank you, Iqra. Good evening, everyone, and welcome to Home First Finance Company's Earnings Conference Call for the quarter ended September 30, 2026.

Our Investor Presentation, Press Release and Historical Excel factsheet are available on our website. The presentation and press release are also available on the stock exchanges. We hope you have had the chance to go through them.

Joining us today, we have:

- Mr. Manoj Viswanathan, MD and CEO;
- Mr. Ajay Khetan, Dy. CEO and CBO; and
- Ms. Rinkoo Somani, CFO.

I now invite Manoj to take you through our performance and outlook.

Over to you, sir.

Manoj Viswanathan: Thank you, Sunil. Good evening, everyone. Before we begin, I would like to welcome Ms. Rinkoo Somani, our new CFO, to Home First, and we look forward to her contribution to the Company's continued growth and success.

With that, let me turn to our performance for the quarter.

Home First second quarter performance reflects our focus on growing the franchise while strengthening its earnings capacity. AUM increased by 27% year-on-year, while profit after tax grew by 29.1%. This growth was accompanied by stable early delinquency indicators and improvement in gross Stage 3 and lower operating cost ratios.

At the end of September 2026, AUM stood at Rs. 18,010 crore, up 27% year-on-year and 6.3% sequentially. Quarterly disbursement reached Rs. 1,705 crore, an increase of 32.2% year-on-year and 4.7% sequentially. This expansion in the business translated to profit after tax of Rs. 170 crore, a growth of 29.1% year-on-year and 6.5% sequentially, supported by a 31.9% growth in net interest income and improved operating efficiency. Return on assets remained healthy at 4.2%, while return on equity improved by 40 basis points to 14.9%.

The relationship between growth, portfolio quality and profitability is central to how we assess our performance. I will take you through each one of these, along with the investments and funding capacity supporting the next phase of growth.

We continue to build distribution capacity during the quarter, adding 6 branches and taking our network to 181 branches and 379 touch points.

As the network expands, our focus remains on combining customer reach with branch productivity and disciplined execution. Individual housing loans accounted for 84% of the portfolio, while origination yield, excluding co-lending, was 13%.

Our key markets of Maharashtra, Gujarat and Madhya Pradesh continue to deliver strong growth compared to previous year's first half, while maintaining healthy portfolio quality. UP, Rajasthan, NCR and Karnataka recorded strong year-on-year growth. Tamil Nadu, which was marginally down on a year-on-year basis in H1, returned to growth with a 12% increase in Q2, reflecting early signs of a strengthened team. Overall, disbursement grew 32% year-on-year in H1 and 5% quarter-on-quarter in quarter 2. Overall, the network remains well positioned to drive profitable growth while maintaining a strong focus on portfolio quality.

Portfolio growth continued to be accompanied by stable asset quality. Both early delinquency indicators were unchanged sequentially, with 1+day past due at 4.7% and 30+ days past due at 3.2%. Gross Stage 3 improved by 10 basis points sequentially to 1.7%.

Credit cost for the quarter was 40 basis points. Stage 3 provision coverage was 23.6% at the end of September. We also continued to hold management overlays above ECL requirements. Including these overlays, total provision coverage to Stage 3 was 46.4% as of Sept'26.

As the portfolio scales, preserving underwriting standards and collection discipline remains a priority. The combination of stable early delinquencies, lower Gross Stage 3 and contained credit cost provides the context for this quarter's growth.

On technology and productivity, technology remains a key differentiator for Home First. It is lifting productivity, sharpening underwriting and supporting scalable growth. Our digital-first foundation and structured data have prepared us well to apply AI across the lending lifecycle. Four in-house developed capabilities are live today.

- **Cue** records and analyses 95% of customer calls. **ClariFi** prepares a single case page for underwriters on 100% of the loan files.
- **BankLens** turns a bank statement into cash flow view in about a minute.
- And **DocIQ** reads all documents that form basis for underwriting and other operational activities.

Together, they are shortening turnaround times and lowering document handling costs, while every credit decision stays with our underwriters. Over the next 18 months, we will move from these point solutions to one shared data and decision platform and extend AI into sourcing, collections and servicing in phases.

Let me now take you through the financial performance for the quarter.

With respect to income yields and margin,

- The total income for the quarter stood at Rs. 567 crore, registering a growth of 18.4% year-on-year and 5.0% sequentially.
- Both portfolio yields, excluding co-lending, and disbursement yields stood at 13%, reflecting consistency in pricing discipline and quality customer acquisition. On the liability side, our cost of borrowing remained at about 7.8%, while the incremental borrowing cost stood at 7.5%.
- Consequently, our spread, excluding co-lending, remained healthy at 5.2%, while net interest margin remained at 6.0%.

Moving to operating efficiency and profitability,

- Our cost-to-income ratio improved to 30.8% compared to 32.7% in the preceding quarter, reflecting continued improvement in operating productivity as we scale our business.
- Operating cost to assets stood at 2.6% compared to 2.8% in the previous quarter. Pre-provision operating profit grew by 26.1% year-on-year to Rs. 238 crore, reflecting the operating leverage of our business model as the portfolio scales.
- Profit After Tax increased to Rs. 170 crore, registering a growth of 29.1% year-on-year and 6.5% sequentially. Return on Assets stood at 4.2% and Return on Equity improved by 40 basis points sequentially to 14.9%.
- Overall, we continue to focus on improving operating efficiency while investing in the capabilities required to support our next phase of growth.

Moving to provisions and asset quality.

- Credit costs remained contained at 40 basis points during the quarter.
- Provision coverage on Stage 3 assets stood at 23.6%. In addition to provisions required under ECL framework, we continue to maintain management overlays.
- Including these overlays, our total provision coverage to Stage 3 stood at 46.4% as of September 2026, providing an additional cushion against potential risks.

Coming to the funding profile,

- A diversified funding base continues to support our growth. As of Sep,'2026:
    - private and public sector banks accounted for 58% of our funding,
    - while NHB contributed 14%. Assignment and co-lending accounted for 20%,
    - with the balance coming from NCDs, ECBs and NBFCs.

During this quarter, we executed direct assignment transactions of Rs. 281 crore. Co-lending disbursements stood at Rs. 1.8 crore during the quarter, taking the co-lending portfolio to Rs. 593 crore or 3.3% of the AUM. Along with partners, we are strengthening the infrastructure and operational capabilities to unlock the full potential of the co-lending channel, enabling wider customer reach, capital-efficient growth and enhanced operating productivity.

Turning to capital adequacy,

- Our capital position provides capacity to support the business as it expands.
- Capital to risk-weighted assets was 39.8%, with Tier 1 capital at 39.4% compared to 42.6% and 42.2% at the end of June.
- Net worth stood at Rs. 4,665 crore and book value per share is at Rs. 446 as of Sept'26. Our capital position continues to provide a strong foundation for pursuing our growth plans.

We certified a further 100 homes in our Green Homes initiative during the quarter, taking the cumulative number of certified homes to 650.

Home First also received the 'ESG & Financial Inclusion' Award in the NBFC category at ASSOCHAM's 21st Annual Summit & Awards for Banking & Financial Sector Companies.

Looking ahead, our focus is on converting the capacity we are building into sustained portfolio growth and earnings. This means maintaining underwriting and collection discipline as we expand, managing margins through asset pricing and funding decisions and improving productivity while continuing to invest in the franchise.

As we progress on our growth journey, our priorities remain clear: delivering consistent profitable and risk-calibrated growth while strengthening our franchise and creating sustainable long-term value for our stakeholders.

Lastly, I would like to reiterate what I stated during our Jan 2026 earnings call. I remain fully committed to Home First and its long-term future.

My current term as CEO extends until July 2028, and I intend to remain available for reappointment beyond that, subject to the requisite approvals. My priority continues to be execution on our strategic objectives and creating sustainable long-term value for our shareholders.

With that, we will be happy to take your questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Renish from ICICI Securities Limited.

Renish: Congrats on a good set of numbers. Sir, two questions. First, many lenders have highlighted that some districts in MP and Gujarat are affected by drought. I just wanted to understand what is our exposure in this drought-declared areas? And secondly, how do you see disbursement and asset quality spanning out in particular for this area?

Manoj Viswanathan: Asset quality in Gujarat and MP have been fairly consistent and very good, compared to our national numbers. As far as the drought-related issue is concerned, our business is basically serving customers in the manufacturing and service-related segments.

So, our customers don't have too much of an overhang or involvement or any dependence on the agricultural sector. Things like drought or monsoon do not have that much of an impact on repayment track of our customers. That is what we have seen over the last several years. So, we don't see as such any significant impact of the drought on our customer segment.

Renish: Got it. On the disbursement front, would you want to tighten your credit filters for some time in those areas? And in that case, do you see any impact on the disbursement trajectory getting into second half?

Manoj Viswanathan: On credit filters, it is ultimately an individualized approach. Each customer is going through filters, and we are taking a customized call on each customer. So, obviously, if we find any customer who is involved in agricultural sector or any dependence on agriculture, then we will take appropriate calls. But as of now, we are not seeing anything of that sort.

Renish: Got it. Last clarification, while calculating FOIR, do we consider agri income for any of the customers or we just don't give any weightage to agri income?

Manoj Viswanathan: Such cases will be very rare because we do not get customers from that segment. Mostly our customers are people who have left their villages or small towns and gone to larger cities for employment. So, we don't find such customers.

Renish: Got it. On spread, now since we are entering a rising rate cycle and we have already seen a few players raising PLR rate. Is it fair to assume that spreads have bottomed out and from here on, we will see improvement trajectory going ahead?

Manoj Viswanathan: We are running a fully floating rate book, and we are committed to maintaining a 5.0% to 5.2% spread, which is what we have always articulated. If the borrowing cost moves up, we will pass it on to the customer eventually. Ultimately, we have to maintain the 500 to 520 basis points spread.

Renish: Okay. So, we are confident of maintaining 5.2% spread. And do you foresee any upside to that spread because historically, we have been operating at 5.5% spread. So just wanted to understand, let us say, if a rising rate cycle gives us some opportunity to pass on those higher rates to the customer, then in that case, could this provide an opportunity to improve our spreads beyond the 5.2% guidance?

Manoj Viswanathan: No. Spread of 5.5% or higher, was witnessed only for a short phase post-COVID, when the borrowing costs declined sharply during that period. Post that and even while we were enjoying those kinds of spreads, we had always articulated that these high spreads were not sustainable, and we will be closer to 5.0% to 5.25%. That is what we continue to maintain, and that we should be able to sustain.

Moderator: Next question is from the line of Shreepal Doshi from Equirus Securities.

Shreepal Doshi: Congrats on a good set of numbers. My question was on the PLR increase. While we have not taken any hike as yet, while the systemic rates have gone up, when do you plan to take any rate

hike? And with respect to margins also, this quarter, there was some marginal decline. But overall, where do you see margins stabilizing for the full year?

Manoj Viswanathan: Again, our commitment is to maintain the 5.0% to 5.2% spreads. Right now, we have not taken any PLR increase because our borrowing cost has also not moved up post the repo rate change. As and when the borrowing cost transmission happens, we will hike the rate. And now the new RBI draft guidelines have been issued on how the rates need to be set and when we can reprice customers, etc.

Broadly, we will follow that framework. The spirit of the guideline is that when the borrowing cost moves, we should be able to transmit it to the customer. That is how we will go about it.

Shreepal Doshi: Sir, this 25-basis point increase right now by RBI, and let's say there's another 25-basis point increase in December. In that case, for the full year, what is the cost of fund increase that we expect in terms of basis points, if you could give some colour there?

Manoj Viswanathan: We have about 30% direct exposure of external benchmark-linked rates 25 basis points will basically translate into about 10 basis points in borrowing cost movement for us over time. So, a 50 basis points change cumulatively what you are talking about will eventually lead to maybe a ~20basis points transmission over a 3 to 6-month period. So, as and when that happens, we will then reprice the customers.

Shreepal Doshi: Got it. And the second question was on the insurance distribution fee-related draft circular. Insurance distribution fee does contribute to our P&L in a decent form. How do you see that impacting us? And what levers do we have there?

Manoj Viswanathan: The final impact on our ROA is about ~35 basis points. So, we have to basically make up for the 35 bps. We are hopeful that out of that 35bps, about maybe 10 bps will eventually come back as a concession from the insurance authorities. So, eventually, we will have to make up about 20-25 basis points. We have multiple levers to make up for this

As you know, we have a low share of loan against property in our books. That is one lever that we have at our disposal where we can increase the share of LAP. We can increase the share of assignment to get some additional income. And the balance we can make up through a slight change in the pricing or slight change in the fee. It should not be difficult to make up 20-25 bps is how we are looking at it.

Moderator: Next question is from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Congratulations on good numbers. My first question is on this growth and the execution rhythm that we are now demonstrating. Are we confident that we will maintain this execution rhythm in the coming quarters as you don't seem to be seeing any demand or asset quality issue at this point in time?

Manoj Viswanathan: Yes. I think there were a set of issues which we were going through last year, which have got addressed. And since last 3 quarters, we are experiencing a very good momentum and very good

stability in the teams across various regions. We are looking to capitalize on that and continue this momentum. We don't see as such any risk in the numbers that we are talking about.

Rajiv Mehta: And consequently, this ROE improvement trajectory that we have been now also delivering about 20- 30 basis points every quarter, given that the credit cost should remain stable in your assessment of asset quality, then the ROE improvement of 20 to 30 bps will also be very consistently coming through, right, every quarter? or is there a target for exit ROE, say, for next year, Q4, say, FY28 exit ROE, are we looking at 16%, 16.5% kind of a number there?

Manoj Viswanathan: This quarter, we had 40 basis points improvement in the ROE numbers. But broadly, we are targeting an exit ROE of 15% this year. But as I am looking at the numbers now, it looks like that there should be an improvement on that.

And next year, i.e. FY28 March, we are looking to exit at ROE of 16%. So yes, looking at the current momentum, it looks like we can probably exceed those numbers. But our target is 15% exit for this year and 16% exit for next year.

Rajiv Mehta: Okay. And just one thing on the yields. When I look at your origination yields, they have been stable at 13%, despite the fact that when I look at the mix shift in the book, more of the book is moving towards more than 25 lakh loans, which means that from the origination point of view, you've done more business on the relatively higher ticket size, but your origination yield is not dropping. Are we able to get good yields even in a slightly relatively high-ticket segment because of the assessed income profile of the customer and hence, there's no dilution in the increment yield?

Manoj Viswanathan: Yes, you are absolutely right, and which is what we have been also trying to convey since some time that the borrower profile remains the same, it's just that the borrowers' incomes have increased over time. Because their challenges remain the same in getting a loan, we are able to get good yields from that segment too. The compression in yield in Rs. 25 Lakh plus segment compared to a less than Rs. 25 Lakh is very, very marginal. It is insignificant.

Rajiv Mehta: Okay. And then why did our book yield fell in this quarter, by 10 basis points because the incremental yield is stable at 13%. Previous quarter, the book yield was 13%, but we still saw a drop of 10 basis points. And then if I were to read that with your BT also remaining low at 4%-4.5%, did we reprice some of the loans so as to control the BT number?

Manoj Viswanathan: No, it is not like that. There was a phase when rates were expected to go down. So, we had also passed on that rate to our new customers. Some of that is impacting the book now. It is just a quarter-on-quarter fluctuation. Nothing more to read into it.

Moderator: Next question is from the line of Kunal from Citigroup.

Kunal: A couple of questions. Firstly, on LAP, when we look at it overall in terms of the proportion and the growth, it's been lagging the overall AUM growth now almost at 22-odd percent and closer to 15-odd percent of AUM. How should we see it now going forward? Maybe the stance on LAP, are we now comfortable with the environment and start to grow or we will keep it measured at closer to 15-odd percent of AUM only?

Manoj Viswanathan: Our broad guardrails that we have agreed as a company is that 80% will be housing and the remaining 20%, we can do other products. LAP will remain within that 20%. So as of now, it is running at a slightly slower pace. But broad guardrails are 80% and 20%. We will remain within that.

Kunal: Sir, now asset quality is also stabilizing broadly. This time we saw 1+DPD & our overall Gross Stage 3 being managed quite well. Would that give you much more confidence in terms of again getting on to the growth in LAP or will it be still like a home loan-driven growth?

Manoj Viswanathan: We want to remain strongly committed to the home loan growth, which is what is reflecting in the numbers or the stronger growth in home loans. But we do keep LAP as a kind of headroom that we have, we can increase it by another 5%. So, an increase of 5% in LAP can give us maybe a spread increase of 6 to 7 basis points. That is something that we are keeping as an advantage that we can use later.

Kunal: Yes, especially in the rising interest rate environment that would help support the margins as well. Is it like maybe now would that be the time or maybe we would still want to wait, and see?

Manoj Viswanathan: Yes, because we are not seeing any pressure. We are able to originate housing at very good rates. So, there is no need to use that headroom in LAP, we can keep it for a later date.

Kunal: Okay, sure. And secondly, on opex. This time there was a decent decline in the opex ratios, both cost to income & cost to asset. Is there any one-off within this? No doubt Q1 had a higher base, but in general also, we saw some optimization.

Is there further scope to optimize the opex as we pick up on the growth side, as we are at almost 2.7-odd percent now. And if it sustains or improves from the current level, should we see further levers on the opex or would it continue to be at a similar level?

Manoj Viswanathan: On opex, our commitment is to reduce by 10 basis points every year. So, opex to assets, we would like to push that down by 10 basis points year-on-year. That is what we are working towards. This year, we are on track for that number, but we will keep continuing to work on that.

Kunal: Okay. And one last data point, this bounce rate increase in October, anything to read into this? Or this would be more getting into the festive? We generally see some deferment, which is linked to the bounce rate higher in October compared to that of September and it should stabilize as we get towards the December end?

Manoj Viswanathan: The bounce rate figure is also a function of which day the particular 4th of the month falls in. So, if it is a Saturday or Sunday, then the bounce rate is slightly higher. And if you see last October also, the bounce rate was actually higher than this October. So, in that sense, we are not anxious about that number. It definitely seems to be better than the last year's number.

Moderator: We will take our next question from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Manoj, just trying to understand the momentum has been really good last couple of quarters, especially in terms of originations, the growth has been maybe tracking slightly higher than what

we had maybe targeted at the beginning of the year. I am just trying to understand, in the past, you had spoken about some of the changes that we are doing in the team.

Would you like to comment on what exactly have we done? Are those things moving in the right direction now? If I look at our AUM mix based on the geographical mix, except maybe Tamil Nadu where the AUM growth continues to lag, all other states have started doing very well? So, if you could just comment on that.

Manoj Viswanathan: It is a reflection of the stability in the teams that we have in most of the states. Whatever we had put in place over the last 12 to 18 months is kind of bearing fruit. We have stronger teams in each of these states, and it is what's leading to good growth. Even in Tamil Nadu, we had mentioned that the teams are in place now.

And over the next 2 quarters, we should start seeing a reversal of the trend and the growth coming back. Some early signals are there. And in Q3 and Q4, it should get further strengthened. So yes, it's a reflection of overall stability in the team, slightly lower attrition, all of these factors.

Abhijit Tibrewal: And anything in Tamil Nadu where you are maybe working on the team and you expect things to improve? Or are there any other reasons in Tamil Nadu, which is not allowing us to grow maybe in line with how other states are growing?

Manoj Viswanathan: In Tamil Nadu, the teams are in place now. Last year, there were a couple of regions where there was no leadership, etc, but leadership has been put in place. So, now across the state, we have a fairly stable team, which is now working towards growing the originations.

Abhijit Tibrewal: Got it. And lastly, Manoj, towards the end of your opening remarks, you again clarified that your tenure is till July 2028, and you remain available for re-appointment. I am just trying to understand this thing kind of keeps coming back to us time and again that what are your plans, I remember you had clarified earlier and clarified again today.

I am just trying to understand, are there some conversations happening around maybe you taking up a role which is more strategic in nature at the Board level and then maybe someone else takes up a more operationally intensive CEO role. Are there conversations like this, which are happening? Or I mean, what we keep hearing something we can safely ignore?

Manoj Viswanathan: There is no such conversation going on. Since past several years, between myself and Ajay, we have been handling the execution. There has been absolutely no change in our method of working. And there is no such conversation going on anywhere.

Moderator: Next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain: First question is on branch addition plan for this year and next year. What are our plans to add branches this year and next year?

Manoj Viswanathan: Branch additions, we normally do at a run rate of about 20 to 25 branches a year. So, broadly at the same pace. At the moment, we have added about 10 this year. So, about 10 to 15 will get added in the next 2 quarters.

Nidhesh Jain: Sure. And next year, we also plan to scale up U.P. as a state, right? Are those plans on track?

Manoj Viswanathan: Yes. Plans are on track. U.P., again, we are strengthening the team. We are on track to take U.P. to the next level in terms of growth.

Nidhesh Jain: And lastly, what is the count of active connectors for the quarter?

Manoj Viswanathan: It is about 4,400.

Moderator: Next question is from the line of Adityapal from MSA Capital Partners.

Adityapal: Great set. Congratulations to the team. Just wanted to double-click on what Abhijit asked a few turns back. When I look at the growth ex South, all our geographies are growing above 25% year-on-year. And when I look at the South markets, Tamil Nadu, Andhra Pradesh, Telangana, other than Karnataka all are growing at sub-teens and Tamil Nadu is growing at single digit, which you've already answered.

Is there any specific geography-related issue in the southern markets today? Is it because of higher competition or a credit call that you are taking internally?

Manoj Viswanathan: No, it's not that. Southern markets are slightly different in the sense that it is largely a self-construction-driven market. And therefore, the dynamics are a little different. But having said that, there is no other characteristic as such, which is very different there, where it should lead to a lower growth.

It is a self-construction market. To get that momentum, it takes a little more time because the construction is done in stages, the disbursal happens in stages. You cannot quickly turn it around. Even when the turnaround starts, it takes a couple of quarters to start giving the benefit. Whereas in other markets, it is faster because there are more apartment-driven loans, the sale is quick and the disbursal is also quick.

So that is, one of the basic differences. Otherwise, there's nothing else.

Adityapal: Manoj, if all these geographies had also grown, the growth that we would have posted would have been much larger. So, where I'm coming from is that if Tamil Nadu and the other 2 geographies, i.e. Andhra Pradesh and Telangana start growing, can we say that we can post better growth in the upcoming quarters?

Manoj Viswanathan: Yes. If everything goes well, obviously, growth will become better. But then see, that is the nature of a diverse country, where we are operating in multiple states. There is always a drought in some place, there is some rain in some place. Those things keep happening.

So of course, there are phases when everything goes well everywhere and then growth is excellent. I mean, like we are experiencing now. But there are always sometimes ups and downs. Which is why broadly on a portfolio level, we are saying 25% growth is something that we are confident on.

Moderator: Next question is from the line of Paresh Chaudhari from Latent Advisors PMS.

Paresh Chaudhari: As you have mentioned previously in the call that growth has been pretty broad-based. Just wanted some colour on the fact that we have closed a couple of branches in Rajasthan and also exited a district.

Manoj Viswanathan: Yes. These kinds of changes keep happening. There are places where due to slow growth, they do not meet our expectations. In terms of the pace of growth certain branches don't pick up. So, then we end up closing those. It is BAU for us. Every year, there are 1 or 2 branches, where we think that it is not meeting our expectations, we close those.

Paresh Chaudhari: And sir, secondly, on the ECL coverage of Stage 3, there is a slight uptick. How should I read into it?

Manoj Viswanathan: When we update our probability of default and our expected credit loss for various cohorts, there is movement from quarter-to-quarter. This is just a reflection of that.

Paresh Chaudhari: Okay. And sir, if you could give the breakup of apartments as a percentage of AUM, which we previously used to give, that would be helpful.

Manoj Viswanathan: Yes. Apartments, including the rowhouses, which are also developer-led would be around 30% of our portfolio.

Paresh Chaudhari: And self-construction and only plots?

Manoj Viswanathan: Self-construction again would be 30%.

Paresh Chaudhari: And only plots?

Manoj Viswanathan: Only plot is very, very small, only 1% or 2%.

Paresh Chaudhari: And sir, if you could just help me with DPD 90 DPD?

Manoj Viswanathan: Yes. Stage 3 GNPA is 1.7%. That's a reported number. It is also in the investor presentation.

Moderator: Next question is from the line of Sonal Gandhi from Asian Market Securities.

Sonal Gandhi: Sir, I have just two questions. One is on the co-lending transactions. If I look at the number, the transactions that you have done for the quarter is just Rs. 1.8 crore versus Rs. 46 crore last quarter. We were expecting this number to pick up. What exactly is happening on the co-lending side? And how do we see this number moving ahead?

And second, if I look at your employee cost, that is down about 7% on a quarter-on-quarter basis. And when I look at disbursements, it is up 5% on a quarter-on-quarter basis.

Now how do we see, I mean, the sustainability of this cost to income or opex to assets number, because your disbursements are growing, but your employee cost is coming down, especially given that the attrition has been so high in the past. So, what should be the number that we should look at here in the second half of this year? And why is that the employee cost has gone down?

Manoj Viswanathan: So, first to address the issue on the co-lending part. Yes, this quarter, the co-lending transactions were quite low. And I think last call also, we had articulated that we are working through a set of new guidelines, which RBI had issued and we are working with our partners to get that implemented. So that took us a bit more time than anticipated.

And hence, the transactions did not go through this quarter. But we are almost at the stage, where these are getting addressed. We should definitely see an uptick in numbers in the co-lending in Q3. As far as employee cost is concerned, generally, during Q2 and Q3 there is a lull in terms of new employees who are joining, which is why you are seeing those numbers like that.

There is a large batch of employees who join in Q1 and then the cost goes up a bit. After that, it stabilizes for a couple of quarters. Then again, in Q4 and Q1 there is a next batch, which joins. So, that's the cycle because we basically hire from campuses. There is a campus hiring cycle that we follow.

That is the reason for those fluctuations. On the cost side, as I mentioned, this year, we are looking to deliver 2.6% opex to assets. And broadly, we are committed to a 10-basis points reduction in that on a year-on-year basis.

Moderator: Next question is from the line of Gaurav Purohit from Systematix Group.

Gaurav Purohit: First question is on top-up contribution. Of this Rs. 1,700 crore odd disbursements in the second quarter, how much is coming from top-up? And if you can share how this contribution has trended over the last 3 to 4 quarters, that would be very helpful. Second question is a data keeping question. If you can share with us the average ticket size of disbursements in the second quarter?

And third one, a more strategic question. BT outflows have declined materially over the last 2 quarters. Do you see this as a structural trend? And do you think it is sustainable around this 4% mark? I am sure customer persuasion would be a big factor in bringing this down materially.

What has changed in the last 2 quarters that we have been able to manage BT Out around this level, while in the past, it has been slightly elevated.

Manoj Viswanathan: Top-up numbers broadly are in the 2% to 3% of our disbursals. As far as balance transfers are concerned, we have been talking about this for the last few quarters that we have put in place a set of measures and initiatives to reduce this outflow.

And some of those measures are yielding us benefits. But having said that, it is a very marginal reduction. We used to be at about 5% to 6%. We have brought it down to about 4.5%. We don't want to read too much into it at this point of time. Broadly, we want to convey that balance transfers will be in the 4% to 6% range. And sorry, I missed your second question, which you had on disbursals.

Gaurav Purohit: what is the average ticket size of disbursements in Q2.

Manoj Viswanathan: Average ticket size of new originations is around Rs. 15 lakhs to Rs. 16 lakhs. And we have always conveyed that over a period of time, gradually, there will be an uptick in ticket sizes,

because the aspirations and expectations from customers is slightly larger properties and larger ticket sizes. That number will keep inching up over time, but more gradually.

Gaurav Purohit: Got it, sir. Just one follow-up on the BT out part. Is top-up the main reason that customers are staying back or you are offering them lower rates or both? Which is the more crucial factor here?

Manoj Viswanathan: Multiple things here. , Primarily, it is a 4-step process. First is engage the customer, talk to the customer and understand why they want to go out, etc. Sometimes customers don't understand the cost of transferring the loan. So, spending the time to explain the customer itself saves us some balance transfers.

Then the next step is obviously asking the customer whether they require a top-up. Then the step comes in terms of offering a rate break. So, it is a 3- to 4-step process, which we have put in place and which is yielding results. It is not just one kind of initiative that is helping. It's multiple things that we have put in place.

Moderator: Next question is from the line of Aditya Miglani from Burman Capital.

Aditya Miglani: Congratulations on the great set of results. Just wanted to understand one thing. Given the one repo rate hike that has already happened, would we consider sort of absorbing it in our spreads given that we were still on the higher end of the 5.0% to 5.2% range and not do a PLR increase? or would we only do a PLR increase if probably we see another 25-bps repo rate hike?

Manoj Viswanathan: Broadly we will be following the new draft guidelines that RBI has issued, which is that the final rate to the customer has to be benchmarked to the borrowing cost. And there can be some additions to the borrowing cost. If we follow those guidelines, then yes, there has to be a significant change in the borrowing cost for us to be able to transfer it to the customer. If there's only maybe 2 to 5 basis points, it is logistically not feasible for us to reprice the customer, because it will be a lot of disruption for the customer as well as for us to reprice the customer by just 4 to 5 basis points.

So, when there is maybe a 10 to 15 basis points movement in our borrowing cost, at that point, we will take a decision to change the PLR and transmit it to the customer.

Aditya Miglani: Just to understand, just the one repo rate hike till now doesn't fully warrant a PLR increase as of now in your view.

Manoj Viswanathan: Correct. PLR increase will be ultimately a function of our borrowing cost movement. As you can see between last quarter and this quarter, there is no borrowing cost movement, it has remained flat. Borrowing cost movement is what will warrant a change in the PLR.

Moderator: Next question is from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: I would like to ask which event are you waiting now: for AUM to cross Rs. 20,000 crore, profit rises to Rs. 650 crore to Rs. 700 crore, net NPA to come down below 1%, what is in the mind of our senior staff to reach any of these targets?

Manoj Viswanathan: One of the targets that we have at a senior level is AUM. As I mentioned, 25% AUM growth is what we are targeting. So Rs. 20,000 crore by Mar 2027. That is one of the targets that we have.

And profitability, as we mentioned, we want to exit this year at 15% ROE. That is again another target. And as far as delinquency or portfolio quality target is concerned, we want to maintain it at around 1.7% level, which is the gross NPA of 1.7% or credit cost of around 40 basis points. These are broadly the targets that we are carrying.

Ravi Naredi: And sir, how you hedge ECB borrowing? And what is the cost of hedging?

Sunil Anjana: Sir, we use derivatives to hedge our positions when we borrow from ECB markets. Cross-currency swap is something that we use to hedge our positions. The cost of hedging fluctuates from time to time, and is currently in the range of 3% to 3.5%.

Moderator: Next question is from the line of Vivek Singh from Raise Securities.

Vivek Singh: Sir, my question is on the asset quality front, because if you see in past 3 to 4 quarters, despite the macro challenges, the asset quality trend has remained quite strong. In fact, it has improved marginally over the last 4 quarters. Just wanted to get your sense what has changed on the ground? Has there been any change in terms of the collection effort in terms of the borrowing profile? And also, if you give some sense in terms of the improvement is largely due to the lower slippages or improvement in the rollback rates?

Manoj Viswanathan: The reason for the improvement, is maybe just a period of prolonged stability without any major macro issues. Of course, there has been increase in oil price, but it has not got fully transmitted at least in Indian market. So, stability always leads to a little bit improvement in the asset quality.

As far as the second question is concerned, largely it is coming because of slower incremental flows. So, new customers entering delinquency or new slippages at a slower pace, and that is what is contributing to a lower delinquency.

Vivek Singh: Okay, sir. There's also a concern going around that a lot of the delinquent customers resorting to other credit like gold loan and PL to pay the dues and become current. Have you done any kind of scrubbing of the portfolio to see if the account has cured that has them resorted to any such credit facility to pay their dues?

Manoj Viswanathan: Yes, we do periodic scrubs of our portfolio. At least over the last 3 years, we have not seen any significant changes in the ratio of customers taking other products. There is a certain ratio of customers who take gold loans, personal loans, etc, which seems to be static. There is no significant change in that. And we also know what is that ratio when they are at the point when they take the loan from us.

That also does not subsequently change too much. So, this discussion which is going on around customers borrowing from one source to pay off another could be mostly a different cohort of customers, customers who are mostly dependent on personal loans, etc, and may not be directly related to home loan.

Vivek Singh: Got it. And sir, in terms of your Stage 3 provision because if you see over the past 3 quarters, it has been hovering around 23% despite some challenges on the macro front, the inflation is on the rise. So, when was the last time that the ECL assumptions was recalibrated?

Manoj Viswanathan: We are now recalibrating the ECL assumptions every quarter.

Moderator: Next question is from the line of Varun Dubey from Share India.

Varun Dubey: Sir, just wanted to understand what would be the rejection rate? I mean the leads to disbursement rate this quarter versus the previous quarter? Has there been any increase in the rejection rate? And also wanted to understand, will you be slowing down on the disbursement, especially in drought prone areas?

Manoj Viswanathan: The rejection rate broadly stays in the same band. We are not seeing any fluctuation in recent times. And as I mentioned earlier, we don't have much exposure to drought-prone customers. Our customer base is largely people who are dependent on their livelihood in the services or manufacturing sector and who are living in larger cities. So, we don't have exposure to customers who have any vulnerability to the situations like drought or monsoons, etc.

Varun Dubey: Sir, one more question. I just wanted to understand last quarter, you did a 25% AUM growth. This quarter, it was 27%. But you're still saying that by Mar 2027, your target of AUM growth is 25%, so, whether you are too conservative or this 27% in this quarter was a one-off? How do you read it?

Manoj Viswanathan: We are working towards a 25% growth target, which effectively means that we have to hit a Rs. 20,000 crore number by Mar 2027. There are, of course, sometimes tailwinds which kind of take us there faster. So, this quarter, as you can see, we grew a little faster. We have always conveyed that there will be a 1% or 2% upside if there are tailwinds. But broadly, we are working towards the 25% number.

Moderator: Next question is from the line of Vivek Singh from Raise Securities.

Vivek Singh: Sir, just a data keeping question. What will be the share of repair and renovation in the overall portfolio?

Manoj Viswanathan: Repair and renovation are around 1% of our AUM.

Moderator: Next question is from the line of Adityapal from MSA Capital Partners.

Adityapal: Manoj, sir, just wanted to understand, when I look at the disbursement growth over the last 8 quarters, it has been a tale of somewhat 2 halves and we are sounding optimistic now. But if we were to just qualitatively state what was wrong earlier and what good is happening now? What has changed that we are seeing growth momentum back again?

Because on the ground also, you are seeing some strong momentum and with all the negative news surrounding us that is consumption slowdown, El Nino impact, rise in oil prices. So, just wanted your take on it. What are you hearing from the ground?

Manoj Viswanathan: What we are hearing from the ground is positive only at this point of time. First half of the year generally is slightly slower in this industry. And there is an uptick in Q3 and Q4 in housing. First half itself has been strong, we are expecting that momentum to kind of continue and to have a very good rest of the year. What we are hearing from the ground is good.

Demand is good across the board. And as you mentioned, we have tale of 2 halves. We have conveyed that, let's say, 3 quarters back, there were some external issues like the tariffs, etc, which impacted some of our markets. Tariff was a key factor. A lot of employers in our key markets like Gujarat, Tamil Nadu were actually negatively impacted by the tariff.

As a result of which there was employment slowdown, the production was a little slow. That changed around last October. That is one thing which changed. And internally, as we have mentioned earlier, in some of our markets, we had leadership challenges, which got addressed a few quarters back. So, post both these things changing on the ground, positivity has come back, and it is also being supported by good demand on the ground.

Adityapal: Sir, the next question is more internal. When we talk about AI, and we saw this quarter as well our opex to asset ratio coming down. You have already said that the productivity benefit will be 10 basis points. Going forward, do you see that in our efforts with AI there is some potential room to decrease our opex to asset ratio?

Manoj Viswanathan: Again, we are working towards a certain number, which is a 10-basis point reduction year-on-year. But yes, if AI delivers on its promise and we are able to really leverage it in a better way, then yes, there can be some downside to that number.

Adityapal: Because what I'm saying is that you all are among the few people who are deploying AI on an institutional level as well. Just wanted to understand from you if there was an optionality or not. And yes, you've answered all my questions. So again, wishing you all the way best.

Manoj Viswanathan: Thank you.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Manoj Viswanathan for his closing remarks. Over to you, sir.

Manoj Viswanathan: Thank you, everyone, for joining us today and for your continued interest in Home First. We hope we have addressed your questions. For any further queries, please reach out to Sunil Anjana or write to us on investor.relations@homefirstindia.com. Thank you, and wish you all a happy and safe Diwali.

Moderator: Thank you very much, sir. On behalf of Home First Finance Company India Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.